ADMINISTRATION

Penn State to receive performance-based funding in 2026-27 state budget

Pennsylvania adopts performance-based funding for the first time, boosting Penn State's state education appropriation

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The Pennsylvania General Assembly has approved a 2026-27 state budget that includes more than $4 million in new performance-based funding for Penn State, bringing the University's total education

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UNIVERSITY PARK, Pa. — The Pennsylvania General Assembly has approved a 2026-27 state budget that includes more than $4 million in new performance-based funding for Penn State, marking the University's first increase in state education funding since the 2019-20 fiscal year.

Penn State's traditional general support appropriation will remain at $242.1 million, bringing its total 2026-27 education appropriation to more than $246 million. The performance-based funding comes from a new $10 million pool established by the General Assembly for Pennsylvania's three state-related universities, with each institution's final allocation to be determined by the state's funding formula.

The funding is the first under **the performance-based model adopted by the commonwealth last November**, which ties a portion of state education funding for Penn State, the University of Pittsburgh and Temple University to student outcomes and institutional performance. Allocations are based on a formula that considers enrollment of Pennsylvania students — including full-time undergraduates, Pell Grant recipients and community college transfers — as well as performance measures such as graduation rates, production of high-demand degrees and affordability.

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The state's full budget package, which now heads to Gov. Josh Shapiro for his anticipated signature, also includes $57.7 million for Penn State Agricultural Research and Extension; $35.67 million for Pennsylvania College of Technology; and $2.35 million for Invent Penn State — each representing level funding from 2025-26.

Penn State President Neeli Bendapudi, **who has been a leading advocate for performance-based funding**, expressed appreciation for the state making this funding model possible.

"I want to thank members of the General Assembly and Gov. Shapiro for their leadership and partnership in making performance-based funding a reality in Pennsylvania," Bendapudi said. "This initial investment is an important first step that recognizes the essential role higher education plays in strengthening our commonwealth. The metrics at the heart of this model align closely with Penn State's mission and values. We are proud to help students from every background earn degrees that prepare them for meaningful lives and careers here in Pennsylvania, while contributing to the economic vitality of communities across the state."

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As Pennsylvania's largest public university and sole land-grant institution, Penn State educates more than 41,000 Pennsylvania-resident undergraduates from every corner of the state — students who benefit from lower in-state tuition rates made possible by state support. The University awards thousands of degrees each year in fields essential to the commonwealth's future, including engineering, healthcare, business, agriculture, education, information sciences and technology, the physical sciences and more. Beyond educating students, **Penn State contributes $15.8 billion annually to Pennsylvania's economy** and **attracted more than $1.4 billion in research funding** last year alone.

Through the programs and services offered by Penn State Extension, Penn State Health and Invent Penn State, the University also supports communities, advances health care and drives economic development across Pennsylvania.

The performance-based funding model was developed through years of bipartisan collaboration between policymakers and Pennsylvania's state-related universities to align public investment in higher education with student success metrics and the commonwealth's workforce needs.

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- "This budget reflects a shared commitment to aligning public investment in Penn State and our state-related peers with the outcomes that matter most to Pennsylvania," said Mike Stefan, Penn State vice president for Government and Community Relations. "We appreciate the leadership of the General Assembly and Gov. Shapiro in creating a model that recognizes student achievement, institutional accountability, and the critical role public universities play in meeting the commonwealth's workforce and economic development goals. This new funding is a welcome step that reinforces Penn State's partnership with the state and the value we deliver to communities across Pennsylvania.

- "However, we will need to continue our broad advocacy efforts due to funding not keeping pace with rising costs. It is our hope that this is a first step toward more consistent funding increases in the years to come, which will be critical to our efforts to continue providing a world-class education while keeping costs as low as possible for students and families."

Penn State's complete 2026-27 state appropriation breaks down as follows:

- **Performance-Based Funding:** More than $4 million (anticipated), with the final allocation to be determined by the state's performance-based funding formula.

- **General Support:** $242.1 million, representing level funding from 2025-26. This funding supports Penn State's education budget and helps the University provide an in-state tuition rate that saves each Pennsylvania-resident undergraduate an average of more than $17,600 per year relative to out-of-state rates.

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Agricultural Research and Extension: $57.7 million, representing level funding from 2026-26. These funds strengthen Penn State Extension and agricultural research programs that serve all 67 Pennsylvania counties and help the state's agriculture industry respond to evolving challenges such as invasive species and disease outbreaks. Agricultural research and extension programs are not funded by tuition, so appropriation increases are necessary to keep pace with rising costs and to leverage matching federal and county dollars.

Pennsylvania College of Technology: $35.67 million, representing level funding from 2025-26. A special mission affiliate of Penn State, Penn College offers approximately 100 academic programs focused on hands-on, applied technology education in high-demand career fields that are critical to a wide array of Pennsylvania industry sectors. This funding will benefit Penn College's growing enrollment of more than 4,700 students, 87% of whom are Pennsylvania residents.

Penn State Health and the College of Medicine: Funding was maintained at the same level as the 2025-26 budget. This funding, which is a combination of state and federal dollars distributed by the Pennsylvania Department of Human Services, is used for medical assistance to provide access to high-quality healthcare for Pennsylvanians with limited financial means, particularly in rural or underserved areas.

Invent Penn State: $2.35 million, representing level funding from 2025-26, as a co-investment with the University to drive statewide economic development. This funding will be used to strengthen and grow Invent Penn State's LaunchBox and Innovation Network, and to support access to the Pennsylvania Technical Assistance Program for small to medium enterprises.

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201 Old Main
University Park, PA 16802

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