



Outcomes-Based Funding Reform for Community Colleges

Landscape Scan of 26 States

September 2025

Purpose & Summary

- Bellwether conducted a landscape scan of 26 states' finance systems for public two-year institutions to identify where outcomes-based funding (OBF) reforms would be most feasible – advancing the JP Morgan Chase Foundation's (JPMCF) career and skills goals, as well as building on momentum from Texas' 2023 House Bill (HB) 8.
- To inform the landscape scan, Bellwether first worked to identify lessons from Texas' exemplar by reviewing literature and interviewing stakeholders.
- Then, the team reviewed publicly available information from each of the 26 states to understand its existing funding formula, surrounding political context, advocacy ecosystem, and fiscal and economic outlook.
 - In 12 states, Bellwether also conducted stakeholder interviews to ensure that findings accurately captured perceptions on the ground.
- Over a three-phase, iterative research approach, Bellwether and the Foundation worked together to narrow the pool of potential states from 26 down to 5:
 - Alabama, Arkansas, Georgia, Ohio, and Pennsylvania were identified as having high potential given a combination of fiscal, political, and advocacy indicators.
- Finally, Bellwether drafted suggested next steps and priorities for each of the 5 high-potential states given their unique environment and the maturity of their OBF-related policies.

This document provides a comprehensive overview of the landscape scan's methodology, research findings, and recommendations.

Contents

Methodology & Context	<u>Slide 4</u>
Profiles of High-Potential States <i>Organized by policy environment maturity</i>	<u>Slide 13</u>
Lessons from Community College Funding Reform in Texas	<u>Slide 39</u>
Appendix A: Interview Lists	<u>Slide 45</u>
Appendix B: Profiles of Lower-Potential States <i>Organized by level of potential, then alphabetically</i>	<u>Slide 49</u>

Context & Methodology



JPMCF's goal was to identify states with high potential to pursue community college funding reform

- JPMCF and other foundations have been increasingly focused on **improving field understanding and shifting state higher education finance policies.**
 - These efforts have yielded meaningful changes, including the adoption and ongoing implementation of HB 8 in Texas, which will shift the state's 2-year funding formula to be more outcomes-focused.
- A variety of forces (e.g., questions about the value of a four-year college degree, shifting labor market demands and job opportunities) and recurring state formula review windows will **create future opportunities to effect changes** in other states.
- As a result, **JPMCF seeks to better understand which states might be poised to pursue future changes** aligned with outcomes-based funding (OBF) in the near- or mid-term, as well as what investments might prove catalytic in those instances.
- **Bellwether has deep expertise** broadly on state education finance issues, and over the last two years, has been building its technical understanding specifically on higher education finance issues and supporting on-the-ground state partners in exploring policy change.

Bellwether thus conducted a landscape scan across 26 states to identify those with high potential to enact OBF-related reform for community colleges.

This process concluded with potential next steps in each state to inform the Foundation's future investments.

In addition to the landscape scan, the team conducted research identifying lessons from Texas' recent reform

Goals

1. **Deepen understanding** of the conditions and advocacy that made OBF reform possible in Texas
2. **Inform perceptions** of priority states and how investments might best be mobilized to achieve change
3. **Distill lessons regarding the role of philanthropy** to identify what might be replicable strategies elsewhere

Approach

1. **Review prior work and literature** to understand initial themes
2. **Interview key contacts in Texas** to pressure test and refine our hypotheses
3. **Synthesize the literature and interview themes** to identify relevant lessons that could apply to other states

The research approach for the landscape scan included 3 iterative phases and collaborative working sessions

Research Phase 1:

Initial Landscape Scan
(all 26 states)

Guiding Questions

- What is each state's current funding formula for its public two-year institutions, and where are there opportunities for reform?
- What is the policy, advocacy, and political ecosystem for policy change?
- What is the state's current fiscal outlook?

Research Phase 2:

Deep Dive + Interviews
(12 states)

Guiding Questions

- Who are the established stakeholders and their positions?
- What is each state's projected fiscal outlook in the near- and medium-term?
- Who might be the beneficiaries of future changes?

Research Phase 3:

Potential Avenues for Change
(1-5 states)

Guiding Questions

- Who might be best positioned to drive change or bolster momentum for reform?
- What might first steps toward reform look like?
- What types of investments would be meaningful and helpful for each state's context?

Working Session 1 (7/29):

Choose 10-12 states of interest to look at more closely

Working Session 2 (8/28):

Choose 1-5 high-potential states to focus deeply on

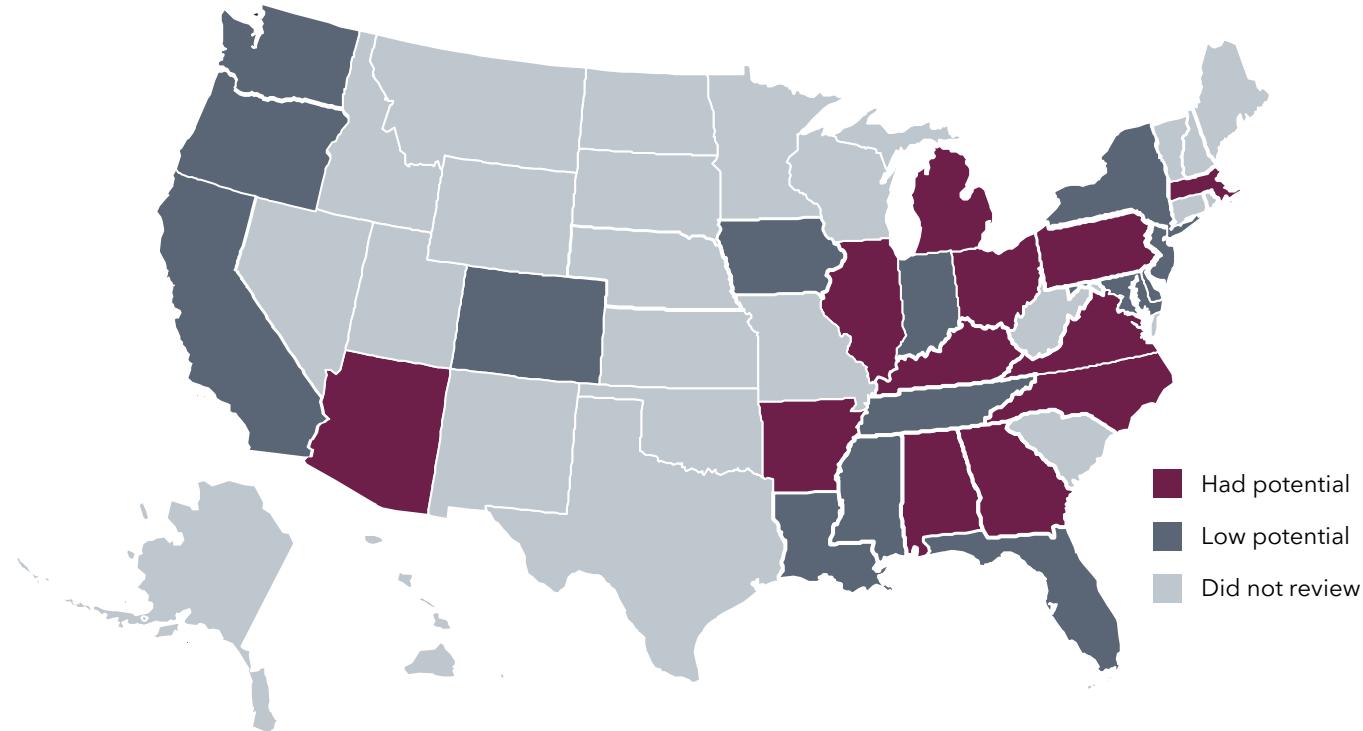
Working Session 3 (9/17):

Discuss potential next steps

The first phase identified 12 of the 26 initial states as having potential for future OBF reform

Common attributes of these states included:

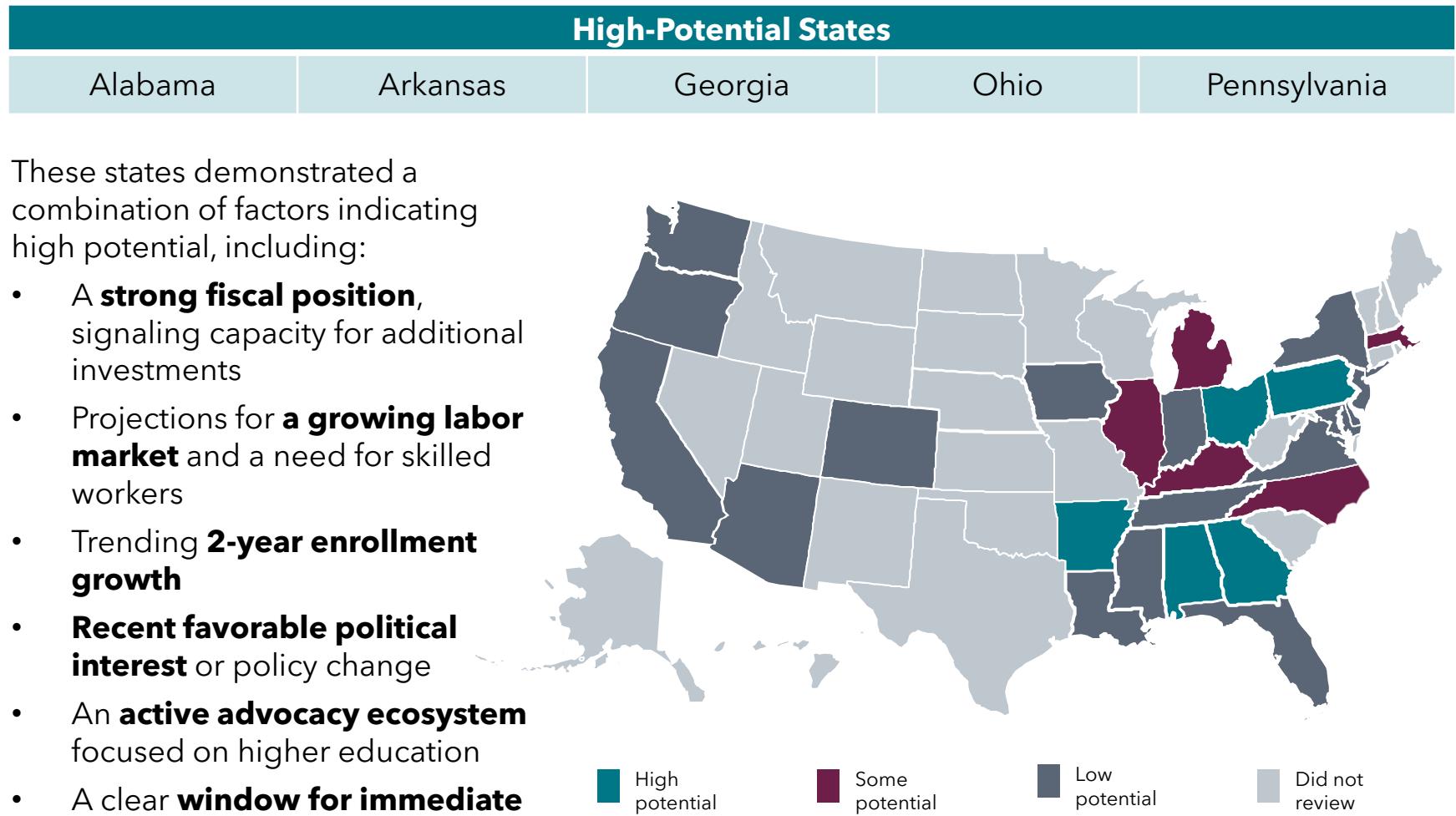
- 1) opportunity for **formula improvement**,
- 2) recent favorable **political or policy change**, or
- 3) an active **advocacy ecosystem invested in the issue**.



State	AL	AR	AZ	CA	CO	DE	FL	GA	IA	IL	IN	KY	LA
Had Potential	✓	✓	✓	✗	✗	✗	✗	✓	✗	✓	✗	✓	✗

State	MA	MD	MI	MS	NC	NJ	NY	OH	OR	PA	TN	VA	WA
Had Potential	✓	✗	✓	✗	✓	✗	✗	✓	✗	✓	✗	✓	✗

After the second phase of research and interviews,* 5 states emerged as having high potential for OBF reform



*A list of interviewees is included in [Appendix A](#).

Phase 3 then focused on identifying opportunities for next steps in each of the 5 states

Research Phase 3:

Potential Avenues
for Change
(5 states)

Guiding Questions

- **Who** might be best positioned to drive change or bolster momentum for reform?
- What might **first steps** toward reform look like?
- What **types of investments** would be meaningful and helpful for each state's context?

Each state includes a table that connects research findings to potential next steps:

Current State	Opportunity	Next Steps	Potential Partners
Fiscal, political, policy, or advocacy indicators of opportunity	A critical gap in the state's ecosystem that is preventing or will prevent future reform	Pathways JPMCF might consider to facilitate policy movement	Organizations and/or individuals that could partner on the corresponding next steps



Yellow stars indicate next steps that JPMCF might prioritize to generate near-term impact.

The 5 high-potential states were then organized by the maturity of their policies regarding OBF

Because all 5 states carry indicators of high-potential, it is more useful to **consider each state within the context of its policy environment and where it is in the policy cycle:**

Early

States may be exploring funding reform or outcomes-based formulas but have not decided on OBF as a policy proposal.



Advocates in Georgia are beginning to define the issue at hand and discuss how funding reform (including OBF) might be used as a policy lever within Georgia's specific situation.

In Progress

States have identified OBF as a policy platform to pursue but are still discussing details or building buy-in from other stakeholders.



OBF has been considered, but proposals have stalled due to lack of support and momentum, putting the state back at the beginning of policy formulation.



There is legislative movement and interest in OBF, but no consensus or platform around which stakeholders can rally.

Advanced

States have already adopted an OBF-focused policy and are moving into implementation and evaluation of that policy.



Arkansas adopted the 2025 ACCESS Act to integrate post-completion metrics into its outcomes-based formula and is in the early stages of implementation.



Ohio's budget bill sets up a pilot-type program for including post-completion metrics in its formula; lessons from this pilot may determine the reform's sustainability and longevity.

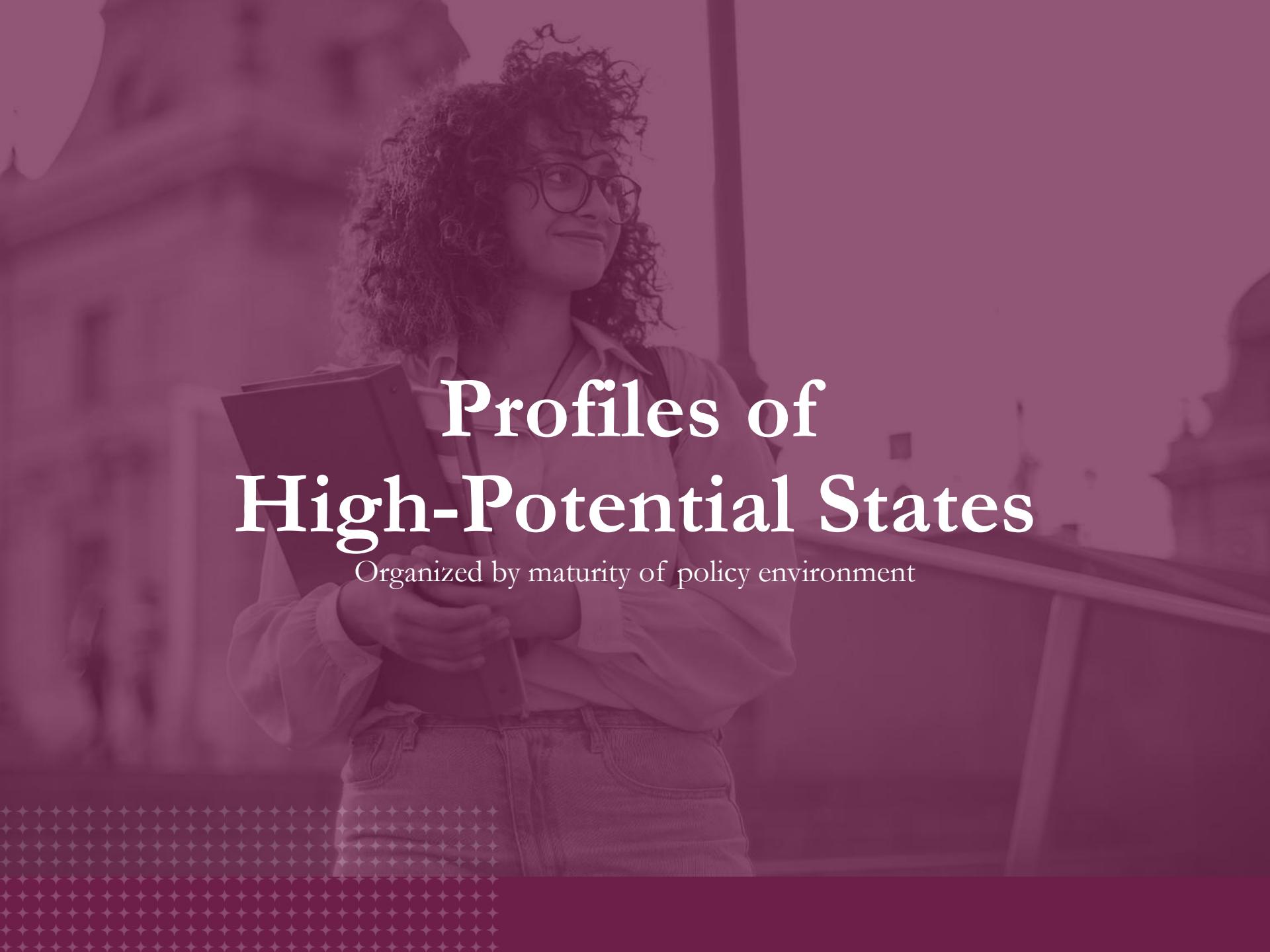
Proposed next steps thus reflect each state's policy maturity, its ecosystem needs, and its unique conditions

As a result, certain **states may share common themes in their opportunities and next steps**, even as **the details of those next steps may look different** given each state's unique environment, legislation, etc.

For example: Because Georgia, Pennsylvania, and Alabama are earlier in the policy cycle, they share a common opportunity for awareness-building and stakeholder engagement.



At the same time, Alabama, Pennsylvania, and Arkansas have smaller advocacy ecosystems, so those states have a common need to build advocacy capacity.

A photograph of a woman with dark, curly hair and glasses, wearing a light-colored button-down shirt and jeans. She is holding a dark clipboard or folder in her left hand and has her right hand near her chin, suggesting she is in deep thought or reviewing information. The background is slightly blurred, showing what appears to be an office or library setting.

Profiles of High-Potential States

Organized by maturity of policy environment

Georgia



No. of colleges	22
Fall 2024 Enrollment	148,000

Summary:

Georgia is early in the policy cycle and has a healthy advocacy ecosystem and fiscal outlook. There is emerging political interest in reform, but stakeholders need to generate better statewide awareness and align on a platform of priorities.

Current State of Funding

Georgia **does not have outcomes-based funding**. Its current formula is 25 years old and based on enrollment by type of program. Major challenges include dollar rates per student that are neither adjusted for inflation nor reflective of current program costs.

Indicators of High Potential for Reform

Advocates are increasingly considering funding formula reform as a potential solution to address student affordability, and they are beginning to bring policymakers along.

The **business community does not have a position on state funding systems but does support affordability and higher attainment goals**.

Georgia's economy, labor market, and tax revenue have outpaced projections, leading to healthy state coffers (including the education-specific lottery fund). Perhaps consequently, higher education appropriations have grown and recovered to pre-pandemic levels.

Georgia will likely need increased investment in community colleges, given steadily increasing 2-year enrollment and expected high growth in jobs that require some postsecondary training.

Themes for Potential Next Steps

Because Georgia is early in the policy cycle, potential investments should **build the foundation for change** by increasing awareness and gathering a coalition of interested stakeholders.

Georgia's current formula is outdated, not representative of current conditions, and does not contain OBF

The 2-year funding formula was created in 2000 and has not been revisited since.

It is largely enrollment-driven, with a small base component for operations and maintenance. **There is no funding linked to measures of student outcomes or institutional performance.**

Funding Category	Share of Total	Metrics Evaluated
Base	Unclear	Operations: a set rate (between \$3.74 and \$4.00) multiplied by square footage used for instruction
Enrollment-based Funding	Unclear, but the majority	Personal Services: 5 instructional clusters have assigned "factor rates" of dollars per credit hour, which are multiplied by enrollment data (with a 2-year lag)
Outcomes-based Funding	None	--

Opportunities for Reform include:

- **Incentivizing student outcomes:** The current funding system does not incentivize new or innovative programs, ensuring high program quality, or performance on student-based outcomes.
- **Updating the factor rates:** The instructional clusters used in enrollment calculations contain outdated classifications (e.g., computer science classified within the "Business" cluster), which lead to factor rates that are not reflective of program expenses. The factor rates are also not updated for inflation, despite the original rates being calculated in 2000.
- **Reducing the reliance on enrollment:** Total enrollment across all 5 instructional clusters must increase to see more funding, even if enrollment increases for high-cost programs.



Interest in OBF is nascent and driven by affordability concerns, but could be stoked by strong economic signals

Political

- **Gov. Kemp's focus on workforce has not extended to community colleges;** during his term, the only higher education-related initiatives he has championed have been dual enrollment opportunities.
 - The **2026 gubernatorial race** may be a window for change.
- **Legislative discussions typically center the merit-based HOPE Scholarship and HOPE Grant.**
 - A 2012 commission considered how to link funding to performance metrics, but the outcome of that effort is unknown.

Advocacy

- **Advocates are most concerned with affordability;** in 2025, they successfully asked legislators to establish a committee on postsecondary affordability.
- Recently, **some have begun to consider funding formula reform as a potential solution** for ensuring intentional resource allocation. However, many advocates are unaware of how the formula works or the role it plays in the funding landscape.
- The **business community remains tangentially involved in pushing for higher attainment** but does not have a position around OBF.

Fiscal & Economic

- **Georgia's economy has outpaced projections in growth:** in 2024, final revenue exceeded estimates by 7.6%, and the Higher Education Fund saw 7.2% increased revenue. The **funding levels for higher education have also steadily increased** over the past few years, overall recovering to pre-pandemic levels. Additionally, Georgia's lottery reserve fund, which is constitutionally dedicated to education, is robust at \$2.2B.
- **The labor market has also continued to grow;** in July 2025 Georgia hit a record high for number of jobs at 5 million, and the state is projected to reach 5.2 million by 2028. Occupations requiring some postsecondary training or a bachelor's degree are expected to add more jobs than those requiring a high school diploma.
- **2-year enrollment now exceeds pre-pandemic levels,** having seen year over year (YOY) growth for the first time since 2012.



Given Georgia's earliness in the policy cycle, investments into advocacy would build the foundation for future change

Current State	Opportunity	Next Steps	Potential Partners
While advocates have expressed interest in the funding formula, the ecosystem is not yet informed enough to create a cohesive movement and platform.	Increase awareness of state funding mechanisms and create energy for change	<p>Build advocate capacity to better understand higher education finance principles, as well as how those apply to Georgia's unique situation.</p> <p>Draw connections between affordability and the funding formula to align different stakeholders' priorities.</p> <p>Strategize communication efforts to develop resonant messages and ensure that efforts are coordinated, cohesive, and targeted.</p>	 Georgia Budget and Policy Institute (GBPI)  Achieve Atlanta; Georgians for College Affordability  Georgia Partnership for Excellence in Education (The Partnership)
The formula does not incentivize outcomes such as innovation, program quality, student outcomes, or increased enrollment in target sectors.	Align funding to drive student outcomes	<p>Convene working group(s) with cross-sector stakeholders and neutral facilitation to coordinate efforts and learning.</p> <p>Set up a public, interactive dashboard that reports funding levels and student outcomes.</p>	The Partnership GBPI; Georgia Policy Labs
Revenue-neutral principles and outdated clusters of instructional programs lead to factor rates that are not reflective of program expenses .	Calibrate funding rates to reflect real-world conditions	<p>Commission a cost-of-instruction study to provide recommendations on reclassifying programs and factor rates to reflect actual costs.</p> <p>Assist with start-up or modernization costs for programs that have been under-resourced or will lead to high-paying jobs.</p>	Technical College System of Georgia Georgia Chamber of Commerce



Yellow stars indicate next steps that JPMCF might prioritize to generate near-term impact.

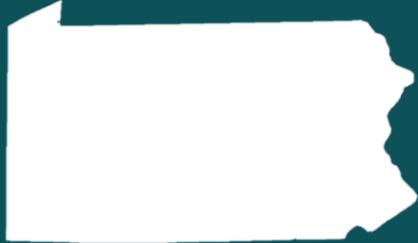
A few individuals in Georgia surfaced from our prior work as contacts for partnerships or additional information

Individual	Title & Organization	Notes
Dana Rickman*	Executive Director, Georgia Partnership for Excellence in Education	The Georgia Partnership for Excellence in Education focuses on the connection between K-12, higher education, and the workforce. Recently, the Partnership led the EdQuest Coalition, creating a platform focused on Georgia's attainment goal, and has engaged in learning conversations about the state's funding formulas.
Korynn Schooley*	Executive Director, Achieve Atlanta	Schooley has been heavily involved in advocacy efforts to make higher education more affordable in GA, including the recent successful push to create a legislative committee focused on the issue. Schooley has also worked with the Partnership to learn more about the state's funding formula.
Ashley Young*	Senior Education Analyst, Georgia Budget and Policy Institute	The Georgia Budget and Policy Institute annually tracks and analyzes the state budget to highlight trends in appropriations and spending. Young authors the education-focused analysis of the budget, as well as analyses of other education policy proposals. She has also led development of the Georgians for College Affordability coalition.
Sean Baser*	Senior Policy Analyst, State Higher Education Executive Officers Association	Baser formerly worked for the institutional research office in the University System of Georgia, which houses all public 4-year institutions. Through that role he became very familiar with both the state funding formula and institutional distribution methods.

* Interviewee.



Pennsylvania



No. of colleges	15
Fall 2024 Enrollment	95,000

Summary:

Outcomes-based funding was considered last year with the governor's support but ultimately stalled. Now, PA faces economic headwinds, so to see meaningful reform the state needs a cohesive platform that gains buy-in from a wider range of stakeholders.

Current State of Funding

Pennsylvania **does not have outcomes-based funding**. The current funding formula relies almost entirely on a base component set by the budget bill each year, and annual tweaks that make it complex and difficult for those outside the system to follow. Enrollment-based stipends may be added but require an increase to appropriations from the prior year.

Indicators of High Potential for Reform

Interest from the governor drove OBF-related conversations and a slew of changes to higher education in 2024, including a new State Board of Higher Education in 2024, and conversations that went as far as technical modeling of potential formulas.

Although these efforts were ultimately stymied by local opposition and other legislative priorities, they **laid the groundwork for future reform**.

A growing budget deficit, increased AI-related investments (as well as resulting labor market needs), and recovering 2-year enrollment could present both headwinds and opportunities for considering OBF as a policy lever.

The business community is likely one of the strongest advocates in the state, but it has no public position on OBF or formula reform.

Themes for Potential Next Steps

The lack of momentum in 2024 signals a need for PA to build its advocacy ecosystem and **create a platform around which stakeholders can rally to push reform forward**.

Pennsylvania's formula lacks OBF and, despite annual adjustments, has not been meaningfully changed in decades

Pennsylvania's formula for funding community colleges was codified in statute beginning in 2006.

Each year, the formula is tweaked through the budget bill: For example, in 2021 the legislature froze each college's operating grant at its fiscal year (FY) 2020 amount. In 2023, community colleges received a 6% boost in funding, but the legislature did not change how the formula allocated funds.

Funding Category	Share of Total	Metrics Evaluated
Base	Unclear, but the majority	Base operating cost: college's prior-year allocation Base Supplement: any leftover appropriations after subtracting prior-year allocations are distributed pro rata among colleges
Enrollment-based Funding	Unclear	New Growth Supplement: any college with an increase in full-time equivalent (FTE) enrollment over the prior 2-year period receives a portion of the appropriated pool Economic Development Stipend: an additional stipend calculated using workforce development enrollment
Outcomes-based Funding	N/A	--

Opportunities for Reform include:

- **Incentivizing student outcomes:** The current funding system does not incentivize new or innovative programs, high program quality, or performance on student-based outcomes.
- **Rebalancing disparities:** The current formula also preserves disparities in base funding amounts and does not provide additional money for workforce training or rapidly growing enrollment.
- **Simplifying complexity:** Because the formula has been tweaked in various ways since 2006, the final code is complex and lacks transparency.



Efforts to change PA's formula were driven by the governor's interest, but could be nurtured into reform

Political

- **Gov. Shapiro originally proposed performance-based funding for all publicly funded institutions**, which led to early simulations of OBF.
- **At the local level, OBF has become a politicized topic** due to the governor's involvement. Local opposition stymied 2024 efforts to design and implement OBF formulas.
- **However, the effort only continued for certain 4-year institutions.** In 2025, state legislators debated recommendations from the Public Higher Education Funding Commission, but changes are pending an FY26 budget.

Advocacy

- **The business community is likely the strongest advocacy lever in the state;** recently, the chamber of commerce testified in front of the state legislature emphasizing higher education's importance for labor market outcomes.
- **Otherwise, there are no advocacy organizations focused specifically on the state funding formula.** At best, the state faculty association advocates for increased overall appropriations.
- **College leaders may be interested in OBF reform** if it results in increased funding overall, but they would need to overcome local opposition.

Fiscal & Economic

- **PA faces a \$3.4 billion deficit** in FY25, which is projected to grow to \$6.7 billion by FY30 as expenditures outpace revenue growth due to ongoing corporate tax cuts and macroeconomic conditions.
- **State leaders are looking to attract AI-related investments like data center and energy infrastructure projects, with the hopes that they will drive labor market growth and demands for skilled workers.** For example, Amazon recently announced a historic \$20B investment – the state's largest-ever economic project – to build two data center complexes; the governor touted the potential for "thousands of good-paying, stable jobs."
- **2-year enrollment in PA has only just begun to recover** after major pandemic-era declines: FY25 was the first year to see an increase in enrollment in several years.



Prior proposals have stalled out, but cohesive advocacy with specific recommendations could move discussions forward

Current State	Opportunity	Next Steps	Potential Partners
<p>Interest from the governor has generated conversations about OBF.</p> <p>Community college leaders may be interested in changing the formula, but PA lacks sustained energy and cohesive advocacy efforts.</p>	Build a platform that generates energy for change	Convene working group(s) with cross-sector stakeholders to align on priorities, discuss concerns, and generate recommendations for a future policy proposal around which advocates and policymakers can rally.	State Board of Higher Education; PA Commission for Community Colleges; Association of Pennsylvania State College & University Faculties; Pennsylvania Chamber of Business and Industry
<p>The current formula is complex due to annual tweaks and lacks transparency.</p> <p>There are no advocacy organizations focused on higher education funding.</p>	Increase awareness of state funding mechanisms	Build advocate capacity to better understand OBF and how a formula could work for PA.	PA Commission for Community Colleges; Education Policy and Leadership Center;
		Publish a plain-language resource (e.g., "PA Community College Funding 101") for advocates to use and share.	Keystone Research Center; Institute for Research on Higher Education
<p>The current formula is not grounded in state priorities and does not incentivize student outcomes.</p> <p>The recent performance-based funding council generated recommendations for creating an OBF formula for certain 4-year institutions.</p>	Align funding to drive student outcomes	Collect and share lessons from the performance council and any implementation efforts so that current efforts can inform later conversations about a 2-year OBF.	State Board of Higher Education; PA Commission for Community Colleges
		Set up a public, interactive dashboard that reports funding levels and student outcomes.	Pennsylvania Clearinghouse for Education Research; Pennsylvania State Data Center



Yellow stars indicate next steps that JPMCF might prioritize to generate near-term impact.

A few individuals in Pennsylvania surfaced from our research as contacts for potential partnerships

Individual	Title & Organization	Notes
<u>Dr. Tuesday Stanley*</u>	President, Pennsylvania Commission for Community Colleges	The Pennsylvania Commission for Community Colleges is a nonprofit membership organization (not a state agency) and the primary advocacy organization for all the state's community colleges. Dr. Stanley is a former college president and was involved in the 2024 discussions of outcomes-based funding for 2-years.
<u>Dr. Kate Shaw*</u>	Executive Director, PA State Board of Higher Education	The newly-created State Board is leading a performance-based funding council to generate recommendations for an OBF to distribute funding to certain 4-year institutions.
<u>Dr. Stephen Herzenberg</u>	Keystone Research Center	Keystone Research Center is a policy research organization. It has argued that public college funding in PA remains far below pre-Great Recession levels and advocates for boosting state higher-ed appropriations, expanding need-based aid, and providing free tuition for lower-income students.
<u>Marc Stier</u>	Pennsylvania Policy Center (PPC)	The PPC analyzes state budget priorities, including education funding; however, it has not written extensively on higher education finance or the state funding formula.

* Interviewee.



Alabama



No. of colleges	24
Fall 2025 Enrollment	86,000

Summary:

Alabama is poised to consider and enact outcomes-based reform, but advocates and policymakers need more information to sustain interest and make sound decisions.

Current State of Funding

Alabama currently sets aside about **10% of community colleges' operations funding to flow through an outcomes-based formula**. The exact amount fluctuates yearly, likely due to state appropriation levels.

The formula was implemented in 2019, and early research found **little evidence of effectiveness**. However, there has been no additional research to confirm these findings, nor has the formula been adjusted.

Indicators of High Potential for Reform

Recent legislative interest, driven by K-12 reform, has culminated in a joint legislative committee on education focused on OBF reform.

However, the existing 2-year formula was not discussed, and some legislators pushed back on additional funding for higher education, while others seemed unsure of the goals of OBF and its applicability in AL.

By several indicators, Alabama's economy has been steadily growing post-pandemic, leading to higher tax revenues and a healthy Education Trust Fund. The state labor market is expected to grow over the next several years, and unemployment recently hit a historic low in early 2023.

The business community could be strong allies for reform, but there hasn't been a concerted effort to engage them in the conversation.

2-year enrollment is growing faster than the national average, recently seeing about a 10% increase. Correspondingly, state investment into community colleges has seen an upward trend over the last few years.

Themes for Potential Next Steps

Next steps should take advantage of the political interest in OBF to **catalyze reform efforts** by providing key decision-makers with relevant information and building an advocacy platform.

90% funding flows through a historical base, creating an opportunity to discuss incentive alignment

The current performance-based funding formula was developed over 2015-2018 and implemented in 2019; it was revisited most recently in 2020, but no next steps were publicly released.

The outcomes-based component is recommended to be 10% of the state appropriations for community college operations; however, one stakeholder noted that this fluctuates yearly.

Funding Category	Share of Total	Metrics Evaluated
Base	~90%	Prior-year allocation: the amount a college received the prior fiscal year Fixed allocation: a fixed amount every college receives, determined by the legislature
Enrollment-based Funding	Included below	--
Outcomes-based Funding	~10%	Completions: number of associate degrees and certificates awarded, weighted at 150% for completion by career and technical education (CTE) students and 125% each for completion by minority, adult, and Pell Grant-receiving students Progression: number of students attaining 12, 24, and 36 credit hours

Opportunities for Reform include:

- **Re-aligning incentives:** While having a large base component creates stability, it is unclear whether the amount allotted for outcomes-based funding is enough to truly drive behavioral change. Early research studying the formula found that college leaders often were uninterested or unknowledgeable about the formula and aside from increasing career and technical education, did not make meaningful changes to better serve students.
- **Better linkage of data and funding:** When the formula was first implemented, colleges had to update their data infrastructure; colleges may have more and better data now to inform future outcome-based formulas.



Alabama's political and economic conditions position the state favorably for OBF reform

Political

- **Gov. Ivey has indirectly prioritized community colleges' funding** through her focus on workforce development.
- The **state legislature has recently funded community colleges at higher levels than expected**: For FY26, the governor requested \$711M, the initial appropriations bill proposed \$792M, and the final appropriation was \$794M.
- **Legislators are interested in OBF**: A joint legislative committee is meeting throughout the fall to discuss OBF-based reform, but there is not yet a concrete proposal or set of desired changes.

Advocacy

- **The business community has not yet taken a position on OBF** but generally advocates for increased overall funding levels.
- **Strong advocacy coalitions were built around the recent K-12 reform**, which could provide avenues for strategic communication efforts.
- **Higher education advocates are paying attention to legislative efforts** but need more information to build coalitions and platforms.
- **Community college leaders do not seem to be involved** in or driving the conversation around funding reform.

Fiscal & Economic

- **Alabama's GDP has been steadily rising** from 2021-2024 and is expected to continue in 2025. Tax revenues have correspondingly increased, and the Education Trust Fund balance has quadrupled from 2021-24.
- **The state labor market is growing** and expected to add 150K jobs between 2022 and 2032, and the state unemployment rate recently hit a historic low at 1.9% in early 2023.
- **There is a mismatch between demand and supply in the labor market**: Most jobs in the state (58%) require some postsecondary education but not a degree, but only 47% of Alabamians have this training.
- **Community college enrollment is also growing faster than the national average** – between spring 2024 and spring 2025, Alabama colleges saw a 9.8% increase, compared to the national average of 5.4%.



Interest from legislators opens a window of opportunity, but advocates and policymakers need more information

Current State	Opportunity	Next Steps	Potential Partners
Alabama's 2-year formula is not publicly accessible , and legislators seem unaware of past OBF efforts.	Increase awareness of state funding mechanisms and create energy for change	<p>Build advocate capacity to better understand higher education finance in Alabama.</p> <p>Sponsor strategic messaging through convenings, websites, and coalition-building.</p> <p>Publish straightforward, accessible resources for interested policymakers.</p> <p>Convene cross-sector working group(s) with neutral facilitation, and technical modeling support.</p>	   
Early research found that the current formula does not seem to drive meaningful change .	Learn from past efforts to link state funding to student outcomes	<p>Set up a public, interactive dashboard that reports funding levels and student outcomes.</p> <p>Fund additional impact research evaluating the current formula's effectiveness.</p>	Public Affairs Research Council of Alabama Dr. Tyshun K. Nevith (researcher)
There is a sizable skill gap between the labor market and credential rates.	Better align higher education and workforce needs	<p>Nurture education-business partnerships to better understand state needs.</p> <p>Assist with start-up or modernization costs for programs in target workforce sectors.</p> <p>Promote wraparound supports so that students can complete their program and reap its benefits.</p>	 Innovate Alabama The Birmingham Promise; Alabama College Attainment Network



Yellow stars indicate next steps that JPMCF might prioritize to generate near-term impact.

A few individuals in Alabama surfaced from our research as contacts for potential partnerships

Individual	Title & Organization	Notes
<u>Chandra Scott*</u>	President, Alabama Possible	Alabama Possible has worked closely with community colleges and mainly promotes affordability policies such as simplifying FAFSA. However, Chandra has been involved with and present for the recent legislative conversations about OBF, and plans to continue engaging legislators, institutional leaders, and other advocates to build a cohesive OBF policy proposal platform.
<u>Boone Kinard*</u>	Executive Director of External Affairs, Alabama Community College System	Because the current 2-year formula is not publicly accessible, it is mostly staff like Kinard who can share details regarding how the formula and its outcomes-based component works.
<u>Dr. Tyshun K. Nevith</u>	History Department Chair, Calhoun Community College	Dr. Nevith's dissertation research examined the effectiveness of the 2-year funding formula during its first year of implementation. His research found little evidence that the formula incentivized changes to college leaders' behavior, much less driving student outcomes
AL Sen. Arthur Orr	AL State Senator, R-Decatur	Sen. Orr currently chairs the Joint Legislative Committee on Education and has led the recent interest in outcomes-based funding for higher education. However, Sen. Orr and his office have not yet discussed a specific policy platform.
AL Rep. Danny Garrett	AL State Representative, R-Trussville	Rep. Garrett led the effort to reform the K-12 funding formula and also sits on the Joint Legislative Committee on Education.

* Interviewee.



Arkansas



No. of colleges	22
Fall 2024 Enrollment	43,500

Summary:
 Smooth and successful implementation of the ACCESS Act's requirements will necessitate inviting diverse stakeholders into the conversation to develop a formula that has widespread support.

Current State of Funding

Arkansas' formula is already 100% outcomes-based and includes weighted adjustments for underserved students and rural and/or smaller institutions. The formula also includes an "efficiency" category that evaluates core expenses and salaries.

Indicators of High Potential for Reform

The recently-passed the 2025 ACCESS ACT will add "ROI" metrics to the existing formula. These might include post-enrollment earnings, baseline earnings, and/or cost of attendance, but the exact formula has not yet been determined.

The Arkansas Division of Higher Education (ADHE) began development in summer 2025, with full implementation expected by FY27. The ACCESS Act leaves much of the details to be determined through the rulemaking process, allowing for greater input and influence from concerned stakeholders.

Despite lukewarm projections for revenue and 2-year enrollment, over the next several years **the state labor market is set to grow, with jobs requiring a bachelor's degree comprising most of the growth.**

The business community has not publicly expressed support for the ACCESS Act but has supported performance-based funding in the past.

Themes for Potential Next Steps

With a new formula currently in development, potential investments could facilitate stakeholder input and data availability to **influence the state's future funding system.**

Arkansas already has a robust OBF with weights reflecting state priorities and a unique efficiency category

The formula was developed in 2017 and is reviewed every 5 years; the next cycle begins in 2026. Each metric is weighted for underserved students, then scaled down to account for smaller or rural institutions. An overall decrease in outcomes leads to a 2% reallocation to colleges with an overall increase, but a college cannot lose more than 5% of its 2018-19 funding.

Funding Category	Share of Total	Metrics Evaluated
Base	N/A	--
Enrollment-based Funding	N/A	--
Outcomes-based Funding	Effectiveness: 90%	Credentials: number of certificates and associate degrees awarded Progression: number of students meeting 15, 30, and 45 credit hours Transfer Success: number of students who transferred successfully to an in-state 4-year institution with 30+ transferable credit hours Gateway Course Success: completions of math, English, and reading gateway courses with A, B, or C grades
	Affordability: 10%	Time to Degree: number of students who graduated within 24 months Credits at Completion: number of students who graduated with 60+ credit hours
	Efficiency: Additional +/- 2%	Core Expenses Ratio: ratio of instructional versus administrative expenses, per FTE Faculty to Administrator Salary Ratio: ratio of faculty to administrator salaries, per FTE

Opportunities for Reform include:

- **Careful modeling of distributional impacts:** Introducing post-completion metrics into an already-robust formula will require nuanced discussions on how it will ultimately affect institutions' funding levels.



Even with limited advocacy and fiscal uncertainty, the ACCESS Act is changing the metrics in Arkansas' OBF

Political

- **Gov. Sanders prioritizes higher education** and workforce, with the legislature's support.
- **The state legislature recently passed the 2025 ACCESS Act**, which directs ADHE to consider ways to incorporate "ROI" metrics (post-enrollment earnings, baseline earnings, and cost of attendance) into the formula.
 - Full implementation of the new formula is expected by FY27. The Act leaves many of the details to be determined through the rulemaking process.

Advocacy

- The **business community was originally supportive of performance funding**, but there do not seem to be recent positions or advocacy efforts.
- Otherwise, there **is not a robust advocacy ecosystem** focused on higher education.

Fiscal & Economic

- **Arkansas has seen declines in revenue** due to multiple tax cuts approved in 2023 and 2024, but **projections are forecasting budget surpluses** over FY26 and FY27. Market volatility and uncertainty have led to reductions in the forecasted surpluses, however.
- Arkansas' **labor market is projected to grow** by 6.18% by 2032, **with jobs requiring a bachelor's degree comprising most of the growth**.
- Community college **enrollment has consistently declined since 2013**, with an overall drop of 10.4% from 2013-2024. Since 2021, enrollment has increased year over year but **has not recovered to pre-pandemic levels**.



Providing nuanced and timely information will be critical for effective implementation of the new requirements

Current State	Opportunity	Next Steps	Potential Partners
The 2025 ACCESS Act expects post-completion metrics to be incorporated into AR's formula by FY27, but in the meantime leaves much of the details to be determined through the rulemaking process.	Provide input on implementation of post-completion metrics	<p>Convene a roundtable of diverse stakeholders to stress-test options and produce recommendations for implementation. </p> <p>Support modeling efforts to understand how different formulas might change institutional funding and student experiences. </p> <p>Draft model rule language or comment toolkits for advocates to solicit additional perspectives and facilitate wider conversations.</p> <p>Publish resources on best practices from research or other states' experiences with incorporating post-completion metrics. </p> <p>Support a pilot of the new metrics across a smaller set of colleges by funding studies that can generate recommendations for later statewide implementation. </p>	AR Higher Education Coordinating Board; Arkansas Community Colleges; Forward Arkansas; Arkansas Chamber of Commerce Arkansas Policy Foundation; Arkansas Public Policy Panel; Office for Education Policy at the University of Arkansas AR Division of Higher Education
There are no advocates focused on higher education finance.	Increase awareness of state funding mechanisms	<p>Build advocate capacity to better understand OBFs and how they could work in Arkansas.</p> <p>Publish plain-language resources (e.g., "Arkansas Community College Funding 101") for advocates to use and share.</p>	Forward Arkansas Office for Education Policy at the University of Arkansas



Yellow stars indicate next steps that JPMCF might prioritize to generate near-term impact.

A few individuals in Arkansas surfaced as contacts for additional information or future partnerships

Individual	Title & Organization	Notes
<u>Ben Kutylo*</u>	CEO, Forward Arkansas	Forward Arkansas works across the education continuum (K-12 to college/career) to promote equitable, innovative policy reforms. Recent efforts have focused on K-12 reform, but the organization is well-connected to other advocates in the state.
<u>Josh McGee*</u>	Associate Professor, Office for Education Policy at the University of Arkansas	The Office for Education Policy is a research center at the University of Arkansas, focused on providing evidence-based research to support policymakers in decision-making. They do not have a specific position on AR's higher education funding formula, though.
<u>Kenneth R. Hall, J.D.</u>	Executive Vice President, Arkansas State Chamber of Commerce	The Arkansas State Chamber of Commerce advocates for the needs of the business communities across Arkansas and includes a focus on P-20 Education and Workforce. The Chamber also published " <u>Arkansas Advantage 2030</u> ," an advocacy platform emphasizing the importance of strategically aligning education and workforce needs.
<u>Greg Kaza</u>	Executive Director, Arkansas Policy Foundation	Arkansas Policy Foundation emphasizes tax and education reforms through policy research. The organization published a high-level analysis of higher education funding in 2024 but does not have a dedicated focus or platform for the topic.

* Interviewee.



Ohio



No. of colleges	22
Fall 2024 Enrollment	104,000

Summary:

As Ohio administrators develop a new formula to implement the budget bill's requirements, they will need thoughtful input, resources on effectiveness, and diverse perspectives.

Current State of Funding

Ohio's formula is 100% outcomes-based and includes rates calculated using average statewide costs, disaggregation by program type, and adjustments for underserved students. This formula was developed in 2015 and last reviewed in 2022.

Indicators of High Potential for Reform

Ohio legislators are interested in creating a new OBF formula that incorporates employment-related "ROI" metrics. The FY26 and FY27 budgets included a ~\$23 million carve-out to be distributed to community colleges using this new formula. **This timeline and funding creates a natural opportunity for a pilot that could inform future implementation.**

Employment-related OBF garners high support across stakeholders, including the business community, legislators, the Chancellor of Higher Education, and the governor.

Ohio's labor market is projected to see high growth in jobs that require postsecondary training.

Community college enrollment has steadily increased over the past few years, although the growth has been uneven across the state's rural versus urban communities.

Themes for Potential Next Steps

Adding post-completion metrics could significantly alter funding levels; careful implementation will be critical. Potential next steps could **provide information and research capacity** to ensure that it works as intended to boost students' outcomes.

Ohio's formula is 100% outcomes-based and uses program costs that are regularly averaged across the state

The current performance-based funding formula was implemented beginning 2015 and last reviewed in 2022. Certain metrics are weighted for underserved students; these weights were debated in 2022, but unchanged.

50% of the outcomes component uses cost models based on average statewide costs, disaggregated by level of course and subject area. These are calculated annually to be reflective of current program costs.

Funding Category	Share of Total	Metrics Evaluated
Base	N/A	--
Enrollment-based Funding	N/A	--
Outcomes-based Funding	100%	Course Completions: the average cost statewide multiplied by 3-year weighted average of credit hours completed Student Success Factors: 3-year weighted average of students who have completed the first 12, 24, or 36 credit hours Completion Milestones: <ul style="list-style-type: none">- Completed associate degrees: 3-year weighted average- Completed technical certificates: 3-year weighted average- Number of transfers: 3-year weighted average of students who transferred to a 4-year institution

Opportunities for Reform include:

- **Calibrating the costs of educating at-risk students:** The 2022 review task force found that a "persistent theme" among leaders was frustration over how to identify academically under-prepared students.
- **Strengthening data collection:** The 2025 budget bill included a proposal to incorporate retention metrics, but it was eventually struck out of the bill due to lack of available data.



Legislators want a new formula that uses employment outcomes; advocates are cautiously supportive

Political

- In the FY26-FY27 biennium budget bill, **House lawmakers carved out \$100M from state appropriations to be distributed via a new formula** “based on retention and employment outcomes of graduates.” Of the total, two-year colleges would receive about 23% of the pot.
- **The governor vetoed the retention metrics** due to data limitations; however, **the employment outcomes survived and will be implemented.**
 - The Chancellor of Higher Education has been a longstanding proponent of the idea.

Advocacy

- Some advocates **worry that employment and earnings-related outcomes do not capture the full value of higher education** and can discourage students from lower-paying but high-demand jobs.
- Others see **post-completion outcomes as a lever to ensure students access high-quality programs** that will not leave them burdened with debt.
- **The business community is supportive of the idea;** however, all stakeholders were cautious to point out that **the success of the formula change depends heavily on its implementation.**

Fiscal & Economic

- Ohio's GDP, labor market participation rate, and wages all saw growth throughout 2024. By 2032, OH is projected to add 58,000 jobs, with **high growth in jobs that require postsecondary training.**
- However, one report noted **that two decades of tax cuts have deprived Ohio of needed revenue** that would have driven improvements to higher education, especially since higher education appropriations are a single line item and put 2-year and 4-year institutions in competition with each other.
 - Future proposals for a flat income tax or removing property taxes could further jeopardize the higher education budget.
- **2-year enrollment has steadily increased and almost recovered from pandemic-era declines,** but stakeholders note that growth is uneven across the state's different regions.



Ohio's advocacy ecosystem is strong, but hasn't yet engaged in the development of the new ROI-based formula

Current State	Opportunity	Next Steps	Potential Partners
<p>The legislature's directive to create a new formula that uses employment metrics provides a natural opportunity to have conversations around intentional formula design.</p>	<p>Provide thoughtful input on how employment metrics might be leveraged in an OBF</p>	<p>Convene a roundtable to stress-test options and produce consensus recommendations for the new formula.</p> <p>Publish resources on best practices from research or other states' experiences with implementing post-completion metrics.</p>	<p>Ohio Excels; Ohio Association of Community Colleges; Complete to Compete Ohio Coalition</p> <p>Policy Matters Ohio; The Buckeye Institute</p>
<p>The \$23M carve-out that will be distributed over FY26 and FY27 creates a natural "pilot" period; lessons tracked throughout this time can inform later formula discussions and design.</p>	<p>Monitor the new formula's effectiveness</p>	<p>Commission a study of the new formula that can generate critical information about the new formula's effectiveness, as well as recommendations for if Ohio were to implement these metrics in its full formula.</p> <p>Facilitate feedback loops through regular debriefs or convenings to understand what is working or where there are pain points.</p>	<p>Ohio Association of Community Colleges; Ohio Department of Higher Education</p> <p>Ohio Excels; Complete to Compete Ohio Coalition</p>
<p>College leaders worry over how to identify at-risk students, as well as how to calculate the cost of educating them to award completion.</p>	<p>Widen the conversation beyond employment outcomes to address leaders' other concerns.</p>	<p>Sponsor a study on how the new metrics may impact or change the experience of under-prepared/at-risk students (and vice versa). This information could also be used if Ohio were to implement post-completion metrics into its full formula.</p>	<p>Ohio College Access Network; Policy Matters Ohio</p>



Yellow stars indicate next steps that JPMCF might prioritize to generate near-term impact.

Several individuals emerged from our research as contacts for potential partnerships or additional information

Individual	Title & Organization	Notes
<u>Lisa Gray</u> and <u>Kevin Duff</u> *	President and Executive Vice President, Ohio Excels	Ohio Excels represents the business community and regularly advocates for a platform of legislative priorities. They are aware of the new formula but have not yet engaged with its implementation.
<u>Greg Lawson</u> *	Research Fellow, The Buckeye Institute	In Jan. 2025, The Buckeye Institute published a report written by Lawson advocating for inclusion of post-completion outcomes. Lawson also serves as the Institute's liaison to legislative and executive policymakers.
<u>Piet van Lier</u> *	Senior Researcher, Policy Matters Ohio	Policy Matters Ohio routinely analyzes Ohio's budget and policy proposals. Although the organization has focused on higher education in the past, it cannot currently dedicate an FTE to higher education. Nonetheless, in 2025 van Lier testified to the House Workforce and Higher Education Committee regarding the higher education budget and the potential new funding formula.
<u>Jason Glover</u>	Senior Budget Analyst, Ohio Legislative Service Commission	Glover writes detailed handbooks on higher education funding for policymakers; he is likely one of the individuals most familiar with Ohio's formulas.
<u>Frederick Church</u>	Vice Chancellor of Research and Data, Ohio Department of Higher Education (ODHE)	ODHE recently released a report detailing outcomes on post-completion metrics from all Ohio institutions. Church led this effort and is likely best situated to assist with modeling the distributional impacts of a new formula.

* Interviewee.



A black and white photograph of a young woman with dark hair, smiling broadly. She is holding a large, thick book open above her head with both hands. Her expression is joyful and she appears to be outdoors.

Lessons from Community College Funding Reform in Texas

Bellwether interviewed leaders in Texas to understand the role of philanthropy in driving community college funding reform

Philanthropy's role in the reform was vital and took different forms over time.

Most importantly, funders:

- **Engaged deeply for years prior** to the passage of House Bill 8 (HB 8), allowing for the building of trust and knowledge of local context that was vital to the reform.
- **Bolstered research and analytic capacity** infrastructure that supercharged what the commission was able to achieve.
- **Helped "create a sense of inevitability"** by hosting convenings, sponsoring learning tours and regional conversations, and engaging media.
- **Lent national credibility** to the reform effort by providing logos and other collateral that signaled trust and legitimacy.
- **Remained involved during the implementation phase**, a critical time that can set the reform up as a national model of success.

"There was a coalition built, and there was trust from funders, advocates, and practitioners [because] we had worked together on other things...You didn't have to start from scratch. And it wasn't philanthropy parachuting into the state saying, 'All right, let's do this thing.' The conditions were right because **philanthropy had been a trusted partner for a long time."**

HB 8 followed a multi-year planning and design process, with philanthropy engaged throughout

Texas Community College Funding Reform Timeline

May 2021: The Texas legislature establishes the Commission on Community College Finance through the passage of SB 1230.

June 2023: House Bill 8 is signed into law.

Philanthropy remains engaged through participation and investment in stakeholder meetings and continued modeling.

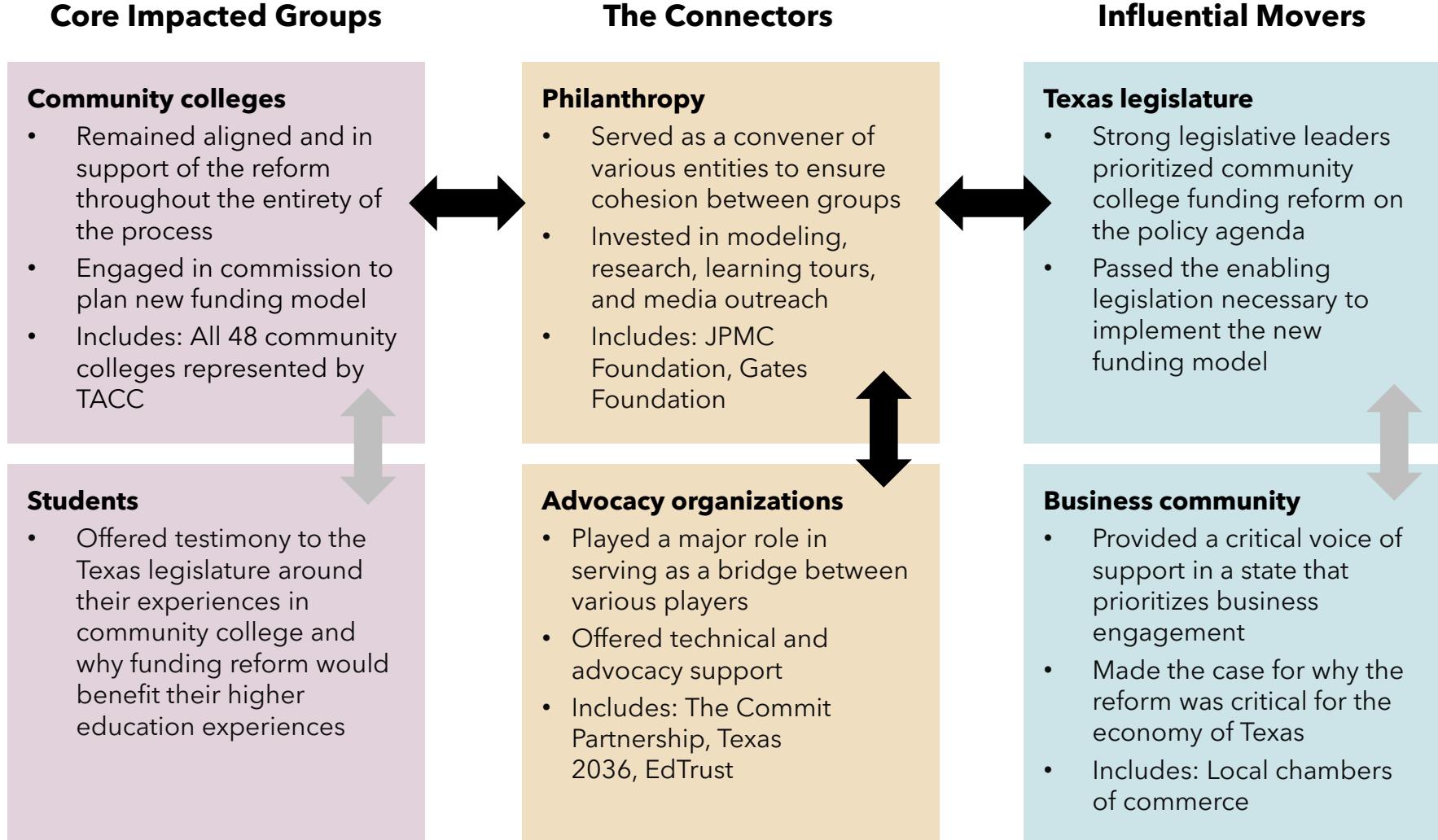
November 2021 - October 2022: The commission holds seven public meetings, culminating in a final report with recommendations on reforming the community college funding system.

In the lead up to the passage of the bill, philanthropy continued to invest in research, while also lending public backing (e.g., logos) to the bill. Funders also brought students and other stakeholders to testify.

During this phase, philanthropy invested in research and modeling, hosted learning tours, and organized convenings.

2025: The Texas legislature continues to make amendments as implementation proceeds.

Philanthropy was a crucial connector for the numerous stakeholders engaged in the reform



Several unique conditions made the Texas reform successful

Commission laid the groundwork for reform

We heard repeatedly that the **creation of the Texas Commission on Community College Finance was essential** to bringing together stakeholders, allowing for space to lay out key principles of a new formula, and providing the blueprint for what the revised formula would look like to the legislature.

"Our situation is a bit unique in that we started with a commission on community college finance...it laid the groundwork for why HB 8 passed unanimously and why it was so effective."

The state "had another commission that was focused on public school finance. They saw that and said, 'We can do this for higher education finance.'"

Philanthropy moved the work forward

Philanthropy invested in **learning tours, financial modeling, and other key outreach and analysis** that drove the reform forward.

Philanthropy invested in "regional conversations and learning tours...to create momentum around this."

"It's always hard for these short-term commissions...to have the type of research capacity and data infrastructure...to bring in the national perspectives...and do things like financial modeling...I don't think that could have been done at the same level if it were not for philanthropy."

"The legislative process is always going to be there, but you need an external organization who is going to rally the troops."

New funding garnered broad support

House Bill 8 represented a **massive investment in funding for community colleges** – one of the key reasons why there was unanimous support from the community colleges for the bill. The legislation didn't create any "losers," which we heard made it easier to sell the colleges on the reform.

"It's also important to understand that these are new state dollars flowing to community colleges; it's not as though the state pulled back any existing funding. But House Bill 8 essentially created a new baseline so colleges could continue to improve over time and get rewarded for that in the long term. This is an influx in funds that community colleges have not seen from the state in decades."

A group of diverse graduates in caps and gowns are holding their caps up in front of a large, ornate building with many windows and architectural details. The graduates are smiling and appear to be celebrating. The image has a circular white border on the right side.

Thank You

A photograph of a person from the side, wearing a dark t-shirt, looking down at a whiteboard and writing with a black marker. The whiteboard has some faint, illegible markings.

Appendix A: List of Interviewees

State Profile Interviews

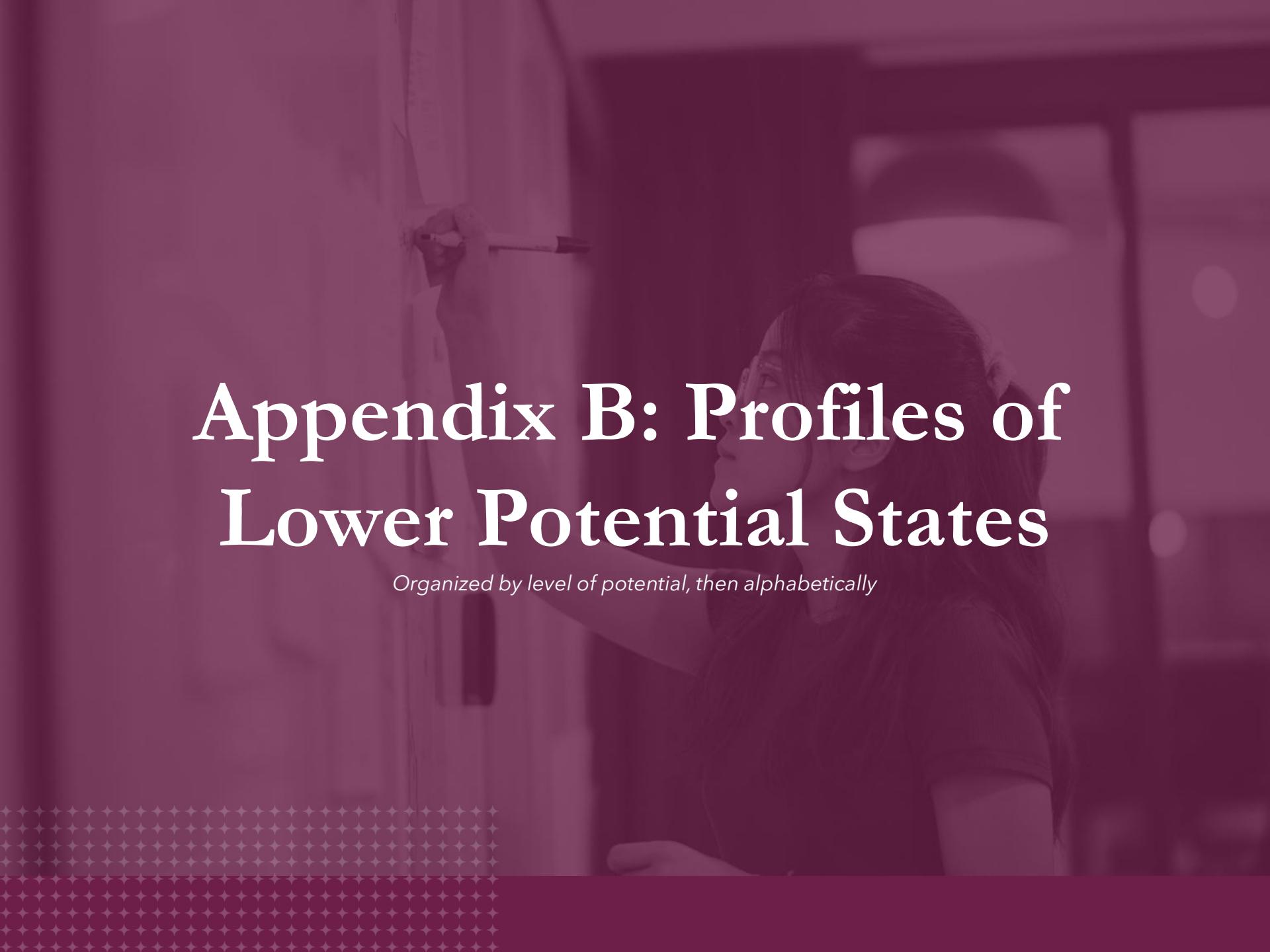
State	Name	Organization
AL	Boone Kinard	Alabama Community College System
AL	Chandra Scott	Alabama Possible
AR	Ben Kutylo	Forward Arkansas
AR	Josh McGee	University of Arkansas
AZ	Jack Moody	Arizona Tax Research Association
GA	Korynn Schooley	Achieve Atlanta
GA	Dana Rickman Matt Smith	Georgia Partnership for Excellence in Education
GA	Ashley Young	Georgia Budget and Policy Institute
GA	Sean Baser	State Higher Education Executive Officers Association
IL	Mike Abrahamson	Partnership for College Completion
KY	Brigitte Blom	Prichard Committee

State Profile Interviews, cont.

State	Name	Organization
MA	Jim Peyser	Former Massachusetts Secretary of Education
MA	Jessica Troe	Massachusetts Budget and Policy Center
MI	Alexandra Stamm	Michigan League for Public Policy
MI	Brandy Johnson	Michigan Community College Association
NC	Dr. Jeff Cox	North Carolina Community College System
OH	Kevin Duff	Ohio Excels
OH	Greg Lawson	The Buckeye Institute
OH	Piet van Lier	Policy Matters Ohio
PA	Dr. Tuesday Stanley Dr. Nicholas Neupauer	Pennsylvania Commission for Community Colleges
PA	Dr. Kate Shaw	PA State Board of Higher Education
VA	Tom Allison	HCM Strategists (formerly with SCHEV)

Texas-related Interviews

Name	Organization
Lilac Ding Katrina Fraser	Commit Partnership
Ryan Franklin	Philanthropy Advocates
Kate Greer	Commit Partnership
Melissa Henderson	Texas Higher Education Coordinating Board
Kelle Kieschnick	Texas Business Leadership Council
Dr. Wynn Rosser	Texas Higher Education Coordinating Board
Hans Voss and Grace Atkins	Texas 2036

A photograph of a person from the side, wearing a dark t-shirt, looking down at a whiteboard and writing with a black marker. The whiteboard has some faint, illegible markings.

Appendix B: Profiles of Lower Potential States

Organized by level of potential, then alphabetically



States with Some Reform Potential

These profiles contain findings from both Phase 1 and Phase 2 of the research. They include interview findings, as well as detailed information about each state's policy, advocacy, and economic landscape.

Illinois



No. of colleges	48
Fall 2024 Enrollment	83,000

Summary:

The ongoing attempts at creating a 4-year formula have primed advocates and policymakers for funding reform; however, movement on the 2-year formula depends on the success of current efforts.

Current State of Funding

IL's formula distributes 1-10% of appropriations using an OBF formula; however, the exact proportion fluctuates annually.

Low overall appropriation levels and the fluctuating proportions undermine the formula's ability to drive outcomes. For example, a report from Partnership for College Completion found that the OBF component generated between \$1,000 and \$30,000.

Indicators of Potential for Reform

Legislators are already considering higher education funding given ongoing efforts to create a 4-year OBF formula. Successful reform in the 4-year sector could generate legislative momentum for 2-year reform.

There is an active advocacy ecosystem focused on higher education funding. Although currently focused on the 4-year sector, advocates have previously engaged the 2-year sector and plan to revisit the 2-year formula once the 4-year efforts conclude.

Recommendations from the Illinois Community College Board (ICCB)'s working group could provide a starting point for future discussions or reform platforms.

Headwinds

2024-25 legislation stalled out due to budgetary concerns, and state investment in community colleges has steadily declined over the past 20 years (23% from 2004-2023).

IL faces high economic uncertainty given federal cuts, a growing budget deficit, and high levels of pension debt.

IL's current 2-year formula includes OBF, but the proportion changes annually based on appropriation levels

Illinois is statutorily required to include a performance-based component in its funding formula.

A significant portion of funding is also set aside for "Equalization Grants," which were established in 1998 and assist colleges in regions with lower property tax bases and lower FTE enrollment.

State appropriations have declined 23% from 2004-2023; this disinvestment has led to higher tuition and incentivized colleges offering lower-quality courses to minimize their losses.

Funding Category	Share of Total	Metrics Evaluated
Base	50%+ (fluctuates yearly)	Student credit hours: product of funded credit hours multiplied by an effective credit hour rate that is weighted by discipline category, adjusted for inflation, and prorated as necessary given state appropriation levels
Enrollment-based Funding	Included above	--
Outcomes-based Funding	Less than 10% (changes yearly)	Degree & Certificate Completion: number of degrees and certificates awarded Degree & Certificate Completion by At-Risk Students: number of degrees and certificates awarded to students identified as at-risk Transfer to a 4-year institution: number of students who transfer to an in-state 4-year institution Developmental Advancement: number of developmental courses completed Momentum Points: not clearly defined Transfer to a Community College: number of transfers to in-state community colleges

IL's current 2-year formula includes outcomes-based funding, but fluctuating proportions and low overall appropriations (and consequently less funding flowing through the outcomes component) undermine the formula's effectiveness at driving behavioral change.



Despite active advocacy, 2-year funding reform hinges on budgetary bandwidth and successful 4-year reform

Political

- **Gov. Pritzker has attempted to increase funding** for both higher education overall and community colleges; however, the legislature scaled back his proposed increases.
- **2024 legislation aimed to establish a 4-year formula** based on an “adequacy-based, student-centered approach.” The bill did not pass when the 2025 legislative session closed.
- The focus on the 4-year formula **sparked a working group focused on the 2-year formula.** The group’s recommendations were published in Mar. 2025 but have not led to legislation.

Advocacy

- **Community college leaders lack bandwidth for advocacy efforts**, and struggle with chronic underfunding.
- **Outside of the system, there are several active advocacy organizations**, who demonstrate ambient interest in reforming community college funding.
- **However, current advocacy efforts are focused entirely on IL's 4-year formula;** advocates would likely turn to the 2-year formula afterwards.

Fiscal & Economic

- **Illinois saw a 2% increase in total revenues for FY24**, and the overall labor market has recovered to above pre-pandemic levels of employment. By 2032, IL is projected to add ~170K jobs.
- However, **projections expect the state to “underperform the region and the U.S. in 2025”** due to federal spending cuts and macroeconomic trends.
- In addition, one stakeholder noted **that 1/3-1/2 of discretionary funds that could go to higher education have instead gone to paying back the state’s pension liabilities.**
- 2-year enrollment saw steep declines after the pandemic that lasted until 2023; however, **2025 saw a 10% jump in total enrollment** – the largest recorded increase in spring-to-spring enrollment in system history.



Kentucky



No. of colleges	16
Fall 2024 Enrollment	85,000

Summary:

Projections of Kentucky's economic and workforce outlook present opportunities to examine higher education funding, but it is unclear to energized stakeholders are on the topic.

Current State of Funding

KY's 2-year formula includes base, enrollment, and outcomes-based components. It was created in 2018 and then reviewed in 2020, 2023, and 2024, but has largely remained unchanged.

A funding floor implemented in 2021 appears to change the formula allocations; since institutions cannot receive less than their FY20 appropriation, the formula proportions become skewed.

Indicators of Potential for Reform

Recent political interest led to a joint resolution directing the community college system to evaluate its funding and programming. Specifically, the legislature was interested in the funding formula.

The system's final report contains several recommendations that provide a starting point for future discussions. In fact, the Kentucky Community and Technical College System (KCTCS) suggested additional performance metrics such as industry credentials and target populations.

KY faces a shortage of skilled labor: Most jobs (60%) require some postsecondary training, but less than 50% of working-age adults in the state have a certificate or degree.

Headwinds

Budget projections see decreasing state revenue due to lower income and business taxes.

Overall, there does not seem to be any appetite for formula reform from either the system or advocates.

Kentucky's 2-year formula balances multiple components on paper, but implementation may differ

This formula was created in 2018 and reviewed in 2020, 2023, and 2024. However, the only change has been to redefine "underserved" students and shift their allocation within the performance pool.

Initially the formula included a provision that created temporary funding floors. In 2021, this became a permanent funding floor attached to an institution's prior year allocation.

KCTCS' 2024 report also noted that community colleges are funded below the average per-FTE rate calculated among 20 "comparator" states, and the system is "the 6th worst funded in the United States."

Funding Category	Share of Total	Metrics Evaluated
Base	10%	Instructional and student services spending: share of sector-wide total
	10%	Square footage: rate-based allocation according to each institution's share of total square feet dedicated to learning
Enrollment-based Funding	10%	Academic support services: calculated using each college's share of FTE enrollment
	35%	Earned student credit hours: each college's share of total credit hours, weighted by discipline
Outcomes-based Funding	35%	Credential production: Number of certificates, diplomas, and associate degrees produced, weighted for credentials aligned with the economic needs of the state Progression: number of students progressing beyond 15, 30, and 45 credit hour thresholds Credentials earned by special populations: number of credentials earned by low-income students, underprepared students, underrepresented (first-generation) students, and nontraditional-aged students (including both adult learners and dual enrollment) Transfers: number of transfers to four-year institutions

The funding floor seems to have undermined the outcomes component: Although by statute 35% of funding is outcomes-based, in 2024 KCTCS noted that performance was 11% of its total dollars.



Recent major industry investments (and labor market trends) could restart stalled funding conversations

Political

- **There is some political interest in the formula, but no concrete proposals for change:** In 2024 the legislature adopted Senate Joint Resolution 179, directing the Kentucky Community and Technical College System (KCTCS) to review the funding formula.
- The final report suggested several options to refine the outcomes component of the existing formula; however, **no changes to the formula were made.**
 - Instead, the report led to the release of state funds for capital projects and a new data monitoring system.

Advocacy

- **KCTCS has frequently engaged policymakers** to advance the priorities outlined in its strategic vision; however, the funding formula does not seem to be a high priority.
- **Advocacy organizations are typically focused more on postsecondary affordability**, and none have the funding formula as part of their advocacy platform.
 - Only one organization focuses on higher education policy, and an interview revealed a lack of capacity to thoughtfully engage on funding reform.

Fiscal & Economic

- Although real GDP is expected to grow for the state, the budget director estimates KY will see **decreases in revenue** (-1.6% for FY25 and -2.3% for FY26), largely **due to lower individual income and major business taxes.**
- The **state labor market is facing a worker shortage**, with over 100,000 jobs open in June 2025; this may increase as **Apple and Ford have announced major investments** to start manufacturing in Kentucky.
- **63% of jobs in KY require some postsecondary training** beyond high school; CPE has prioritized attainment in its strategic plan, and the state is on track to meet its goal.
- **2-year enrollment trends upward**, with a recent increase of 6.8% between 2023-24 and 2024-25, which drove the majority of the statewide 5% increase in postsecondary enrollment.



Massachusetts



No. of colleges	15
Fall 2024 Enrollment	120,000

Summary:

Massachusetts' emphasis on affordability may have created a fiscal crisis that could open a window to examine the state's allocation formula; however, there is little political or advocacy interest.

Current State of Funding

Despite recent legislation referencing a funding formula, the formula itself is not publicly available. From the FY25 and FY26 budget bills, it appears that a new formula was developed in 2025 but has not yet been published.

MA previously piloted an OBF formula from 2015-2018 but phased it out due to "limited commitment" and year-over-year declines in allocations. After that, appropriations were distributed directly to colleges.

Indicators of Potential for Reform

Over the past 5 years, MA has made several changes to its community college system, most of which were focused on affordability. These included funding for wraparound supports and services, as well as scholarships and grants that made community college free for students of all ages and income levels.

Fiscal threats to recent initiatives could create an opportunity to re-evaluate the state's funding formula. Federal cuts to higher education funding, along with "ballooning" enrollment due to increased access, threaten the state's ability to sustain the free college initiative.

Headwinds

There is little appetite for formula reform, much less for OBF reform. Around 2021-2022, discussions about linking funding and enrollment also explored including outcomes metrics; however, those ideas never became a policy proposal.

Colleges are unlikely to support OBF reform. Currently, each college is a line item in the budget and regularly receives increases. A formula that could jeopardize the status quo is likely to be unpopular.

MA may be using an OBF formula, but the details are unclear

There had been a performance-based formula implemented in 2015, but in 2018, MA phased it out in favor of appropriating funds directly to individual colleges.

Documents from the enacted FY25 and FY26 budgets as well as the Massachusetts Association of Community Colleges reference a funding formula (below), but the formula itself is not available.

Funding Category	Share of Total	Metrics Evaluated
Base	Unknown	--
Enrollment-based Funding	Unknown	--
Outcomes-based Funding	Unknown	<p>According to the FY25 enacted state budget, a working group was directed to consider outcomes for a formula including:</p> <ul style="list-style-type: none">• student completion rates• supports for socially and economically disadvantaged students• program alignment with workforce needs• operational goals of each community college

Without a public formula, it is nearly impossible to determine the strengths and weaknesses of MA's current funding system, much less how future OBF reforms could enhance student outcomes.



Recent affordability reforms have increased access to community college, but their sustainability is uncertain

Political

- **Recent reforms have focused on affordability:**
 - In 2021, MA launched the SUCCESS Fund, which adds wraparound supports and services for students facing systemic barriers.
- **In 2024, MA made community college free for students of all ages and income backgrounds.** This effort built on a previous initiative that made community college free for students age 25+ and was championed by both the governor and legislature.

Advocacy

- Advocacy organizations have also **concentrated on the student services and affordability initiatives.**
- Stakeholders have indicated **some interest in learning more about the formula**, but their interest lay in its relation to the SUCCESS programs.

Fiscal & Economic

- **Total revenues for MA have increased**, although the state still maintains a deficit.
- By 2033, the labor market in MA is set to grow 5.6%, with its strongest component being knowledge-based technology and service industries. As a result, **the state "relies heavily on a highly educated workforce."**
- **Since the state made community college free, enrollment has "ballooned"** (up 14% from spring 2024 to spring 2025).
- This increase, along with the Trump administration's recent cuts to higher education funding, **makes it unclear whether the higher education budget can sustain the initiative.**



Michigan



No. of colleges	28
Fall 2023 Enrollment	125,918

Summary:

Michigan's formula could be re-examined to increase the amount of funding generated by the outcomes-based component; however, there is no political appetite or advocate capacity for this.

Current State of Funding

Michigan has an OBF formula but only uses it to distribute the increase in appropriations in any given fiscal year. If appropriations aren't increased, the formula plays no role. In most years, the money that flows through the formula is not enough to be meaningful to institutions.

Indicators of Potential for Reform

Future reforms could build on the existing OBF formula through incremental increases or tweaks to address any concerns.

The **Michigan Community College Association (MCCA) engages often in advocacy on behalf of community colleges.** For example, formula adjustments made in 2022 were written "in cooperation with" MCCA.

Gov. Whitmer supports increased funding for community colleges; for FY26 she proposed a 4% ongoing increase to colleges' base amounts.

The labor market demand for skilled workers is strong: 70% of jobs in MI will require postsecondary education.

Headwinds

Michigan's state legislature is split along partisan lines, which delayed the FY26 budget and would likely complicate any reform efforts.

Higher education is competing with other legislative priorities, such as road infrastructure, for both resources and attention.

Past higher education investments have focused more on tuition scholarships rather than directing funds to institutions.

Michigan's formula uses OBF, but it is only deployed when distributing increases in overall state appropriations

The majority of state funding flows through a base component that was calculated in 1983 and has increased annually ever since. The performance-based funding formula below only applies to any given year's increase in state appropriations. For example, if there is a 4% increase in state appropriations from one year to another, the formula is applied only to that 4%.

The current formula was adopted in FY16 and last formally reviewed in 2022. There was a one-time adjustment for FY20 to create a 5% "equity" category for colleges with the lowest taxable property values in their districts. However, the change was not carried forward after 2020.

In 2024-25, the Local Strategic Value component was expanded to create a "best practices" criteria.

Funding Category	Share of Total	Metrics Evaluated
Base	30%	Flat increase: depending on the appropriation level for the year
Enrollment-based Funding	Included below	
Outcomes-based Funding	70%	Contact hours: total instructional hours, weighted for health and technology/industrial programs Improvement in completion rates: compared across 3 student cohorts Number of completions: number of awards and successful transfers Completion rate: percentage of cohort that earns an award or transfers to a 4-year institution Administrative costs: calculated per student Local Strategic Value: demonstrated via compliance with 4 out of 5 "best practices" across 3 categories

Because the formula only applies to increases in appropriations, it does not influence enough funding to meaningfully drive outcomes.



Michigan has a supportive governor and strong advocacy, but also partisan divisions and economic headwinds

Political

- **Gov. Whitmer generally supports community colleges:** her platform includes free tuition for high school graduate residents, and in her FY26 budget she recommended a 4% ongoing increase to the community colleges' base amounts.
- **The state legislature is split along partisan lines:** while the Democrat-held Senate proposed increasing community college funding, the Republican-led House tried to decrease higher education funding overall.

Advocacy

- The **Michigan Community College Association successfully advocates on behalf of the colleges.** For example, the requirements for the Local Strategic Value component were written in collaboration with MCCA.
- However, **there are no advocates focused higher education finance elsewhere** in the state.
- **The business community is supportive of** community colleges but has no stance related to the funding formula or OBF reform.

Fiscal & Economic

- In FY24, Michigan reported slower employment growth but still **recovered employment rates to above pre-pandemic levels.**
- FY25-27 **forecasts expect continued slow economic growth (although no declines)**, with only a 0.55% increase in jobs by 2032. The state is particularly sensitive to tariffs and trade policy changes due to the local auto industry.
- Michigan has a statewide attainment goal to address a **looming skills gap: 70% of jobs in Michigan will require at least some postsecondary education.**
- **2-year enrollment is just starting to recover** from pandemic-era declines, but 2025 enrollment was still 13.8% below pre-pandemic levels.



North Carolina



No. of colleges	58
Fall 2024 Enrollment	632,002

Summary:

The community colleges' proposed model for reform presents an opportunity to reconsider the outcomes component of NC's formula, but previous conversations have not successfully reached consensus on an OBF.

Current State of Funding

North Carolina's 2-year formula only routes 1% of appropriations through its outcomes-based component. The resulting funds are too minimal to meaningfully drive any change.

Indicators of Potential for Reform

A current proposal from the North Carolina Community College System (NCCCS) opens discussions for formula reform. The proposal focuses on the enrollment-based component of the current formula and aims to make the calculations better aligned to current workforce needs. Although not directly related, the focus on workforce could naturally lead to conversations examining the outcomes-based component too.

Gov. Stein supports community colleges as drivers of workforce development, proposing tuition-free community college for students entering high-demand fields.

Headwinds

During the development of the current proposal, NCCCS leaders discussed OBF and were unable to reach consensus. With more time college leaders may be able find a solution, but it would require additional resources unlikely to be forthcoming.

Despite bipartisan support, NCCCS' proposal has not yet been funded due to budget constraints and disputes that have delayed the state's FY26 budget.

Forecasts of revenue declines throughout Fy26 and FY27 will further constrain higher education funding and stall potential reforms.

NC's formula prioritizes workforce alignment through enrollment tiers; the outcomes component is minimal

Since 2013, North Carolina's formula has allocated base funding and enrollment funding using a system tiered by students' enrollment and distinguished by workforce training. Each tier category is valued differently, with higher-demand programs receiving more funding.

Funding Category	Share of Total	Metrics Evaluated
Base	37%	Flat amount: \$2.8 million base per college
Enrollment-based Funding	62%	FTE Enrollment: count of FTE students enrolled, weighted by tiers according to high-demand programs: <ul style="list-style-type: none">• Tier 1A: Courses in health care and technical education• Tier 1B: Curriculum and workforce continuing education (WCE) courses in health care, technical education, science, and math• Tier 2: Remaining curriculum courses and WCE courses leading to a credential• Tier 3: Basic skills courses and remaining WCE
Outcomes-based Funding	1%	Basic skills student progress: basic skill index based on measurable gain College-level English success rate: English pass rate index for new students College-level math success rate: Math pass rate index for new students First-year student progression: graduation or return rate index score Curriculum completion rate: four-year success rate with 42 credits Licensure/certification pass rate: licensure exam pass rate index score College transfer performance: index tracking transfer students' retention or graduation at a four-year college

The outcomes component of the formula is nearly negligible in terms of generating funding, and likely not enough to incentivize better outcomes for students.



A proposed model for formula reform has widespread support, but would not change the outcomes component

Political

- In 2019, the state launched a statewide initiative around attainment, with a goal of 2 million North Carolinians holding a postsecondary degree or high-quality industry credential by 2030.
- Gov. Stein prioritizes workforce development; recently, he proposed \$256M to make community college free for students in high-demand fields.
- PropelINC has bipartisan support but not momentum. Early legislative budgets included \$18M in funding for Phase 1 implementation, but budget disputes have eliminated that funding.

Advocacy

- NCCCS proposed PropelINC in 2024 as a formula overhaul meant to better align resources with high-demand, high-wage workforce sectors.
 - PropelINC would not change the outcomes-based component of the formula. During PropelINC's development, changes to the OBF component were proposed, but no consensus could be reached as to the right approach.
- PropelINC has gotten traction among state education advocates and the business community.

Fiscal & Economic

- NC has seen slow economic growth over the past few years; however, revenues are expected to dip in FY26 and FY27 due to tax cuts, slower wage growth, and "major economic forecasts."
- 54% of jobs in NC require some postsecondary training, but not a four-year degree; however, only 44% of North Carolina's workers have the skills required to fill those jobs.
- A recent \$6.6M investment into NCCCS from Duke Energy to create a pipeline for energy jobs demonstrates industry interest in greater alignment of community colleges and workforce.
- Total enrollment in 2025 remained below pre-pandemic levels, but enrollment in NCCCS has steadily increased over the last five years.





States with Low Reform Potential

These profiles contain findings from Phase 1 of the research, which entailed a high-level overview of the state's funding, political, and advocacy landscape.

Note: Arizona and Virginia's profiles reflect that they were initially included in Phase 2 research. However, both states were determined to have low potential, and have been re-organized accordingly.

Arizona



No. of colleges	10
Fall 2023 Enrollment	111,000

Why not Arizona?

While there are clear areas for improvement in AZ's community college funding, the political, fiscal, and advocacy landscape is not willing or ready to consider an outcomes-based formula.

Current State of Funding

Arizona does not have any funding tied to outcomes and has never considered a formula with an OBF component.

Indicators of Potential for Reform

There are numerous opportunities for improvement in Arizona's current formula, including matching funding levels to current economic conditions, calibrating for differences in institutions' local property wealth, and better aligning funding to drive student outcomes.

Gov. Hobbs has been supportive of community colleges through advocating for increased funding and making college more affordable.

Friction between the Democratic governor and a Republican legislature could create opportunities for discussing new methods of resource allocation.

Headwinds

Arizona is particularly fiscally conservative, with constitutional limits on institutional expenditures that also affect the amount of revenue colleges can bring in.

Colleges rely more on local funding than state aid, so reforming the state's funding formula may not drive the intended changes.

2-year enrollment has stagnated and never recovered from pandemic-era declines.

There is no advocacy ecosystem focused on higher education finance, much less funding reform.

Arizona has never discussed an outcomes-based funding formula and is not currently interested in one

State aid comprises only 6% of institutional budgets – colleges in AZ are primarily funded through local property taxes, which are not formulaic and are set by districts.

There is an incentive pot for colleges with higher numbers of students enrolled in STEM and Workforce programs; however, it is unclear what percentage of the total it is, and whether it is substantial enough to drive behavioral change.

The state also provides separate “equalization aid” to boost funding levels for districts with low property tax bases.

Funding Category	Share of Total	Metrics Evaluated
Base	N/A	--
Enrollment-based Funding	100%	Operating Aid: calculated by multiplying the change in the most recent year's FTE enrollment by the average per-FTE funding appropriated STEM and Workforce programs: colleges with <5k FTE total receive \$210 per FTE enrolled in these programs; colleges with >5k FTE total receive \$160 per FTE enrolled in these programs
Outcomes-based Funding	N/A	--

Arizona does not seem interested in or ready for outcomes-based funding, nor would a change to its formula meaningfully lead to change in institutional behavior.



Fiscal constraints, other advocacy priorities, and political tension are more likely to stall reform than advance it

Political

- **Gov. Hobbs has prioritized community college affordability** through scholarship initiatives.
 - However, those were **funded through federal COVID dollars** and are unlikely to continue.
- Although Republican legislators tend to advocate for fiscal conservatism (i.e., less funding), **rural legislators typically partner with Democrats to advocate for more state aid for institutions**. For example, in FY23 legislators added \$7M in funding for rural colleges, which has become ongoing.

Advocacy

- **Community college leaders are typically focused on local funding sources and amounts** rather than pursuing additional state aid.
- Recently, **colleges have focused advocacy efforts on relief from the expenditure limits** (below). Their efforts have led to recent decreases in the penalties for exceeding the expenditure limits.
- According to one stakeholder, **college leaders are likely to oppose outcomes-based funding**.

Fiscal & Economic

- **Arizona's fiscal state has fluctuated** recently, with growth from 2019-2022, but a slight decline in 2023.
- 2024 **projections still forecast labor market growth**, with Education and Health Services adding the most jobs.
- **Legislators trend fiscally conservative:** In 2015, AZ cut state funding for its two largest community colleges given their higher tax bases. Those colleges' state aid has not been restored as of 2025.
- **Constitutional expenditure ceilings** also limit both the amount colleges can spend and receive.
- The Arizona Tax Research Association reported that **enrollment has stagnated recently**, and data from the National Student Clearinghouse illustrates that enrollment levels never recovered after pandemic-era declines.



California



No. of colleges	116
Fall 2024 Enrollment	2,100,000

Why not California?

California's 2018 reforms have largely achieved a balanced formula that has resulted in increased enrollment of low-income students, as planned. There has been no movement to revisit the formula.

Overview of Funding Formula

- California historically distributed apportionments based entirely on enrollment.
- **In 2018, the state adopted the Student-Centered Funding Formula (SCFF)**, aiming to add incentives for colleges to enroll low-income students and to improve student outcomes.
- Beginning in FY26, colleges will be funded the greater of either:
 - Current SCFF-calculated amount,
 - Prior year's SCFF plus COLA, or
 - The established "floors" from hold-harmless years (2018-19 to 2024-25).

Political, Fiscal & Advocacy Landscape

- **Gov. Newsom has prioritized education funding but proposed cuts to community colleges.**
 - In May 2025, Newsom proposed shifting \$492M over the next three years from community colleges to fund universal transitional kindergarten programs.
- **Newsom and the state legislature have been at odds.**
 - In 2024, Newsom proposed reducing the middle-class scholarship, which funds university and community college transfer students to \$100M.
 - The legislature rejected this plan and funded the scholarship at the originally proposed \$926M.

California's funding model balances enrollment & outcomes, but outdated laws limit student support

The Student-Centered Funding Formula (SCFF) aims to increase low-income students' enrollment and improve student outcomes.

However, a 1961 law could be undermining the formula's effectiveness by limiting the amount colleges can spend on student support services, including counseling or technological support.

Funding Category	Share of Total	Metrics Evaluated
Base	16.7%	Student socioeconomic status: numbers of Pell Grant recipients, All College Promise Grant recipients, and AB 540 students
Enrollment-based Funding	70.6%	FTE enrollment: three-year FTE average, multiplied by a rate of \$5,294 per FTE
Outcomes-based Funding	10.6%	Successful student outcomes: <ul style="list-style-type: none">- Number of students earning associate degrees and certificates- Number of students transferring to 4-year institutions- Number of students who completed transfer-level math and English courses within their first year of college- Number of students who have completed nine or more career education units and have attained the regional living wage



Colorado



No. of colleges	13
Fall 2024 Enrollment	124,000

Why not Colorado?

The current formula seems to work well for the community college system, and the greater issue at hand is the state's budget shortfall. Plus, CDHE is already finalizing recommendations for 2027.

Overview of Funding Formula

- The most recent funding model distributes 85% of funding through outcome metrics.
- State appropriations are allocated not among institutions, but to the state's higher education systems ("Governing Boards"). As a result, the funding model overlaps with the four-year funding formula but uses different metrics for the community college system to consider differing institutional missions.
- The formula is set to be reviewed every 5 years; administrators are currently drafting recommendations to be released in Nov 2025 and implemented in FY2027.

Political, Fiscal & Advocacy Landscape

- **Higher education funding has seen a steady upward trend** over the last few years—somewhat driven by the formula.
 - However, institution leaders have still been requesting higher levels of appropriations for several years in a row, reflecting a **potential mismatch between the formula and actual costs** of educating students.
- **The state is facing a budget shortfall** due to rising Medicaid costs.
- Uniquely, Colorado also has a **constitutional amendment that limits annual growth in state and local revenues**, requiring any excess to be refunded to taxpayers rather than spent on priorities such as education.
- **Advocates are focused more on the K-12 funding formula** rather than higher education.

Colorado's formula uniquely incorporates first-generation students, as well as retention metrics

Colorado's state funding formula gets reviewed every 5 years; the most recent version was adopted in FY2022.

Since then, the formula has increased community colleges' funding by \$102.7M – the most of any higher education system in the state.

Funding Category	Share of Total	Metrics Evaluated
Base	N/A	--
Enrollment-based Funding	15%	Resident student FTE enrollment: total number of residents enrolled full-time across all terms Resident first-generation undergraduate student headcount: total number of residents enrolled who identify as the first in their families to attend college
Outcomes-based Funding	85%	Credential completion: total number of degrees and credentials earned by resident students Share of students that are Pell-eligible: percentage of headcount that are both residents and eligible for a federal Pell grant Share of students that are an underrepresented minority: percentage of headcount that are both residents and identify as Black, Hispanic, or Native American Retention rate: fall to fall retention rates of first-time, full-time undergraduate students 100% Graduation Rate: rate of students who complete an associate's degree within 2 years 150% Graduation Rate: rate of students who complete an associate's degree within 3 years

Delaware



No. of colleges	1
Fall 2024 Enrollment	15,100

Why not Delaware?

The current funding model seems to work for those in the state, given the lack of advocacy or movement around the formula. With only one college, the potential for impact is also limited.

Overview of Funding Formula

- Since Delaware has one community college, Delaware Tech Community College (DTCC), **the state does not have a funding formula and does not use any outcomes-related metrics.**
- DTCC submits an annual budget to the governor and receives 100% of their funding as base funding.

Political, Fiscal & Advocacy Landscape

- **Gov. Meyer**, who began his term in 2025, has **supported increased funding for community colleges**, announcing \$30M for renovations and maintenance at DTCC.
- Delaware's **current focus – both from the governor and the legislature – is on revamping public K-12 spending.**
- There is no current advocacy around changing Delaware's funding model.

Delaware's community college has flexibility — but also instability — with its funding system

Without a formula, DTCC's funding is vulnerable to budgetary or political instability.

There is also no funding to incentivize outcomes like new or innovative programs, quality or performance on student outcomes, or enrolling more underserved students.

Funding Category	Share of Total	Metrics Evaluated
Base	100%	Annual budget: created and submitted by DTCC to the governor's office
Enrollment-based Funding	N/A	--
Outcomes-based Funding	N/A	--



Florida



No. of colleges	28
Fall 2024 Enrollment	155,000

Why not Florida?

Leaders began reviewing the funding formula in early 2025. Given this process is already underway, other states seemed like better candidates for investment.

Overview of Funding Formula

- The current formula was developed by the Council of Presidents and adopted in 2023.
- Performance incentives target industry certifications, transfer success, and workforce-aligned outcomes.
 - Beginning FY25, the legislature directed that certifications be classified and prioritized by expected future wage level.

Political, Fiscal & Advocacy Landscape

- Gov. DeSantis sees higher education as a vehicle for workforce growth.**
 - For example, the 2021 REACH Act he championed emphasized "credentials of value," and the 2023 REACH 2.0 Act created the tiered wage levels implemented in FY2025.
- The legislature has not focused on the formula since it was first adopted** and lawmakers added an extra \$100M. However, since then culture war issues and topics have dominated policy discussions.
- State appropriations have risen year over year** since the pandemic.
- Advocates such as Florida College Access Network are interested** in the formula from an affordability viewpoint, but do not have established positions on it.

Florida's current formula is complex, and it is unclear what concrete changes are on the table in 2025

The allocation formula distributes funding according to each institution's share of total statewide outcomes, encouraging cross-institutional competition with a "zero-sum" mindset.

Florida Policy Institute proposed adding a measure of economic mobility to the state's performance metrics, but it did not generate any momentum.

Funding Category	Share of Total	Metrics Evaluated
Base	Changes annually	Base budget: prior-year appropriations
Enrollment-based Funding	Changes annually	Cost-to-Continue: a model for each FCS institution that determines incremental changes to salaries and pricing based on enrollment and other expenditures
Outcomes-based Funding	Changes annually	Industry Certifications: Number of students who earn a certification in a high-demand field; weighted according to wage tiers 2+2 Student Success: Number of successful transfers to a 4-year institution Work Florida Student Success Initiative: Supports statewide efforts to align workforce programs to regional demands and high-wage opportunities.



Iowa



No. of colleges	15
Fall 2024 Enrollment	86,000

Why not Iowa?

The elimination of the previous funding formula in favor of an annual discussion is new. Further reforms are unlikely, may not be welcome from the college leaders, and may introduce greater uncertainty.

Overview of Funding Formula

- Iowa's state legislature passed a bill in 2024 (effective July 2025) that struck the original formula and set up an annual process in which college presidents and chancellors meet to establish a distribution formula for the coming budget year.
- They are required to consider enrollment, as well as the level of combined state and local support, but they are not required to include any student outcomes.
- The intention is to set a formula and review it every 5 years; 2025 is the first year of implementation.

Political, Fiscal & Advocacy Landscape

- Community Colleges for Iowa led the push for the 2024 bill because the previous enrollment-driven formula was ~20 years old – created in 2000 and fully implemented in 2005.
 - The association is **heavily involved in legislative advocacy and has a PAC** named Iowans for a Skilled Workforce that supports candidates who will invest in community colleges.
- The **formula reform did not bring up much debate in the legislature**; only 1 senator concerned about transparency voted no on the 2024 bill.
 - There are greater partisan divides around increasing overall appropriation levels, but FY26 funding was held flat from FY25.

As of July 2025, no new formula has been announced by the community college leaders

The 2024 bill was “unanimously” supported by every college’s leader, which may have signaled deep dissatisfaction with the prior enrollment-driven formula.

However, there is not yet a clear proposed formula, so it is unclear where there might be momentum or interest in outcomes-based funding.

Funding Category	Share of Total	Metrics Evaluated
Base	N/A	--
Enrollment-based Funding	N/A	--
Outcomes-based Funding	N/A	--

Indiana



No. of colleges 1 institution with 45 campuses

Fall 2024 Enrollment 100,000

Why not Indiana?

The formula for 2025-27 has already been set, and SB 448's mandate is not clearly tied to future change. No advocacy movement has arisen around these issues, and the state is facing funding cuts.

Overview of Funding Formula

- IN's outcomes-based formula originally governed both 4-year and 2-year institutions and was adopted in 2003.
 - A 2017 adjustment changed how metrics were calculated but did not change the metrics themselves.
- The formula was overhauled in 2022 for fiscal years 2023-2025, but the new version would have led to significant losses for community colleges.
 - A separate formula was created for them with less outcome metrics, deferring additional metrics for future conversations. That formula was continued for 2025-27.

Political, Fiscal & Advocacy Landscape

- Former Gov. Holcomb focused on attainment through his Next Level Jobs Initiative and Workforce Ready Grant, but **Gov. Braun has less of a focus on student outcomes**, instead pushing for institutional accountability and efficiency.
- In July 2025, he signed SB 448 into law, which requires the Commission on Higher Education to establish a plan to **develop a "market-driven stackable credentials and qualifications framework."**
 - Presumably this would be used in determining a future funding formula; however, the timeline is unclear.
- IN is projected to see **a budget shortfall of \$2B this year**, so higher education funding dropped by 5% for FY26.



Outcomes-based funding is appropriated as a separate pool where institutions can earn up to 2% of their base

In 2022, the Commission deferred adding additional metrics but mentioned discussions concerning “stackability of credentials, both short-term and associate, as well as the wage outcomes for specific degree programs, including non-credit bearing industry certifications.”

SB 448 may be a continuation of this conversation.

Funding Category	Share of Total	Metrics Evaluated
Base	100%	Unclear: likely prior-year appropriations
Enrollment-based Funding	Included below	--
Outcomes-based Funding	Appropriated separately; institutions can earn up to an additional 2% of their base	Low-Income Youth Enrollment: percentage of undergraduate resident students who are Pell-eligible and under 25 years old Adult Enrollment: number of resident students who are 25+ years old Overall Industry Certifications: number of distinct, resident completions by highest degree level within a CIP code and fiscal year Award Completion (<30 hours): number of distinct, resident completions of certificates that require less than 30 credit hours Award Completion (>30 hours): number of distinct, resident completions of certificates that require more than 30 credit hours Associate Degree Completion: number of distinct, resident completions of associate degrees



Louisiana



No. of colleges	12
Fall 2024 Enrollment	47,000

Why not Louisiana?

The recent adoption of a new formula – which has not been fully released – as well as the looming budget shortfall make it unclear what reforms are necessary, who might support them, and to what end.

Overview of Funding Formula

- The outcomes-based formula was mandated by the state legislature in 2014 and set on a 2-year review cycle.
 - The most recent review was completed in 2024, and adjustments were adopted in January 2025.
- Although the details of the changes have not been released, one announcement noted that the outcome metrics evolved to better recognize short-term credentials.
- As of 2025, ~35% of appropriations were distributed according to outcome metrics.

Political, Fiscal & Advocacy Landscape

- **The main issue facing the state in 2025 is the expiration of a state sales tax that funds higher education.**
 - The tax is set to expire in FY26, and officials warn that it could mean a 20% budget cut for postsecondary institutions.
- The Louisiana Community and Technical **College System President advocates fiercely for driving student outcomes**, especially for underserved students.
 - However, the perception of defending DEI programs may have led to the governor's support for 2024 legislation that gave him greater power over higher education board members. This issue does not directly affect funding formulas but does indicate a disinterest in focusing on underserved students' outcomes.

Louisiana's formula is highly technical and includes aspects that consider costs, equity, and stability

Over the past several years, LA has been following an implementation plan that incrementally increases the amount of funding that flows through the outcomes-based component. No other major reforms have arisen.

Funding Category	Share of Total	Metrics Evaluated
Base	~65%	Prior-year allocation: colleges receive the same proportion of the total appropriation as they received in the prior year's allocation
Enrollment-based Funding	Combined with base	Core Cost Component: a cost model based on student credit hours Underrepresented Minority Cost: a weighting factor incorporated into the core cost component to account for colleges that have an underrepresented minority population above the state average
Outcomes-based Funding	~35%	Completers: <ul style="list-style-type: none">- Number of students progressing through benchmarks- Number of transfers from other 2-year institutions- Number of students cross-enrolled (enrolled at both 2- and 4-year institutions)- Number of students who complete an associate degree, weighted for less time- Number of students who completed a certificate or diploma Workforce: <ul style="list-style-type: none">- Number of completers in programs leading to 4- and 5-Star jobs, identified by the Workforce Investment Council Equity Completers: <ul style="list-style-type: none">- Number of completers who identify as an underrepresented minority- Number of adult completers (age 25+)- Number of Pell Grant recipients enrolled



Maryland



No. of colleges	15
Fall 2024 Enrollment	107,150

Why not Maryland?

Although there is recognition of the need for change, Maryland's fiscal challenges reduced funding to community colleges, consistent with Governor Moore's broader push for education cuts.

Overview of Funding Formula

- Maryland's funding model, known as the Cade Formula, allocates state aid based primarily on enrollment and per-FTE rates.
- The formula aims to provide community colleges with a set percentage (currently 29%) of the per-student funding given to public four-year institutions.
- In 2024, Maryland updated its funding formula to remove base funding and hold harmless provisions instituted during the COVID-19 pandemic.
 - The state also reduced the percentage of per-FTE funding from 27.2% to 26.5%.

Political, Fiscal & Advocacy Landscape

- In 2024, **Gov. Moore proposed \$22M in cuts to community college funding**, following a year where **the state lost over \$450M in tax revenue**.
 - The budget cuts were said to be due to declining enrollment and reduced pandemic relief funds.

Maryland's formula uses a fluctuating benchmark tied to four-year institutions' per-FTE rate

In 2024, Maryland's Department of Legislative Services (DLS) conducted a review of the Cade Funding Formula, generating six recommendations to:

1. incorporate equity-focused funding;
2. integrate performance-based metrics;
3. reintroduce a fixed cost component;
4. decouple funding from the four-year institutions;
5. expand the definition of eligible FTEs; and
6. build around metrics that are easy to collect, access, and analyze.

Funding Category	Share of Total	Metrics Evaluated
Base	97.5%	Prior year allocations: calculated using the greater of either a two- or three-year average. Small community colleges: 2.4% of funding is set aside for small community colleges
Enrollment-based Funding	Included in above	FTE Enrollment: the annual number is multiplied by 26.5% of the per-FTE funding at selected four-year institutions
Outcomes-based Funding	N/A	N/A



Mississippi



No. of colleges	15
Fall 2024 Enrollment	90,528

Why not Mississippi?

Mississippi is focused on funding workforce development programs; other community college initiatives have lacked momentum. There has been no attention to the funding formula.

Overview of Funding Formula

- Mississippi disburses funding based largely on enrollment with a small base allocation; there is no OBF.
- Mississippi's community colleges receive less than half of the amount allocated for four-year institutions, despite serving 10,000 more students.

Political, Fiscal & Advocacy Landscape

- In recent years, **advocates and policymakers have focused on free community college** for high school graduates and for students in specific in-demand trades.
 - Both bills passed one chamber of the legislature and died in the other.
- **Another high legislative priority has been CTE and workforce development:**
 - SB 3016 passed in 2024, adding \$10M in funding for Career and Technical Education.
 - In 2020, Gov. Reeves launched the Office of Workforce Development, which works in partnership with the state's community colleges to create short-term training and credential programs. To date, the office has awarded \$44M to 84 programs for workforce training.
- **However, the FY26 budget reduces state funding for community colleges** and student aid.

Mississippi's formula is defined annually via appropriations language, although it has not changed significantly

State appropriations are made in a lump sum to MCCB, which then distributes the funds among institutions according to the formula outlined in the annual appropriations bill.

Typically, the share of funding remains 15% base and 85% enrollment, but the weights used to calculate FTE enrollment might change to reflect state priorities or workforce needs.

Funding Category	Share of Total	Metrics Evaluated
Base	15%	Prior year's appropriations: 15% of the prior year's appropriation is split evenly among community colleges
Enrollment-based Funding	85%	FTE enrollment in career and technical programs: full-time equivalent enrollment in career and technical programs, weighted using tiers tied to different fields (e.g., industrial trades, health care)
Outcomes-based Funding	N/A	N/A

The Mississippi state legislature has historically underfunded community colleges.

State advocates say that community colleges need more money, largely for building maintenance and repair, to adequately deliver on the state's push for workforce development.



New Jersey



No. of colleges	18
Fall 2024 Enrollment	120,000

Why not New Jersey?

Given the overall budgetary concerns, there is little appetite for formula reform right now, as evidenced by the lack of support for SB 4021. The formula is also not evidently problematic.

Overview of Funding Formula

- New Jersey's formula includes base, enrollment, and outcomes-based components, with about 25% of funding flowing through the outcomes component.
- It also includes a "floor" that ensures each community college receives at least its FY21 allocation plus 2% through at least FY26.
- A Funding Formula Task Force is convening to make recommendations to the college presidents, but it is unclear what the timing of their recommendations will be.

Political, Fiscal & Advocacy Landscape

- Gov. Murphy has **supported community colleges but has sought to maintain flat funding** due to ongoing state budget constraints.
- Nonetheless, **the legislature restored funding** that had been cut in the governor's proposal, reflecting some bipartisan legislative support for community colleges.
 - In Jan. 2025, two senators introduced SB 4021, a bill that would mandate a new performance formula and a 3-year review cycle; however, the bill never advanced out of the Senate Education Committee.
- The New Jersey Council of County Colleges (NJCCC) actively **advocates for community college funding but faces challenges due to a tight fiscal environment** and competing state priorities.

New Jersey's funding formula considers multiple metrics and rewards colleges for serving underrepresented groups

The current funding formula was developed in 2021 and implemented beginning in FY22. Both the enrollment and outcomes-based components include metrics for underrepresented groups, and the enrollment metrics clearly incentivize enrollment of target populations (e.g., adults, low-income students).

Funding Category	Share of Total	Metrics Evaluated
Base	20%	Flat amount: every college receives a flat \$1.5M
Enrollment-based Funding	56%	FTE Enrollment: full-time equivalent enrollment Headcount Enrollment: total number of students enrolled Adult Enrollment: number of students aged 25 or older Low-Income Students: number of students who receive state or federal financial aid based on income Students from Underrepresented Groups: number of students who identify as Black, Hispanic, or Indigenous, weighted to reflect county demographics
Outcomes-based Funding	24%	Student Success: number of awards completed Success of Students from Underrepresented Groups: number of awards completed by students who identify as Black, Hispanic, or Indigenous



New York



No. of colleges	37
Fall 2023 Enrollment	230,000

Why not New York?

Despite the overall support for community colleges, there is little interest in outcomes-based funding; the state has instead reverted from an OBF to relying on base and enrollment components.

Overview of Funding Formula

- Since 2018, New York's formula has relied on a funding floor that is the greater of either 98% of the 2018-19 base, or \$2,497 per FTE.
- The governor's proposed FY26 budget notes that "Without a funding floor...community colleges would face a \$76M (18%) loss in formula aid due to enrollment declines," implying that **the formula is not deeply connected to the costs** for educating a student.

Political, Fiscal & Advocacy Landscape

- **Gov. Hochul is a major proponent of higher education** and has a "vision to transform the State's public higher education system to become the best and most equitable statewide system...in the country."
 - However, she **focuses on scholarships and generally increasing state support levels** rather than considering formula reform.
- Over the past few years, the 2-year colleges in both the State University of New York (SUNY) and City University of New York (CUNY) systems have **received increases of 9.5% and 6.7% respectively.**
 - For CUNY, though, **New York City's overall budgetary challenges** put pressure on the institutions.

New York's flexible base calculations and funding floor are meant to keep colleges afloat amidst enrollment declines

In 2015, New York's 2-year formula was mainly enrollment-based with increases to the per-FTE rate.

The FY16 State Budget included \$18M to establish an "Investment and Performance Fund." While colleges initially responded enthusiastically, by 2018 the performance pool received strong pushback led by the Faculty Council of Community Colleges and was ultimately discarded.

Funding Category	Share of Total	Metrics Evaluated
For "full-opportunity" community colleges (defined in statute):		
Base	100%	<p>The base is the greater of either</p> <ul style="list-style-type: none">a) 40% of the net operating budget;b) 40% of the net operating costs;c) Sum of FTE multiplied by * \$2,997; ORd) 98% of the 2018-19 base + 50% of physical space rental costs.
For non-"full-opportunity" community colleges:		
Enrollment-based Funding	N/A	--
Outcomes-based Funding	N/A	--



Oregon



No. of colleges	17
Fall 2023 Enrollment	200,000

Why not Oregon?

Oregon recently updated their funding formula to include an outcomes component and is in the process of implementing the new formula through 2030.

Overview of Funding Formula

- Appropriations go through Oregon's specific Community College Support Fund.
- Oregon's funding formula was last updated in 2024 for FY25, adding up to 10% of funding for performance metrics.
- The formula also equalizes the total public resources (state funding and local property tax revenue) per FTE to support colleges with lower local tax bases.

Political, Fiscal & Advocacy Landscape

- In January, **Gov. Kotek authorized a 7% increase in spending for community colleges**, totaling \$854M. Despite this increase, Oregon Community College Association says they need an additional \$120M to meet their needs.
- The **state legislature seems more conservative in community college funding**, leaving out an additional \$55M proposed by Gov. Kotek to expand financial aid and open opportunities for healthcare training.
- Given the recent changes, Oregon shows no advocacy around changing its funding formula.

Oregon continues to fund largely based on enrollment while implementing performance funding through 2030

The formula was initially overhauled in 2024, but its implementation plan uses incremental steps to increase the amount of funding that runs through the outcomes-based component. As a result, FY25 was the first year to have money distributed using the outcomes component of the formula.

Implementation runs through 2030, with the outcomes-based share increasing each year.

Funding Category	Share of Total	Metrics Evaluated
Base	5.7%	Flat rate: calculated using a flat rate of \$910 per funded FTE, up to 1,100 FTE; these are referred to as “realized FTE” and all districts receive credit for them in their base payment
Enrollment-based Funding	92.9%	FTE enrollment: calculated based on a college's share of statewide funded FTE, multiplied by the total public resources available for distribution; finally, the college's local property tax revenue is subtracted to determine the funding share
Outcomes-based Funding	2.6%	Progression Milestones: students who earned 15+ and 30+ credits Gateway Courses: completion of a gateway course in math, English or writing Non-credit Hours: students reaching noncredit threshold hours Degree Attainment: number of students who have completed an associate's degree



Tennessee



No. of colleges

13

Fall 2024 Enrollment

77,000

Why not Tennessee?

TN has already begun its review cycle to determine the 2025-30 formula; no concrete changes have arisen. The formula is robust, so smaller tweaks are more likely than more impactful changes.

Overview of Funding Formula

- The Complete College Tennessee Act of 2010 mandated that the majority of state funding must be distributed using performance outcomes.
 - Subsequently, the TN Higher Education Commission (THEC) and a Formula Review Committee (FRC) created the current formula.
- THEC and FRC are authorized to make changes to the formula annually, but in practice proposals usually arise every 5 years.
- Uniquely, TN's formula includes a quality assurance component based on instructional best practices rather than student metrics.
- The formula is intentionally complex to consider different situations; however, it is difficult to track its effectiveness in driving better student outcomes, and no research has surfaced to date.

Political, Fiscal & Advocacy Landscape

- Lawmakers recently passed K-12 education funding reform in 2022 and have since considered higher education funding reform. However, **there has been no significant movement on either the governor's or legislature's part.**
- **Advocates active in higher education** (e.g., TN SCORE) **typically focus more on affordability issues**, such as promise scholarships and financial aid.

Tennessee's formula is ahead of its peers in considering metrics such as job placements and quality assurance

Outcomes are weighted for "focus populations" (redefined every 5 years), then scaled according to the metric's typical standard deviation to differentiate outcomes that are more or less easily attainable.

Funding Category	Share of Total	Metrics Evaluated
Base	~18%	Fixed Costs: maintenance and operations costs calculated using a fixed constant calculated at the start of the 2020-25 cycle
Enrollment-based Funding	N/A	--
Outcomes-based Funding	~82%	Progression: number of students who reach 12, 24, and 36 credit hours each term Dual enrollment: number of high school students who take dual enrollment courses Associate degrees: total number of associate degrees conferred each year Long-term certificates: total certificates awarded that require 24+ credit hours Short-term certificates: total certificates awarded that require less than 24 credit hours Job placements: number of graduates who obtain employment in a related field through June 30 of the following year Transfers with 12+ credit hours: number of students who transferred to an in-state public or qualifying private institution with at least 12 credit hours Workforce training/contact hours: total non-credit instructional hours completed Awards per 100 FTE: combined total of associate degrees and long-term certificates conferred per 100 FTEs Quality assurance: additional funding if a college meets quality standards for student learning and engagement, as well as student access and success



Virginia



No. of colleges	23
Fall 2024 Enrollment	215,000

Summary:

With little to no interest from institutions or the legislature for change and a non-existent advocacy community, reforming VA's higher education funding is likely to be challenging and take significant resources.

Current State of Funding

State funding is appropriated in a lump sum to the community college system; no funding formula is involved. An older, enrollment-based formula exists, but colleges are routinely funded above its recommendations, rendering it obsolete.

However, the Virginia Community College System (VCCS) uses a funding formula with OBF to distribute funds to individual colleges.

Indicators of Potential for Reform

Gov. Youngkin and the state legislature see community colleges as drivers of workforce development and have prioritized funding for them accordingly. Recent increases from \$14-\$20M have gone to VCCS to cover costs for high-demand programs.

The State Council of Higher Education for Virginia (SCHEV) recently studied the old formula in 2021 and recommended reform. This report could form the basis for future discussions.

Headwinds

Neither the system nor policymakers have any appetite for funding reform. Discussions from 2021 stalled due to competing legislative priorities, and no OBF conversations have resurfaced since.

Both employment and enrollment are expected to decline over the next two years, reducing both demand and supply in the labor market.

There is no advocacy ecosystem focused on higher education finance, much less funding reform. College leaders are unlikely to advocate for any change in the status quo.

Virginia's state formula is obsolete, but the college system uses an OBF to distribute funds among institutions

Virginia last updated its state funding model, the "Base Adequacy model," in 2000. In 2022, a study commissioned by the State Council of Higher Education for Virginia (SCHEV) found that in recent years, all community colleges have been funded above the funding determined by the Base Adequacy Model, rendering it obsolete.

As a result, appropriations are not driven by the formula or any other statewide strategy.

However, the Virginia Community College System (VCCS) uses a separate formula (below) to distribute appropriations among institutions. This formula was created in 2015, and per one stakeholder, generates just enough funding to "keep colleges' attention" on outcomes.

Funding Category	Share of Total	Metrics Evaluated
Base	80%	Student Credit Hours: the base is calculated by estimating the number of FTE faculty required to teach a mix of student credit hours by institution, and the amount of support services costs based on ratios by institutional type
Enrollment-based Funding	N/A	Linked to base funding
Outcomes-based Funding	20%	Successful Course Completion: specifically of college-level math and English courses Student Retention: tracked from fall-to-spring and fall-to-fall Credit Hour Progression: colleges earn points for each student earning 12 and 24 credit hours by their first or second spring (respectively) Degree Completion and Transfers: annual number of awards (does not include multiple awards per student)

College leaders seem to be satisfied with the distribution formula in place and are unlikely to advocate for change.

Stagnant enrollment and expected declines in employment do not forecast a resurgence of political interest in OBF

Political

- **Gov. Youngkin has focused on keeping VCCS affordable**, awarding \$14.6M to community colleges to cover increased costs associated with instructor compensation, health care, etc.
- The **state legislature has focused on workforce development, approving over \$20M** in 2023 for workforce and credentialing programs.
- **In 2021, the legislature funded a study** of the state higher education system's costs and needs; **however, the governor's agenda ultimately redirected focus** away from implementation.

Advocacy

- **Education Reform Now reported that Virginia lacks a transparent, consistent funding formula.** What exists is described as inequitable and inadequate for two and four-year colleges.
- Stakeholder interviews report **no interest in changing the current formulas** from the college system or institutions.
- There are also **no advocacy organizations** focused on higher education funding.

Fiscal & Economic

- **In 2024, Virginia reported economic expansion "for the third consecutive year,"** as measured by jobs added, unemployment rate, personal income levels, and property-related economic activity.
- **Employment, however, is expected to decline in 2025 and beyond** due to cuts to federal funding that affect government, scientific, and technical services.
- In the last two years, Virginia's 2-year enrollment has seen incremental increases. However, from 2011-2024, enrollment declined, and **projections forecast stagnation or a slight decline** in new students.



Washington



No. of colleges	34
Fall 2024 Enrollment	192,513

Why not Washington?

Though Washington is using an outdated funding metric, neither the state board nor student advocates have focused on changing the funding formula.

Overview of Funding Formula

- The State Board for Community and Technical Colleges (SBCTC) administers a funding formula with weights and performance-based measures.
- SBCTC funds colleges based on an enrollment target of just shy of 140,000 FTE students, which has not been updated since 2017.
 - Funds are disbursed to districts based on their share of targeted enrollment, which in turn send funds to community colleges.

Political, Fiscal & Advocacy Landscape

- Gov. Ferguson, who began his term in January 2025, inherited an education plan from former Gov. Inslee, which **includes cuts totaling \$2.8M from 2025-2027.**
- The SBCTC has not advocated for any changes in the state funding model.

Washington funds community colleges based on annual enrollment targets that are not met

The enrollment targets are only adjusted if all colleges in the system meet or exceed the metric. However, given that it has not been adjusted since 2017, the current target does not seem to accurately reflect the current enrollment conditions.

Funding Category	Share of Total	Metrics Evaluated
Base	13%	Fixed minimum: each college receives \$2.85M
Enrollment-based Funding	70% + 8% weight	FTE enrollment target: the target is generated using a rolling 3-year average; colleges with students in one of four categories (high-demand workforce, ABE/basic skills, STEM and applied baccalaureate) receive a priority weight of +0.3 per FTE
Outcomes-based Funding	5%	Student success outcomes: <ul style="list-style-type: none">• Basic skill gains• Credential Attainment• College Credit Milestones• Core Subject Completion• One-year credit thresholds• Program completion

