ENDING UNFUNDED MANDATES
in Higher Education

USING COMPLETION-GOALS FUNDING
to Improve Accountability and Outcomes

COMPLETE COLLEGE AMERICA

Complete College America (CCA) builds movements for scaled change and transforms institutions. Specifically, CCA drives systemic change that leads to better college completion rates; more equitable outcomes; and greater economic and social mobility, especially for historically excluded students. CCA operates at the federal, state, and institutional levels and works with its national network of forward-thinking state and higher education leaders. Since its founding in 2009, CCA and its network have introduced bold initiatives that help states and institutions implement data-driven policies, student-centered perspectives, and equity-driven practices.

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EXECUTIVE SUMMARY

The United States cannot meet its higher education goals without changing the way it funds public colleges and universities. Current funding models do not sufficiently advance fully scaled improvements. Instead, today's models create unfunded mandates: Colleges are required to increase completion rates, but they do not receive essential funding until after improvements make an impact.

Complete College America (CCA) addresses this challenge with completion-goals funding, a new approach to managing higher education resources, helping colleges introduce proven reforms, and dramatically increasing completion rates. With completion-goals funding, colleges receive funds up front, and then they must meet completion targets. Completion-goals funding—an evolution of outcomes-based funding—is the next step in improving outcomes and meeting state completion goals.

States Need a New Higher Education Funding Model

Over the past 13 years, CCA has worked with states across the country to introduce outcomes-based funding. While the specific funding formulas vary, they all prioritize college completion and increase funding only when colleges produce results.

States that adopted reforms grounded in outcomes-based metrics often saw their graduation rates increase.[1] But the gains were uneven and, in many cases, insignificant. The current two-year graduation rate for public, degree-granting two-year colleges is 17 percent. The four-year graduation rate at public four-year institutions is 40 percent, and that figure is buoyed by selective enrollment public institutions.[2]

In addition, outcomes-based funding often does not help the colleges most in need of increased funding and support—which typically are those most likely to serve historically excluded students.

By 2031, 72 percent of U.S. jobs will require education or training beyond high school.[3] The United States is not on track to meet these employment needs. Moreover, individuals—both those who have earned credentials and those who have not—are drowning in education debt. And institutions, particularly those that serve historically excluded students, struggle to find funding to make improvements that are essential for meeting completion goals.

States and colleges know how to improve completion rates. Colleges that are adopting CCA's proven strategies—such as getting all students onto semester-by-semester education plans; replacing traditional, prerequisite remediation with corequisite coursework; and providing academic and basic needs support—are having success. Implementing these strategies at scale—and connecting proven strategies to funding—would further increase completion rates.

Completion-goals funding is the new approach higher education needs. It makes the essential connection between higher education funding and using proven strategies to produce results. It also changes the zero-sum funding approach to one that allows all colleges to receive sufficient funding so states reach their completion goals and meet their workforce needs.

Defining Completion-Goals Funding

Completion-goals funding ends unfunded mandates related to meeting state completion goals: Colleges get the money they need to implement proven strategies up front, and then they must meet completion targets. The key elements of completion-goals funding include the following:

- Funding is based on the actual cost of educating enough students to reach statewide completion goals—specifically increasing completion of degrees and credentials that meet workforce needs, allow students to earn a livable wage, and can lead to ongoing education.

- States and institutions work together to determine the actual cost of giving every student the highest chance of earning credentials. All parties recognize that funding must be tied to accountability.

- Funding includes both investing in proven success strategies and eliminating inefficiencies.

- The state establishes clear targets—targets derived from statewide goals—for each institution, and it provides sufficient per-student funds for each institution to reach its target. Thus, expenditures are based on educating the current student population and meeting the state's needs.

- Institutions use funds to implement best practices, and they regularly track and evaluate their progress toward their targets.

Completion-goals funding builds on the lessons learned from earlier models. It will require more funds for higher education, but this funding will be a shrewd investment. It will be based on clear, college-authored, and state-approved plans that show value, and it will require adherence to accountability metrics. The spending will be more logically planned and tied to implementing improvements that lead to results. And colleges will regularly evaluate and revise their improvement efforts, in coordination with policymakers.

As a result, the state's investments will lead to meeting its completion goals. The state also will reap the economic and civic payoffs that come from having more credential holders in programs that meet workforce needs, provide better salaries, and allow for upward economic mobility.

INTRODUCING
Completion-Goals Funding

The United States cannot meet its higher education goals without changing the way it funds public colleges and universities. Current funding models do not sufficiently advance fully scaled improvements. Instead, today's models create unfunded mandates: Colleges are required to increase completion rates, but they do not receive essential funding until after improvements make an impact.

Complete College America (CCA) addresses this challenge with completion-goals funding, a new approach to managing higher education resources, helping colleges introduce proven reforms, and dramatically increasing completion rates. With completion-goals funding, colleges receive funds up front, and then they must meet completion targets. Completion-goals funding—an evolution of outcomes-based funding—is the next step in improving outcomes and meeting state completion goals.

Higher education funding in the United States has evolved significantly. For the better part of 80 years, higher education funding rewarded

inputs, such as enrollment. Then CCA began leading the call for a focus on outputs—moving from a goal of simply getting students into college to one of helping students complete college with a credential or degree of value. As part of this concentrated attention on completion, CCA worked with many states to introduce—and then track the impacts of—funding formulas that prioritized college outcomes, such as completion, rather than inputs, such as enrollment.

More than a decade after states started using outcomes-based funding, graduation rates have improved—but not nearly enough. States are not meeting their targets for increasing credential attainment rates. In addition, completion rates have not always improved in the program areas needed to meet states' specific labor needs, and some studies show limitations in improving associate degree completions.[4]

Moreover, individuals—both those who have earned credentials and those who have not—are drowning in education debt.

And institutions, particularly those that serve historically excluded students, struggle to find funding to make improvements that are essential for meeting completion goals.

States cannot address these challenges and meet completion goals under current funding models. Outcomes-based funding took the critical step of linking dollars with implementing proven education reforms. However, it falls short of helping colleges take the steps actually needed to implement reforms because it creates an unfunded mandate. Colleges are required to improve completion rates, but they do not receive essential funding until after improvements make an impact.

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SIX REASONS
for Moving Toward a New
Higher Education Funding Model

While improvements should be celebrated, completion rates are not increasing quickly enough. Moreover, historically excluded students—BILPOC (Black, Indigenous, Latinx, People of Color) students and students from under-resourced families—continue to be less likely to earn credentials and more likely to have higher debt from educational loans.

Higher education is an investment that should provide economic security and mobility for all individuals, a qualified workforce for employers, and economic gains for both states and the nation.

Current funding models, which were developed at a time when needs for states, the economy, institutions, and students were significantly different, are not effectively advancing completion. A more effective funding model can help make completion goals more attainable and do the following:

① **Accelerate current improvements in college completion.**

② **Meet U.S. employers' needs and maintain U.S. competitiveness.**

③ **Control both tuition costs and student debt.**

④ **Create more equitable outcomes.**

⑤ **Encourage colleges to adopt essential reforms.**

⑥ **Meet state completion goals and economic goals.**

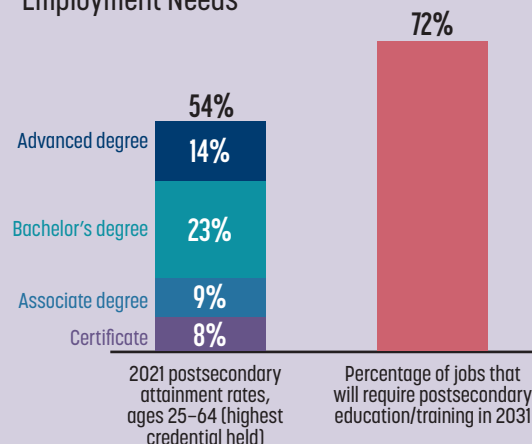# 1 Accelerate Current Improvements in College Completion

Over the past 13 years, CCA has worked with states across the country to introduce outcomes-based funding. While the specific funding formulas vary, they all prioritize college completion and increase funding only when colleges produce results. Results are defined as increases in graduation rates and/or improvements in predictors of college completion, such as pass rates in introductory math and English, the number of full-time students attaining 30 credits in their first year, and the number of part-time students attaining 15 credits in their first year.

States that adopted these approaches increased their graduation rates.[5] But the gains are not significant enough. The current two-year graduation rate for public, degree-granting two-year colleges is 17 percent. The four-year graduation rate at public four-year institutions is 40 percent, and that figure is buoyed by selective enrollment public institutions.[6] In addition, outcomes-based funding often does not help the colleges most in need of increased funding and support—which typically are those most likely to serve historically excluded students.[7, 8]

> Outcomes-based funding is limited by the timing of the funding. It also prioritizes demographics, fields of study, and institutions that have already been funded for success.

By 2031, 72 percent of U.S. jobs will require education or training beyond high school.[9] As Figure 1 shows, the United States is not on track to meet these employment needs. (The Appendix, page 28, shows state-by-state completion goals and progress.)

FIGURE 1

The United States Is Falling Short of Meeting Its Employment Needs

Advanced degree — 54% / 14%
Bachelor's degree — 23%
Associate degree — 9%
Certificate — 8%

2021 postsecondary attainment rates, ages 25–64 (highest credential held)

72%

Percentage of jobs that will require postsecondary education/training in 2031

Sources: Lumina Foundation, https://bit.ly/472Ozhv; Georgetown University Center on Education and the Workforce, https://bit.ly/46BXyFr

States and colleges know how to improve completion rates, though adoption of reforms is uneven. Colleges that are implementing CCA's proven strategies are having success. These strategies include, for example, getting all students onto semester-by-semester education plans; replacing traditional, prerequisite remediation with corequisite coursework; and providing academic and basic needs support (Figure 2). Using these strategies at scale—and connecting proven strategies to funding—would further increase completion rates.

While outcomes-based funding was a step in the right direction, it is limited by the timing of the funding. It also prioritizes demographics, fields of study, and institutions that have already been funded for success.

Completion-goals funding builds on outcomes-based funding, but it changes the order of operations: Colleges get upfront dollars to implement proven strategies rather than after-the-fact rewards. Completion-goals funding makes implementing reforms at scale and with fidelity easier for colleges so more students will earn credentials.

FIGURE 2
CCA Pillars and Strategies

PURPOSE	STRUCTURE
Aligning the college experience to each student's goals for the future	Building course road maps that make the path to a degree or valued workplace credential clear
• First-Year Experience • Career Exploration • Academic & Career Alignment • Adult Learner Engagement	• Math Pathways • Meta Majors • Academic Maps & Milestones • Smart Schedules • Stackable Certificates & Credentials
MOMENTUM	**SUPPORT**
Designing multiple avenues for students to get started, earn credits faster, and stay on track to graduate	Addressing student needs and removing barriers to academic success
• Credit for Competency • Multiple Measures • Corequisite Support • Dual Enrollment • 15 to Finish/Stay on Track	• Active Academic Support • Proactive Advising • 360° Coaching • Student Basic Needs Support

Completion-goals funding makes the essential connection between higher education funding and using proven strategies to produce results. It also changes the zero-sum funding approach to one that allows all colleges to receive sufficient funding so states reach their completion goals.

If states implement comprehensive completion-goals funding—using it for all funding appropriations—graduation rates will increase. As a result, individual states and the nation as a whole will benefit from the improved completion rates in programs of economic value that lead to lower unemployment, higher salaries and tax revenue, and lower demand for social support programs.[10, 11, 12]

Meet U.S. Employers' Needs and Maintain U.S. Competitiveness

Between 2009 and 2023, the proportion of U.S. adults with a postsecondary credential increased from 38 percent to 54 percent.[13] This tremendous growth is a result of transformational change in student supports, program pathways, and other innovations in the college experience.

However, the trajectories of these gains are no longer sufficient. As noted earlier, by 2031, 72 percent of U.S. jobs will require postsecondary education and/or training.[14] Current completion rates will not meet this demand (Figure 1).

By contrast, other countries, particularly those in Europe and East Asia, are expanding educational attainment at a pace that either matches or surpasses the speed needed to maximize their economies.

Today, among the 37 democratic, market-driven nations of the Organisation for Economic

Co-operation and Development (OECD), an average of 47 percent of adults hold a postsecondary credential. Collectively, credential attainment in these 37 countries is 4 percentage points lower than the United States' 51 percent.[15] Note: The OECD's 51 percent U.S. attainment rate does not align with the Figure 1 attainment rate because of differences in sources, methodologies, and ages of populations studied.

However, the percentage of credential holders in OECD countries is growing at nearly double the rate of U.S. growth. Between 2011 and 2022, the percentage of U.S. credential holders increased 8 percentage points, as compared with 16 percentage points in the Netherlands, 10 percentage points in the United Kingdom, and 9 percentage points in OECD countries overall (Figure 3). As such, the OECD is set to surpass the United States by 2030.[16]

FIGURE 3

U.S Attainment Rate Is Growing More Slowly Than That of Other Countries

PERCENTAGE OF ADULTS AGES 25 TO 34 HOLDING A POSTSECONDARY CREDENTIAL

Source: OECD, 2023, https://data.oecd.org/eduatt/population-with-tertiary-education.htm
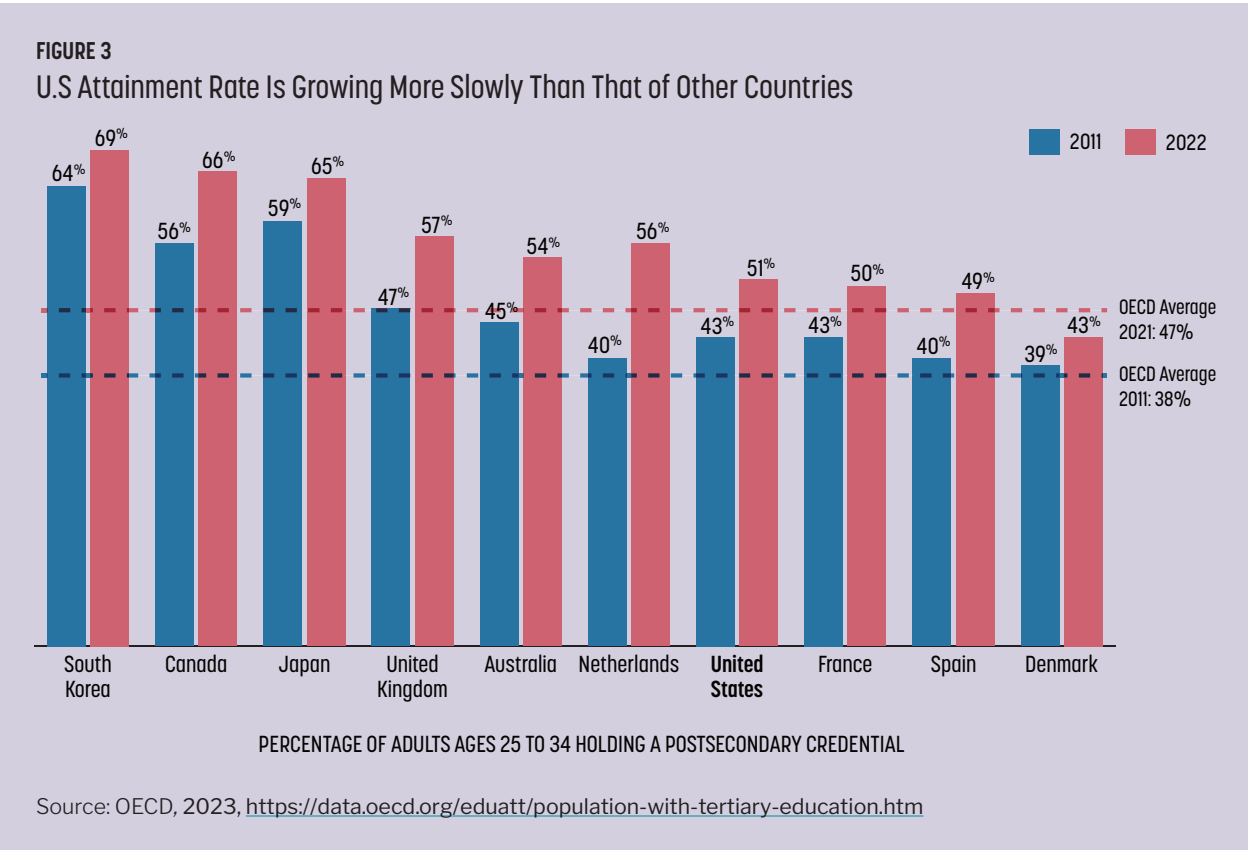
3 Control Both Tuition Costs and Student Debt

Tuition increases at public institutions, which result in part from decades of insufficient government funding of higher education, compound the struggle for college completion.

While increases in state funding over the past five years have helped keep tuition increases to a minimum, this trend has neither countered years of prior increases nor alleviated high costs.

Rising tuition costs and student debt create economic losses for individuals, states, and the country as a whole. These financial burdens also threaten completion goals, as tuition increases are linked to decreases in both retention and graduation rates, particularly for students from under-resourced families.[17]

The current structure of U.S. higher education contributes to widening wealth disparities based on race and socioeconomic class. Both completion rates and tuition/debt play roles in exacerbating the wealth gap.

- **Completion rates.** While nearly one in two White adults hold a postsecondary credential, fewer than one in three Black adults and roughly one in four Latinx adults hold a postsecondary credential.[18] Holding a postsecondary credential typically leads to a higher income, better health insurance, and a range of other benefits. In this way, institutional performance gaps in completion rates widen wealth disparities.

- **Tuition/debt.** High tuition makes completing college harder for historically excluded students and/or leads to higher student debt, both of which further entrench wealth disparities.

Collectively, U.S. students have $1.8 trillion in outstanding education debt, quadruple the published amount since 2006. Moreover,

51 percent of bachelor's degree recipients from public four-year institutions graduated with federal loans and hold an average federal debt of $21,400 per borrower—an amount equivalent to two years of public four-year college or university education.[19, 20]

In the past three decades, in inflation-adjusted dollars, tuition and fees have more than doubled at public four-year institutions, and they have increased by more than 50 percent at two-year institutions.[21] Despite increases in state support over the past five years, students and the institutions that support them have access to far fewer funds than decades ago. Between 1980 and 2022, the student share of revenue at public institutions doubled.[22]

The situation is even more dire when viewed by race. Over the past decade, median student debt has risen by about a fifth for White students, a quarter for Latinx students, and a third for Black students,[23] contributing to the nation's $10 trillion racial wealth gap.[24]

Finally, many students take out loans and do not complete their degrees, obtaining marginal benefit from college attendance, but still lacking the true employment gains that come from earning a credential—and meanwhile retaining debt that continues to accumulate due to interest. This cycle hits historically excluded students the hardest. A third of White students who borrowed money but did not complete their studies defaulted on their loans, a rate that increases to 41 percent for Latinx students and 55 percent for Black students.[25]

A new funding model that better addresses tuition costs can help more students—including historically excluded students—attend college, complete college, and do so without crushing debt.
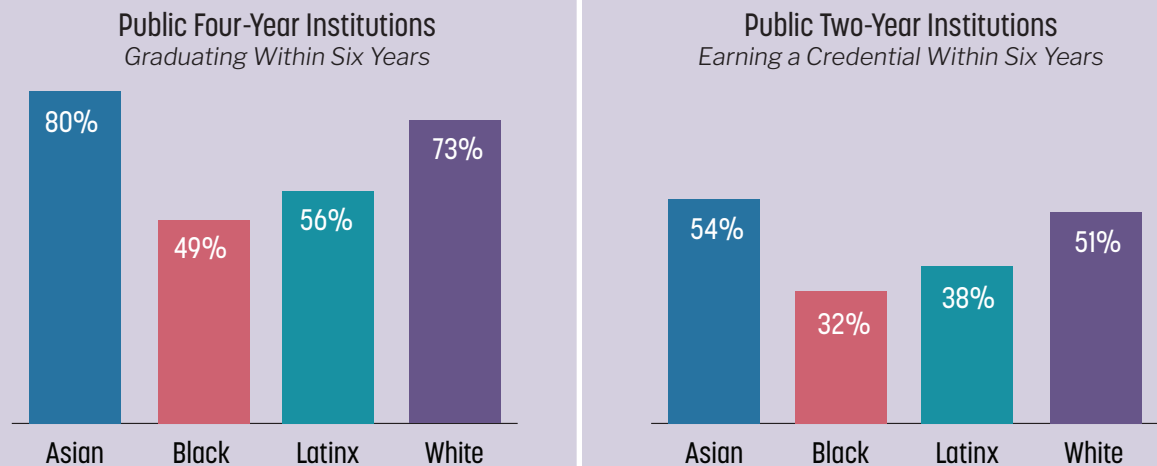
4 Create More Equitable Outcomes

Too many students—particularly those who have been historically excluded—leave college without completing their educational goals (Figure 4).

Creating more equitable outcomes is the overarching goal that is connected to all of the other aims. Georgetown University's Center on Education and the Workforce found that the U.S. economy "misses out on $956 billion per year,

along with numerous nonmonetary benefits, as a result of postsecondary attainment gaps by economic status and race/ethnicity."[26]

States and institutions have a variety of reasons to address equity, from meeting workforce needs to addressing social justice issues. Ultimately, improving completion rates is impossible without closing institutional performance gaps.

FIGURE 4

Graduation Rates Highlight Institutional Performance Gaps

Public Four-Year Institutions
Graduating Within Six Years

Asian 80% | Black 49% | Latinx 56% | White 73%

Public Two-Year Institutions
Earning a Credential Within Six Years

Asian 54% | Black 32% | Latinx 38% | White 51%

NOTES
- CCA emphasizes on-time completion: two years for an associate degree and four years for a bachelor's degree. However, national data that is disaggregated by race/ethnicity is available only for six-year completion rates. The current two-year graduation rate for public, degree-granting two-year colleges is 17 percent. The four-year graduation rate at public four-year institutions is 40 percent.
- These rates do not include Native American students at the sectoral level or by enrollment intensity. For Native Americans, the six-year graduation rate from public, four-year institutions is 36 percent.
- The terms Asian, Black, and Latinx encompass students from the United States and other countries with many different backgrounds, cultures, and experiences and do not differentiate among vastly different racial/ethnic groups within these categories.

Sources: National Student Clearinghouse Research Center, November 2023, https://nscresearchcenter.org/completing-college and 2021 IPEDS data

5 Encourage Colleges to Adopt Essential Reforms

Colleges have been challenged by ambitious completion goals set by their states, largely because these goals are not aligned with the level of investment needed to reach them. Even when funding is increased, as it is in outcomes-based models, the funding comes only after the college does the work and produces results.

Thus, institutions—particularly those that have been historically underfunded and/or are serving populations who need additional support—find themselves in a Catch-22: They need funds to implement reforms that lead to improvement, but they cannot access funds without demonstrating improvement.

A new funding model—one that provides upfront funding to colleges—will ensure that institutions have the resources to achieve their completion goals.

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6 Meet State Completion and Economic Goals

Every state strives for the economic prosperity of its residents. Higher education has a proven track record of providing improved economic outcomes for its graduates, and research has shown that investing in higher education pays off. Higher education graduates experience lower unemployment rates, are less likely to need to rely on state and federal support programs, and pay more in taxes.[27, 28, 29]

A new funding model that includes improved efficiencies will ensure that tax dollars will be used to meet completion goals and produce improved economic outcomes, an approach that has bipartisan appeal.

UNDERSTANDING
Current Higher Education
Funding Models

Most funding for public institutions comes from direct state appropriations, student tuition, and federal financial support. Because each state determines its own formula or mechanism for allocating higher education funding, the reality of this funding differs dramatically from state to state. Essentially, the country is conducting 50 different higher education funding experiments.[30]

For example, the dollars allocated to higher education vary substantially among states. Higher education appropriations per full-time equivalent (FTE) student range from a low of $3,699/FTE in New Hampshire to a high of $22,970/FTE in Illinois.[31] In addition, the way enrollment levels influence both overall funding and how funds are distributed (e.g., based on institutional type and outcomes) also varies significantly among states.

Moreover, when economic recessions result in significant reductions in state appropriations, public institutions increase tuition rates and work to attract out-of-state and international students, both of whom pay higher tuition than in-state students. This trend has caused the proportion of higher education financing borne by students to rise over time; since 1980, the net tuition portion of institutional budgets has almost doubled.[32]

Finally, state funding strategies aim to optimize resources in constantly changing economic, political, and enrollment conditions. However, these approaches often fail to meet the needs of historically under-resourced institutions; at times, these mechanisms even perpetuate funding disparities.[33, 34]

The bottom line is that existing funding models do not accurately account for the real costs of delivering quality education. While some institutions have non-financial limitations that prevent them from meeting their goals, most colleges are struggling to implement reforms at scale—at least in part because they are underfunded.

Current funding models base funding on student numbers rather than the quality of education provided. This approach has created the following issues:

- **Building on outdated baseline numbers.** Current funding models often determine base funding through incremental changes from the previous year. This approach assumes that historical funding levels were both sufficient to provide a quality education and reflective of the state's future objectives. However, these assumptions are rarely accurate. Historical levels and approaches rarely align with current priorities, including up-to-date workforce needs and equity concerns. Most states' current funding models are based on the expenses incurred in recent academic years, rather than the costs of adequately funding institutions to meet completion goals. Moreover, these models do not account for the multi-year investments required to implement best practices needed to reach completion goals.

- **Misinterpreting higher education's role.** Existing models often treat higher education as a revenue-generating function, equating it to a business that sells services. This approach overlooks the essential role of higher education in developing an educated, employable tax base—a function most states acknowledge by setting goals to increase adult educational attainment.

- **Providing ill-advised incentives and leaving those who most need support behind.** By incentivizing strict metrics adherence, outcomes-based funding systems will always be subject to gaming the system. Colleges will have incentives to advise students into the majors and credential programs that are most likely to produce graduates rather than ensuring that students graduate with a credential of value. Part-time students who take longer to graduate will not be prioritized in funding formulas even though part-time students—who are more likely to be BILPOC students and students from under-resourced families—represent 38 percent of undergraduates overall and two-thirds of community college students.[35] Thus, those who are already more likely to graduate will have the highest chance to increase their success rates at the expense of historically excluded students who need more support.

While outcomes-based funding has a growing presence across the country, it affects very few actual dollars. It typically is used for a very small portion of funding models when it is used at all. In fact, enrollment-based funding accounts for 90 percent of state funding for public institutions.[36]

Completion-goals-based funding would have a larger impact because it would replace both outcomes-based funding and overall appropriations in states where funding formulas are heavily or entirely based on enrollment.

Completion-Goals Funding Addresses Five Critical Problems

Problem 1: Inadequate Funding	Completion-Goals Funding Solution
Outcomes-based funding and other existing models start from the status quo and incentivize improved outcomes. They overlook the fact that many institutions need an adjustment to their appropriations up front to implement reforms so they can better serve students.	Give higher education institutions adequate funding that reflects the actual costs of delivering a high-quality, equitable educational experience—and that is derived from state completion goals.

Problem 2: Enrollment Emphasis	Completion-Goals Funding Solution
Both traditional and even many outcomes-based funding models tend to focus on new student enrollment rather than funding institutions with a goal of reaching, educating, and graduating a targeted number of adults—and a diverse student population. Although outcomes-based funding was originally designed to focus on strong performance rather than enrollment, many outcomes-based models still prioritize contact hours and are sometimes merely supplemental to appropriations still dictated overall by enrollment formulas.	Fund colleges so they can attract, retain, and graduate a diverse population of students. This approach may include improving college-going rates overall and/or improving college-going rates for certain demographics to ensure that the state has enough students in college to ultimately meet completion goals and workforce needs.

Problem 3: Lack of Upfront Investment in Proven Strategies	Completion-Goals Funding Solution
Current models do not ensure that state higher education appropriations are a strategic investment in innovative strategies and best practices. They also neglect to account for the multi-year expenses that come from implementing these practices. Programs touted across the country for their ability to graduate more students—including the Metro College Success Program at San Francisco State University, the City University of New York's Accelerated Study in Associate Programs, and the myriad and intertwined programs that comprise Georgia State University's success models—have benefited from multiple years of investment. As states and systems look to scale these programs broadly, appropriations should accommodate multi-year initiatives.	Strategically fund the implementation of proven best practices that boost completion and lead to equitable outcomes. Provide adequate funding to initiate these practices and cover multi-year expenses related to achieving completion goals.

Problem 4: Lack of Administrative Efficiency Controls	Completion-Goals Funding Solution
Most outcomes-based funding models do not include a process for controlling administrative expenses.	Include incentives for efficiency and low administrative expenses combined with strong results.

Problem 5: Unchecked Tuition Growth	Completion-Goals Funding Solution
Current models do not inherently incentivize the reduction of tuition.	When determining funding, compare the cost of tuition reduction with the cost of potential student success reform efforts. College efforts to increase instructional spending per pupil, and reduce costs elsewhere, have been shown to improve student success, as increasing per-pupil spending on core academic services is bedrock to proportional increases in graduation rates, especially at public two- and four-year colleges and universities.[37]

A CLOSER LOOK
at Completion-Goals Funding

A state budget is a strategic road map outlined in financial terms. It reflects the state's values, measures of success, and incentives, and it prioritizes methods that reflect these values. State budgets should be completion oriented—designed from the ground up to achieve college, system, state, and national completion goals.

To better align funding with current goals—meeting labor needs, reducing student debt, encouraging colleges to adopt reforms, meeting state goals, and creating more equitable outcomes—states must change higher education funding in three fundamental ways. States should:

1. Allocate budget dollars based on the actual costs of reaching completion targets rather than basing allocations on enrollment or rewarding only those institutions that could already afford to make improvements. Allocations should require implementing proven strategies as well as identifying efficiencies and other savings.

2. Ensure that colleges have sufficient resources to meet college completion goals—without overburdening students—once states and institutions work together to quantify these costs. This approach requires creating targets for predictors of college completion and identifying the funding and technical efficiencies needed to meet them.

3. Hold colleges accountable using leading indicators related to completion, such as year-to-year retention, completion of introductory math and English in the first year, credit accumulation in the first year, and improved enrollment access.

Completion-goals funding accomplishes these aims without funding institutions at an ever-increasing rate in the hope that completion improves. It also incorporates key elements of earlier models, such as using performance metrics in funding decisions because this approach helps direct resources toward college completion and the success of graduates.

Finally, it includes ongoing development and monitoring of key predictive measures of college completion rates These essential components ensure that the efficacy of reform efforts is evaluated based on indicators of student progression and success.

Specifically, completion-goals funding requires states and colleges to make three fundamental shifts:

1. **Create base funding grounded in completion goals,** rather than enrollment numbers or historical precedence. Completion-goals funding sets completion targets for each institution, provides sufficient funding to meet those goals, and centers efforts on facilitating the student's journey toward graduation. (It is worth noting that improving access still remains important; the ability to have a set percentage of a state's population have a credential of economic value depends on both broad student access and high graduation rates.)

2. **Embrace strategic investment for reform efforts,** acknowledging that sustainable improvements require not just one-off funding but consistent, committed investment in innovative strategies and proven best practices.

3. **Uphold stringent accountability metrics** to ensure that every dollar spent yields tangible, meaningful progress toward shared educational objectives.

THE DETAILS OF COMPLETION-GOALS FUNDING

Completion-goals funding redesigns how funding is provided across five areas of consideration:

1. Base funding;
2. Strategic investment;
3. Accountability;
4. Administrative efficiencies; and
5. Tuition reduction.

FIGURE 5
Completion-Goals Funding Model

1 Base Funding	2 Strategic Investment	3 Accountability

4 Administrative Efficiencies

5 Tuition Reduction

1. Base funding: The first step

State funding for each institution begins by calculating base funding, which is a dollar amount per graduate (not per enrolled student) using data from a baseline year. The per-graduate amount is calculated—for each institution—by dividing the state appropriation by the number of credential completions at the college or university in the baseline year. At the outset of completion-goals funding, the state should fund each institution's number of graduates using the institutions' cost-per-graduate rates, all using data from the baseline year. (Note: As explained on page 20, this calculation will account for the fact that costs differ by programs of study.)

In unforeseen situations, the state can consider circumstances when calculating the base funding. For example, the COVID-19 pandemic greatly affected higher education. Thus, graduates from the 2020 academic year should be used as the base year for funding, and any decreases in 2021 should not be held against the college. Institutions should be funded per graduate up to 2020 base year levels. If the number of degree or credential holders from the institution falls below the 2020 level in the future, the base budget should be discounted accordingly.

2. Strategic investment: Upfront funding that institutions use to implement proven reforms

Funding for specific strategies. Strategic investment funding is upfront funding that institutions use to implement proven reforms— such as the CCA strategies shown in Figure 2 on page 8—to produce more credential holders. Providing this funding up front is essential so institutions have the resources they need to make broad, scaled, institutional change. These investments fund the completion mandate.

Institutions will present proposals for strategic investment, and states will fund all projects that are grounded in proven student success strategies, improve equity, and demonstrate a return on investment through additional graduates produced. States will allow for the fact that reforms designed to help students from under-resourced families will likely have higher initial costs per graduate.

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COMPLETE COLLEGE AMERICA

> Colleges and universities that are unwilling or unable to commit to implementing best practices should not expect to produce the required graduates and therefore should receive only base funding. Only those institutions willing and able to implement best practices should be able to access additional funding based on well-structured proposals evaluated for their potential to meet completion targets.

CCA recommends that states require colleges to implement two to four strategies concurrently. Strategic investment funding should give colleges sufficient time to fully implement reforms and allow them to take effect. Colleges also should receive capital appropriations for improvements such as facilities and technological infrastructure to achieve their goals.

Collaborative efforts between state decisionmakers and institution leaders should ensure an appropriate mix of strategies, balancing those that can be achieved rapidly and cost-effectively with others that will have a greater impact on a larger scale.

The specific implementation of these strategies will vary depending on the institution's culture, student needs, and structure. Institutions should track the costs of implementation to inform discussions about the return on investment and guide decisions about expanding strategies statewide.

States and colleges are both accountable. To effectively improve educational attainment, this additional funding for strategies is essential, particularly for institutions struggling to boost completion rates. If the state does not allocate sufficient resources to implementing proven strategies, the state will not reach the completion rates required for an optimal labor economy (see Appendix on page 28).

Institutions also are accountable. Colleges and universities that are unwilling or unable to commit to implementing these best practices should not expect to produce the required graduates and therefore should receive only base funding. Only those institutions willing and able to implement best practices should be able to access additional funding based on well-structured proposals evaluated for their potential to meet completion targets.

In addition, states can evaluate metrics based on who is enrolling in each college. To meet completion targets and improve equity, for

CCA Completion-Goals Funding Modeling Tool

To get started developing your state's completion-goals funding model, see the CCA Completion-Goals Funding Modeling Tool, a companion to this report. This tool includes baseline data for every college in the country. States, systems, and colleges can view the data and run different funding scenarios to see how various choices affect outcomes. The CCA Completion-Goals Funding Modeling Tool is available at completecollege.org/completion-goals-funding-modeling-tool.

example, colleges should enroll more students with financial need. States and colleges also can evaluate the rates of college-going behavior at various high schools in a college's service area. If necessary, the state and colleges can develop plans to improve overall college-going rates and/or rates for certain demographics. This approach will ensure that the state has enough students in college to ultimately meet completion goals and workforce needs—and that students in all demographic groups have opportunities to earn credentials of value.

State funding for each institution begins by allocating a base dollar amount per graduate— not per enrolled student.

Lower per-student costs for additional graduates. As institutions invest strategically to improve practices, they will build infrastructure, expand staff, and develop other resources to support student completion. Once these elements are in place, institutions should be able to educate additional graduates at a lower cost.

In addition, the funding model calls on institutions to improve their efficiency, which also will lower the cost per graduate. Thus, CCA recommends funding additional graduates (beyond the base funding) at a lower cost per student. States should determine this lower rate based on state goals, colleges' capital needs, and other factors.

Costs that differ by program. States should account for the fact that average per-student costs differ by program. The cost of producing a nursing graduate, for example, is higher than the cost of producing a graduate in the humanities. Thus, states and colleges will identify the cost per graduate for each program at each college. Then they use the volume of expected graduates in each program to determine the college's final cost per student. In this way, each college's cost per student will reflect the true cost of educating the graduates it produces. The current costs of producing a graduate could be used to establish targets for underperforming institutions.

Funding for transfers from two-year to four-year institutions. In a model centered on degree completion, increasing transfers from two-year to four-year institutions will ultimately result in more bachelor's degrees. Thus, it is crucial that community colleges maximize—and are recognized for—using their funding to help more students transfer to four-year colleges and universities. For this reason, completion-goals funding recognizes transfer activity between two-year and four-year institutions in the strategic investment calculation.

Studies suggest that before transferring, a student typically earns 24 credit hours, or slightly more than a third of an associate degree. The completion-goals funding model would award a third of the per-graduate funding to community colleges that cover the cost of producing a transfer student. The remaining two-thirds would go to the four-year institution, covering the rest of the cost for a fully credentialed graduate. (This model assumes that states have seamless transfer policies and articulation agreements so all of a student's credits from the two-year college count toward a bachelor's degree.)

The completion-goals funding model estimates transfer activity based on the proportion of transfer-in students at four-year institutions, as reported in the Integrated Postsecondary Education Data System (IPEDS). More complex models could be developed, depending on the quality of transfer data available, which would help to predict transfer activity more accurately.[38]

3. Accountability: Balancing upfront investment with institutional accountability

While upfront funding for colleges is essential to reach state completion goals, balancing this investment with accountability for colleges is important. Reforms must be executed effectively and with fidelity.

Implementing best practices—such as developing pathways, mandating corequisite education, providing proactive advising, and other CCA strategies—requires time and resources. To ensure strategic use of investments in best-practice innovation, completion-goals funding provides time for institutions to introduce and scale positive change.

As part of its strategic investment proposal, each institution will set targets, with time frames, for improving leading indicators related to completion. These leading indicators include, for example, retention, gateway course success, credit accumulation in the first year, course success in the first year, and improved enrollment access.

If a college fails to meet its targets in the established time period, its proposal should be adjusted to a more realistic target, and its strategic investment funding should be adjusted to the level of graduate production. The established time period must be long enough to allow institutions to hire necessary faculty and staff and to implement reforms fully and with fidelity.

Institutions not initially selected for strategic investment but achieving increases in graduate production should be funded at a rate of 50 percent of the current average state cost per graduate multiplied by the number of additional graduates they produced. This approach rewards institutions for positively contributing to the state's goal with their current resources.

> While upfront funding for colleges is essential to reach state completion goals, balancing this investment with accountability for colleges is important.

4. Administrative efficiencies: Ensuring student-centered spending

In addition to encouraging best practices and holding institutions accountable for effective implementation, completion-goals funding motivates institutions to achieve their targets efficiently, with low administrative expenses.

As part of this work, states and colleges should have conversations about how much money colleges should devote to administrative overhead as opposed to direct student support. Some states already are looking at these factors.

The Arkansas funding model, for example, includes several measures of administrative efficiency, such as a faculty to administrative salary ratio.[39] Colleges uses these measures to show their progress in improving administrative efficiency.[40]

5. Tuition reduction: Reducing the burden on students

Completion-goals funding includes a recommendation that states give colleges incentives to lower tuition. As a first step, the field needs more research on the relationship between tuition reduction and increased student success rates. States should conduct studies to understand tuition reduction as a student success intervention, a tool to increase retention, and an incentive for college completion.

> Completion-goals funding motivates institutions to achieve their targets efficiently, with low administrative expenses.

As institutions improve student outcomes through implementing and scaling proven strategies, efficiencies are likely to reduce the cost per graduate—savings that should be passed on to students in the form of lower tuition. States can consider, for example, subsidizing tuition reduction with a tuition refund: States would give colleges a percentage of the college's tuition reduction. The percentage would be based on state-specific research about what students can afford and how tuition reduction compares with other student success reforms.

Lower tuition can enhance student success in several ways:

- **Improved access and equity:** More affordable education extends the reach of higher education to wider populations, including those who currently do not attend because of financial considerations.

- **Improved retention:** A lower financial burden reduces the likelihood of students dropping out because they cannot afford college.

- **Increased credit hour attainment:** Affordable education encourages students to undertake additional credit hours that count toward their academic goals, generating extra tuition revenue in addition to more college completion.

Using Discussions and Data to Move Forward Effectively

CCA has presented detailed plans for the first three areas of completion-goals funding, and states likely will focus on these three areas when they first develop completion-goals funding. Over time, CCA recommends that states and colleges also address the fourth and fifth areas. This work likely will begin with conversations about various aspects of spending in higher education and the role of state funding versus tuition costs.

It also will require state-specific analyses in three areas:

1. Historical levels of inequitable resourcing linked to institutional performance gaps based on race/ethnicity, rurality, household income, and other factors;

2. Alignment of completion requirements and enrollment trajectories for specific academic programs with a focus on workforce needs; and

3. Present funding levels.

Finally, CCA recommends that states take steps to ensure that colleges use accountability metrics that predict college completion. These metrics—which can and should be baked into any reform efforts—include credit-bearing math and English pass rates in the first year of college, part-time students earning 15 credits in their first year, and full-time students earning 30 credits in their first year.

These and other key metrics are captured in tools such as the National Student Clearinghouse's Postsecondary Data Partnership. For more information, see *Using a Measurement System to Strengthen Student Success Reforms,* https://completecollege.org/resource/usingameasurementsystem/.

Completion-Goals Funding
STEP BY STEP

Both states and institutions must act to implement completion-goals funding. States should commit to a new funding approach and take the lead in developing a completion-goals funding model. At the institution level, aligning a college's or university's budget with a statewide completion-goals funding model requires a robust, strategic partnership with the state. The college or university should prioritize its budgeting around student success strategies and financial efficiency.

The following pages outline the high-level steps that should guide this effort. States, systems, and institutions will need to work together to identify actual dollar amounts, efficiencies in scale, and other factors that provide the specifics. Ultimately your state's funding model—and your ability to attain your state's completion goals—will depend on actual numbers that quantify current completion levels, overall appropriations, and allocations for colleges and systems. All decisions should factor in state employment needs and historically contextualized funding inequities.

The state's steps are:

1. **Calculate base funding.** The state identifies the number of students who graduate from each institution in a baseline year. This number is the base for calculating the per-graduate funding amount. For example, if an institution graduates 5,000 students in the baseline year and the total amount of state funding is $50 million, the base funding per graduate would be $10,000 ($50 million divided by 5,000). Note: Completion-goals funding uses headcount instead of FTE because about three-quarters of community college students attend part time and demand nearly as many resources as their full-time peers. And community colleges are rightfully recognized as engines of workforce strength and economic mobility.

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2. **Set targets.** The state establishes clear targets for each institution, such as improved graduation rates and other metrics.

3. **Identify student success strategies.** The state works with each institution to identify the specific student success strategies it plans to implement that need strategic investment. These strategies should be selected based on their potential to improve student outcomes and graduation rates with a focus on meeting statewide completion goals. The state then evaluates the institution's implementation proposal, which outlines the strategies it wants to implement and the associated costs.

4. **Project the number of graduates produced from these strategies.** Following the evaluation process in Step #3, each college provides commitments for the number of additional graduates it can produce by implementing the identified strategies. The state evaluates the feasibility of these commitments.

> The state funds each institution based on the institution's cost of implementing the chosen strategies and producing a stated number of degree holders.

5. **Fund institutions.** The state funds each institution based on the number of additional graduates it has committed to produce as a result of implementing proven strategies. Under completion-based funding, colleges get this investment up front, and they are required to use it specifically to implement the identified strategies. One strategy should be research into the potential impact of tuition reduction as a college-completion reform.

6. **Measure progress.** The state tracks each institution's progress toward its targets. Tracking should be done using a standardized methodology and measures, such as those in the Postsecondary Data Partnership (PDP).

7. **Adjust funding based on progress.** The state adjusts each institution's funding based on progress toward its established targets. For example, if an institution fails to meet its targets after the established time frame for implementation, its funding may be reduced and its completion targets adjusted. Conversely, institutions that exceed their targets may receive additional funding and have their completion targets also adjusted accordingly. Targets should include early indicators of student success, such as retention and college-level course completion.

8. **Incentivize administrative efficiency.** The state incentivizes administrative efficiency using metrics such as the core expense ratio and faculty to administrative salary ratio. Institutions that perform well on these metrics compared to ideal ratios established by an identified group of peers receive a positive adjustment, which could result in additional funding.

The college's or university's steps are:

1. **Participate in developing the model.** The college helps co-create the new funding model, including defining its goals and requirements in alignment with its completion targets. The college participates in meetings with peer institutions and state higher education officials.

2. **Identify key strategies.** The college identifies the proven strategies it wants to implement to enhance student success. These reforms should include CCA strategies, such as developing pathways, mandating corequisite education, and providing proactive advising. Identifying strategies should be a collaborative effort that involves faculty, administrators, and other key stakeholders.

3. **Develop a proposal.** The college prepares a detailed proposal outlining the plan for implementing improvement strategies, including estimated costs and expected outcomes in graduation production. This proposal should align with the requirements of the state funding model and be designed to maximize student success and institutional efficiency.

4. **Submit the proposal to the state.** The college submits the proposal to the state so the state can assess the college's plans and decide on the level of funding to provide.

5. **Implement the strategies.** Once the proposal is approved and funding is received, the college starts implementing the strategies. The college closely tracks costs and outcomes to ensure that the strategies are working as intended.

6. **Measure and report outcomes.** The college consistently measures and reports outcomes using the agreed-upon metrics. The college makes this data transparent and accessible on demand to the public. The state also uses the data to assess the college's performance and adjust funding levels as necessary.

7. **Adjust budgets based on performance.** The college adjusts its budget based on its performance against its targets. For example, the college might allocate more funds to strategies that are demonstrating measurable success and reduce funding for those that are not meeting expectations.

8. **Maintain administrative efficiency.** Throughout this process, the college strives to maintain administrative efficiency. For example, the college closely monitors metrics such as the core expense ratio and the faculty to administrative salary ratio, taking steps to improve these ratios when necessary.

In all these steps, the college maintains open communication with state higher education officials. The college actively seeks feedback and guidance from the state and from its peers. It remains committed to making adjustments as necessary to align with the new funding model.

NEXT STEPS
for Completion-Goals Funding

Long-Term Commitments and Support from CCA

States should have completion goals. State, regional, and national economies depend on having more adults hold credentials. But current funding approaches do not give colleges the resources they need to meet these goals. These statewide goals are unfunded mandates.

After all, the obstacle is not figuring out how to increase college completions. CCA's proven strategies lead to results. The problem is that many colleges—particularly those that serve historically excluded students—lack the resources they need to implement these strategies.

Implementation of completion-goals funding will require a long-term commitment. States, systems, and colleges will need to work through careful budget calculations, proposed student success strategies and costs, and appropriate goals and metrics to measure progress toward those goals.

CCA can provide support. CCA offers assistance in developing a state-specific plan for implementing and rolling out completion-goals funding. For example, CCA can:

- Help states, colleges, and systems determine the cost of achieving their completion goals, including full implementation of CCA strategies—and then help identify the appropriations levels that will be needed to meet the state's completion targets.

- Share templates that will help colleges, systems, and states develop their completion-goals financial models— including how to identify and include the key stakeholders that must be at the table for this work. These templates will be personalized for each engagement with CCA because the specifics depend on the state's current funding model, governance model, and levers of power.

To help states, systems, and colleges with this work, CCA has developed the CCA Completion-Goals Funding Modeling Tool, a companion to this report. This tool includes baseline data for every college in the country. States, systems, and colleges can view the data and run different funding scenarios to see how various choices affect outcomes. The CCA Completion-Goals Funding Modeling Tool is available at completecollege.org/completion-goals-funding-modeling-tool.

Changing how states fund postsecondary education is a sizable undertaking. But it has been done before—and it must be done again.

It is time to stop hoping that a flawed funding approach will produce the results our country needs. Completion-goals funding is a necessary evolution. CCA stands ready to work with states, systems, and colleges to implement this new funding approach—and generate the next wave of change in higher education. We hope you will join us.

APPENDIX: State-by-State Attainment Goals and Progress

State	1. Current Attainment Rate	2. State Attainment Goal and Year	3. Projected Attainment Rate for the Year of the State's Goal	4. Additional Credential-Holding Adults Needed Beyond the Projection in Column 3
Alabama	45%	60% by 2025	47%	297,278
Alaska	50%	65% by 2025	50%	47,738
Arizona	54%	60% by 2030	59%	17,184
Arkansas	47%	60% by 2030	55%	63,888
California	56%	70% by 2030	65%	808,260
Colorado	61%	66% by 2025	62%	93,962
Connecticut	59%	70% by 2025	61%	144,264
Delaware	51%	60% by 2025	54%	27,891
District of Columbia	72%	60% by 2025	76%	✳
Florida	53%	60% by 2030	56%	383,434
Georgia	51%	60% by 2025	52%	403,299
Hawaii	53%	55% by 2025	55%	✳
Idaho	52%	60% by 2025	57%	19,685
Illinois	57%	60% by 2025	60%	✳
Indiana	54%	60% by 2025	59%	2,515
Iowa	54%	70% by 2025	56%	201,041
Kansas	56%	60% by 2025	58%	24,533
Kentucky	54%	60% by 2030	54%	109,068
Louisiana	50%	60% by 2030	56%	94,163
Maine	55%	60% by 2025	59%	2,166
Maryland	57%	55% by 2025	60%	✳
Massachusetts	62%	70% by 2030	68%	57,340
Michigan	51%	60% by 2030	57%	124,984
Minnesota	60%	70% by 2025	62%	195,326
Mississippi	49%	60% by 2035	66%	✳
Missouri	50%	60% by 2025	54%	169,433

✳ indicates that the state is on track to meet or exceed—or already has met or exceeded—its completion goal. However, additional factors must be considered. Further analysis reveals significant disparities that must be addressed. These disparities may include, for example, inequities related to race/ethnicity, rurality, and household income. In addition, state goals should account for the impact of in-migration workers who already held a postsecondary credential. This factor can artificially inflate completion rates and mask the true educational needs of the resident population. CCA is conducting further studies to establish guidelines for completion goals that are more equitable, represent all state residents, and reflect the success of the state's public higher education institutions.

Note: Completion rates represent the percentage of students who finish their program of study, while population-level attainment rates represent the percentage of a state's population that holds a credential. Throughout this report, CCA uses the term *completion* as nearly synonymous with attainment goals to emphasize the importance of college completion as the driver of population-wide attainment.

Note: This table uses data for the U.S. adult population aged 25-64. Nine states use different age ranges for their goals: Six states use ages 25–34; three states use ages 25–44. Current national completion rates are 56 percent for ages 25–34 and 54 percent for ages 25–64. (National completion rates are unavailable for ages 25–44.)

Sources: IPEDS, Lumina Foundation, and the U.S. Census American Community Survey, with analysis by CCA.

State-by-State Attainment Goals and Progress, continued

State	1. Current Attainment Rate	2. State Attainment Goal and Year	3. Projected Attainment Rate for the Year of the State's Goal	4. Additional Credential-Holding Adults Needed Beyond the Projection in Column 3
Montana	53%	61% by 2025	56%	22,134
Nebraska	56%	70% by 2030	64%	50,155
Nevada	44%	60% by 2030	49%	152,056
New Hampshire	58%	65% by 2025	60%	33,611
New Jersey	60%	65% by 2025	64%	9,565
New Mexico	50%	66% by 2030	57%	87,367
New York	56%	60% by 2025	59%	73,495
North Carolina	52%	66% by 2030	58%	403,919
North Dakota	57%	65% by 2025	58%	21,719
Ohio	51%	65% by 2025	54%	599,905
Oklahoma	51%	70% by 2025	55%	267,942
Oregon	52%	80% by 2025	55%	515,187
Pennsylvania	53%	60% by 2025	55%	260,134
Rhode Island	53%	70% by 2025	54%	79,610
South Carolina	48%	60% by 2025	50%	231,806
South Dakota	55%	65% by 2025	60%	18,954
Tennessee	47%	55% by 2025	50%	161,238
Texas	50%	60% by 2030	57%	286,988
Utah	61%	66% by 2025	67%	✳
Vermont	59%	70% by 2025	64%	17,783
Virginia	59%	70% by 2030	67%	119,381
Washington	58%	70% by 2023	58%	424,889
West Virginia	44%	60% by 2030	51%	63,863
Wisconsin	55%	60% by 2027	58%	45,873
Wyoming	54%	67% by 2025	57%	24,142

✳ indicates that the state is on track to meet or exceed—or already has met or exceeded—its completion goal. However, additional factors must be considered. Further analysis reveals significant disparities that must be addressed. These disparities may include, for example, inequities related to race/ethnicity, rurality, and household income. In addition, state goals should account for the impact of in-migration workers who already held a postsecondary credential. This factor can artificially inflate completion rates and mask the true educational needs of the resident population. CCA is conducting further studies to establish guidelines for completion goals that are more equitable, represent all state residents, and reflect the success of the state's public higher education institutions.

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Sources: IPEDS, Lumina Foundation, and the U.S. Census American Community Survey, with analysis by CCA.

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Acknowledgments

*CCA thanks all funders, reviewers, and contributors for their support.
The findings and conclusions presented in this report are those of CCA alone and do not
necessarily reflect the opinions of these foundations, organizations, and individuals.*

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SPECIAL THANKS

This report builds on the thought leadership of people and organizations dedicated to higher education finance, college completion, and closure of institutional performance gaps by race/ethnicity, household income, and other demographics. CCA staff have been integral to this work and the creation of the report. External partners include Nick Hillman at the University of Wisconsin-Madison's School of Education, Brian Prescott and Sarah Torres Lugo at NCHEMS, Kayla Elliot at the Joint Center for Political and Economic Studies, Dustin Weeden at SHEEO, and many other individuals. Organizations include NCHEMS, SHEEO, the Third Way, the Education Trust, InformEd States, IHEP, and others devoted to using higher education to close wealth gaps. Contributions from many of them are cited in this report. CCA also thanks others who helped pave the way by designing new appropriations models and strategic finance framing for the postsecondary sector to consider.

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