



Statewide Outcomes-Based Funding

Aligning Funding for Associate and Sub-Associate Degree Credentials

Under outcomes-based funding, a portion of each educational institution's annual budget is dependent on achieving certain metrics of student success. The highest priority is post-completion success, including:

- Getting a job with a sustainable wage (employment)
- Continuing education (enrollment)
- Joining the military (enlistment).

In addition, outcomes-based funding can reward program completion, with a focus on those with the highest level of alignment with high-wage, high-skill, high-demand (H3) employment opportunities.

THE PROBLEM: SAME CREDENTIALS, DIFFERENT FUNDING

States often use different funding formulas for community colleges and technical colleges, even when they often award the same technical certificates, sub-associate degrees, and associate degrees.

This means two students earning the same credential can generate different state funding based only on where they enrolled. For example, a student earning a welding certificate at a technical college may trigger different funding than a student earning the same certificate at a community college. This sends different messages on the value of a degree and complicates what institutions are prioritizing to support a state's economy.

THE SOLUTION: ONE OUTCOMES-BASED FUNDING MODEL

As states update or redesign funding models, they should consider the benefits of a unified outcomes-based approach across community and technical colleges. Benefits include:

- **Transparency:** Policymakers and taxpayers can see what each credential is worth.
- **Workforce Alignment:** Funding reflects labor-market needs rather than separate institutional systems.
- **Efficiency:** A single outcomes structure reduces duplication and simplifies state and institutional reporting

POLICY ACTION: CREATE A UNIFIED OUTCOMES FRAMEWORK

Even if governance stays separate, funding for identical credentials should match. States can consider:

- Making one statewide list of credentials of value and incentivizing the same across technical and community colleges
- Weighting bonuses for credentials leading to high-wage, high-demand jobs or credentials that are achieved by historically underserved groups
- Publishing clear data showing return on investment by program and institution.

