



Postsecondary Enrollment Trends and Implications for State Funding Models


National Association of State Budget Officers
June 12, 2025


1

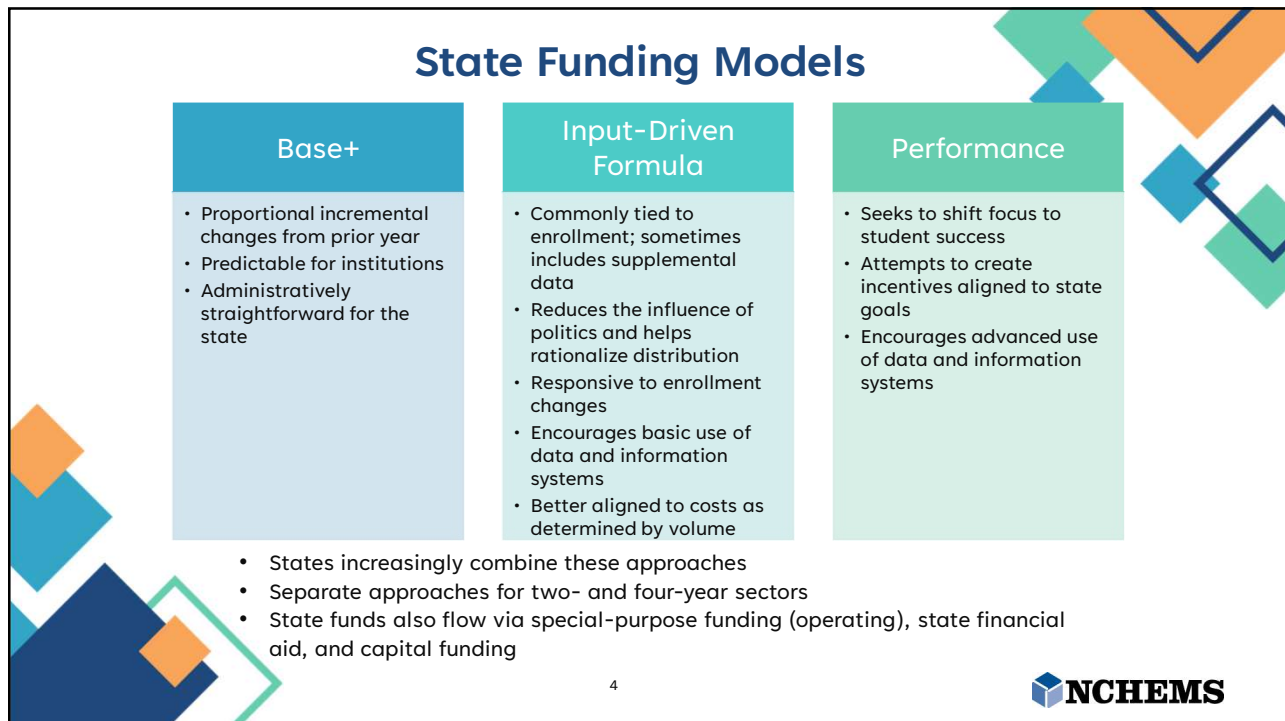
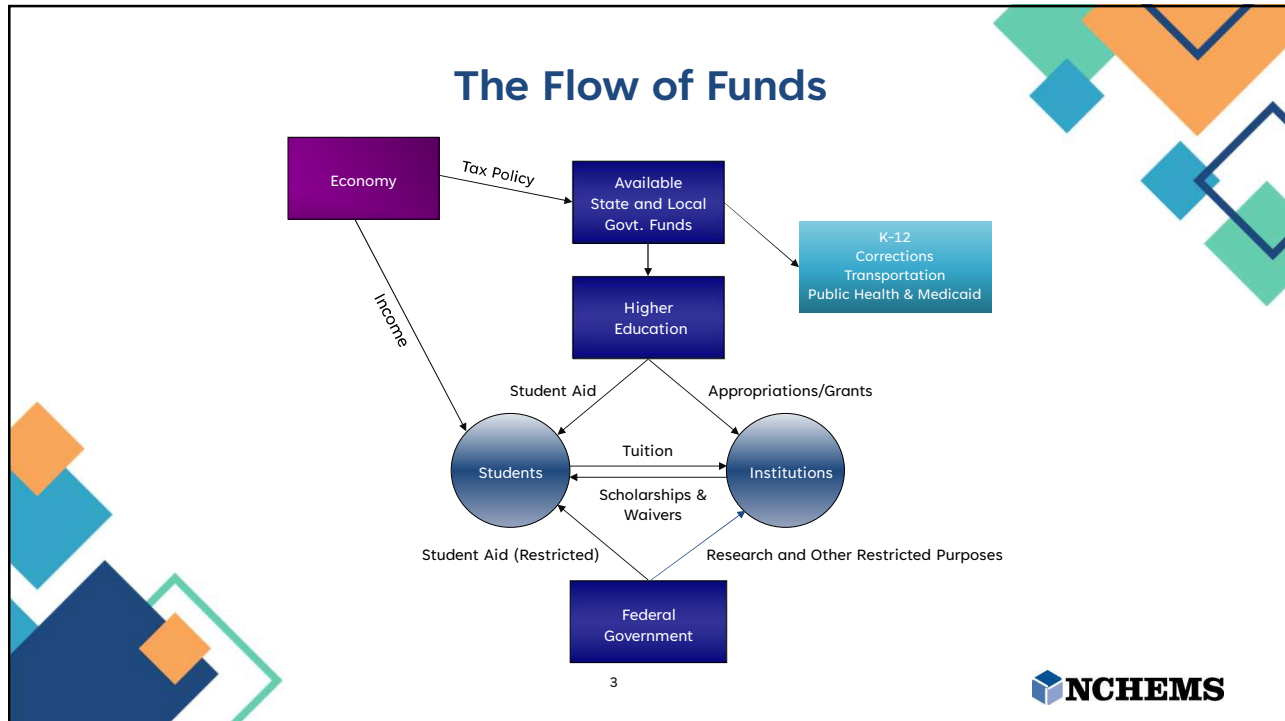


About NCHEMS

 The National Center for Higher Education Management Systems (NCHEMS) partners with institution, system, government, and community leaders to effectively use evidence to improve strategic decision-making in postsecondary education.

 Vision: We envision a future in which postsecondary education expands opportunities for all, strengthens communities, and advances the public good.





Actual or Potential Flaws/Risks

Base+

- Disconnected from state goals or priorities
- Insensitive to institutional missions, especially in failing to account for relative changes
- Perpetuation of historic funding inequities; assumes Year 0 was a fair allocation
- Permissive of political advocacy

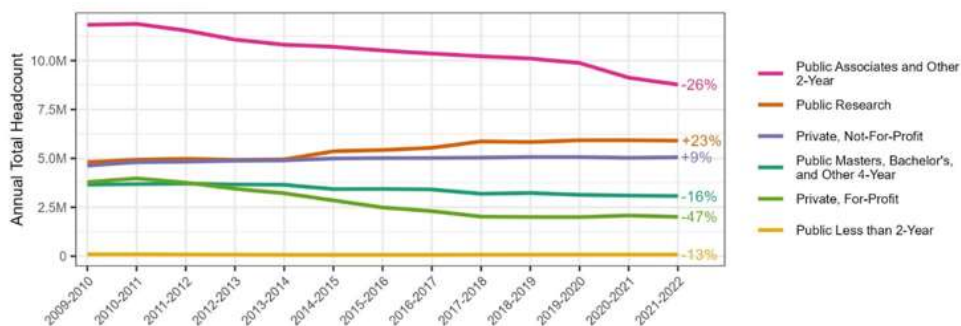
Input-Driven Formula

- Can be complex or overly simplistic
- Inhibit capacity development or accelerate a downward spiral
- Insensitivity to mission or scale
- Uneven analytical capacity among institutions

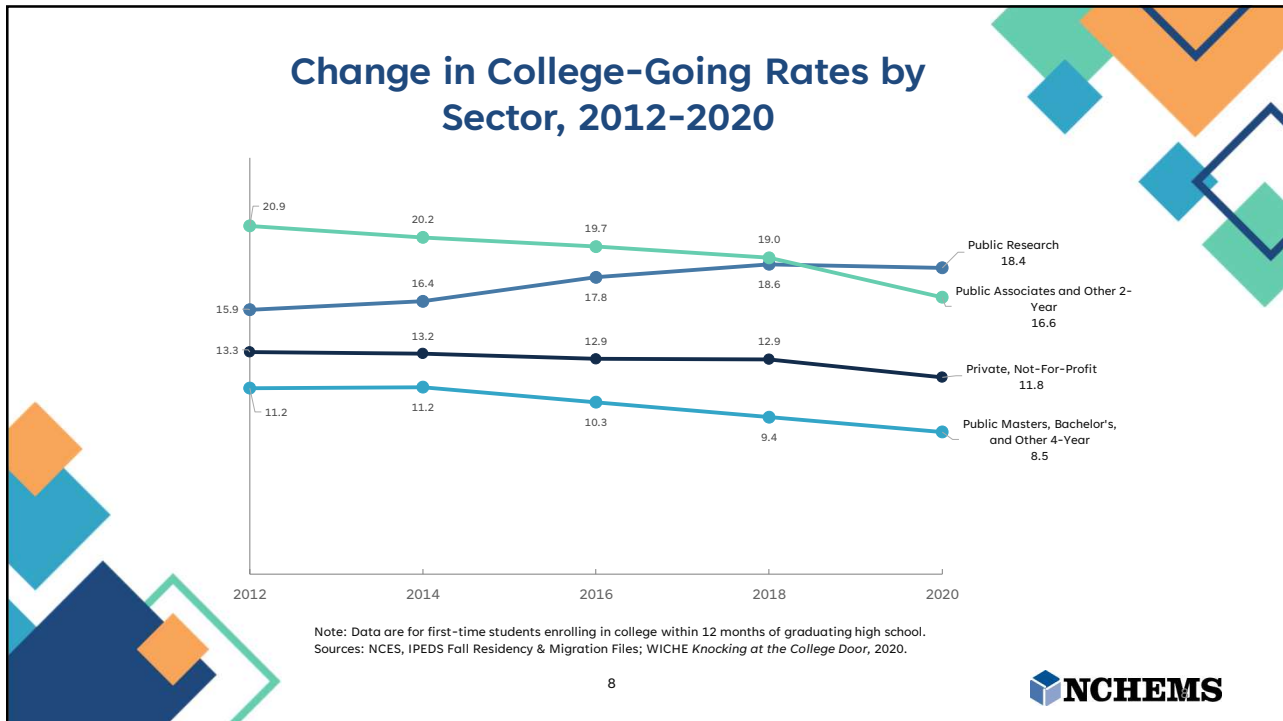
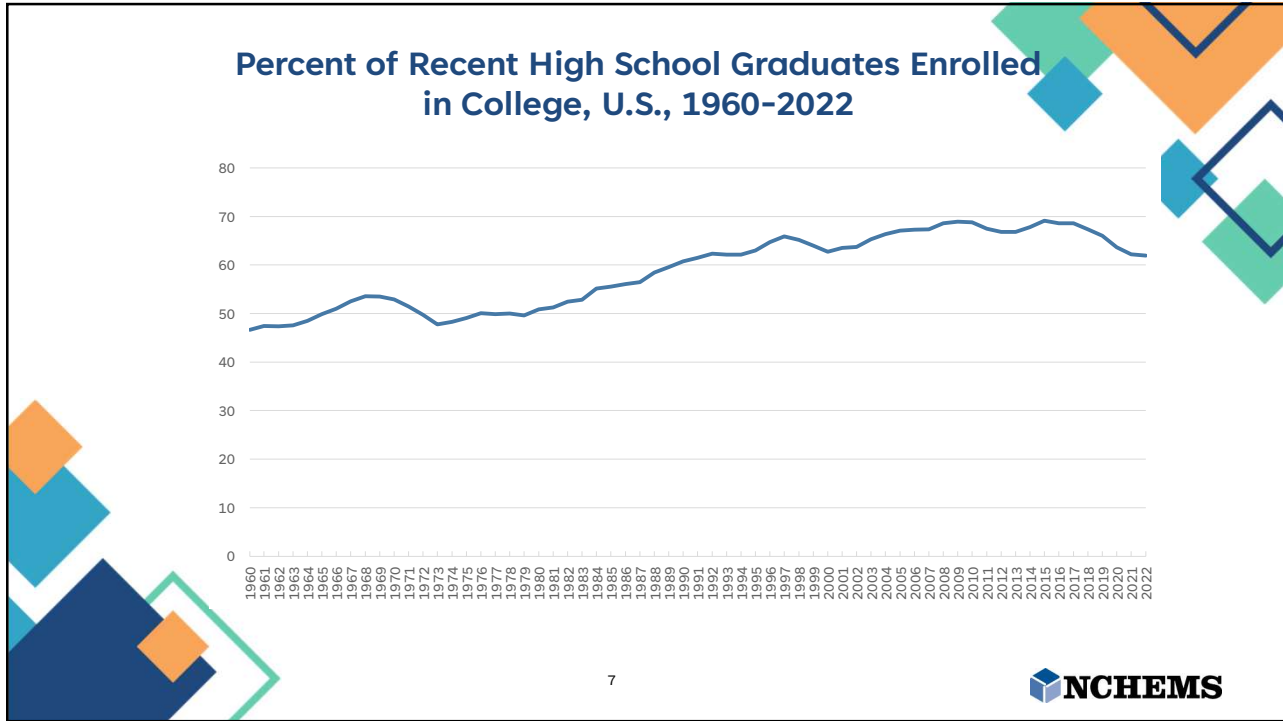
Performance

- Administratively complex
- Mixed results and unintended consequences
- Can exacerbate unproductive competition among institutions
- Improvements can be penalized or be unsustainable
- Uneven analytical capacity among institutions

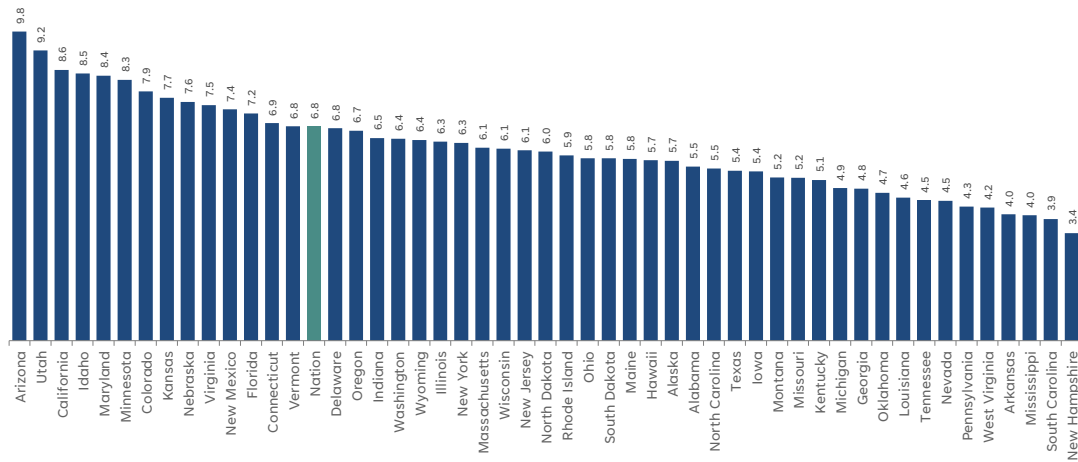
Postsecondary Enrollment by Sector, 2010-2022



Source: NCES IPEDS 12-Month Enrollment Survey, effYYYY files 2012-2021 final release; 2022 provisional release. Includes all Title IV eligible institutions in the 50 states plus DC.



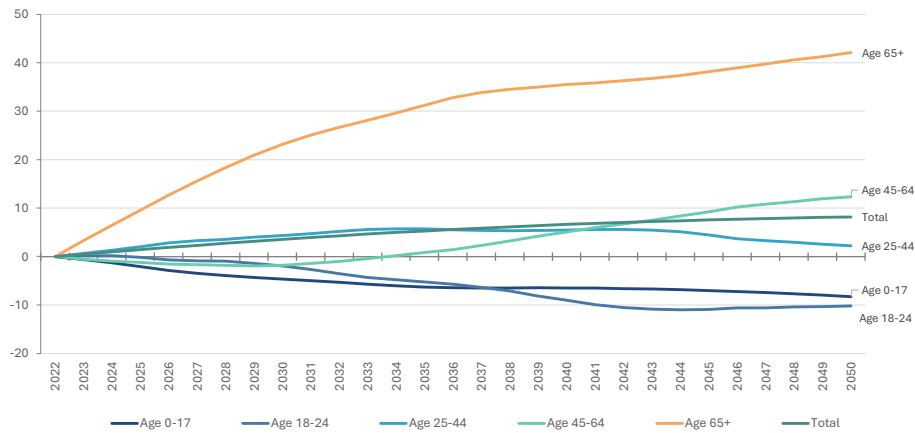
Undergraduate Enrollment 25-49yo as a Percent of Population 25-49yo with Less than an Associate's Degree, Fall 2019



Source: NCES, IPEDS Fall 2019 Enrollment Files; U.S. Census Bureau, 2019 American Community Survey 1-Year Public Use Microdata Series



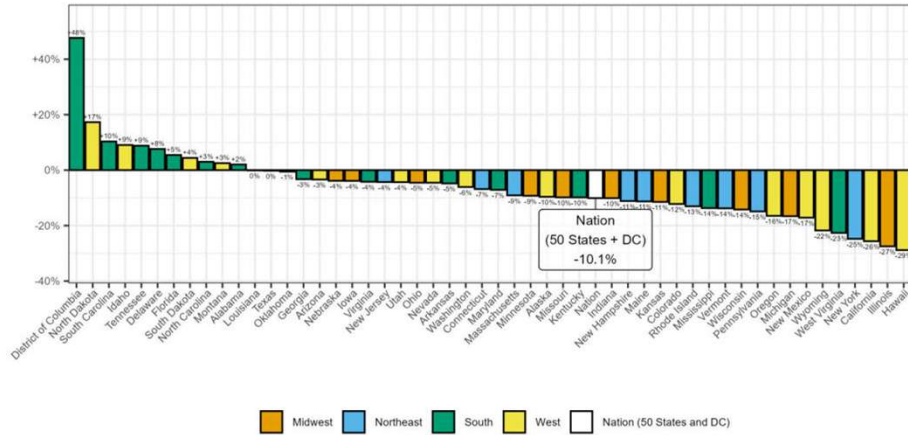
Cumulative Percent Change in the U.S. Population by Age Group, 2022-50



Source: U.S. Census Bureau 2023 Population Projections, Released November 2023.

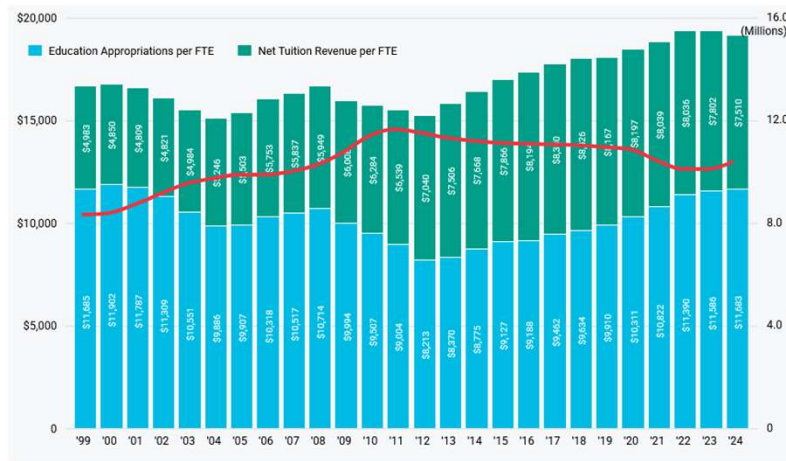


Percent Change in High School Graduates, 2022-23 to 2037-38



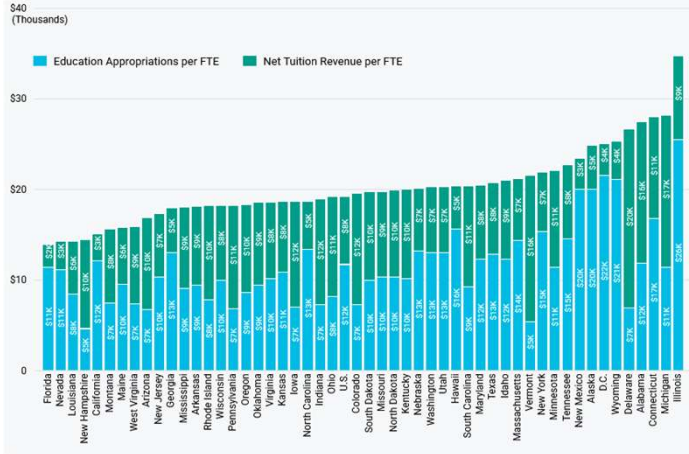
Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2024. <https://www.wiche.edu/knocking>

Public FTE Enrollment, Education Appropriations per FTE, and Net Tuition Revenue per FTE, U.S., FY 1999-2024



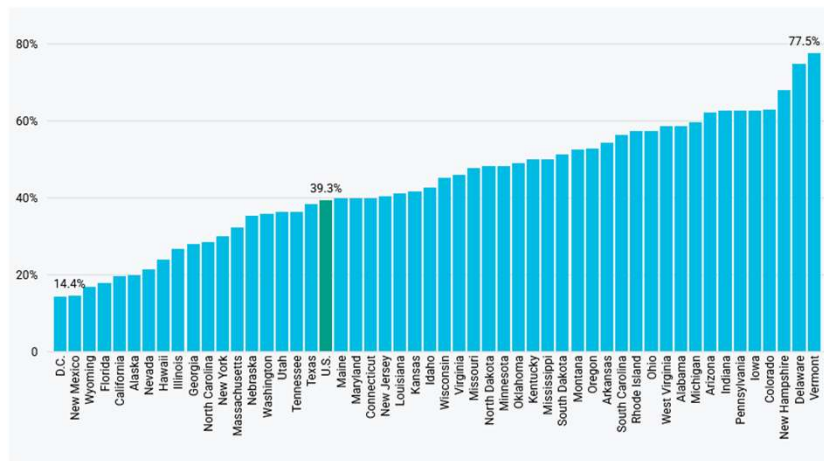
Note: Data are adjusted for inflation, enrollment mix, and cost of living
Source: SHEEO SHEF

Educational Appropriations per FTE and Net Tuition Revenue per FTE, FY 2024

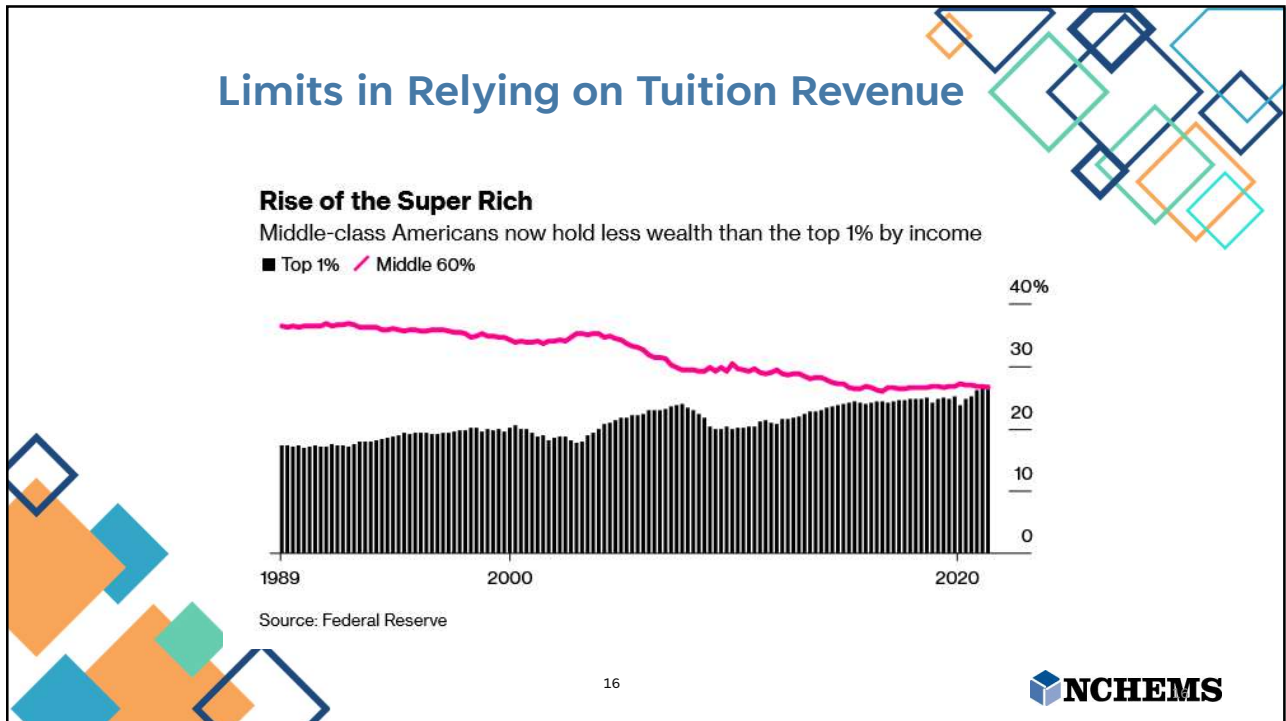
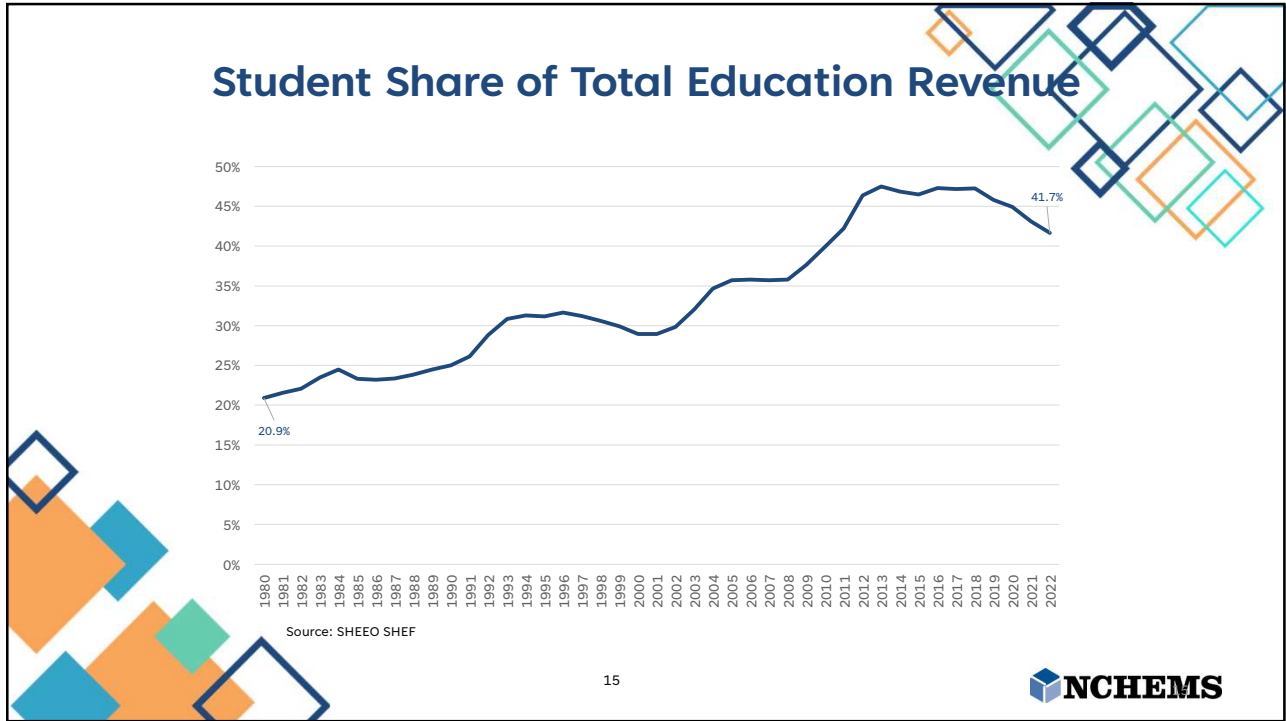


Note: Data are adjusted for inflation, enrollment mix, and cost of living
Source: SHEEO SHEF

Net Tuition as a Percent of Total Educational Revenue by State, FY 2024

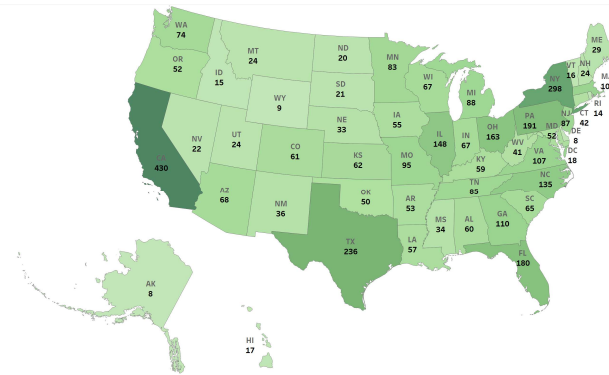


Note: Data are adjusted for inflation, enrollment mix, and cost of living
Source: SHEEO SHEF

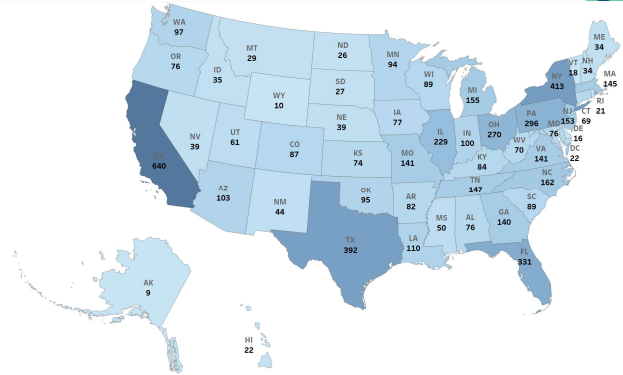


Saturated Markets

Title IV Degree-Granting Institutions, 2021-22



All Title IV-Eligible Institutions, 2021-22



Source: NCES IPEDS

17



Summary of Observations

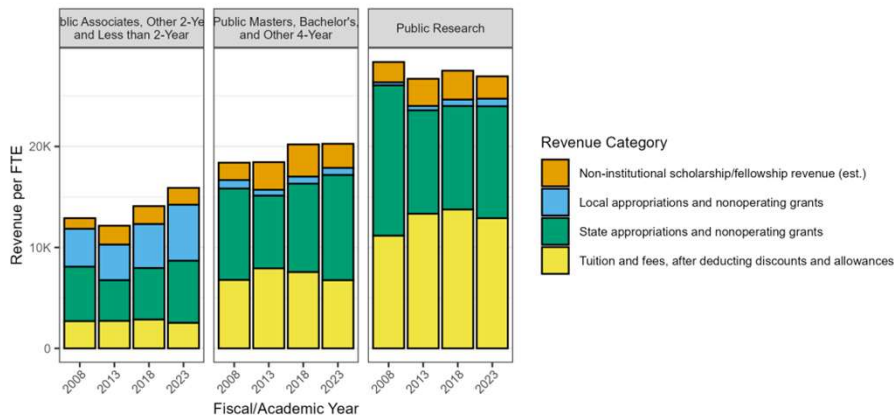
- Funding per student near an all-time high
- Partially a function of fewer students—not just that the numerator is larger, but that the denominator is smaller
- Student share has grown substantially over multiple decades, recent declines notwithstanding
- Unlikely that this level of funding will continue
 - State funding is likely to go down as a result of competition from other sectors—particularly health care (Medicaid).
 - Limits on students' ability/willingness to pay amid intensifying competition
- Fixed costs covered by fewer students

Institutions can either find new sources of revenue or reduce expenditures.

18

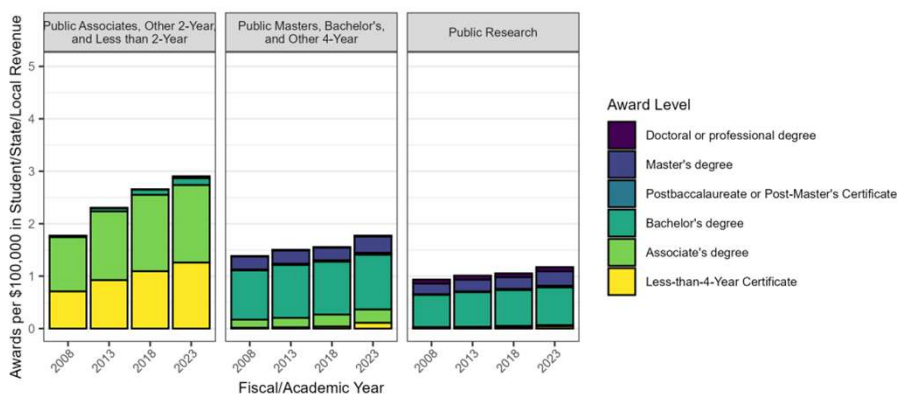


Educational Revenue per FTE by Type and Sector



Source: NCES IPEDS Annual Enrollment Survey, files efiYYYY; IPEDS Finance Surveys, files fYYYY_f1a, fYYYY_f2, fYYYY_f3, 2008, 2013, and 2018 final release; 2023 provisional release files. Revenue has been adjusted to 2023 dollars using HECA. Excludes institutions with no revenue in the displayed categories.

Awards per \$100,000 in Educational Revenue (Tuition + State & Local Appropriations) by Sector



Source: NCES IPEDS Completions Survey, files cYYYY_a; IPEDS Finance Surveys, files fYYYY_f1a, fYYYY_f2, fYYYY_f3, 2008, 2013, and 2018 final release; 2023 provisional release files. Revenue has been adjusted to 2023 dollars using HECA. Revenue includes Tuition and fees, after deducting discounts and allowances; State and Local Appropriations and Nonoperating Grants; Estimated revenue from non-institutional scholarships/fellowships. Excludes institutions with no revenue in these categories.

New Sources of Revenue

- Depend on institutions' ability to identify new markets for educational services.
 - Traditional students
 - Dual enrollment
 - Adult learners
 - Employees

- Funding increases from donors and philanthropies generally do not support on-going operations.

New Markets

<p>Traditional</p> <ul style="list-style-type: none"> • Revenue positive • Opportunity to raise college-going and replace recent losses • Transfer students a promising group • Existing capacity at institutions • Marginal revenues generally exceed marginal costs 	<p>Dual enrollment</p> <ul style="list-style-type: none"> • Rapid growth yet more possible, especially in unevenly covered areas • Highly variable policy environment, even within-state • Multiple modalities with varied cost structures • Uncertain relationship of costs and revenues, but expect to lose money; at best it's a loss-leader • State policy intervention necessary to level the playing field
<p>Adult learners</p> <ul style="list-style-type: none"> • Huge opportunity and significant need • Substantial changes in services and delivery needed • Often part-time means less revenue per student but equal or greater support costs • Unlikely to help pay for auxiliaries • Frequently enrolled in non-state supported activities 	<p>Employees</p> <ul style="list-style-type: none"> • Contracted training not counted in state funding models • Financial implications depend on contract terms • Generalizability of skills taught may be weak • Far more common among community colleges

Efforts to Reduce Expenditures

- A reasonable proposition: Fewer students \Rightarrow lower costs
- Cautions:
 - Investments in change/transformation are likely necessary (e.g., Vermont State University)
 - Student needs are changing; effective service to new populations may have higher costs
 - Expenditures per FTE student is an imperfect measure
 - Geographic access to programs
- New models to deliver service and drive efficiency while preserving quality

23

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The Special Case of Locally Funded Community Colleges

- Locally funded and governed institutions are “owned” by local entities, not the state
- Raising questions about the proper role of state funding vs. local funding
- One useful framework:
 - Local entities should be responsible for fixed costs, except where the local tax base generates insufficient revenue (at median rates statewide)
 - State’s roles are as a:
 1. supplemental funder where necessary
 2. “purchaser of services,” e.g., outcomes of high priority to the state, and as a way to help less wealthy communities

24

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Linking Costs, State Priorities, and Funding

- Preserving the value of an institution as a state asset
- Recognizing variation in fixed and variable costs
- Aligning state goals with a rational funding strategy that has three critical elements
 1. Differentiated roles
 2. Predictability & sustainability
 3. Improvement
- Serving current students effectively AND serving more and different students better
- Variation in capacity to generate revenue

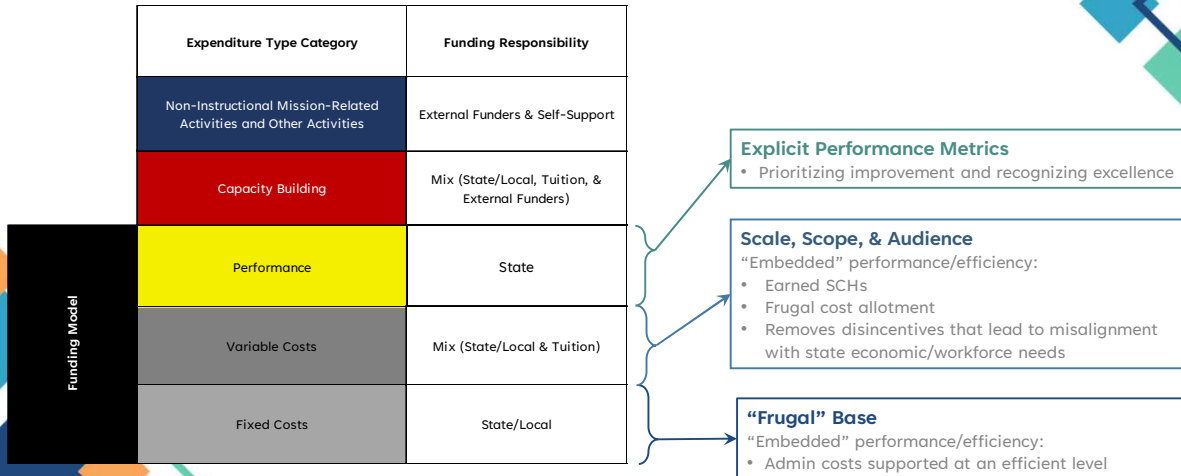


Ha Ha Tonka State Park

Institutional Adequacy Conceptual Framework

	Expenditure Type Category	Funding Responsibility
Funding Model	Non-Instructional Mission-Related Activities and Other Activities	External Funders & Self-Support
	Capacity Building	Mix (State/Local, Tuition, & External Funders)
	Performance	State
	Variable Costs	Mix (State/Local & Tuition)
	Fixed Costs	State/Local

Embedding Performance in the Framework



27

Additional Tools/Resources & Observations

- Ask: How is your funding model supportive of your state's goals? (Assuming your state has clearly articulated goals)
- Critical to appreciate the incentive structures presented by the flow of funds
- Peer analysis and benchmarking
- Typical assessments of \$/FTE are misleading; they fail to account for mission

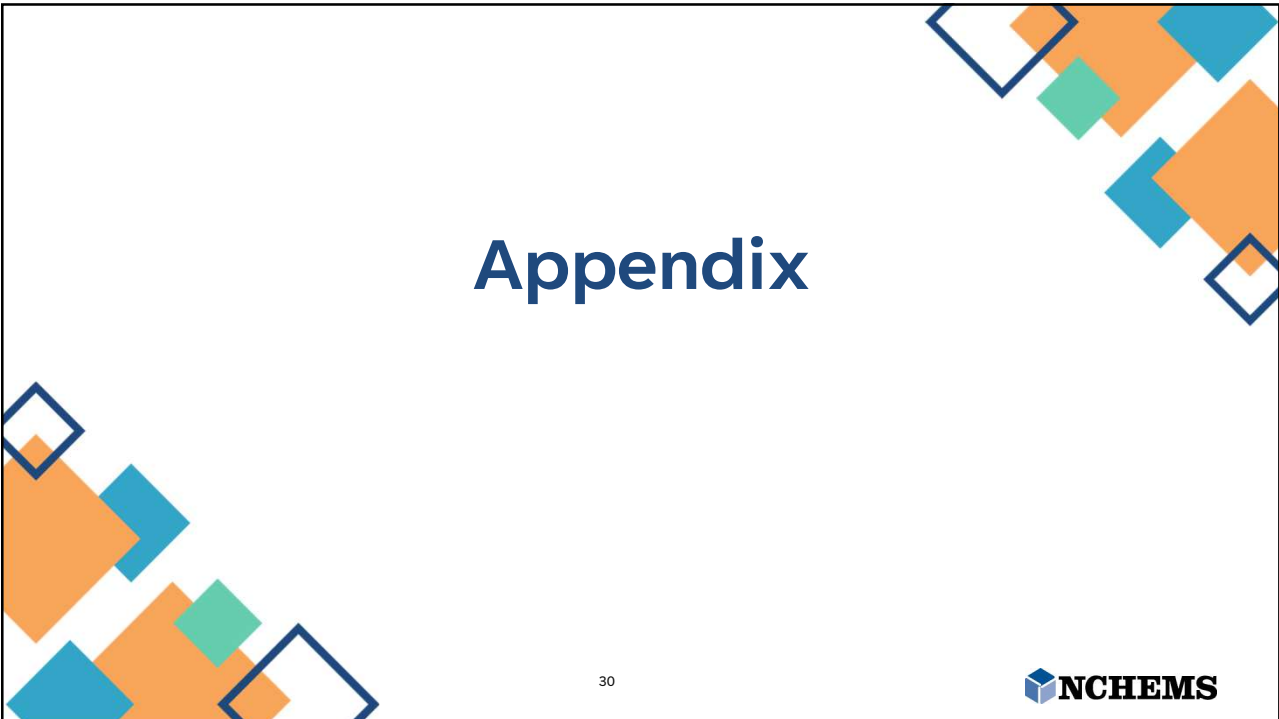

28



Thank You


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29



Appendix

30



Overview of Base Funding Approaches

- Base+ most common among states, either singly or in combination (especially if Base+ is combined with historical funding patterns or institutional requests)
- Formulas were in use in 9 states; may have factored into the + part of Base+ approaches elsewhere
- “Other” responses touched on formulas (including for performance), input costs, or one-time funding

Category	Two-Year Sector		Four-Year Sector	
	Responses	States	Responses	States
Base+ Only	5	MN, MO, UT, VA, WV	15	AZ, CA, FL, IL, IA, KS, MN, MO, MT, NE, NM, NY, UT, VA, WV
Formula Only	6	IL, KS, NJ, OH, PA, TN	3	KY, OH, TN
History/Institutional Requests Only	4	CT, DE, IN, ME	10	AK, CT, DE, IN, ME, MS, PA, SC, SD, WA
Other Only	5	AZ, MD, MS, SC, VT	4	MD, MI, NH, VT
Base+ & Formula	4	ID, MT, NE, OR	4	ID, NJ, NC, OR
Base+ & Other	4	AR, NY, OK, WI	3	AR, OK, WI
Base+ & History/Inst. Requests	3	AL, HI, IA	3	AL, HI, WY
Base+, Formula, & Other	2	CO, WA	1	CO
Formula & Other	5	CA, KY, LA, SD, WY	1	LA

Source: NCHEMS/SHEEO Survey

Base+ (Really Just the +)

- Base is whatever institutions received last year
- + is determined by various considerations
 - Institutional initiatives & new programs able to get legislative support
 - Input costs (salaries, benefits)
 - Some attention to enrollment
- Not obvious: what base is supposed to mean when state budgets are stressed

Category	Two-Year Sector		Four-Year Sector	
	Responses	States	Responses	States
Fixed Percent	5	AL, AR, MO, NM, WA	8	AL, AR, CA, IL, MO, NJ, NM, NY
Enrollment	8	ID, MT, NM, NY, NC, UT, VA, WA	8	CA, ID, MT, NJ, NM, NC, UT, VA
Employee Count	0		2	NC, WY
Student/Faculty Ratios	1	MT	0	
Average Wage Rates	2	MT, UT	3	MT, NC, UT
Input Costs (Personnel, Equipment)	5	AL, MT, OR, UT, VA	5	MT, NC, OR, UT, VA
New Assets or Programs	9	AR, ID, IA, MT, NY, NC, OK, UT, VA	10	AL, AR, FL, ID, IA, MT, NY, OK, UT, VA
Institutional Initiatives	10	AL, AR, HI, ID, IA, OK, UT, VA, WA, WI	12	AR, CA, FL, HI, ID, IA, NC, OK, UT, VA, WI, WY
Peer Comparisons	1	MT	1	MT
Other	8	CO, MN, NE, NC, OK, WV, WI	11	AL, AZ, CO, FL, KS, MN, NE, NJ, OK, WV, WI

Source: NCHEMS/SHEEO Survey

Formulas

- Enrollment and differential costs by program and level are most common.
- A few states included adjustments for student characteristics.
- Peer comparisons were uncommon.

Category	Two-Year Sector		Four-Year Sector	
	Responses	States	Responses	States
FTE Enrollment	6	CA, KS, LA, MT, OR, WA	2	LA, OR
Headcount Enrollment	1	NJ	0	
Completed Credits	3	IL, LA, OH	3	LA, OH, OR
Differential Costs	6	ID, KS, LA, MT, OH, WA	4	LA, ID, OH, OR
Student Characteristics	3	IL, LA, OH	3	LA, NJ, OH
Square Footage of Facilities	1	LA	1	LA
Institutional Mission	1	LA	2	LA, OR
Faculty/Staff Compensation	3	LA, MT, TN	2	LA, TN
Peer Comparisons	2	IL, LA	1	LA
Other	7	ID, IL, KY, LA, PA, TN, WY	3	ID, KY, LA

Source: NCHEMS/SHEEO Survey

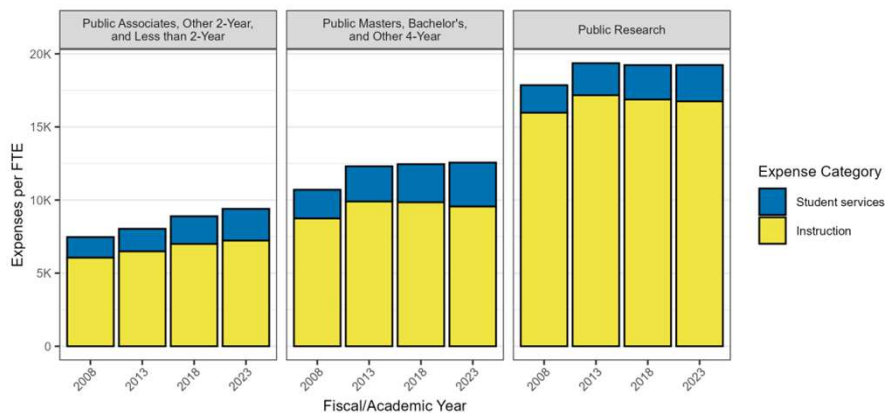
Other Components

- States reserved for themselves some of the general fund appropriation to support special purposes and to make investments in state priorities; a handful also funded incentives for collaborative services or program delivery

Category	Responses	States
Incentives to Encourage Cross or Multi-Institutional Partnerships for Services or Program Delivery	6	ID, IN, MN, OK, SD, VA
A Pool Taken "Off the Top" for Investments in State Priorities	6	AL, ID, MT, NM, OK, VA
Special Purpose Funding	31	AL, AZ, CA, CO, CT, FL, HI, ID, IN, IA, KY, LA, ME, MI, MN, MS, MO, MT, NJ, NM, NC, OH, OK, SC, SD, VA, WA, WI, WY
Other	7	AK, KY, LA, NM, OH, OR, VA

Source: NCHEMS/SHEEO Survey

Expenditures per FTE on Instruction and Student Services per FTE by Sector



Source: NCES IPEDS Annual Enrollment Survey, files efiYYYY; IPEDS Finance Surveys, files fYYYY_f1a, fYYYY_f2, fYYYY_f3. 2008, 2013, and 2018 final release; 2023 provisional release files. Revenue has been adjusted to 2023 dollars using HECA. Excludes institutions with no revenue in the displayed categories.

Detailed Institution Adequacy Conceptual Framework

		Category	Function and Roles	Funding Responsibility	
		Other	Advancement, auxiliaries, athletics, etc.	Institution	
		Externally-Funded Research and Public Service	Grants management, community engagement, museums, arts, extension services.	External Funders	
Funding Model	Incentive Funding Tied to State Goals	Purchase of Goods and Services	Funding for specific purposes, e.g., noncredit offerings, state projects, some RPSPs.	Mix (State and External Funders)	
		Capacity Building	Seed funding to start new programs, fund legislative initiatives, or other one-time funds for ongoing capacity needs, some RPSPs.	Mix (State, External Funders, Institution, Tuition)	
		Performance/Incentives	Activities related to statewide goals, closing student equity gaps, economic development, or other statewide priorities.	Mix (State and Tuition)	
	Cost Model	Variable Costs	Students Served (Audience)	Semester credit hours (SCH) weighted by student characteristics or added weights applied to headcount.	Mix (State and Tuition)
			Scale and Scope	Semester credit hours (SCH) weighted by level and discipline.	Mix (State and Tuition)
		Fixed Costs	Facilities, Technology and Personnel	Share of facility and technology replacement value, professional development.	State
		Foundational Funding	Administrative expenses benchmarked against similar institutions nationally.	State	