POLICY RECOMMENDATION **11**

Strategic Finance

States should treat community colleges as the foundation of their talent development system and invest in them accordingly. In fact, community colleges should receive more public resources than four-year institutions because their mission demands that they keep tuition affordable but, in many states, they make do with a fraction of the revenue that flagship universities collect. As a result, community colleges are limited in the types of instructional and support programs they can offer, and low-income and underserved students get less indirect support from the state than their peers at other institutions.

States should fund community colleges adequately and create incentives to expand their student success and talent development missions. Specifically, they should do the following: Make state and local community college appropriations proportionate with those of four-year institutions, award grants to seed implementation and expansion of programmatic strategies, create tax incentives to stimulate charitable giving to community colleges, and design outcomes-based funding schemes that reward colleges for strong performances, particularly in boosting outcomes for underserved populations.

Findings from 15-State Study

On average, one out of the four recommended strategic finance policies have been adopted per state.

Signs of progress: Half of the states provide seed funding to community colleges in support of implementing student success reforms. Twelve of the states have outcomes-based funding schemes, and half of those allocate sizable incentives for strong performance and specifically offer rewards for strong performances by underrepresented and low-income students.

Critical gaps: Very few states distribute funding proportionately to two- and four-year institutions. No states have created tax incentives to encourage donations to community colleges.

Ahead of the curve: Wisconsin.

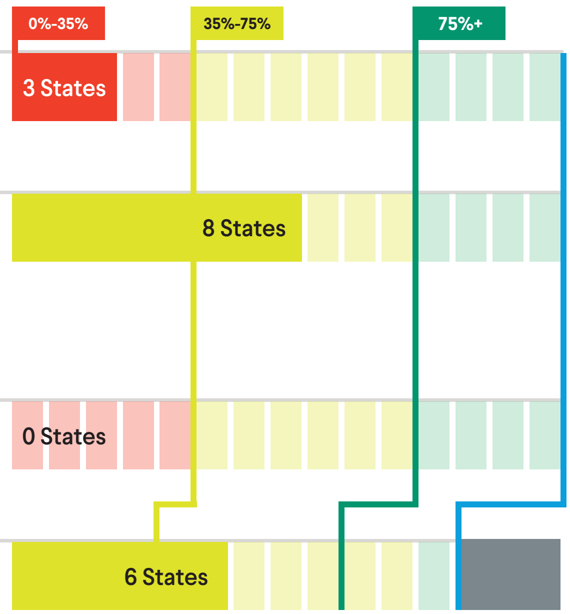
The state has community college finance policies designed to ensure funding is sufficient and aligned to support broader state education goals.

State and local appropriations for community colleges are at least proportionally equal to appropriations for public four-year institutions.

The state provides funding to help community colleges with the upfront costs associated with implementing evidence-based approaches (e.g., resources to implement guided pathways or support leadership roles in regional partnerships focused on talent development or economic mobility).

The state provides a preferential tax credit for contributions to community college endowments in order to spur increased dontations that support student success.

If a state has outcomes-based funding, its funding formula provides a sizable and sustainable source of funds for rewarding community colleges for progression and completion of credentials and prioritizes improving outcomes for underrepresented, underprepared students.



State Spotlight: **New York**

The State University of New York (SUNY) and City University of New York (CUNY) systems have both allocated funding to support their goals for student success.

New York has a fund specifically to support SUNY institutions' "Performance Improvement Plans," which are focused on expanding student access to programs and increasing completion and retention rates. The goal was to scale adoption of effective practices to serve more students across SUNY community colleges and universities. The SUNY system was able to award $100 million for student success projects, including single-campus initiatives, such as grants to expand schools' Educational Opportunity Programs, and joint projects, such as regional transfer pathways efforts. Money from the fund was also used to support systemwide implementation of Carnegie Math Pathways and efforts to create guided pathways at 10 colleges.

In the CUNY system, the biggest investment in student success at community colleges has been the Accelerated Study in Associate Program (ASAP). After an evaluation by research organization MDRC showed that ASAP could nearly double graduation rates, CUNY sought and received funding from New York City to implement the program at scale. In fiscal year 2019, it had a budget of $86 million for 25,000 students, with plans to expand to 50,000 students by including adults with some college alongside traditional-age students. CUNY leads the way in aligning its major budget priorities with evidence-based best practices.