

COLORADO'S HIGHER EDUCATION FUNDING FORMULA: OPTIONS FOR REFORM THAT BALANCE LEARNING WITH STUDENT SUCCESS

Colorado's higher education funding formula is due for an update. This report seeks to explore how institutions and students are currently performing under the funding formula and contains recommendations for improvements. Students, the true customers of higher education, will benefit from understanding which degrees are in-demand. The taxpayer benefits when more credentials are earned with higher ROI and, the entire Colorado economy benefits from added GDP, output, and personal income when more students graduate with high-demand credentials.

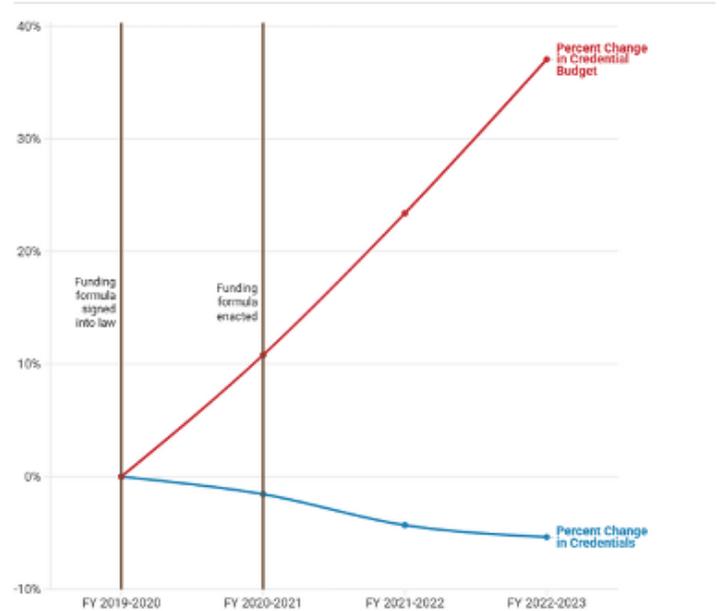
Colorado's funding formula does not result in significant funding shifts due to outcomes.

- Colorado's funding formula turns a blind eye to performance—colleges improve or decline, but the money stays the same.
- Since 2021, no institution has seen its share of total state funding increase or decrease by more than **1%**.

While higher education funding grows, credential production has decreased.

- Funding per credential awarded has risen 35% in two years, from \$784 to \$1,058 in FY 2022-23.
- Since 2021, the state has provided \$6.8 million in state funding to produce 2,112 fewer credentials.

Percent Change in Credential Funding and Percent Change in Credentials



Source: Colorado Department of Higher Education, CSI Research and Modeling

Colorado's institutions of higher education could offer more pathways associated with high-demand credentials.

One-third of states use credentials of value in their state funding formulas (36%).

States that employ credentials of value in funding considerations see higher job growth.

Institutions should consider offering the highest ROI four-year degree majors and short-term credentials in Colorado. **Seven of the top 10 projected employment gains in the state by occupation are associated with the credentials shown.**

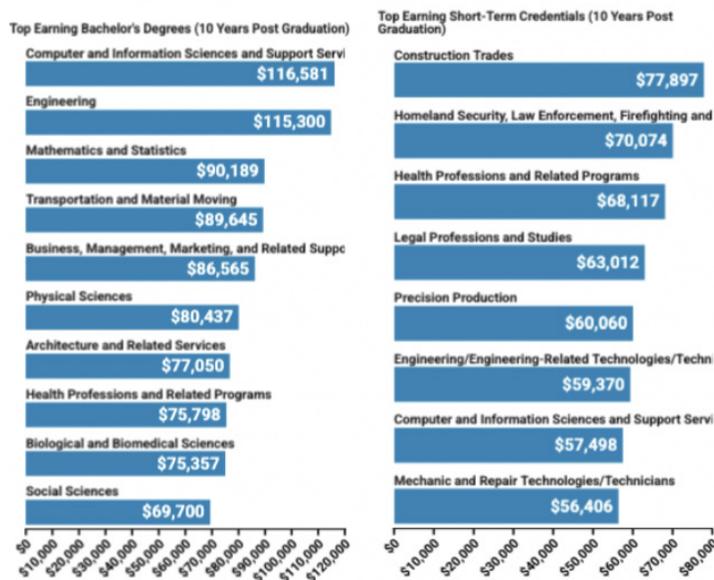
Credentials refer to the completion of a higher education degree (including 2-year, 4-year, and graduate level) or short-term credential.



Some Colorado institutions are better at producing graduates with high-demand credentials than others.

- Colorado School of Mines - 62% of graduates have degrees of value
- Fort Lewis - 50% of graduates have degrees of value
- CSU, Pueblo - 44% of graduates have degrees of value
- Arapahoe Community College - 39% of graduates have degrees of value
- CU, Colorado Springs - 30% of graduates have degrees of value

Top Earning Four-year Degrees and Short-term Credentials of Value in Colorado



Sources: CSI Research and Analysis, Office of Labor Market Information (LMI) Long-term Employment Projections, Colorado Department of Labor and Employment (CDLE), 2025 Post Secondary Employment Outcomes (PSED), US Census Bureau, 2025. Note: Wage levels are reported in median annual earnings. Credentials were matched based on their associated NAICS code.



Recommendations for Future Higher Education Funding Model.

As Colorado reviews its funding model, leaders could rework metrics to emphasize performance and establish more incentives for credentials of value. A scenario could include:

- 50% weight towards credentials of value production and
- 50% weight towards earnings outcomes of graduates
- With a guaranteed prior year funding base

The CU system, CSU systems, Colorado School of Mines, and the Colorado community college system would see increases.



Colorado's economy and taxpayers win when more graduates earn high-demand credentials.

A 20% uptick in Colorado graduates with credentials of value would mean:

- A \$4.5 billion increase in nominal GDP by 2035
- An \$8.0 billion increase in output by 2035
- A 24,804 increase in population by 2035
- A \$3.1 billion increase in personal income by 2035

Thank you to Arnold Ventures for supporting this work.