



FEBRUARY 2026

EDUCATE. GRADUATE. LEAVE.

THE \$96 BILLION PRICE TAG OF IOWA'S PUBLIC UNIVERSITY BRAIN DRAIN

AUTHORS: ANDRZEJ WIECIORKOWSKI & BEN MURREY

ABOUT THE AUTHORS



Andrzej Wiciorkowski is a research analyst with Common Sense Institute (CSI) Iowa. Before joining CSI, he attended the College of the Holy Cross where he majored in political science and economics. Wiciorkowski also worked as an intern for the Heritage Foundation's Center for Education Policy, where he developed public policy and research experience in education, economics, law, immigration, and international affairs.



Ben Murrey is Director of Policy and Research with the Common Sense Institute (CSI) Iowa, where he leads research efforts to provide insightful, accurate and actionable information about the impact of public policy on Iowa families, businesses, and communities. In addition to publishing regular research reports for CSI, Ben has been published in state and national outlets including the *Wall Street Journal*, *Real Clear Policy*, the *Corridor Business Journal*, the *Colorado Springs Gazette*, and others. Prior to joining CSI, Ben worked for a state-based think tank in Colorado and as a U.S. Senate aide for tax, budget, and economic policy.

ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Iowa's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Iowans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the economy and individual opportunity.

TEAMS & FELLOWS STATEMENT

CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Iowans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is a belief in the power of the free enterprise system. Our work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit with academic freedom. Our team's work is informed by data-driven research and evidence. The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

TABLE OF CONTENTS

About The Authors	1
About Common Sense Institute	2
Teams & Fellows Statement.....	2
Introduction.....	4
Key Findings.....	5
Iowa Struggles To Keep Its Public University Graduates In State After Graduation	7
Low Graduate Retention Rates Cost Iowa’s Economy Billions	9
Economic Impact Of Iowa’s Poor Graduate Retention.....	13
Performance-Based State Funding Could Help Reverse Brain Drain	14
Most States Use Performance-Based Funding For Higher Education	15
Iowa Has An Existing Template For Reform	18
Bottom Line	19
Appendix	20

INTRODUCTION

Across Iowa's three public universities, on average only half of all graduates remain in Iowa ten years after graduation despite in-state students making up 75% of their combined full-time students.¹

This trend of out-migrating among college-educated young adults, commonly referred to as brain drain, is disrupting the state's economy. In a July 2025 report, "People—Iowa's Most Valuable Export," CSI found Iowa's economy loses an estimated \$4.5 million in total gross nominal earnings over the working life of each out-migrating, college-educated Iowan age 25-29 who leaves the state.² The report estimates just one year of total net out-migration from this demographic will cost the state's economy an astounding \$6.1 billion in lost gross domestic product (GDP) over the working life of those who leave.

Iowa has three four-year public universities: the University of Iowa, Iowa State University, and the University of Northern Iowa. Because the Iowa Board of Regents governs these institutions, Iowans often refer to them as the state's "regent universities." The legislature appropriates General Fund revenues to fund the Board of Regents each fiscal year, with funding ranging from nearly \$900 million in fiscal year (FY) 2009 to its near-three decade low of \$628 million in FY 2026.³ These dollars fund the universities' core instructional operations, faculty and staff salaries, academic support services, and maintenance of campus facilities. State dollars help sustain a strong higher education system in Iowa.

These institutions provide tremendous value to the state and its economy.⁴ If more of their graduates remained in Iowa to live and work after graduation, the state's return on its investment in these universities could increase significantly. Unfortunately, post-graduation retention data calls into question whether Iowa retains graduates from its three regent universities at acceptable levels. When graduates of these universities leave the state, Iowa loses some of its most talented and productive people. As a result, taxpayers see a lower return on investment from these institutions than what otherwise could have been possible had more graduates remained in the state to work and contribute to Iowa's economy.

This report investigates the sources and scale of the out-migration of Iowa's public university graduates. By tracing the educational investment from post-graduation location outcomes, the report quantifies the brain drain. It then assesses the financial and economic implications of those trends, modeling the long-term opportunity costs to the state's economy. This report does not quantify the full contribution of Iowa's public universities to the state. Rather, it assesses the direct and indirect economic impact of graduate retention relative to a defined benchmark. For example, findings that describe losses to the state's economy are isolated to outcomes stemming specifically from out-migrating graduates and refer to losses relative to the benchmark. Nothing in this report should be construed to suggest Iowa's regent universities cause a net loss to the state. Before concluding, the report explores policy options to improve talent retention and ensure public investment is aligned to the outcomes lawmakers and the public expect.

KEY FINDINGS

- **The brain drain of graduates from Iowa's public universities migrating out of Iowa has stripped billions from Iowa's economy.** If the 2001–21 graduating classes had remained in-state after graduating at levels proportional to the universities' in-state student populations, Iowa's 2025 economy would have an estimated:
 - > \$7 billion larger GDP,
 - > \$12 billion greater output,
 - > \$11 billion more in total statewide personal income, and
 - > \$9.7 billion more in total statewide disposable personal income.
- **From the 2021 graduating class alone, Iowa has forfeited \$171 million in GDP** because of the brain drain of Iowa public university graduates leaving the state.
- Relative to CSI's defined benchmark, **to date the brain drain of Iowa's public university graduates has led to a cumulative direct loss of \$96 billion (2024 dollars) in earnings from the 2001–21 graduating classes.**
 - > Statewide post-graduation wage losses are worsening again after years of improvement. One-year losses fell from \$361.5 million in the 2001-03 cohort to a low of \$126.8 million in lost wages in 2010-12. Losses rose again to \$184.2 million by 2019-21, driven largely by weaker retention coming out of the University of Iowa.
 - > The 2021 cohort alone has already generated more than \$500 million in lost Iowa wages in the four years since they graduated.
- **Across the 2001–21 graduating classes, Iowa has lost a net of approximately 68,000 public university graduates relative to CSI's benchmark.** This loss has eroded the state's tax base.
 - > Had graduate retention matched the benchmark each year, **Iowa would collect an estimated \$766 million more in annual state and local tax revenue.**
 - > The brain drain from the public universities for the class of 2021 alone cost Iowa's state and local governments an estimated **\$17.2 million in foregone tax revenue for tax year 2025 alone.**

- **All three of Iowa's public universities are net contributors to the state's brain drain; all their graduates remain in Iowa at levels below CSI's benchmark.** For example, if a university's student body consists of 70% Iowa residents, then 70% of its graduates should still be employed in the state one, five, and ten years after graduation.
 - > Iowa residents make up 69.5% ISU's undergraduate students, but just 51.2% of graduates remain in the state ten years after graduation. **While this 18.4-point gap between expected and actual retention levels represents substantial talent leakage, ISU boasts the lowest spread out of the three universities.**
 - > **The University of Northern Iowa (UNI) boasts the best post-graduation retention rates of the state's three public universities; however, it performs worse than ISU relative to its in-state student population.** Iowa residents make up 92% of UNI's student body, but only 68.8% of home-grown graduates remain in the state ten years after graduation (23.2 percentage point gap).
 - > **The University of Iowa has consistently posted the lowest post-graduation retention rate of the state's three public universities.** Iowa residents make up 61.9% the university's undergraduate students, but only 37.7% of graduates remain in the state ten years after graduation, a 24.2 percentage point gap.
- **Policymakers could consider moving to a performance-based funding model with specific, enumerated outcome metrics** if they wish to align public funding incentives with the state's economic and workforce needs to help reverse Iowa's brain drain.
 - > **Iowa is one of just 21 states with no performance-based funding model for its public colleges and universities.** While specific funding frameworks vary by state, most states view performance-based funding as a mechanism that ties public funding for higher education to certain outcomes like graduation rates, retention, job placement, and more. Indiana is the only state with a funding metric that explicitly rewards institutions for keeping graduates in-state. That metric was added in 2023.
 - > **Today, a performance-based funding model based on retaining graduates for Iowa's workforce would favor ISU and UNI over the University of Iowa.** In 2014, an Iowa Board of Regents proposal to adopt a performance-based university funding formula failed to become law. At the time, performance-based funding would have decreased funding to the University of Iowa and favored ISU and UNI.

IOWA STRUGGLES TO KEEP ITS PUBLIC UNIVERSITY GRADUATES IN STATE AFTER GRADUATION

The Common Sense Institute has previously analyzed the economic toll of Iowa's persistent brain drain. A July 2025 report found that since 1982, "Iowa had the seventh highest cumulative net outmigration of bachelor's degree holders aged 25 to 29 nationally and the highest of any Midwestern state."⁵ This sustained outflow of educated young adults represents a long-term erosion of the state's economic base, with billions of dollars in potential earnings, productivity, and GDP growth lost as those workers build their careers elsewhere.

Recognizing the magnitude of this loss, this report's analysis focuses on the public institutions most directly responsible for shaping Iowa's young workforce. Together, the state's three public universities account for roughly 60% of Iowa's bachelor degree production.⁶ Drawing on the U.S. Census Bureau's Post-Secondary Employment Outcomes (PSEO) Explorer, this section estimates retention by graduating cohort since 2001 and measures the share of aggregate earnings that remain within Iowa one, five, and ten years after graduation.⁷

Across two decades of available data, the share of graduates from Iowa's three public universities who remain employed in the state after earning their degrees has consistently fallen below CSI's benchmark on expected levels of retention. These trends will be referred to as "retention" throughout this report, referring to the proportion of graduates who live and work in Iowa following graduation—not to be confused with student degree completion within the university itself.

"Expected levels" assume that if a university's student body consists of 70% Iowa residents, for example, then 70% of its graduates should still be employed in the state one, five, and ten years after graduation. This metric does not mean every in-state student must stay in the state after graduation to achieve expected levels. Rather, net graduate retention should equal the in-state student share. The metric provides a benchmark for evaluating how effectively the state's higher education investment translates into long-term economic participation of graduates within Iowa. Higher retention would mean the universities are providing a higher-than-expected return on investment of public dollars—specifically with regard to retention of graduates. When actual post-graduation retention falls short, however, it indicates Iowa is financing education for individuals whose eventual economic contributions—through earnings, taxes, innovation, and other benefits—occur elsewhere.

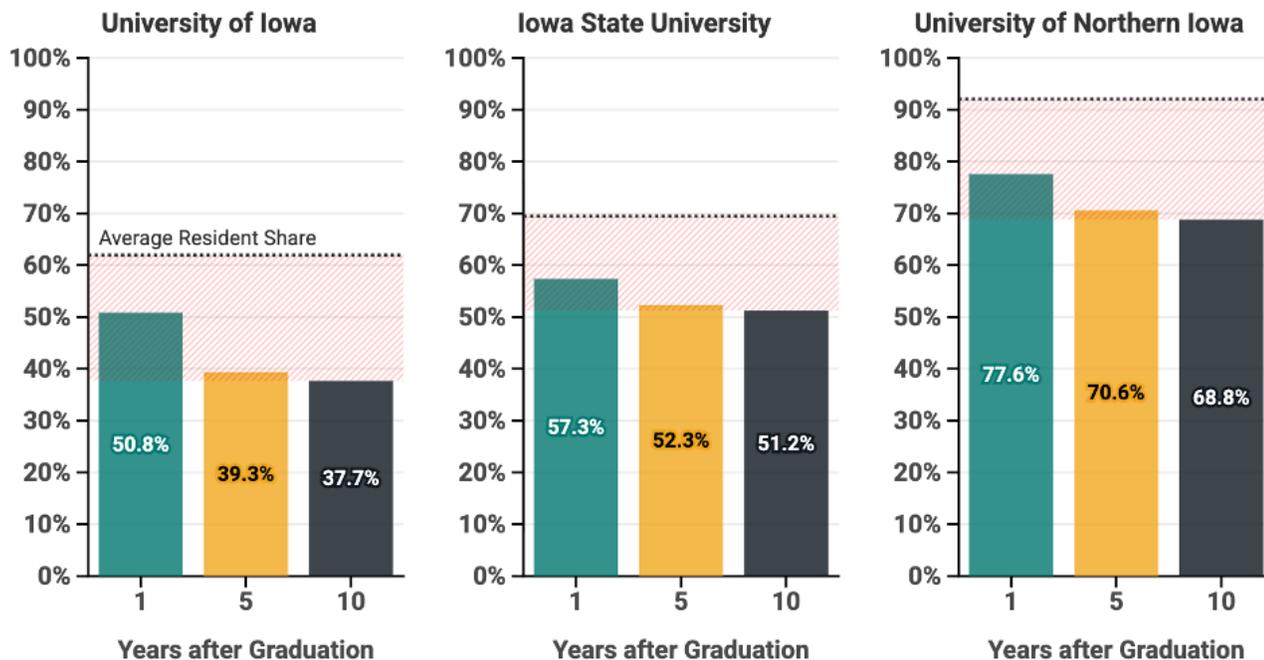
CSI's analysis tracks graduates one, five, and ten years after graduation, utilizing durations up to the maximum timeframe of readily available U.S. Census Bureau data. If a graduate leaves Iowa at two years, for example, that person would be counted as remaining in the state one year after graduation but no longer present after five years. If that person were to return in year seven and stay, they would appear in the data for ten years after graduation. Forecasts later in the report that rely on projections beyond ten years after graduation assume a continuation of the same net effect as seen at the ten-year mark. Despite so-called "boomerangs" who might return to Iowa after ten years, this is a defensible if not conservative assumption. Previous CSI research found Iowa has seen consistent net declines in residents with a bachelor's degree or higher. Based on the available ten-year migration data linked to each of Iowa's public university, one can reasonably infer the four-decade trend of bachelor's degree holders leaving the state holds for graduates of Iowa's three public universities.

When a university's retention rate trails its resident student share, the result is a measurable net outmigration of college-educated workers. This phenomenon poses a direct economic concern. Persistent outflows weaken the state's human capital pipeline, slow productivity growth, and erode the long-term fiscal and economic return on higher education spending. Figure 1 illustrates the ongoing imbalance between expected and actual retention rates.

FIGURE 1. COLLEGE GRADUATE RETENTION BY UNIVERSITY, ALL COHORTS FROM 2001-03 TO 2019-21

College Graduate Retention by Regent University

One, Five, and Ten Years After Graduation, All Cohorts



Source: CSI analysis, [Post-Secondary Employment Outcomes \(PSEO\)](#), [Iowa Board of Regents](#).

Note: The dotted black line represents the university's average share of resident students over the past two decades (all cohorts).

Disaggregating by institution and cohort reveals a meaningful declining trend.⁸ The University of Iowa, Iowa's largest public university, has consistently posted the lowest overall post-graduation retention rate, with just 50.8% of graduates remaining in the state one year after graduation, 39.3% after five years, and 37.7% after ten, on average over two decades of data. This outcome contrasts sharply with the University of Iowa's average undergraduate resident share of 61.9%, meaning there is a 24.2-point deficit at the ten-year mark. Iowa State University (ISU) performed slightly better with 57.3% of graduates remaining after one year, 52.3% after five years, and 51.2% after ten. Those numbers compare with an average resident share of 69.5%. While its 18.4-point gap between expected and actual retention levels represents substantial talent leakage, ISU boasts the lowest spread out of the three universities. Though smallest in total student population, UNI retains the highest share of its graduates. Approximately 77.6% remain after one year, 70.6% after five years, and 68.8% after ten. Yet, UNI still faces significant graduate exodus from the state. With 92% of its students originating from Iowa, the university has a 23.2-point shortfall between resident share and ten-year retention—less than the University of Iowa but more than ISU.

The data show graduate retention at all three of Iowa's public universities falls short of CSI's benchmark. While these institutions do a stand-out job of attracting out-of-state students, the state does a poor job of retaining graduates to participate in the state's workforce and economy over the long term. While some out-of-state students may stay, on the net Iowa loses more graduates from these institutions than it attracts from other states, resulting in a net loss relative to the CSI benchmark, as shown in figure 1. The next section quantifies the cumulative economic cost of this persistent post-graduation outmigration and its implications for Iowa's future growth trajectory.

Low graduate retention rates cost Iowa's economy billions

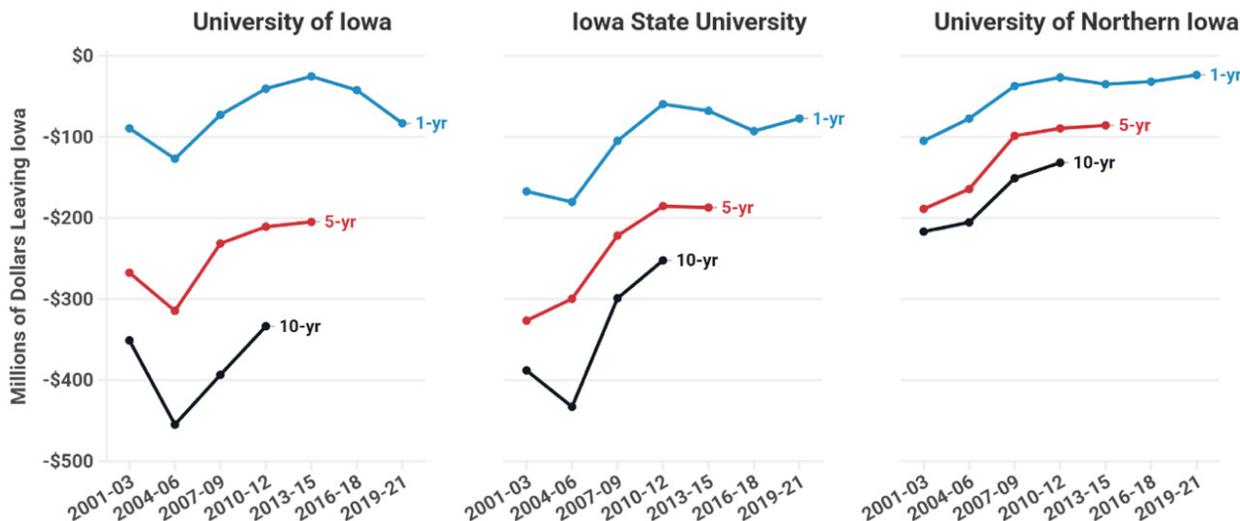
To isolate the true scale of economic leakage from outmigration, CSI used PSEO data from the U.S. Census Bureau to weigh earnings outcomes for each university. Figure 2 visualizes the estimated wage losses associated with Iowa's public university graduates who leave the state after earning their degrees. Each cohort is shown across three time horizons—one-year, five-year, and ten-year post-graduation—to capture both immediate and long-term economic effects. For example, if the 2001–03 cohort shows a –\$100 million value on the one-year line, it indicates that within the first year after graduation Iowa's economy forfeited approximately \$100 million in potential wages that would have been earned in state had all resident graduates remained. The five-year estimates reflect the cumulative wage losses over the first five years following graduation. The ten-year estimates capture the total lost earnings over an entire decade. Importantly, figure 2 should not be construed to mean these universities or their graduates are causing a net loss in wages to Iowa's economy. Rather, they show the loss relative to expected levels.

Figure 2 shows every graduating cohort since 2001 has recorded a wage retention rate below its corresponding resident student share. While wage losses have gradually improved since the earliest cohort, the gains have been uneven across institutions. For the most recent graduate cohorts who graduated from 2016 to 2018 and from 2019 to 2021, ISU and UNI show consistent improvements.

FIGURE 2. PUBLIC UNIVERSITY RETURN ON INVESTMENT: MILLIONS OF DOLLARS LOST FROM EACH GRADUATING COHORT SINCE 2001 (REAL 2024 DOLLARS)

Regent University Return on Investment: Millions of Dollars Lost from Each Graduating Cohort Since 2001 (Real 2024 Dollars)

Each cohort's economic return is measured at one, five, and ten years after graduation. Negative values represent economic loss to outmigration.



Source: CSI analysis, [Post-Secondary Employment Outcomes \(PSEO\)](#), [Iowa Board of Regents](#).

In contrast, the University of Iowa has experienced regression over the last two observed cohorts. For the two most recent cohorts, data is only available for outcomes one year after graduation; not enough time has passed to collect five- and ten-year outcome data.

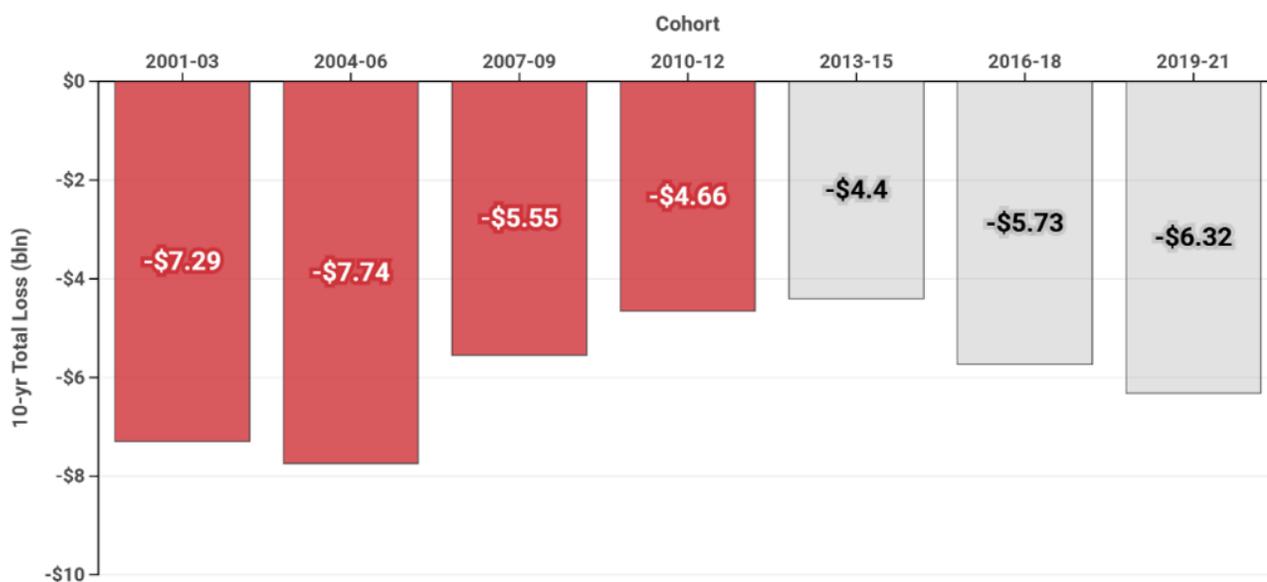
In aggregate, the statewide loss of worker earnings has increased over the most recent two cohorts during which the University of Iowa's larger decline outweighed improvements at the other two universities. One-year post-graduation wage losses peaked in 2001-03 at \$361.5 million and bottomed in 2010-12 at \$126.8 million, though losses grew to \$167.1 million in 2016-18 and \$184.2 million in 2019-21. Five-year wage losses also peaked in the first cohort at \$782.8 million. Losses bottomed out with the 2013-15 cohort at \$477 million. Ten-year wage losses peaked later in 2004-06 at \$1.1 billion and bottomed out with the 2010-12 cohort at \$717.6 million. If the five- and ten-year data follows the one-year trend, CSI expects losses to grow as new data becomes available.

To better approximate the full ten-year wage trajectory for the average graduate who left Iowa, CSI interpolated between these data points to construct a continuous model of post-graduation earnings. Over the past two decades, an estimated \$41.7 billion in potential earnings have left and will leave the state within the first ten years after graduation—equivalent to roughly \$2 billion per year. This estimate assumes full earnings retention would occur if all resident graduates from Iowa's public universities remained employed in-state. Figure 3 illustrates the cumulative losses and the recent reversal in their trend.

Across individual graduating cohorts, the distribution of wage losses reveals a costly trend. In the earliest cohorts (2001–03 and 2004–06), ten-year out-migration losses exceeded \$7 billion. As graduates entered and moved through the Great Recession, those losses declined to roughly \$5 billion, a 40% drop from the 2004–06 peak. The shift reflected weaker economic mobility during and after the economic downturn, which pushed retention rates at the public universities to record levels. This upward trend in retention is evidenced in figure 6 in the appendix. Although ten-year data are unavailable for more recent cohorts (post-2013), the one- and five-year trends indicate a troubling reversal. Out-migration losses are once again rising, with losses expected to reach their third highest level for the 2019–21 cohort.

FIGURE 3. CUMULATIVE WAGE LOSS FROM OUT-MIGRATION AMONG IOWA'S PUBLIC UNIVERSITY GRADUATES, TEN YEARS POST-GRADUATION (BILLIONS, REAL 2024 DOLLARS)

Cumulative Wage Loss from Out-Migration among Iowa's Regent University Graduates, Ten Years Post-Graduation (Billions, Real 2024 Dollars)



Source: CSI analysis, [Post-Secondary Employment Outcomes \(PSEO\)](#), [Iowa Board of Regents](#).

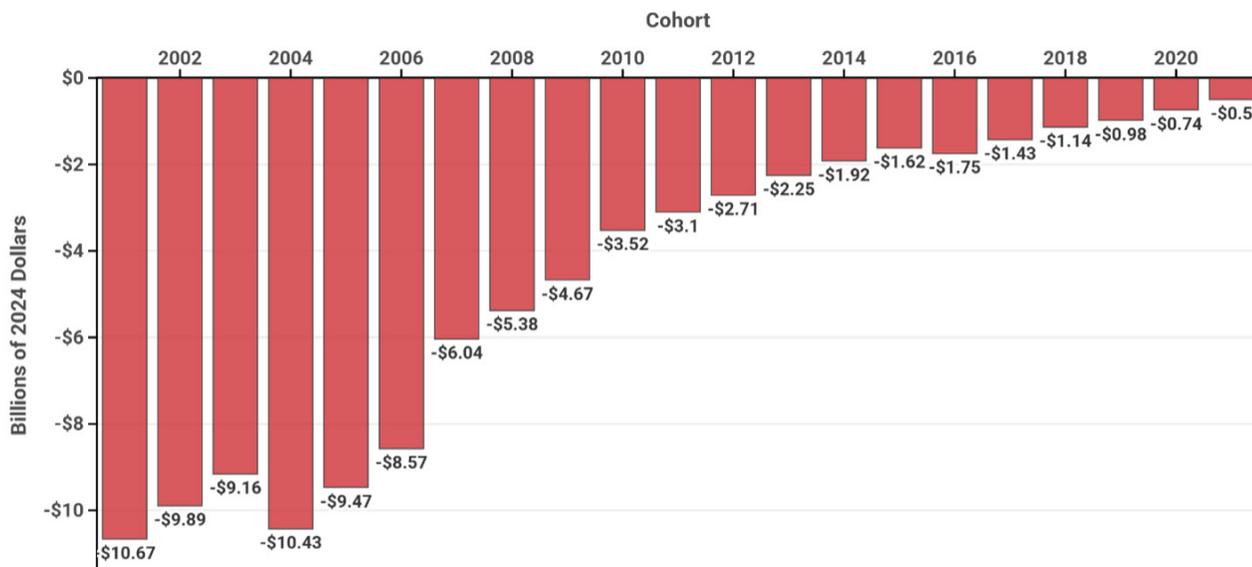
Note: Red bars represent cohorts with available ten-year post-graduation data, while gray bars reflect cohorts for which only one- and/or five-year data are available. Estimates for gray bars are derived by using the previous cohort's ten-year wage loss as a baseline, adjusted according to the observed change in one- and/or five-year outcomes.

When examining cohorts through 2025, the cumulative losses grow even larger, as shown in figure 4. Iowa has forfeited an estimated \$95.9 billion in real 2024 dollars when adding cumulative annual net wage losses ranging from one year after graduation through 2025. Much of these losses have stemmed from the earliest cohorts that have participated in the labor force for more years. The earnings losses from the most recent cohorts (e.g. 2021) will also add up to billions of cumulative dollars decades after graduation. In just four years the migration out of Iowa from the class of 2021 has already cost the state half a billion in wage earnings.

Iowa's graduate retention shortfalls have serious consequences for Iowa's economy. But the economic ripple effects go beyond just lost wages, as explored in the next section of this report.

FIGURE 4. LOSSES ACCRUED FROM 1-YR POST GRADUATION THROUGH 2025, IN BILLIONS OF INFLATION-ADJUSTED 2024 DOLLARS

Losses Accrued from 1-Yr Post Graduation through 2025, in Billions of Inflation-Adjusted 2024 Dollars



Source: CSI analysis, [Post-Secondary Employment Outcomes \(PSEO\)](#), [Iowa Board of Regents](#).

Note: Red bars represent cohorts with available ten-year post-graduation data, while gray bars reflect cohorts for which only one- and/or five-year data are available. Estimates for gray bars are derived by using the previous cohort's ten-year wage loss as a baseline, adjusted according to the observed change in one- and/or five-year outcomes.

ECONOMIC IMPACT OF IOWA’S POOR GRADUATE RETENTION

Iowa gives up meaningful economic growth when workers take their labor and earnings elsewhere. Common Sense Institute employed the REMI Tax PI model to quantify the economic knock-on effects for the state of Iowa from the foregone earnings, lost tax revenue, and smaller labor force resulting from Iowa’s public university brain drain. Using estimated 2025 effective tax rates across income, property, and sales taxes, the most recent 2021 cohort alone represents \$17.2 million in lost state and local tax revenue.⁹ This analysis assumes 2,820 fewer laborers directly due to retention issues. Extending the same method across all cohorts from 2001 through 2021—representing 68,218 lost workers—Iowa would have \$766.2 million more in state and local revenue in 2025 if those graduates were living and paying taxes in the state. Their presence would also have produced an additional \$8.3 billion in wage earnings that year. Taken together—lost revenue, lost earnings, and a smaller labor force—table 1 lays out the dynamic economic impact of Iowa failing to retain its public university graduates at expected levels.

Low retention has stripped billions from the state’s economy. For the 2021 graduating cohort alone, Iowa forfeited \$171 million in GDP. Had Iowa met expected retention levels over the past two decades, 2025 would show nearly \$7 billion more in GDP, \$12 billion more in output, \$11 billion more in personal income, and \$9.7 billion more in disposable personal income. These losses compound year after year, weakening Iowa’s labor supply, eroding its tax base, and reducing the long-run return the state earns on every dollar invested in its public universities.

But even these figures understate the true cost. This analysis does not capture the higher economic baseline Iowa would enjoy if more graduates had simply stayed from the outset rather than triggering two decades of cumulative loss.

Iowa public universities’ core outputs—degrees, skills, and graduates—shape the state’s future workforce. When those outputs drift away from Iowa’s labor-market needs, retention falls and the economic and state revenue return on public investment weakens. If policymakers wish to improve retention outcomes, the state purse strings are their primary tool to effect change. To that end, they may consider a higher education funding model that incentivizes graduate retention.

TABLE 1. ECONOMIC IMPACT OF LOST COLLEGE GRADUATES RETURNING TO IOWA, 2025

Output	2025
Gross Domestic Product	\$6.94
Output	\$11.92
Personal Income	\$11.00
Disposable Personal Income	\$9.70

Source: CSI Analysis, REMI

Note: Dollar values are in billions of current dollars.

PERFORMANCE-BASED STATE FUNDING COULD HELP REVERSE BRAIN DRAIN

Performance-based funding (PBF) is the most direct tool available for restructuring how Iowa finances its public universities. This funding model allocates state appropriations to public universities based on measurable outcomes rather than historical budgets or enrollment alone. Typically, these outcomes include metrics such as graduation rates, degrees awarded in high-demand fields, and post-graduate employment and earnings. The intent is to align institutional incentives with statewide priorities, thereby rewarding universities that produce job-ready graduates, address skill shortages, and strengthen the local economic base. In practice, performance-based funding shifts the focus to student success and ensures public dollars generate tangible returns for taxpayers. For example, a common design designates specific goals, such as increasing graduates in STEM fields, and assigns a dedicated pool of funding to that goal. Universities receive a share of that pool based on the percentage of the benchmark they achieve. If an institution reaches most of the target, it receives most of the associated funding; if it reaches only half, it earns only half.

Currently, Iowa's higher-education funding system distributes General Fund appropriations to the three public universities using historical, base-year allocations that are adjusted incrementally each legislative session. The funding does not apply performance metrics, nor does it reweigh funding based on resident enrollment, degree production, or other measurable outcomes. Instead, annual appropriations are built off prior-year levels, with changes determined through the standard budget process. For this reason higher education received a \$6 million increase (from \$582 million to \$588 million) from FY 2025 to FY 2026 without any structural change to how funds are distributed.¹⁰ The result is a system in which base-level allocations are effectively on autopilot and adjustments occur only through modest or targeted increases rather than through a comprehensive ongoing assessment of the state's return on investment in its public universities.

In other words, Iowa's current approach does not necessarily align public dollars and student outcomes. The state now ranks last in the Midwest in higher-education appropriations per full-time equivalent student, down from third in 1980.¹¹ See figure 7 in the appendix. Low spending is not inherently problematic, but it is a disadvantage when dollars are disconnected from outcomes. A smaller budget raises the stakes for ensuring the state deploys every dollar effectively. A well-designed performance-based funding model that links appropriations to in-state talent retention could help the state increase the value of every dollar invested in its public universities.

Most states use performance-based funding for higher education

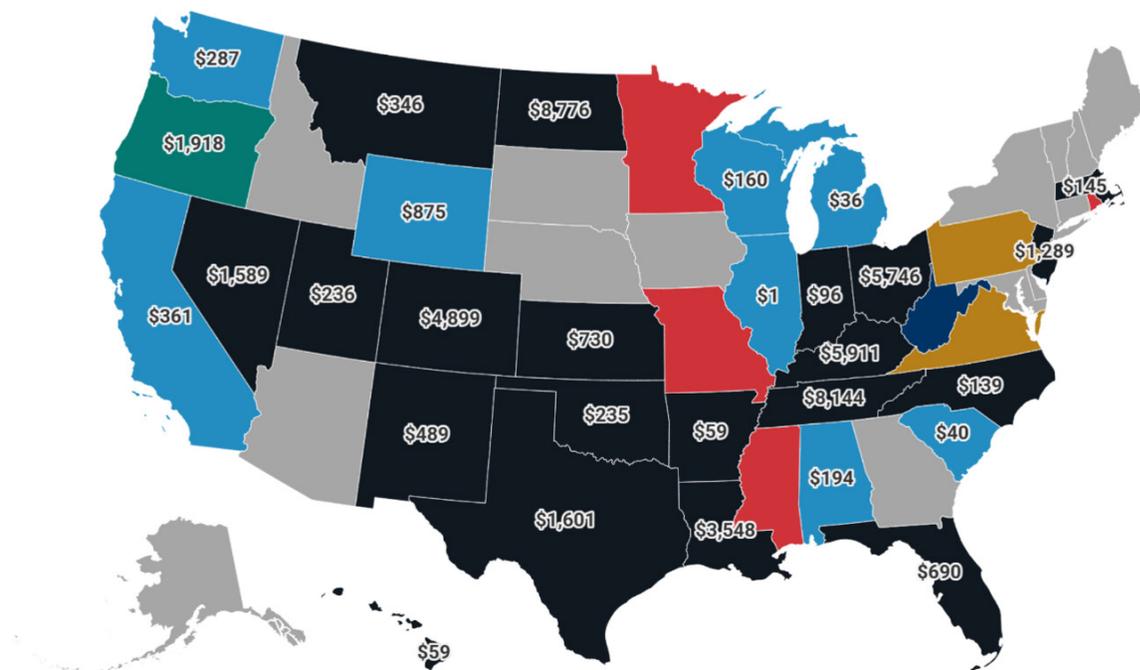
Over half of states have adopted some kind of outcome-based funding structures for public higher education. The number of states with a PBF structure at four-year institutions grew from five in FY 2004 to 21 in FY 2024.¹² Across both two- and four-year institutions, 29 states maintained an active performance-based funding structure in FY 2024. Eight applied it only to two-year institutions, one applied it only to four-year institutions, and the remaining 20 used a mixed model covering both. Among the 21 states without an actively funded model, several have not abandoned the concept. For example, Missouri has a PBF formula in statute but has left it unfunded, with lawmakers working on a revised model for future implementation.¹³ A few other states without any PBF framework are moving toward adoption. Pennsylvania, for example, advanced a 2024 committee proposal to evaluate establishing a statewide PBF system.¹⁴ Of the 21 states without an actively funded model, four have inactive frameworks, two are in formal discussions, and one has a formula that only recently took effect. Figure 5 visualizes the PBF status for all 50 states, with states labeled by the PBF funding per full-time equivalent (FTE) enrollment where applicable.

FIGURE 5. STATES WITH FORMAL PERFORMANCE-BASED FUNDING, FY 2024

States with Formal Performance-Based Funding, FY 2024

States are labeled by PBF per FTE enrollment. In 2024, 29 states funded public universities based on PBF metrics. Iowa was among 21 states without any formal PBF funding.

■ No Formal PBF Funding
 ■ Mixed PBF Funding
 ■ 2-Yr PBF Funding
 ■ 4-Yr PBF Funding
 ■ Newly Implemented
 ■ Inactive
 ■ Formal Discussions of PBF Funding



Source: CSI Analysis, [State Higher Education Finance \(SHEF\)](#)

Iowa is not the only state in the Midwest without a PBF model, but it remains in the minority of states nationally without one. Nebraska and South Dakota also have no performance-based funding system. Minnesota and Missouri have models that exist in law but remain unfunded. Michigan, Illinois, and Wisconsin primarily apply PBF to their two-year systems. Only North Dakota, Kansas, Indiana, and Ohio maintain fully implemented models for four-year public universities. Nationwide, mixed-sector models predominate, with a smaller set of two-year-only systems. Across these variations of type and funding size, the broader pattern is clear that most states view performance-based funding as a mechanism that better aligns higher education with workforce and economic needs. However, each state has built its own version of performance-based funding for their respective priorities and policy goals.

InformedEd States identifies 19 states with workforce-oriented PBF policies for four-year institutions as of FY 2024.¹⁵ All 19 prioritize STEM and other high-demand fields, with three also incorporating post-graduation employment and one extending further by tying funding to graduate earnings. Any of these states could serve as an example for how Iowa could connect funding to student outcomes. However, beyond a few core elements, states diverge sharply in their approach. They commit different shares of total funding to PBF, adopt distinct implementation timelines, rely on different levels of communication and collaboration with institutions, and design formulas that range from simple to highly complex, with weightings that reflect each state’s priorities. Simply put, there is no single correct model for performance-based funding. For demonstrative purposes, table 2 outlines five PBF programs across the United States with varying funding levels and prioritized metrics.

TABLE 2. PERFORMANCE-BASED FUNDING METRICS FOR FOUR-YEAR INSTITUTIONS IN FIVE STATES

Performance-Based Funding Metrics for Four-Year Institutions in Five States					
	Florida ¹⁶	Indiana ¹⁷	Ohio ¹⁸	Oregon ¹⁹	Tennessee ²⁰
Inception Year*	2014	2007	1995	2015	1979
Percentage of Allocated State Funds²¹	9.18%	1.8%	95.23%	54.72%	97.75%
Type of Metrics**					
Graduation	✓	✓	✓	✓	✓
Wages	✓				
Cost	✓				
Priority Demand Fields	✓	✓	✓	✓	✓
Priority Populations		✓		✓	
Graduate Retention		✓			
Cumulative Net Flows of 25- to 29-Year-Olds, Bachelor's Degree or Higher, Five Years Post Inception Year to 2024²²	-59,898	+2,865	-9,410	-35,548	+25,919

Source: CSI analysis

Note: *Inception years reflect the first year of any PBF program. For some states, their respective funding models have grown to become more robust and higher funded over time. **Graduation tracks the share of students who complete a degree within a defined timeframe. Wages reflect post-graduate earnings. Cost measures institutional efficiency, typically through spending per degree or credit. Priority-demand fields focus funding on programs tied to state workforce needs. Priority populations direct a portion of funding toward underrepresented or targeted student groups. Graduate retention focuses on the rate of in- and out-of-state students employed in the respective state post-graduation.

Across the five states highlighted in table 2, none share a uniform approach to performance-based funding across the six major performance metrics. Funding levels vary just as widely. Florida and Indiana allocate less than 10% of total state appropriations through their formulas, Oregon allocates just over half, and Tennessee and Ohio allocate more than 95%. Likewise, years of inception vary greatly, from 1979 to 2015. This level of variation makes it difficult for researchers to evaluate the effectiveness of these programs in a comparable way since no two systems operate under the same structure or conditions.²³ As a result, existing research finds that performance-based funding has not produced consistent, statistically significant improvements in student outcomes.²⁴

Indeed, performance-based funding does not, by itself, raise graduate retention. Whether it can influence retention depends entirely on what the formula measures and rewards. Most state systems were built to increase degree production or shift students into priority fields, not to keep graduates in-state. The retention data shown in the final row of table 2 illustrates this point. This metric reflects cumulative net flows of 25- to 29-year-olds with a bachelor’s degree or higher from CSI’s July 2025 report. Although an imperfect indicator for assessing broad alignment with in-state talent outcomes, the general trends are useful.²⁵ Florida, Oregon, and Ohio all operate under some version of PBF, yet each recorded negative in-state retention from five years post-implementation through 2024. Indiana and Tennessee posted gains, but the degree to which those outcomes stem from their funding formulas—as opposed to broader labor-market conditions—is unknown. This outcome makes sense as no state has built a performance-based system explicitly aimed at improving retention. However, one state does include keeping graduates in-state as one of several metrics in their performance-based funding formula.

Indiana is the only state that has incorporated a funding metric that explicitly rewards institutions for keeping graduates in-state, and that metric was added only recently in 2023.²⁶ Across other states, some metrics gesture in that direction—such as emphasizing priority or high-demand fields on the assumption those fields map onto state labor needs—but none tie appropriations to a verified measure of in-state post-graduation employment. As a result, cross-state comparisons offer limited insight into a model centered around the goal of Iowa retaining more of its graduates. These models provide useful context, but without an explicit retention incentive embedded in the formula, they cannot reveal whether performance-based funding improves graduate retention.

Indiana, therefore, stands as the lone reference point, and a particularly relevant one. The state mirrors Iowa’s fiscal situation, ranking just one position higher regionally in state appropriations per full-time equivalent student. See figure 7 in the appendix. Yet, unlike Iowa, Indiana has taken the step of integrating a performance-based funding formula to allocate its relatively small funding pool. Its “Outcomes-Based Performance Funding” framework includes eight core metrics, shown in table 2, along with the share of institutions meeting full or partial performance requirements for FY 2026.

Of the eight outcome metrics Indiana uses in its PBF model, graduate retention ranked lowest with only 21% of universities achieving the benchmark in FY 2026.

TABLE 3. INDIANA OUTCOMES-BASED PERFORMANCE FUNDING (OBPF) METRICS FOR FY 2026

	Met Full or Partial
Low-Income Youth Enrollment	80%
Adult Enrollment	54%
On-Time Completion	50%
Overall Completion	58%
Low-Income Completion	61%
Adult Completion	54%
STEM Completion	57%
Graduate Retention	21%

**** 100% of Research Goals met**

Source: Indiana Commission for Higher Education

This weak result likely reflects the metric's early implementation stage, where outcomes may lag policy. It may also reflect the relatively small share of total state funding tied to performance metrics, which reduces the financial incentive for compliance. Only about 2% of Indiana's four-year state appropriations, or roughly \$17 million, were distributed through performance funding in FY 2024.²⁷ At that scale, institutions face little incentive to meaningfully adjust their practices. The retention metric exists, but the funding may be too small to influence behavior in a measurable way. With eight metrics influencing the funding allocation, universities receive very little reward for putting significant effort into improving any one metric, such as graduate retention. This makes Indiana's structure informative even though its results are inconclusive. Nonetheless, Indiana offers the only template available despite having its graduate retention metric still in its infancy. It shows that a state can move beyond a simple focus on high-demand fields and instead embed an explicit expectation that publicly funded institutions help keep more graduates in state.

The Indiana funding model demonstrates how retention can be written directly into a funding formula through measurable and verifiable data. While existing research suggests PBF has not produced consistent, statistically significant improvements in student outcomes,²⁸ the research has not evaluated PBF models aimed at improving graduate retention. Only Indiana's PBF model incorporates this goal, and it cannot yet be sufficiently evaluated for efficacy.

Iowa has an existing template for reform

In 2014, the Iowa Board of Regents released a detailed proposal to replace Iowa's historical higher education funding model with a performance-based formula.²⁹ The plan would have tied 60% of state support to resident undergraduate enrollment, with the remaining share distributed across outcome measures such as student progression and degree completion, access for Iowa students and underrepresented populations, and research and graduate-program performance. The framework was deliberately designed to be a gradual phased implementation with annual caps on funding shifts and safeguards to limit volatility. The Board of Regents approved the model, signaling a broad recognition that the existing system was outdated and misaligned with state goals.

Despite the Board's approval, the new funding model could not be implemented without being passed into law. Rebasement appropriations—a step necessary to implement the resident-weighted formula—would have shifted funding away from the University of Iowa toward ISU and UNI. Legislative appropriations ultimately did not follow the proposed performance-based formula, even after the Board attempted to soften the funding shift through a phased-in approach and limits on annual reductions to the University of Iowa.³⁰ Yet a decade later, the fundamental problem the 2014 report sought to address is larger, not smaller. Iowa continues to lose a substantial share of its young graduates to out-migration with no end in sight.

If policymakers wish to improve graduate retention, they may consider revisiting higher education funding reform. That means examining whether current allocations reflect the state's workforce needs and whether institutions are rewarded for producing graduates who remain and contribute to Iowa's labor market. When considering reform, policymakers should examine the success and failure of PBF models in other states, exploring the existing body of research on the efficacy of PBF. While existing research suggests PBF has not produced consistent, statistically significant improvements in student outcomes,³¹ the research has not evaluated PBF models specifically aimed at improving graduate retention. Only Indiana's PBF model incorporates this goal, and it cannot yet be sufficiently evaluated for efficacy. If Iowa policymakers adopt a PBF framework to incentivize graduate retention, they will be pioneers of this kind of policy. This report focuses solely on graduate retention; reform discussions should take a holistic approach, considering all the ways Iowa's regent universities provide returns on public investment.

BOTTOM LINE

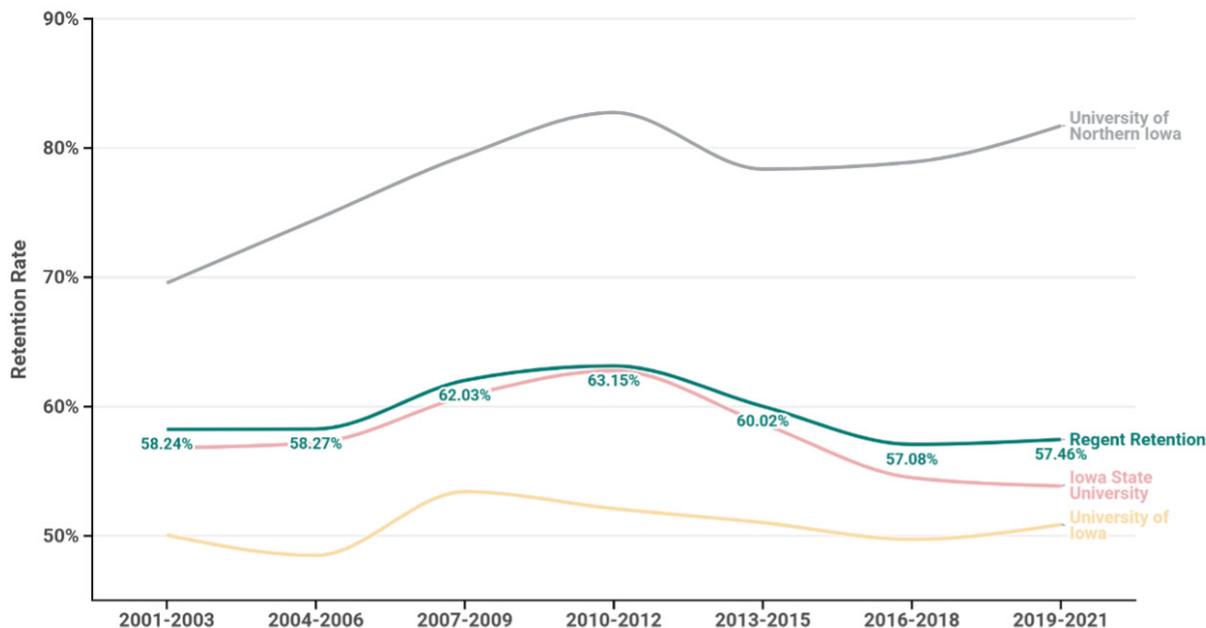
Iowa has a decades-long brain drain problem. The outmigration of young, college educated Iowans is costing the state billions in foregone economic output. That translates into fewer jobs, lost wages, and less revenue for state and local governments. While Iowa boasts some of the nation's best public universities,³² their graduates leave Iowa at levels above CSI's defined benchmark. This out-migration of graduates from Iowa's public universities contributes to the state's brain drain. The opportunity cost is large and quantifiable. Higher education funding is the primary policy lever lawmakers hold that could improve outcomes.

While most states tie at least some state higher education funding to specific outcomes, Iowa does not. Only Indiana has a performance-based funding formula aimed at retaining graduates. However, their program is too new and allocates too few dollars to the retention metric to provide useful insight into the efficacy of this approach. A performance-based funding formula that connects state higher education dollars to graduate retention could help reverse Iowa's brain drain, but taking this approach would put Iowa in mostly uncharted territory. Policymakers who wish to use this approach to address the negative outcomes of brain drain should proceed circumspectly.

APPENDIX

FIGURE 6. ONE-YEAR RETENTION RATE AT IOWA'S PUBLIC UNIVERSITIES, 2001-03 TO 2019-21

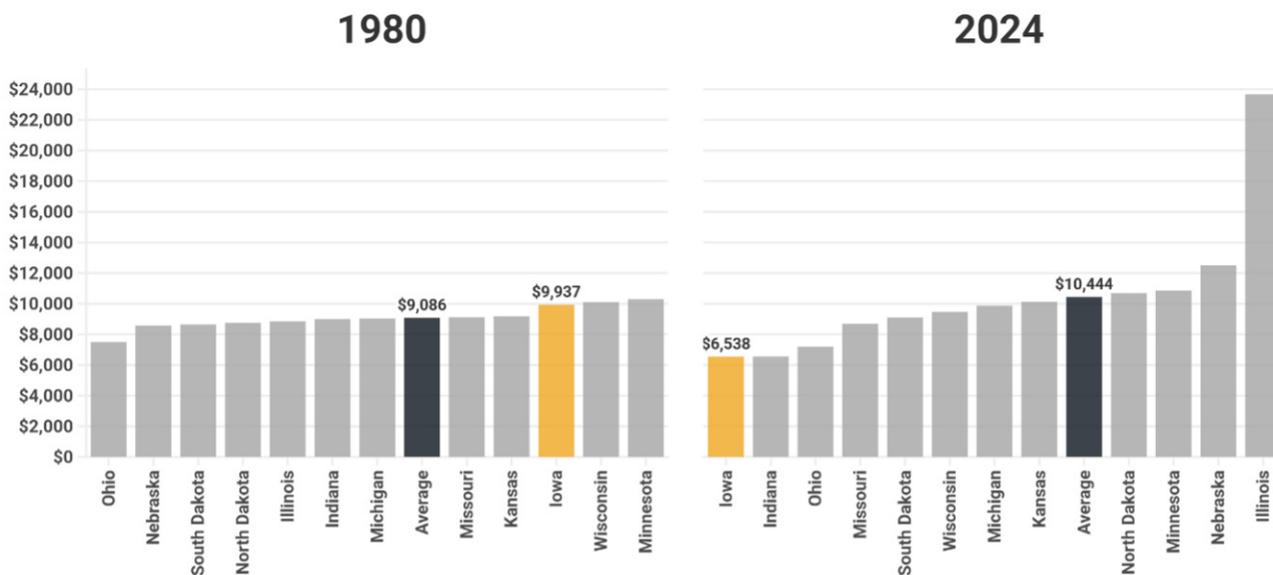
One-Year Retention Rate at Iowa's Regent Universities, 2001-03 to 2019-21



Source: CSI analysis, [Post-Secondary Employment Outcomes \(PSEO\)](#)

FIGURE 7. EDUCATION APPROPRIATIONS PER FTE IN MIDWEST STATES, ADJUSTED FOR CPI, 1980 AND 2024

Education Appropriations per FTE in Midwest States, Adjusted for CPI, 1980 and 2024



Source: [State Higher Education Finance \(SHEF\)](#)

ENDNOTES

1. "Post-Secondary Employment Outcomes Explorer," U.S. Census Bureau, 2025, <https://lehd.ces.census.gov/applications/pseo/>; Iowa Board of Regents, "Board of Regents Reports," 2025, <https://www.iowaregents.edu/reports/page-of-reports.>; Note: Retention and resident enrollment data for ten years post-graduation is limited to cohorts from 2001 to 2012.
2. Ben Murrey and Andrzej Wiciorkowski, "People—Iowa's Most Valuable Export," Common Sense Institute, July 29, 2025, <https://www.commonsestituteus.org/iowa/research/workforce/people-iowas-most-valuable-export>.
3. Andrzej Wiciorkowski, "The Iowa Budget Then and Now – FY26," Common Sense Institute, June 23, 2025, <https://www.commonsestituteus.org/iowa/research/state-budget/the-iowa-budget-then-and-now-fy26>.
4. Iowa Board of Regents, "Iowa's Regent Universities Continue to Provide Outstanding Economic Impact," press release, February 22, 2023; "Economic Impact Reports FY 2021-22," Iowa Board of Regents, accessed January 16, 2026, <https://www.iowaregents.edu/reports/economic-impact-reports-fy-2021-22>.
5. Ben Murrey and Andrzej Wiciorkowski, "People—Iowa's Most Valuable Export," Common Sense Institute, July 29, 2025, <https://www.commonsestituteus.org/iowa/research/workforce/people-iowas-most-valuable-export>.
6. "Fall 2023 Graduation and Retention Report," Iowa Board of Regents, February 28, 2024, https://www.iowaregents.edu/media/cms/0224_ITEM_7_Graduation__Retention__ODC2561BAC310.pdf.
7. "Post-Secondary Employment Outcomes Explorer," U.S. Census Bureau, 2025, <https://lehd.ces.census.gov/applications/pseo/>
8. "Post-Secondary Employment Outcomes Explorer," U.S. Census Bureau, 2025, <https://lehd.ces.census.gov/applications/pseo/>; Note: The Census Bureau collected data on seven cohorts over three-year periods (e.g. 2001-2003, 2004-2006, ... up to 2019-2021).
9. Adam McCann, "Tax Burden by State," WalletHub, April 1, 2025, <https://wallethub.com/edu/states-with-highest-lowest-tax-burden/20494.>; Note: Assumes a 9.23% tax burden in Iowa.
10. Andrzej Wiciorkowski, "The Iowa Budget Then and Now – FY26," Common Sense Institute, June 23, 2025, <https://www.commonsestituteus.org/iowa/research/state-budget/the-iowa-budget-then-and-now-fy26>.
11. "State Profile: Iowa," State Higher Education Finance, 2024, <https://shef.sheeo.org/state-profile/iowa/>.
12. Mitchell Lingo, Robert Kelchen, Kelly Rosinger, Dominique Baker, Justin Ortagus, and Jiayao Wu, "The Landscape of State Funding Formulas for Public Colleges and Universities," Informed States, April 2023, <https://informedstates.org/policy-briefs-feed/the-landscape-of-state-funding-formulas-for-public-colleges-and-universities-jtbcg-z3g7x>; "2024 Performance-Based Funding Data," State Higher Education Finance, 2024, https://shef.sheeo.org/wp-content/uploads/2025/06/SHEEO_SHEF_FY24_PBF_Data.xlsx.
13. An Act to amend chapter 173, RSMo, by adding thereto two new sections relating to funding allocation for postsecondary education institutions, HB 2602, State of Missouri 101st General Assembly, 2022, <https://documents.house.mo.gov/billtracking/bills221/hlrbillspdf/5384H.01I.pdf>.
14. An Act amending the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, providing for institutions of higher education and for Performance-based Funding Council, SB 1154, State of Pennsylvania 2023-2024 Regular Session, 2024, <https://www.palegis.us/legislation/bills/2023/sb1154>.
15. "Informed States Workforce-Oriented Performance-Based Funding Policies Dataset," InformedEd States, 2025, <https://informedstates.org/data>.
16. "2025 Performance-Based Funding, Metric Scores and Allocations," State University System of Florida, June 2025, https://www.flbog.edu/wp-content/uploads/2025/11/PBF_2025_26v2.pdf.
17. "2025-2027 Outcomes-Based Performance Funding Goals," Indiana Commission for Higher Education, 2025, <https://www.in.gov/che/files/2025-2027-Metric-Weighting-FINAL-1.pdf>.
18. <https://highered.ohio.gov/data-reports/hei-system/hei-data-submission/hei-ssi-info>
19. "SSCM: Students Success and Completion Model," Oregon Council of Presidents, 2025, <https://oregoncouncilofpresidents.com/wp-content/uploads/2023/03/2023-SSCM-Issue-Brief.pdf>
20. "Overview of Outcomes-Based Funding Formulas," Tennessee Higher Education Commission, 2025, https://www.tn.gov/content/dam/tn/thec/bureau/legal/focus/OutcomesBasedFormulaNarrative_ETSU.pdf.
21. "2024 Performance-Based Funding Data," State Higher Education Finance, 2024, https://shef.sheeo.org/wp-content/uploads/2025/06/SHEEO_SHEF_FY24_PBF_Data.xlsx.

22. Ben Murrey and Andrzej Wiciorkowski, "People—Iowa's Most Valuable Export," Common Sense Institute, July 29, 2025, <https://www.commonenseinstituteus.org/iowa/research/workforce/people-iowas-most-valuable-export>.
23. Kevin J. Dougherty, Sosanya M. Jones, Hana Lahr, Rebecca S. Natow, Lara Pheatt, and Vikash Reddy, *Performance Funding for Higher Education: Implementation and Impacts in Three States* (Baltimore: Johns Hopkins University Press, 2016).
24. Kevin J. Dougherty, Sosanya M. Jones, Hana Lahr, Rebecca S. Natow, Lara Pheatt, and Vikash Reddy, *Performance Funding for Higher Education: Implementation and Impacts in Three States* (Baltimore: Johns Hopkins University Press, 2016).
25. Ben Murrey and Andrzej Wiciorkowski, "People—Iowa's Most Valuable Export," Common Sense Institute, July 29, 2025, <https://www.commonenseinstituteus.org/iowa/research/workforce/people-iowas-most-valuable-export>.
26. Dr. Katie Jenner, "November Commissioner's Report," Indiana Commission for Higher Education, November 13, 2025, https://www.in.gov/che/files/251113_PRESENTATION_Novembers-Commissioners-Report_a.pdf; "Indiana Commission for Higher Education Approves Funding Formula Metrics," *The Times of Noblesville*, January 13, 2023, <https://thetimes24-7.com/2023/01/indiana-commission-for-higher-education-approves-funding-formula-metrics>.
27. "2024 Performance-Based Funding Data," State Higher Education Finance, 2024, https://shef.sheeo.org/wp-content/uploads/2025/06/SHEEO_SHEF_FY24_PBF_Data.xlsx.
28. Kevin J. Dougherty, Sosanya M. Jones, Hana Lahr, Rebecca S. Natow, Lara Pheatt, and Vikash Reddy, *Performance Funding for Higher Education: Implementation and Impacts in Three States* (Baltimore: Johns Hopkins University Press, 2016).
29. "Report of Performance-Based Revenue Model Task Force," Iowa Board of Regents, June 4-5, 2014, <https://www.iowaregents.edu/media/cms/finalreportofperformance-basedrevenueodeltaskforce-pdfA54541EF.pdf>.
30. Legislative Services Agency, "Allocation of State Funding to Regents Universities," *Issue Review*, October 6, 2015, <https://www.legis.iowa.gov/docs/publications/IR/673844.pdf>.
31. Kevin J. Dougherty, Sosanya M. Jones, Hana Lahr, Rebecca S. Natow, Lara Pheatt, and Vikash Reddy, *Performance Funding for Higher Education: Implementation and Impacts in Three States* (Baltimore: Johns Hopkins University Press, 2016).
32. Iowa Board of Regents, "Iowa's Public Universities Ranked Among Nation's Best by US News and World Report," accessed January 26, 2026, <https://www.iowaregents.edu/news/newsletter/board-of-regents-newsletter/september-2019-newsletter/iowas-public-universities-ranked-among-nations-best-by-us-news-and-world-report>.