



# Overview of State Funding Approaches for Higher Education

## Introduction

In 2023, state and local funding to higher education reached [nearly \\$130 billion](#), with [Illinois and the District of Columbia](#) allocating the largest amounts of support to public postsecondary institutions on a per full-time equivalent student basis. Regardless of the amount of money that states allocate to higher education, many have policies in place that direct the allocation of the dollars across institutions. In this memo, we provide examples of funding mechanisms in use in other states that have a similar governing structure to Wisconsin.

Wisconsin currently has two statutory governing boards for higher education: the Board of Regents, which governs institutions within the Universities of Wisconsin system, and the Wisconsin Technical College System board, which governs institutions within the technical college system. Across states that also have multiple governing boards without a statewide coordinating agency, the most common process for determining the amount of the total appropriation is as follows:

1. The governing board and/or governing board staff submit a consolidated budget request to the legislature. In some cases, this request is informed by individual institutional requests that are endorsed by the governing board, or it may be formula-driven.
2. The legislature considers the budget request and appropriates funds to the governing board.
3. The governing board allocates the total appropriated dollars across all institutions under its authority.

This document focuses on the third step in the process- how does a coordinating or governing board allocate a state appropriation across multiple institutions? Generally, boards take one of two approaches: base-plus or formula. The sections that follow outline both approaches and provide state examples of each. Some states also use unique processes; we provide two such examples from Minnesota and North Carolina. We conclude with a brief analysis, highlighting key points for Wisconsin leaders to consider.

## Base-Plus

Through a base-plus approach, one or more of the state's coordinating or governing boards allocates the state appropriation across the institutions based on what that institution received the year before, plus or minus any change the total amount received from the legislature. The Universities of Wisconsin System currently uses this approach, as described in [Appendix A](#) to the





2024-2025 UW System Annual Operating Budget. While not an exhaustive list, state governing boards using a base-plus approach include:

1. University System of Georgia (USG)  
Board of Regents General Policy on Finance and Business: [USG Policy 7.1.1](#)  
The Board of Regents is the only body in the state with the authority to request appropriations from the General Assembly. The Regents allocate funds to the USG institutions according to a budget request process.
2. Iowa Board of Regents  
Statute: Iowa Code Ann. § 262.9  
State statute requires the Regents to submit an annual budget request for all institutions and empowers them to direct all the appropriations made to the Board to the institutions. The statute also requires the Regents to submit an annual report to the General Assembly, which includes a variety of enrollment and finance related metrics.

## Formula

Through this approach, one or more of the state's governing boards allocates all or part of the state's appropriation to each institution based on a combination of factors that are driven by a formula. Across systems and states, formulas use a variety of metrics and vary in their complexity.

1. Connecticut State Colleges & Universities (CSCU)  
Statute: Conn. Gen. Stat. Ann. § 10a-89  
Regulations: R.C.S.A. §§ 10a-5-1  
The Board of Governors of the CSCU System receive an appropriation of dollars from the state, based on their annual budget request. The CSCU System is then directed to allocate those dollars to each institution based at least in part on performance criteria.
1. Louisiana Board of Regents (BOR)  
[Constitutional Language](#)  
Statute: La. Rev. Stat. Ann. 17:3129  
The BOR uses a funding formula to allocate the available appropriation from the state. The formula takes a portion of the annual appropriation and allocates it to base funding for each institution. The remaining dollars are allocated based on each institution's performance on student completion, entry into the workforce, and other metrics. Importantly, this practice is largely directed by BOR staff; the formula is reviewed every five years by institutional and BOR stakeholders who make recommendations to the BOR for how they would like the funding allocated. The BOR





then adopts an allocation model, which directs the state appropriation across four college/university systems and the community and technical college system.

2. West Virginia Higher Education Policy Commission (WV HEPC)

Statute: [13 CSR 22](#)

A coordinating body, the WV HEPC is charged with developing a performance-based funding formula to inform the annual budget request of the legislature. The formula must allocate a portion to predictable base funding and create an outcomes pool. The results of the formula are the HEPC's recommended funding level for each institution.

## Other Approaches

While most states use a base plus or a formula approach, there are some additional unique models to consider:

1. University of Minnesota and the Minnesota State Colleges and Universities

Statute: [Minn. Stat. Ann. § 135A.031](#)

The legislature determines the annual appropriation for the University of Minnesota and the Minnesota State Colleges and Universities by considering their biennial budget request, performance against articulated statewide objectives, available state resources, and the balance between state support and tuition revenue across the institutions. The legislature also has flexibility in the statute to consider other factors in determining the amount of funding that the System receives. Statute also requires the University of Minnesota and the Minnesota State Colleges and Universities to submit a five-year history of system expenditures, disaggregated in several specified ways, with their biennial budget proposal.

2. Board of Governors of the University of North Carolina

Statute: [G.S. § 116-11](#)

The General Assembly appropriates dollars directly to each institution for continuing operations. Funds for certain salary increases are appropriated to the Board of Governors to be allocated to the institutions, in accordance with policies approved each year in the state budget's act.

## Analysis

State systems of higher education use a variety of approaches to determine the amount of funding that each institution should receive, including basing amounts from the previous year, calculating funding through a formula, or other unique approaches. The base-plus approach currently in use for the Universities of Wisconsin system is not unlike those used in other states. At the same time, some states have taken arguably more strategic approaches to allocating funding through formulas or other approaches that respond more effectively to changes in enrollment, and therefore costs, at each of the system's institutions.

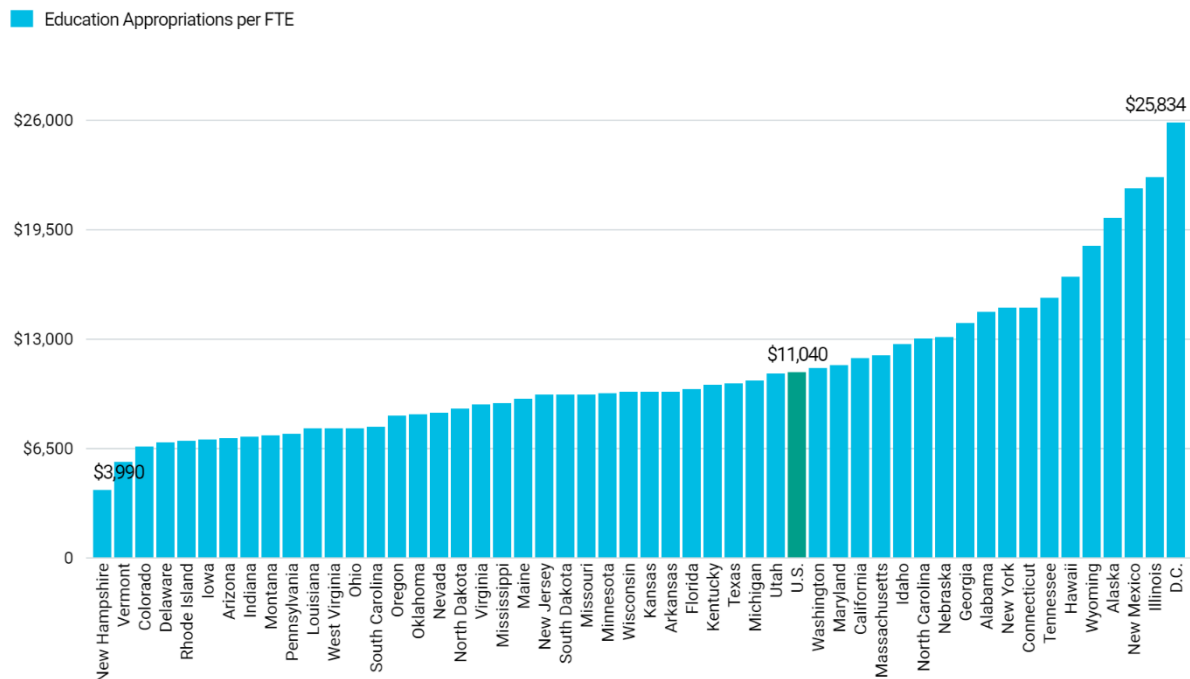




NCHEMS also explored data related to state education appropriations per full-time equivalent (FTE) student to determine if states' chosen funding approaches appeared to vary based on their per FTE funding amount. While we include the data below in Figure 1, we did not conclude that a meaningful relationship existed between the amount of support states provide and the mechanisms through which they apply it.

**Figure 1: Public Higher Education Appropriations per FTE by State, 2023**

Public Higher Education Appropriations per FTE by State, FY 2023 (Adjusted)



**Notes:**

1. Education appropriations are a measure of state and local support available for public higher education operating expenses and student financial aid, excluding appropriations for research, hospitals, and medical education. Education appropriations include federal stimulus funding.
2. The U.S. calculation does not include the District of Columbia.
3. Each year, approximately one-third of education appropriations in Illinois go toward the state's retirement pension system. See the Illinois State Spotlight for more details.
4. Constant 2023 dollars adjusted by the Higher Education Cost Adjustment (HECA).
5. Adjusted to account for interstate differences using the Enrollment Mix Index (EMI).
6. Adjusted to account for interstate differences using the Cost of Living Index (COLI). The COLI is not a measure of inflation over time.

Source(s): State Higher Education Executive Officers Association

Moving forward, the Legislative Council Study Committee on the Future of the University of Wisconsin System was not directly tasked with developing a recommendation related to shifting the state's funding approach the UW System. Should it choose to make a recommendation in this area, NCHEMS encourages the Council to consider how funding can best be used to move the state towards the achievement of an articulated statewide agenda for higher education. Shifting funding approaches without a clearly adopted strategy behind those changes is likely to destabilize individual campuses and the system, or risk misalignment with other state or system





priorities. Additionally, given the fragile financial position of several campuses, a proposal to shift funding strategy could have particularly acute impacts.

## Further Questions?

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NCHEMS is available for ongoing consultation on this issue. Please do not hesitate to reach out to Sarah Pingel, Vice President, at [sarah.pingel@nchems.org](mailto:sarah.pingel@nchems.org).

This information was prepared with the assistance of the Education Commission of the States. ECS can be reached [here](#).

