



Building a Stronger Future Workforce for Oklahoma

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Oklahoma's future workforce is in school today. Regarding education policy, the business community can work to ensure Oklahoma's K-12 and post-secondary education systems prepare students for the workforce and hold the state's educational institutions accountable to that goal. Several education policy recommendations will better align Oklahoma's K-12 and post-secondary education systems to the workforce needs of the economy and business community.

Higher Education Outcomes-Based Funding

Focusing on and rewarding outcomes would also better align Oklahoma's higher education system to the workforce needs of the economy. Performance-based funding in higher education has a well-established track record across several states.

Performance or outcome-based funding can take the form of a bonus to an institution for achieving metrics set by the state or can be part of the overall operational funding formula, where a certain percentage of funding is "at-risk" based on an institution's performance against those metrics. This method of funding rose to popularity in the wake of the Great Recession as state's began to see postsecondary attainment was often disconnected from states' needs. States saw this to improve alignment between higher education goals and economic needs.

Indiana

Indiana's Performance Funding per-unit payment is an example of an "at-risk" performance funding scheme. The state sets metrics once every two years and [places a dollar amount](#) for each instance of a student attaining that metric. Each metric is measured by a change in average output. For example, a research institution STEM bachelor's degree completion addition to the average is worth \$25,000 in FY 2022-2023. If the institution increased their three-year average in 2017 to 2019 by 200 students, then the institution would receive \$5 million for that metric. It is noted, however, that the amount per metric may be proportionally adjusted based on funding availability.

Indiana's model began with 1% of funding being put through outcome metrics to now 6% of operational funding comes from performance funding. Indiana's program has been an unqualified success; studies found that between 2010 and 2015, there was a 22% increase in degree completion for ["high impact degrees."](#)

Texas

In 2013, Texas adopted a performance-based funding formula for its technical and community colleges, making up 10% and 88% of funding, respectively. The Texas formula uses a per-student achievement point system. The system rewards institutions based on [students meeting criteria](#) such as completion of a college-level math course, completing 15 semester credit hours, earning a certificate or degree, and transferring with a threshold of credit hours. Each point earning category has different points awarded to it, so the institution gets a different dollar amount for each student in each category. In 2018, the dollar per point was about [\\$172](#), while for 2020-2021, the amount was increased to just over [\\$200](#).

Although the Texas program has had success, it is not without issues. A [2015 study](#) showed that the metrics used disproportionately underfunded community colleges with high percentages of disadvantages students. The metrics are underinclusive when considering at-risk students and could even encourage the recruitment of only students who are already likely to succeed. A remedy was [attempted in 2019](#), but did not pass in the legislature.

In Oklahoma, the legislature is constitutionally required to allocate all higher education funding in a lump sum to the State Board of Regents, who then distributes the funds to each institution [“according to its needs and functions.”](#) In 2012, the Council of Presidents of Higher Education Institutions adopted a performance-based funding formula to assist in the distribution of the allocated funds. It is unclear whether this formula is used as there is no mention of its utilization in any of the [budget analysis reports](#) nor is there a denotation of the weight, success, or value of the metrics.

Oklahoma’s eight metrics for funding are found in [Rule 4.1.4B](#) of the State Regents of Higher Education Procedural Manual. The metrics likely have not been reviewed for 10 years. The metrics are also not clearly reported on nor specific enough to mark any change in workforce development or other State goals. And it is unclear the program’s percentage of the funding to the institution. The Regents have the power and authority to implement at-risk performance funding, while the legislature would be the body to create an outcome-based bonus payment fund.

