

The Role of State Funding Policy in Developmental Education Reform

The path to a postsecondary credential can be difficult for many students, not least of all for students who do not immediately place into credit-bearing coursework upon entry. These students, disproportionately students of color, adult students, and students from low-income backgrounds, are required to successfully pay for and complete noncredit-bearing coursework in math and/or English prior to beginning their intended degree program. Increasingly, research has pointed to inequitable outcomes in persistence and completion for students who begin their postsecondary experience in developmental education¹. As such, institutions, systems and, in some cases, states have acted to improve two different aspects of developmental education: first, ensuring that fewer students are placed in developmental education; and second, working toward greater levels of success for those students who do need additional support to be successful in college-level coursework.

However, enacting placement and curricular reforms can produce misalignment with other policy areas. In this policy overview, we focus on funding to illustrate how state-level reforms to postsecondary funding models can support or inhibit developmental education reforms that lead to greater levels of student success. We find that a minority of states employ funding models that can inadvertently incentivize systems and institutions to place students in developmental education, specifically by providing boosts in funding for the share of students enrolled in developmental education courses. While initially intended to support institutions in providing more resources to students that need the most assistance, these funding boosts may have unintended consequences in course placement and in completion. For states that do not address developmental education directly in their funding policies, this policy overview increases visibility on the ways in which states may still be subsidizing the provision of developmental education. Finally, we conclude with considerations for states intending to (re)align evidence-based reforms to developmental education with effective state funding incentives.

¹ Throughout this policy overview, we use both *developmental education* and *remedial education* to refer to required, noncredit course sequences. We use the term *co-requisite remediation* to refer to remedial coursework offered alongside a credit-bearing class.

National Trends in State Funding

Forty-five states and the District of Columbia have an [adopted state statute](#) that addresses postsecondary education budgeting processes and/or funding models for institutions, systems, or sectors. In their least prescriptive form, these policies are simply broad-based statements that enable states to appropriate money to postsecondary systems. However, many state policies include specific incentives for postsecondary institutions or systems to reach to accumulate funding.

Student enrollment is the most common of these incentives. Enrollment metrics generally drive the majority of state funding allocations, usually measured by student headcount, full-time equivalent enrollment, number of credit hours attempted or completed, or another metric that can only be manipulated through the number of students enrolled. A smaller subset of states use a combination of enrollment and other metrics, such as incentives surrounding developmental or remedial education.

Across all states with adopted funding policies, a minority include mention of developmental or remedial education. In terms of states that do have policy language to provide funding to support developmental education, funding policies generally fall into three categories: direct funding for developmental education, support for gateway courses, or funding through enrollment-driven funding models.

Direct Funding

States can provide direct funding for developmental education through funding formulas, direct appropriations, or categorical items within the postsecondary budget. In these cases, a state-level policy calls out developmental or remedial education as a factor in determining an institution's funding amount.

For example, **West Virginia** [allocates funding](#) to community colleges based on student momentum points within a performance-based funding formula. Institutions are awarded additional funding for each student who completes a developmental education course; each student who completes a developmental education course and 30 credit hours within five years; and each student who completes a developmental education course and earns an associate degree within five years.

Similarly, states can also allocate categorical funding for specific developmental education programs or reform initiatives. Texas included funding for the Texas Success Initiative through its allocation to the state's higher education coordinating board in the [2021 budget bill](#). Funds may only be used for developmental education courses, including instruction, tutoring, program evaluation, professional development for faculty and support staff, and other related costs.

Support for Gateway Courses

States can provide incentives around gateway courses, which are typically the first credit-bearing courses in programs of study. Supporting gateway courses is intended to incentivize institutions to not only enroll students into gateway courses but also to ensure that they complete them.

In some states, funding is awarded based on the number of students who complete a gateway course. For example, the **California** Community College System receives extra funding under the [student success allocation](#) for each student who successfully completes both transfer-level math and English courses within the first year of enrollment. In **Nevada**, institutions are awarded funding for the number of gateway course completers as a part of their [performance pool funding](#).

States may also incentivize credit accumulation more generally by including accumulated credit hour counts within funding models. For example, in **Kentucky**, 35% of total community and technical college system's allocable resources are distributed based on each college's share of total [student success outcomes](#), including the number of students progressing beyond 15-, 30-, and 45-credit hour thresholds. **Washington's** [student achievement initiative](#) awards 5% of the state's total allocation on a share of points. Community and technical colleges can earn points based on students finishing college-level math, completing 15 and subsequently 30 credits, and earning a certificate or degree. Additional points are awarded if a student began in a basic skills course and progresses to completing 15, 30, and 45 credits, and completing college-level math.

Enrollment-Driven Funding Models

States may not directly recognize developmental or remedial education in their formula, as is the case in most states. Instead, state funding relies mainly on enrollment, without defining whether students enrolled in noncredit developmental or remedial education should be included or excluded from those counts. As will be explored in more detail in our findings, there is considerable ambiguity when it comes to counting or not counting students enrolled in developmental education for funding purposes.

Directly or not, each of these approaches may signal institutions to reach state priorities or preferences. For example, in the first category, direct funding for developmental education may inadvertently incentivize institutions to place students in those course sequences. The second scenario offers an alternative approach, where states signal the importance of course completion over course placement. In the final category, state funding can still be supporting noncredit developmental education, even if not explicitly called out. In other words, state funding policies that are silent toward developmental education do not mean that such courses are unfunded; it just means that they are not treated differently

than credit-bearing courses. The overwhelming [evidence](#) vis-à-vis noncredit developmental education raises questions about whether they should be treated the same as other credit-bearing offerings, or if an alternative approach may better spur and support placement and curricular reforms.

To learn more about how these three state funding approaches intersect with developmental education reform practices, we interviewed state leaders from Florida, Ohio, Nevada, and New York, which are states that have all explored how their state funding model can support student success in developmental education and beyond. The following sections further explore funding incentives and their linkages to developmental education reform.

State Funding Initiatives

To learn more about the potential ways in which the three funding scenarios above can play out in states, we engaged policy leaders in Florida, Ohio, Nevada, and New York in conversations targeted to understanding the intentionality and impact of funding policies as it concerns developmental education. Questions focused on policy adoption, policy implementation, how institutions responded to policy change, and reflections intended to assist peer states in addressing similar challenges.

Broadly, we found that states have not neglected the connection between state funding and developmental education. Instead, participants in all four states clearly recognized that funding plays a role in institutional policy surrounding developmental education. However, some states have funding structures and resources in place to leverage the connection, while others do not. We also found that some state leaders lack visibility on the ways in which enrollment-driven funding models, which appear agnostic toward developmental education, still provide subsidies that institutions can use toward noncredit developmental education offerings.

Direct Funding

While the four states we examined had pursued placement and curricular reforms, many had also at least begun the work to align supportive state funding. In Ohio, this meant removing additional funding allocated to campuses based on their enrollment of students in developmental education courses. Like several other states, Ohio previously provided direct formula funding to support developmental education students. While intended to provide extra support to help postsecondary institutions prepare students to be college-ready, the funding was also a key revenue source. Even still, community college leaders came together to reform developmental education practices, all while accepting reductions in their state support due to decreased enrollment in the courses. While colleges reformed developmental education under the old funding model, the model has now been revised to no longer include a specific component

for student enrollment in noncredit developmental education classes. However, like many other states, students enrolled in developmental education still count toward the enrollment-driven components of Ohio's postsecondary funding formula.

While relatively few states provide funding increases based directly on developmental education students or courses, exploring the extent to which these increases may be impeding reform may be key. While community college leaders in Ohio pursued the change despite a potential decrease in state funding, not all systems or institutions may be capable of doing the same. With reform in CUNY (City University of New York), for example, it was necessary to attend to any ramifications in tuition revenue. In this case, modeling the potential loss of tuition revenue post-reform and identifying a local funding source to temporarily fill the gap were key steps to support moving forward with developmental education reform.

Gateway Course Completion Incentives

In contrast to providing direct funding for noncredit developmental education students or courses, some state funding models have moved toward rewarding institutions based on the share of students that successfully complete gateway math and/or English within a specified timeframe. For example, Ohio shifted to a model where institutions can now receive success points for completing a for-credit math or English class within their first 30 credits.

Incentivizing gateway course completion may be a promising strategy for states to pursue. This option still allows states to bump funding for institutions that serve students without college-level preparation well, but without the incentive to require enrollment in noncredit-bearing coursework. States that have pursued incentives for gateway courses have generally structured them in the following ways:

- **Award funding to institutions based on the number of students who complete a gateway course.**

California and **Nevada** both award funding to institutions for the number of students who successfully complete a gateway course. The California Community College System [receives](#) extra funding under the student success allocation for each student who successfully completes both transfer-level math and English courses within the first year of enrollment. In Nevada, institutions are [awarded](#) funding for the number of gateway course completers as a part of their performance pool funding.

- **Award funding to institutions based on an individual student's accumulated credit hour count.**

Similar to the West Virginia policy cited above, some states seek to incentivize the accumulation of credit hours, rather than individual course completions during a single academic year. This may help community colleges better serve part-time students or re-engage those that stop-out.

For example, Indiana's performance funding system [allocates](#) funding based on the institution's performance on a student persistence metric. Student persistence is measured by the number of students progressing past 15, 30, 45, 60, and 90 credit hours.

Finally, **Washington's** student achievement initiative [awards](#) 5% of the state's total allocation on a share of points. Community and technical colleges can earn points based on students finishing college-level math, completing 15 and subsequently 30 credits, and earning a certificate or degree. Additional points are awarded if a student began in a basic skills course and progresses to completing 15, 30, and 45 credits, and completing college-level math.

- **Provide a funding increase for students who are underprepared in math or English.**

For this final category, states structure their incentive payments similar to the previous two categories but provide additional weight or funding for students who are underprepared in math or English. In Ohio, "access students" are students who underprepared in math and are [given](#) an additional 15% weight in the course completion metric of the funding formula.

Tennessee [provides](#) additional funding to institutions for students who are academically underprepared that surpass 12-, 24-, and 36-credit hour thresholds.

Direct funding or gateway course incentives are two approaches that a minority of states have taken that explicitly address preferred institutional behaviors vis-à-vis developmental education. However, in most states, funding models are seemingly more agnostic toward course placement and developmental education policies. In the final section of this policy overview, we discuss the impacts that these enrollment-driven funding models can still have on efforts to reform developmental education.

Enrollment-Driven Funding Models

In the majority of states, funding models do not contain specific mechanisms for supporting developmental education. Rather, the model supports institutions based on their enrollment. Several interview participants indicated that these models, which privilege enrollment over specific student characteristics such as readiness for college-level coursework, did not have any perceived impact on institutional decisions regarding developmental education. Respondents indicated that the absence of developmental education was intentional, for example: "You don't want to provide an additional weight for remedial [education] because then it actually encourages institutions to enroll students into remedial courses." Another participant from a state that had pursued statewide developmental reform shared, "We never had [developmental education] present in our funding model formula ... so it wasn't an impediment to reforming dev ed." This evidence suggests that enrollment-driven funding models are unrelated to whether a system or institution pursues developmental education reform.

However, developmental courses — whether a student earns credits from them or not — can be treated the same as credit-bearing courses within states’ particular funding environment. In practice, this can mean that institutions assign a credit value to developmental education courses to submit for state funding, although the student is not ultimately earning those credits. In one participating state, for example, developmental hours can count toward how institutions calculate their full-time equivalent student count. In another, respondents indicated that developmental courses “completed with an F for attendance and above ... get counted for weighted student credit hours and then it’s distributed over all the institutions.” These approaches indicate that while the state may not have direct formula items or categorical lines in the budget for developmental education, institutions can still seek state subsidy through enrollment-driven funding models.

Including developmental education credits in enrollment-driven funding models could pose challenges to developmental education reform efforts. First, institutions may be incentivized to favor the status quo. One respondent indicated that, in their state context, it would be possible for institutions to submit the developmental credit hours for state funding and collect the tuition revenue from the enrolled students. While institutions do the same for credit-bearing offerings, different incentives may be needed to support developmental education reform. These incentives may be appropriate given the broad research base demonstrating poor and inequitable outcomes from noncredit developmental education courses. These incentives may also clarify how institutions and states should treat corequisite offerings.

As they are currently constructed, many enrollment-driven funding models do not provide sufficient clarity to support corequisite remedial offerings. One respondent clearly highlighted:

So, instead of a three-hour English composition class you have a five-hour English composition class where the background work is blended in with the original. And so the question is, is that a five-hour for-credit class or is that a three-hour for-credit class and a two-hour unfunded developmental education class?

This observation highlights that simply adapting state policy to no longer allow for the submission of any developmental credits for enrollment-driven funding may have the unintended consequence of not providing adequate support for institutions using corequisite models. States may consider policies that more directly guide institutions on how to handle noncredit versus credit bearing courses within enrollment-driven funding models.

Reform Challenges

This policy overview highlighted that reforms to developmental education placement and delivery practices may also necessitate reforms to state funding models. Funding model reform may be a key strategy to signal state priorities and spur institutional action; however, it is not a panacea. Many of the same limitations that apply to state postsecondary funding models generally still apply here. Specifically, interviewees were well aware that developmental education reform may not be revenue neutral and success may not be rewarded by the state funding model.

Several respondents indicated that “rearranging the furniture” within the existing funding pool may not be as effective as allocating new money to incent change, for example: “[I]f they had funded that performance pool with new money, I think the conversation around [developmental education] metrics would have been really different.” Since most state funding models are confined to function within a specific budget outlay, institutions generally tend to see relatively small funding increases relative to the scale of reforms that must be implemented to achieve them.

Potential funding increases are also generally smoothed out across all institutions funded through the formula. Specifically, this could mean that one institution’s improvement on gateway course completion, for example, could be overshadowed by another institution’s larger gains. This impacts the degree to which campus leaders may be able to rely on state funding to reward their progress.

Finally, it is also possible that none of the state-level funding reforms discussed here would be large enough to offset the tuition revenue that institutions can generate from their current practices in developmental education course placement and delivery. Directly addressing this revenue and constructing plans to backfill it — even temporarily — may be a productive direction for state leaders to consider. Research supports the idea that institutions can make up this lost revenue through increased retention and completion; however, these revenue streams cannot be switched overnight.

Final Thoughts

This policy overview shared three main strategies that state funding models can use to support developmental education: direct funding, support for gateway course completion, or more indirect pathways to funding through enrollment-driven funding formulas. We have also shown that aligning funding models with developmental education placement and delivery policies could be a promising area to pursue but that shifts in funding policy come with limitations.

As evidence of promising practices in developmental education mounts, state leaders may seek avenues to not just incent — but actually enable — developmental education reform. The approaches detailed in this policy overview highlight ways that states may be able to do this by reforming existing funding models to remove support for noncredit coursework and arrange funding around the pathways that are most likely to set students up for success.



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