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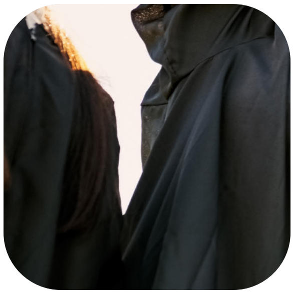

Beyond Labels

How States Can Use the 2025 Carnegie Classification to Understand and Advance Student Success

Student Access and Earnings Classification

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Introduction

In April 2025, the American Council on Education (ACE) and the Carnegie Foundation for the Advancement of Teaching (Carnegie Foundation) released a major revision to the Carnegie Classification of Institutions of Higher Education, marking the most significant update to this widely used framework in decades. These changes come at a pivotal time for the higher education sector, as public skepticism, an increasing climate of political scrutiny, evolving workforce demands, and shifting enrollment patterns prompt new expectations for transparency, accountability, and impact for postsecondary institutions. This brief illustrates how these changes may affect state-level policymakers, systems, and agencies that rely on the classification to inform funding, accountability, and policy decisions.

The updated classifications are more than a technical redesign. They offer a modernized lens through which states can understand, influence, and support institutional performance. The new Student Access and Earnings Classification (SAEC) introduces metrics that assess the extent to which institutions are providing students access to higher education and paths to earning competitive wages, aligning with many states' goals to increase opportunity and measure the value of higher education. At the same time, the revised Institutional Classification offers a more nuanced and flexible structure that better reflects the diversity of colleges and universities, especially as institutions evolve to meet changing regional and economic needs.

This brief, part of a two-part series, explores the structure and intent of the 2025 Carnegie Classifications, particularly the Student Access and Earnings Classification. It offers concrete recommendations for how states can use the system to strengthen strategic planning, policy design, and institutional support in service of greater student-centered educational and economic impact. For further discussion on the Institutional Classification, see the other brief in this series: "**Carnegie Classifications Redefined: A Framework for Smarter State Policy and Better Outcomes.**"

These updates are especially relevant to states for several reasons:

- **Economic Mobility and Outcomes:** States now have a national, comparative tool to assess how well institutions support students from the communities they serve and help them achieve strong economic outcomes. The SAEC adds unique value by including earnings measures that account for regional and other economically relevant factors—providing a clearer picture of which colleges and universities are truly advancing opportunity and upward mobility for their students.

- **Funding and Accountability:** The new classifications can inform state investments in students' economic mobility through funding models, financial aid eligibility, more value-centered accountability systems, and institutional comparisons that are evidence-based and rooted in broader state priorities to deepen economic opportunity for students and communities.

- **Public Trust and Transparency:** At a time of increased scrutiny, the new classifications can help states and institutions communicate their value more clearly to the public by focusing on measurable, student-centered outcomes.

- **Institutional Variety and Innovation:** By recognizing a broader range of institutional characteristics and missions, the updated framework supports state strategies that reward innovation, reflect institutional context, and avoid outdated or narrow typologies.

- **Recognizing the Breadth of Research Activity:** The introduction of a third tier of research institutions (Research Colleges and Universities, or RCUs) offers states and regions a new way to recognize and support meaningful research activity beyond Research 1 and Research 2 institutions. By valuing the contributions of institutions that may not award doctorates but still engage in significant research, this new category allows states to harness research capacity across a wider range of campuses.

Overview and History of the Carnegie Classifications

Established in 1970 by the Carnegie Commission on Higher Education, the Carnegie Classification system was initially designed to assist institutional researchers in grouping similar institutions for research and policy analysis purposes. The first classification was published in 1973 and has since become a foundational framework for understanding the diversity of U.S. higher education institutions.

Over time, the influence of the Carnegie Classifications has extended beyond research to impact areas such as college rankings, policy development, and institutional benchmarking. For instance, *U.S. News & World Report* uses the classifications to organize institutions into various categories, which form the basis for its widely recognized rankings.

Recognizing the evolving landscape of higher education, ACE and the Carnegie Foundation initiated a comprehensive redesign of the classifications in 2022. Their goals were to modernize the framework to better reflect institutional diversity, emphasize student outcomes, and provide more actionable data for stakeholders.

The 2025 update to the Carnegie Classifications introduces a tripartite structure:

1. **Institutional Classification:** This categorization is an evolution of the traditional Basic Classification that organizes institutions based on characteristics such as degree offerings, fields of study, and institutional size. It aims to provide a more nuanced understanding of institutional types and structures.

2. **Research Activity Designations:** This component evaluates institutions' research outputs, categorizing them based on research expenditures and research doctorates awarded. The updated methodology offers a more transparent assessment of research activity across a variety of institution types.

3. **Student Access and Earnings Classification (SAEC):** This framework assesses institutions based on their effectiveness in enrolling underserved students and the subsequent earnings of all students. It emphasizes expanded access and economic mobility as key indicators of institutional performance.

The recent updates to the Carnegie Classifications, particularly the expanded Institutional Classification system, provide states with a powerful tool to better understand and evaluate their colleges and universities. By grouping institutions with similar focus areas, size, and programs across state lines, the new framework enables more accurate comparisons and benchmarking. This allows states to expand beyond in-state comparisons and assess whether a seemingly high-performing institution also excels relative to similar institutions nationwide. In doing so, states can uncover new insights, adopt more targeted and equitable policy interventions, and better support institutions based on their distinct roles within the higher education ecosystem.

A Closer Look at the Student Access & Earnings Classification: Opportunity Colleges and Universities

Some colleges and universities stand out for how well they deliver on the promise of higher education: opening doors for students from diverse backgrounds and helping them earn a good living after they graduate. These are known as **Opportunity Colleges and Universities (OCUs)**: institutions that successfully provide access to lower-income and underrepresented students and deliver strong economic outcomes.

To identify these institutions, the classification looks at two key questions:

1. **Are these institutions enrolling students who reflect the communities they serve?** This measure of **access** considers how many Pell Grant recipients and students from underrepresented racial or ethnic backgrounds attend the institution, compared to the populations in the areas from which their students come.

2. **After students leave an institution, how much are they making compared to peers in their job market?** This measure of **earnings** compares the typical income of former students to the average income of working adults (ages 22-40) in the same area who have a high school diploma or a higher credential.

These comparisons are tailored to each school's unique geography, whether it serves a metro area, rural region, or draws students from specific states. The SAEC employs a sophisticated methodology that contextualizes an institution's raw data for geographic and demographic factors, allowing for fair comparisons across institutions operating in different contexts. It also considers variables such as regional labor markets and student demographics to provide an equitable assessment of institutional performance. The aim is to get a more nuanced picture of how well a college or university is doing based on who it serves and where it operates.

In its inaugural release, the SAEC identified 478 institutions as OCUs, recognizing their exceptional performance in promoting access and facilitating strong earnings outcomes for their students.

To be designated as an OCU, an institution must meet specific thresholds on both access and earnings, meaning they are doing an exceptional job of both providing access to students and ensuring they earn markedly more than similar workers in their region. All institutions are organized into one of six categories based on their access and earnings metrics.

2025 Student Access and Earnings Classification

All Classified Institutions (3,055)

EARNINGS MEASURE		
↑	Lower Access/Higher Earnings 315 total (10%)	**Opportunity Colleges and Universities (Higher Access/Higher Earnings) 478 total (16%)**
	Lower Access/Medium Earnings 355 total (12%)	Higher Access/Medium Earnings 1,322 total (43%)
	Lower Access/Lower Earnings 51 total (2%)	Higher Access/Lower Earnings 534 total (17%)

ACCESS MEASURE →

Note: Current as of October 2025

This classification is not about prestige or size. It's about impact. It's about helping students who are often left behind and setting them up for long-term success. In short, OCUs are doing the hard work of expanding opportunity and delivering real value.

How States Use the Carnegie Classifications

Historically developed to group like institutions for research purposes, the Carnegie Classifications have evolved into a powerful policy tool, one embedded in the strategic and operational decisions of many states. A 50-state scan by the Education Commission of the States (ECS) estimates that at least 25 states have referenced the Carnegie Classifications in law, policy, or planning, which shapes how states fund, evaluate, and support higher education institutions.

State Use of the Carnegie Classifications

- **Funding Allocation** – Guides resource distribution

  Eleven states, including Michigan, Tennessee, Texas, and North Carolina, have used the Carnegie Classifications to guide how they distribute state resources. Funding models often differentiate institutions by classification (e.g., research intensity or degree offerings) to ensure comparisons are mission-appropriate.

- **Research & Economic Development** – Supports research growth and innovation

  Several states (e.g., Kentucky, Maine, Alaska, and North Carolina) have passed legislation to elevate institutions into higher research categories. These efforts are aimed at expanding research capacity and supporting innovation in regional economies.

- **Benchmarking & Reporting** – Informs performance metrics and peer comparisons

  States such as Alabama, New York, North Carolina, Oklahoma, and Texas have used Carnegie Classifications to structure performance benchmarks, reporting requirements, and peer comparisons. The University of North Carolina System, for example, integrates classifications into its factsheets and financial reports.

- **Faculty Compensation & Workload** – Aligns pay and expectations

  In states like Maryland, South Dakota, and Tennessee, faculty pay and workload expectations are benchmarked against institutions with similar Carnegie Classifications. This helps ensure competitive salaries and aligns labor expectations with institutional missions.

- **Community Engagement Priorities** – Shapes statewide goals and partnerships

  Three states — Florida, Maryland, and Minnesota — have incorporated the Carnegie Community Engagement Classification into their strategic goals. Minnesota stands out as the first university system in the country to have all campuses receive this designation.

These widespread applications demonstrate how the classifications have become embedded in state higher education ecosystems. As the classification system continues to evolve, especially with the newly introduced metrics, states may need to revisit and realign their policies to reflect a broader definition of institutional value that captures not only research output, but also its broader academic and organizational structure and student opportunity and outcomes.

Several states have already begun to integrate value-oriented metrics into their state higher education agendas and public policies:

Texas: The *Building a Talent Strong Texas* strategic plan emphasizes aligning educational outcomes with workforce needs and generating credentials of value. The state's new community college funding formula is directly tied to this plan and incentivizes institutions to ensure their credentials pay off for students.

Utah: Ten percent of state college and university funding is now tied to institutional strategic investment plans that reallocate funds towards programs that demonstrate value. This new effort doubles down on value in the state's funding formula, which rewards institutions for increasing degree production in areas that align with high-wage and high-demand jobs.

California: In spring 2025, the College Futures Foundation (CFF)—a statewide philanthropy focused on advancing economic mobility—released the California Mobility Index, which evaluates four-year institutions based on their enrollment of low-income students and the economic return those students receive. Using access and earnings metrics similar to those in the SAEC, the Index reinforces the validity of the new OCU designation, with strong alignment between the two. As part of its Golden Opportunities Initiative, CFF has recognized public and nonprofit four-year institutions that demonstrate excellence in advancing economic mobility. Notably, 13 of the top 15 institutions identified by the Index are part of the California State University (CSU) system. This evidence helped inform the state legislature's decision to shield CSU from proposed deep cuts in the challenging FY26 budget cycle. A similar assessment of California's two-year colleges was released in 2025.

By using the SAEC as a reference point or as part of its policy conversations, states have an opportunity to further these types of efforts by using a standardized, data-driven approach to evaluate and enhance the effectiveness of their higher education systems in promoting economic mobility and delivering value to students.

How States Can Use the SAEC to Advance State Policy

The new SAEC offers a valuable framework for states seeking to align postsecondary investments with student success and economic mobility. States can implement a variety of practical strategies for integrating the SAEC into state policy and planning.

1. Institutional Recognition and Continuous Improvement: Recognize. Learn. Improve.
The SAEC metrics can serve as a tool for identifying strengths, gaps, and peer-learning opportunities across institutions. They provide a robust lens to recognize successful institutions and to support others in moving toward a state's goals.

- **Institutional Analysis:** States can use SAEC data not only to identify where institutions are underperforming relative to their peers, but also to make more informed decisions by considering an institution's full classification. Rather than focusing solely on outcomes in the two-by-three framework, states should view institutional performance in the broader context of the SAEC classification system. Benchmarking institutional performance against similarly classified institutions can help reveal patterns, surface areas for improvement or innovation, and support more tailored and equitable policy interventions.

- **Recognition and Dissemination:** States can publicly celebrate institutions earning OCU status to build trust and highlight success stories in higher education value and mobility. They can also partner high-performing institutions with peers within the same institutional classification to facilitate shared learning and replication of effective practices.

- **Contextualized Accountability**: The geographic and demographic contextualization built into the SAEC methodology provide a more nuanced understanding of institutional performance than traditional measures alone, such as graduation rates, or than raw data may indicate. When combined with other metrics, states can use the SAEC metrics to design "carrot" and/or "stick" accountability policies.

2. Strengthen Learner Navigation and Consumer Protection: Putting Students on the Path to Value
States can leverage SAEC data to better guide students toward institutions that provide both equitable access and strong economic returns and work collaboratively with others to strengthen their role in advancing economic mobility.

- **Support Better Navigation:** Use SAEC data to inform student-facing tools and advising practices, helping students navigate toward high-access, high-earnings institutions.

- **Institutional Support:** Identify institutions with low earnings outcomes and engage them in efforts to improve post-attendance value, such as improving retention and completion rates, workplace learning opportunities, program redesign, career services, or industry alignment.

- **Expand Opportunity:** Flag institutions with high earnings but low access to explore ways they can expand opportunity, including targeted outreach, transfer pathways, or financial aid reform.

- **Public Awareness:** Incorporate SAEC metrics into public reporting and institutional dashboards to increase transparency and accountability around outcomes.

- **Accountability with a Phased Approach:** Begin with collaboration and support, but signal that ongoing low performance may raise questions about alignment with the state's college value agenda.

3. Benchmarking and Peer Analysis: Sharpening the Lens on Performance

The SAEC can offer states a more refined way to benchmark institutional performance and guide statewide higher education strategic planning. By incorporating these classifications into their analytic and planning frameworks, states can elevate the role of access and outcomes in defining institutional success.

- **Modernize Benchmarking Tools:** Use the SAEC to compare institutional performance within and across states, accounting for differences in access, earnings, and mission type. This can allow for more accurate, mission-sensitive benchmarking than traditional inputs like size or selectivity.

- **Enhance Strategic Planning Processes:** Integrate the SAEC into state and system-level strategic planning processes to ensure alignment between institutional goals and statewide economic mobility agendas.

- **Identify Gaps and Opportunities:** Use benchmarking to identify institutions with potential for OCU designation and to surface underrecognized contributors to mobility. This can inform targeted support and policy interventions.

4. Strategic Finance and Planning: Driving Statewide Impact Through Smarter Investment

Statewide strategic plans and goals have unrivaled potential to coordinate resources and efforts across stakeholders. States can use the SAEC to inform state goals that will guide strategic investments and planning efforts in support of more equitable and value-driven postsecondary systems.

- **Budget Planning and Justification:** States can analyze what level and type of investment would be needed for institutions to improve their access measures, their earnings measures, or achieve OCU status. This might include funding for expanded student supports, career services, transfer pathways, or other initiatives that increase access and earnings.

- **Dedicated Spending:** States may consider creating new budget lines—similar to the Pell Initiative for Virginia—that specifically support institutions in making progress on SAEC metrics or reward those designated as OCUs.

- **Assessing and Targeting Existing Resources:** States should evaluate how current resources (e.g., grants, scholarship programs, completion initiatives) align with SAEC priorities. Where gaps exist, they can redesign or repurpose funds to advance institutional performance in access and post-graduation outcomes.

5. Funding Formulas: Connecting State Funds to Students and Their Outcomes
States collectively distribute about $100 billion in general operating funds to colleges and universities each year, and the vast majority use a formula to allocate these funds. These funding formulas are an essential policy lever for states to align their appropriations with their policy goals. States can use the SAEC to refine their funding formulas to reward access and value, oftentimes more precisely than with current metrics.

- **Funding Formula Metrics:** States can incorporate both the access and earnings metrics directly into funding formulas to ensure a balanced set of incentives to enroll underserved students and generate their greater long-term success. States may choose to weigh existing performance metrics (e.g., completions, transfers) more heavily for institutions that perform well on SAEC measures. States may provide additional weights or performance bonuses to institutions designated as OCUs.
- **Funding Formula Methodology:** The earnings metric methodology offers unique advantages that states should consider incorporating into their formulas. First, its adjustments for geography and student demographics reduce bias and improve comparability. Second, it includes all students, not just graduates, which sets a higher bar for institutional responsibility and aims to provide a more complete picture of institutional impact.

6. Financial Aid Policy: Leveraging Aid to Open Doors to Opportunity
State financial aid collectively delivers nearly $15 billion to support access to higher education. These funds can make higher education more affordable for historically underrepresented students, and they can also influence which institutions they attend. States can also leverage the SAEC framework to inform financial aid design.

- **Positive Incentives:** States can design aid programs to incentivize enrollment at high-performing institutions. They can offer additional aid to students attending OCUs, or can restrict the use of aid at institutions generating low-earnings, similar to California's policy that disqualifies institutions with high default rates and low graduation rates from state aid eligibility.
- **Review Programs' Impact on Access:** States should examine how well their financial aid programs reach and serve historically underserved students, including low-income and underrepresented minority students. Statewide need-based aid programs will improve the SAEC metric for all institutions more than merit-based programs.

The new student-centered SAEC enhances the opportunities for states to use the Carnegie Classifications to advance state policy. It is a timely and relevant tool that aligns with a growing state policy focus on economic mobility and access.

1. **Student-Centered Approach:** Unlike the previous classification that centered on institutional characteristics, the SAEC prioritizes student outcomes. It evaluates institutions based on their success in enrolling students from underrepresented backgrounds and the subsequent earnings of these students post-graduation. This shift supports states in assessing how effectively institutions serve their student populations, particularly those from historically underserved communities.
2. **Addressing the Value Imperative:** In an era where the value of higher education is increasingly under scrutiny by the public, the SAEC provides a framework for states to measure and communicate the outcomes of their postsecondary institutions. By incorporating earnings data that accounts for geographic and demographic factors, it offers a nuanced perspective on the economic benefits of higher education, aiding states in making informed policy and funding decisions.

Considerations for State Policymakers

While the SAEC offers valuable insights, states should approach its use strategically and in combination with other policy levers. Two key considerations merit attention. First, states must understand what the classifications measure—and what they do not. Then, they can pair the classification with other data sources and metrics to ensure a complete picture of student success at the institutional and state levels.

There are three important aspects of the SAEC methodology for policymakers to be aware of:

1. It evaluates institutions based on their success in enrolling students from underrepresented backgrounds and on the subsequent earnings of both completers and non-completers. States may wish to examine the program mix at institutions with different SAEC designations, which is possible through the Institutional Classification. States can use other data sources like the Census Post-Secondary Employment Outcomes, College Scorecard, or state-level systems to analyze access and outcomes at the program level.

2. The classification includes only students who received federal financial aid, including grants and loans. This trade-off enables access to a universal, public dataset that also captures non-completers. States can examine their share of federal aid recipients to understand the coverage of the data.

3. The Access metric compares student enrollment to the communities from which its students come, not based on the institution's physical location. Some institutions enroll large numbers of out-of-state students, such as flagships. States may wish to focus on how well in-state enrollment reflects the state's population or the proportion of the student body that comes from in-state.

The SAEC also measures only two dimensions: access and earnings outcomes. Affordability is consistently a top concern for state policymakers and it is a key factor in expanding access. Examining the net price or total cost of attendance across institution type and student characteristics can help identify the appropriate policy strategies. A narrow focus on earnings can also disadvantage credentials that lead to lower-wage careers that are essential to the public good, such as early childhood educators and home health aides. States can mitigate this by supporting such programs through targeted financial aid, differentiated funding formula weights, or stackable credential pathways.

Finally, higher education creates value beyond earnings through increased civic engagement, volunteerism, health, and other factors that contribute to the public good. States should be encouraged to develop innovative ways to measure and incorporate these non-financial outcomes into state policy.

Next Steps: Where Do I Start to Use This New Tool in My State?

Whether you're a policymaker, system leader, or advocate, the revised Carnegie Classifications can inform smarter strategies, investments, and narratives in your state. But you may be wondering where to start. Below are guiding questions tailored to different state-level audiences to help jumpstart meaningful action:

1. **For State Higher Education Agencies and Statewide Systems**
   What do we know about the Carnegie OCUs in our state? In what ways has faithful adoption of our existing state policies helped elevate them? How can we recognize excellence and improvement?

   State agencies and systems should examine how their policies (e.g., funding formulas, performance metrics, and transfer pathways) align with the access and earnings outcomes highlighted by the SAEC. Use the data to identify bright spots and guide improvement efforts system-wide.

2. **For State-Level Organizations Committed to Economic Mobility Through Higher Education**
   How can we adopt or adapt this methodology to identify and recognize excellence in economic mobility in our state? What are the stories of OCU graduates and cross-sector leadership we can elevate? Do our most economically challenged communities have access to an OCU? If not, what does an improvement agenda look like for our state?

   Nonprofits, philanthropic organizations, and advocacy groups can use this tool to highlight and scale what's working and to drive a statewide conversation around value in higher education. Consider using it to shape grantmaking, convene cross-sector leaders, or develop regional mobility scorecards.

3. **For State Legislators**
   As a legislator committed to growing my local economy and improving the lives of my constituents, how is my state using the rigorous, independently developed SAEC Carnegie Classification to inform our higher education agenda? What can we do to get more OCUs in our state and in my district?

   Legislators can play a critical role in promoting the use of the SAEC tool as a lens for equitable investment and public accountability. Start by asking how current policy or funding structures reinforce economic mobility and where they fall short.

By starting with these questions, states can turn classification data into actionable insight to fuel better decisions, fairer outcomes, and stronger pathways to economic mobility for all learners.

Meeting This Moment

At a time of growing skepticism and division around the value of higher education, state leaders have a timely and powerful new resource: the updated classifications from Carnegie Foundation and ACE. Grounded in rigorous methodology and national data, the classifications offer a clearer, more comparative picture of how institutions across all sectors contribute to students' economic mobility. State leaders can use this as a tool not only to inform smarter policy, but also to advance a renewed public narrative about higher education's value. This narrative connects the question, "Is my time and money worth it?" with a shared commitment to supporting institutions that are actively building pathways to individual opportunity and broader economic prosperity.

For questions or additional information about the new Carnegie Classifications, please contact Mushtaq Gunja (mgunja@acenet.edu) or Sara Gast (sgast@acenet.edu).

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