

| LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY | |
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| <i>Series</i> | |
| 1 | BACKGROUND: LEVERAGING OBF FOR EQUITY |
| <i>Module</i> | |
| 1.1 | INDIANA STATE PROFILE |
| <p><i>Module</i></p> <p>OVERVIEW</p> <p>In 2007, the Indiana legislature passed a budget incorporating outcomes-based bonus funding, and the state fully transitioned to OBF in fiscal year 2008-09. Indiana’s Performance Funding Formula (PFF) is based on recommendations made by the Indiana Commission for Higher Education and has been adjusted each budget biennium. The FY2017-19 formula incentivizes overall, Pell recipient, and STEM degree completions; student persistence; and on-time graduation rates. In FY2019, 6.5% of funding was allocated through the formula.</p> | <p><i>About This</i></p> <p>TOOLKIT</p> <p>THE OBF EQUITY TOOLKIT provides practical lessons on how states, systems, and institutions work to address equity in the development and implementation of OBF policy. Broken into four Series focused on equity challenges in distinct phases of the OBF policy process, the Toolkit contains short, individual modules that consider specific topics and provide lessons learned and recommendations for policymakers and institutional leaders to consider. Content is derived from in-depth study of six states (Tennessee, Indiana, Ohio, New Mexico, Oregon, and Kentucky) and 13 institutions in them. See the Research Methods section of the Overview for more information.</p> |

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Quick facts about OBF in Indiana

- Indiana’s outcomes-based funding policy has historically been championed by the Indiana Commission for Higher Education (CHE).
- OBF was adopted and implemented as a system policy. CHE oversees the state OBF policy and serves as the primary driver for formula development, implementation, and refinement. Every biennium, the Commission calculates the inputs and outputs of the OBF formula and makes funding recommendations to the Indiana General Assembly, which are generally followed by the

legislature.

- Although not required in statute, the OBF policy has been adjusted every biennium since 2007.
- To date, low-income students have been the only priority population identified by the OBF policy in both the two- and four-year sectors.

Indiana state context

Statewide demographics: 79% White – not Hispanic or Latino, 9% Black or African American, 0.4% American Indian and Alaska Native, 2% Asian, 0.1% Native Hawaiian and Other Pacific Islander, 2% Two or More Races, 7% Hispanic or Latino.ⁱ

Governance structure: Decentralized for Indiana’s two-year and four-year sectors.

- Indiana's two-year institutions, Ivy Tech Community College and Vincennes University, each have their own governing board. Ivy Tech Community College is Indiana’s community college system, comprised of over 40 locations.
- Indiana’s public universities each have their own governing board.

Coordinating/governing agency for postsecondary: The Indiana Commission for Higher Education is the coordinating agency for public postsecondary institutions. The Indiana Commission for Higher Education approves new campuses and programs, manages public funding, and determines the educational mission of public colleges and universities in the state, among other responsibilities.ⁱⁱ

INDIANA’S EQUITY CHALLENGE

Large attainment gaps exist in Indiana. While total educational attainment in 2016 equaled 42%, attainment varies across race and ethnicity.ⁱⁱⁱ

Table 1. The percent of Indiana residents aged 25-64 with an associate degree, workforce-relevant certificate, or higher in 2016^{iv}

| RACE AND ETHNICITY | CREDENTIAL ATTAINMENT |
|----------------------------|-----------------------|
| Asian and Pacific Islander | 62% |
| White | 38% |
| African-American | 27% |
| American Indian | 25% |
| Hispanic | 19% |

Indiana was one of the first states commit to addressing equity in postsecondary education. In 2013, the Indiana Commission for Higher Education passed a resolution to cut the achievement gap in half by 2018 and close it completely by 2025.^v According to the state’s 2018 College Equity Report, Indiana has begun to close the achievement gap – as measured by college going, early success in college, and college completion. However, the report also recognizes the need for continued efforts to close the achievement gap, particularly for low-income students and students of color.

OUTCOMES-BASED FUNDING FORMULA AND POLICY

Table 2. Timeline for adoption and implementation of OBF in Indiana^{vi, vii, viii}

| TIMELINE FOR ADOPTION AND IMPLEMENTATION OF OBF IN INDIANA | |
|--|---|
| 2007 | <ul style="list-style-type: none"> Policy is adopted in Indiana. |
| 2008 | <ul style="list-style-type: none"> Policy is implemented. Metrics include credit hours, research incentives, degree completion, on-time graduation rate, and a community college transfer incentive. |
| 2009 | <ul style="list-style-type: none"> Policy is reviewed and revised to include low-income degree completion and workforce development incentives. Inflation and equity adjustments are removed. |
| 2011 | <ul style="list-style-type: none"> Policy is reviewed and revised to include change in dual credit hours. Community college transfer and workforce development incentives are removed |
| 2013 | <ul style="list-style-type: none"> Policy is reviewed and revised to include student persistence, remediation success, high-impact degree completion, and institution-defined metric. Outcomes for credit hours are removed, as is the research incentive. |
| 2017 | <ul style="list-style-type: none"> Policy is reviewed and revised; institution-defined metric is removed. |
| 2018 | <ul style="list-style-type: none"> Policy is reviewed and a report is submitted to the legislature outlining the changes to the metrics that will be implemented in FY2020. Outcomes for remediation success removed; high-impact metric changed to be STEM focused and expanded to all institutions. |

Current funding formula^{ix}

For a detailed description of Indiana’s OBF policy see CHE’s website [Performance Funding](#).^x

Percent allocated through formula in FY19: 6.5%^{xi}

Data and outcomes calculated: Six-year period, utilizing three-year rolling averages.

Equity metrics: At-risk degree completion and remediation success (for community college students only). At-risk degree completion is defined as undergraduate degree attainment for low-income, Pell recipient students.

Table 3. Overview of FY2017-19 Indiana OBF formula

| COMPONENTS OF FORMULA | | | TYPE OF METRIC | EQUITY METRIC |
|-----------------------|-------------------------|------|----------------|---------------|
| DIRECT MEASURES | Overall degree | 2 yr | Completion | |
| | | 4 yr | Completion | |
| | At-risk degree | 2 yr | Completion | ● |
| | | 4 yr | Completion | ● |
| | High-impact degree | 2 yr | N/A | |
| | | 4 yr | Completion* | |
| | Student persistence | 2 yr | Milestone | |
| | | 4 yr | Milestone^ | |
| | Remediation success | 2 yr | Milestone | ● |
| | | 4 yr | N/A | |
| | On-time graduation rate | 2 yr | Milestone | |
| | | 4 yr | Milestone | |

*Research universities only.

^Non-research universities only.

Funding formula for 2019-21 biennium

Percent allocated through formula in FY19: 6.5%

Data and outcomes calculated: Six-year period, utilizing three-year rolling averages.

Equity metrics: At-risk degree completion composite measure, which incentivizes degree completion and on-time graduation for at-risk (defined by low-income, Pell recipient) students. The 2019-21 formula will no longer include remediation success.

Table 4. Overview of FY2019-21 Indiana OBF formula

| COMPONENTS OF FORMULA | | | TYPE OF METRIC | EQUITY METRIC |
|-----------------------|--------------------------|------|----------------------|---------------|
| DIRECT MEASURES | OVERALL DEGREE | 2 yr | Completion | |
| | | 4 yr | Completion | |
| | AT-RISK DEGREE COMPOSITE | 2 yr | Completion/Milestone | ● |
| | | 4 yr | Completion/Milestone | ● |
| | STEM DEGREE | 2 yr | Completion* | |
| | | 4 yr | Completion~ | |
| | STUDENT PERSISTENCE RATE | 2 yr | Milestone | |
| | | 4 yr | Milestone^ | |
| | ON-TIME GRADUATION RATE | 2 yr | Milestone | |
| | | 4 yr | Milestone | |

*STEM degree completion metric for 2-year institutions includes associate degrees in STEM areas and certificates that qualify for the state's workforce ready grant state financial aid program (<https://www.in.gov/che/4773.htm>).

~STEM degree completion metric for 4-year institutions includes bachelor's degrees or higher in STEM areas. Beginning with 2019-21, both research and non-research institutions will be awarded for the metric. Research and non-research institutions will be paid on different per-unit value dollar amounts for STEM degree completion in the formula.

^Non-research universities only.

Note: for more information about changes to ICHE's performance funding formula, see ICHE's *2018 Indiana Performance Funding Review Report* (<http://iga.in.gov/legislative/2018/publications/agency/reports/hied/#document-6cde0ea1>).

ⁱ United States Census Bureau. "Quick Facts: Indiana; United States." 2017. Accessed August 20, 2018. <https://www.census.gov/quickfacts/fact/table/in.US/PST045217>

ⁱⁱ Indiana Commission for Higher Education. "Agency Overview." Accessed August 20, 2018. <https://www.in.gov/che/2376.htm>

ⁱⁱⁱ Lumina Foundation. "Indiana's Progress toward the Goal." A Stronger Nation. 2016. Accessed August 20, 2018. <http://strongernation.luminafoundation.org/report/2018/#state/IN>

^{iv} Ibid

^v Indiana Commission for Higher Education. "College Equity Report." Accessed August 20, 2018. https://www.in.gov/che/files/2018_College_Equity_Report.PDF

^{vi} Dudich, Jason D. "Performance Formula: History and Mechanics." Indiana Commission of Higher Education. June 13, 2012. Accessed August 20, 2018. <https://www.legis.nd.gov/assembly/62-2011/docs/pdf/he061312appendixd.pdf>

^{vii} Indiana Commission for Higher Education. "Paying for what We Value: The Evolutions of Performance Funding in Indiana 2013-2017." Accessed August 20, 2018. https://www.in.gov/che/files/2017_PF_Evolution_Table_Portrait_6_20_17.pdf

^{viii} Ibid.

^{ix} Indiana Commission for Higher Education. "2017-2019 Performance Funding Outputs." Accessed August 20, 2018. <https://www.in.gov/che/files/Outputs%202017-2019.pdf>

^x Indiana Commission for Higher Education. "Performance Funding". <https://www.in.gov/che/3148.htm>

^{xi} Indiana Commission for Higher Education. "As Passed 2017-19 Budget." Accessed August 20, 2018. https://www.in.gov/che/files/BudgetRunReport_AsPassed201719Budget_20170428.xlsx