

LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY	
<i>Series</i>	<p>OBF POLICY DEVELOPMENT AND REDESIGN: PRIORITIZING EQUITY</p>
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<i>Module</i>	<p>CASE STUDY OF OREGON: INTEGRATING EQUITY IN OBF FORMULA DESIGN</p>
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<p><i>Module</i> GOALS</p> <p>THIS MODULE addresses equity in OBF at the state and institutional levels as outlined in RFA's OBF Equity Overview. It will help policymakers and institutional leaders consider:</p> <ul style="list-style-type: none"> • Why Oregon's Higher Education Coordinating Commission utilized the state's equity framework for developing a postsecondary funding policy; • How the state's equity focus played out in Oregon's approach to setting equity metrics for students and ensuring equitable treatment of institutions; and • Key takeaways from Oregon on how states can focus on equity during policy development. 	<p><i>About This</i> 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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EQUITY CHALLENGE

Integrating statewide equity goals into an OBF policy development process

Oregon provides an example of how one state's comprehensive approach to OBF policy development reflected its commitment to equity.

In 2014, Oregon's Higher Education Coordinating Commission (HECC) began the process of developing a new postsecondary education funding model. HECC drew on Oregon's Equity Lens as a framework for the development of the new funding formula. Adopted by the Oregon Education Investment Board, now the

Chief Education Office, in 2011, the Equity Lens was created as a guiding document to provide strategic direction to public funding in education.ⁱ HECC's decision to utilize the state's Equity Lens situated equity as a primary consideration during the state's OBF policy development process for the four-year sector.

Oregon's Equity Lens encouraged policymakers and stakeholders to consider how outcomes-based funding could address three major goals.

Goal 1: Increase access and attainment for the state of Oregon. HECC wanted to encourage institutions to focus on improving degree attainment rates to meet the goals of the 40-40-20 plan, which established the following goals for Oregon's working adults by 2025:ⁱⁱ

1. 40% will hold a four-year degree;
2. 40% will hold a two-year degree or certificate; and
3. 20% will hold a high school diploma or equivalent.

In addition, HECC wanted to address the gap between Oregon's postsecondary achievement and the rest of the United States. In Oregon, less than a third (31.4%) of the population holds a bachelor's degree or higher, compared to 33.6% in California and Washington. Oregon's lower educational attainment ranking may lead to state-wide economic decline and a loss of competitive and creative capacity.

Goal 2: To offer equal educational opportunities and remedy past neglect across Oregon's public universities. An evaluation of the Oregon education system determined that low-income, minoritized, and rural students are underrepresented in higher education.ⁱⁱⁱ As a result, HECC focused Oregon's higher education system on increasing access and success for underrepresented populations. HECC envisions "a future in which all Oregonians—and especially those whom our systems have underserved and marginalized—benefit from the transformational power of high-quality postsecondary education and training." The Equity Lens articulates core beliefs behind an equitable education system and confirms the "importance of recognizing institutional and systemic barriers and discriminatory practices that have limited access for many students."

Goal 3: To address the achievement gap that disadvantages students of color, low-income, and rural students. Thirty-three percent of white Oregonians hold a bachelor's degree or higher, compared to 25% of Black Oregonians, 12% of American Indian or Alaskan Native Oregonians, and 14% of Hispanic or Latino Oregonians.^{iv} In addition, 20% of low-income Oregonians hold an associate degree or higher, compared to 41% of middle to higher income individuals. HECC recognized that Goals 1 and 2 could not be met without improving completion rates for historically underserved students.^v

Oregon's Equity Lens asserts that the opportunity gap threatens the state's well-being, and it presents a clear focus on improving educational opportunity for students of color:

The primary focus of the equity lens is on race and ethnicity. While there continues to be a deep commitment to many other areas of the opportunity gap, we know that a focus on race by everyone connected to the educational milieu allows direct improvements in the other areas. We also know that race and ethnicity continue to compound disparity. We are committed to explicitly identifying disparities in education outcomes for targeting areas for action, intervention and investment.

LESSONS FROM THE FIELD

In 2013, HECC developed rules that govern the distribution of funding to universities and community colleges. Oregon's year-long development process started with the four-year sector and resulted in the Student Success and Completion Model (SSCM). Adopted in 2014, the policy first took effect at universities for the 2015-17 biennium. The model has three primary components: mission differentiation funding, activity-based funding (credit hour enrollment), and completion funding.

Overview of Oregon's 2018 OBF Policy

Percent allocation: 60%

Sector affected: Public universities

Metrics:

- Student credit hours
- Degree completions (BA/BS through PhDs)
- STEMH+ degree completions
- Degree completions for priority populations (low-income, minoritized, rural, and veteran students)

Policy also includes resources for dual-credit completions and funding to recognize different missions.

For more information, see [Module 1.5: Oregon State Profile](#).

Oregon's policy development process adopted the Equity Lens as a guiding document. This decision grounded the process in core equity beliefs and offered key questions to inform the discussion on how to best allocate resources. The Oregon HECC took six actions to ensure their SSCM focused on equity:

Utilizing guiding documents that articulate why equity is important. To guide OBF development, HECC adopted the Oregon Education Investment Board Equity Lens^{vi} and utilized their own strategic plan.^{vii} Both documents highlight the need to support student populations that have been historically underserved in education or are currently underrepresented. They further state that public funding for education should adequately support institutions serving students who may be costlier to educate for these reasons.

Creating a set of guiding principles that prioritized equity. Aligned to the core equity documents, HECC developed a set of principles to guide formula workgroups. Four principles focus explicitly on equity:

- Reflect HECC strategic plan^{viii} and Oregon Education Investment Board Equity Lens;^{ix}
- Focus on student access and success with an emphasis on underrepresented populations;
- Recognize/reward differentiation in institutional mission and scope; and
- Utilize phase-in period to ensure stability, beginning with 2015-17 biennium.

Importantly, these principles recognize inequities between both students and institutions.

Creating inclusive workgroups. HECC created a formula workgroup consisting of senior financial, academic, and student affairs administrators, as well as student and faculty leaders from each university charged with developing the OBF formula.^x Institutions had the ability to appoint an institutional representative of their choice to the workgroup, and HECC ensured that each institution was represented. Oregon HECC also formed a workgroup comprised of institutional finance experts from each institution to

develop and test the mechanics of the formula.^{xi} By creating working groups of institutional leaders, the formula development process was designed to be informed by all institutions.

Providing transparency and analytics throughout the development process. As the OBF workgroup discussed various elements of the formula design, HECC staff modeled how different decisions would affect institutional funding, and these models guided discussions and decision-making. The funding formula exists on a spreadsheet that is publicly posted for institutions to download.^{xii} HECC also created forecasting tools to help institutions gain a better sense of how changes in outcomes would impact their funding.^{xiii}

Incentivizing institutions to reduce achievement gaps. Oregon's model (SSCM) provides equity-focused weights for degree completion of veteran, low-income, rural, and minoritized students. These weights can be stacked, providing more funding to institutions for graduating students included in more than one target population. Identified within the Equity Lens, additional weighting for these focus groups recognizes the institutional barriers that have historically limited access for certain student populations and incentivizes institutions to make public education more accessible and inclusive.^{xiv} In providing additional weighting for targeted sub-populations, HECC also acknowledged the additional resources needed to address the needs of historically underrepresented students. To meet the state goals of 40-40-20 and the goals of the Equity Lens, HECC recognized the state and its institutions needed to improve completion rates for historically underserved students.

Incentivizing institutions to offer credentials in priority areas for the state. Oregon's model (SSCM) also provides weights for degree completion in STEM, healthcare, and bilingual education fields, which were identified as future high-wage, high-demand occupations for the state of Oregon. In focusing the funding formula on credentials in critical areas, HECC positioned the future of Oregon's economy as a key focus for institutions.^{xv}

Embedding mission differentiation into the funding formula. The SSCM also includes three types of mission differentiation funding as one of its three primary components. HECC defines the three funding categories as regional, research, and mission support.

- *Regional support allocations* provide resources for the higher cost mission of the four Technical and Regional Universities (TRU) and OSU Cascades, all of whom serve rural students.
- *Research support allocations* provide resources for research to institutions on Oregon's specific economic development and innovation needs.
- *Mission support allocations* provide funding for an array of non-instructional activities for program-specific and public service funding, such as Portland State University's NEW Leadership Oregon, a women's leadership development program.^{xvi}

THE TAKEAWAY

Oregon developed an OBF policy that reflected the state's commitment to equity. The resulting policy includes rewards for the success of several underrepresented student populations, recognizes inequities across institutions, and positions the state to be more competitive in degree attainment and workforce outcomes. For policymakers looking to design an OBF policy that advances equity, or who want to further integrate equity into their existing funding formula, Oregon's OBF formula development process provides an important roadmap that leads to the following recommendations:

Clearly communicate an equity focus by identifying or creating guiding documents that articulate why equity is important.

Establish a set of guiding principles that prioritize equity.

Create inclusive workgroups that include members of each institution, and provide additional supports to under-resourced institutions, if needed, to ensure they participate.

Provide transparency and data analytics throughout the development process so that all institutions have a clear understanding of how different formulas might affect their funding.

Incentivize institutions to reduce achievement gaps between students by including equity-focused weights for student populations with known achievement gaps.

Support state goals in reducing the gap in achievement between states by focusing on degree attainment for all students, with extra emphasis on completion for specific student populations and completion in specific fields critical to the state's future economic growth.

Recognize mission differentiation in the policy development phase and in the policy itself.

ⁱ State of Oregon Chief Education Office. 2016. Oregon Equity Lens. Accessed August 7, 2018. http://education.oregon.gov/wp-content/uploads/2016/07/Equity-Lens_CEdO_March_16_2016.pdf.

ⁱⁱ The Legislative Assembly. "Oregon Revised Statutes: Statewide Coordination of Higher Education." Chapter 350. 2018. Accessed September 19, 2018. https://www.oregonlegislature.gov/bills_laws/ors/ors350.html.

ⁱⁱⁱ State of Oregon Higher Education Coordinating Commission. *Oregon 40-40-20 Educational Attainment Data*. Accessed August 7, 2018. <https://www.oregon.gov/highered/research/Pages/educational-attainment.aspx>.

^{iv} United States Census Bureau. "2012-2016 American Community Survey 5-year Estimates." 2016. Accessed September 19, 2018. <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>.

^v Pernsteiner, George. "Oregon's 40-40-20: From Goal to Action." *State Higher Education Executive Officers Association*. Accessed September 19, 2018. <http://www.sheeo.org/resources/state-policy-leadership/oregon%E2%80%99s-40-40-20-goal-action>.

^{vi} State of Oregon Chief Education Office. 2016. *Oregon Equity Lens*. Accessed August 7, 2018. http://education.oregon.gov/wp-content/uploads/2016/07/Equity-Lens_CEdO_March_16_2016.pdf.

^{vii} State of Oregon Higher Education Coordinating Commission. 2016. *HECC Strategic Plan*. Accessed August 7, 2018. <https://www.oregon.gov/highered/about/Pages/strategic-plan.aspx>.

^{viii} State of Oregon Higher Education Coordinating Commission. 2016. *Oregon Higher Education Strategic Plan 2016-2020*. Accessed July 31, 2017. http://www.oregon.gov/HigherEd/Documents/HECC/Reports-and-Presentations/HECC-StrategicPlan_2016.pdf.

^{ix} State of Oregon Chief Education Office. 2016. *Oregon Equity Lens*. Accessed August 7, 2018. http://education.oregon.gov/wp-content/uploads/2016/07/Equity-Lens_CEdO_March_16_2016.pdf.

^x State of Oregon Higher Education Coordinating Commission. *Postsecondary Funding Distribution Models*. Accessed July 31, 2017. <http://www.oregon.gov/HigherEd/Documents/HECC/Resources/Finance/SSCMBaseShortPowerpointUpdatedfinal.pdf>.

^{xi} State of Oregon Higher Education Coordinating Commission. 2016. *Overview: Student Success and Completion Model*. Accessed August 7, 2018. <http://www.oregon.gov/highered/Documents/HECC/Resources/Finance/FINALOregonSSCMTwo-Pager2102016.pdf>.

^{xii} State of Oregon Higher Education Coordinating Commission. *Student Success and Completion (SSCM) Funding Model, Technical Resources*. Accessed August 7, 2018. <http://www.oregon.gov/highered/institutions-programs/public/Pages/university-funding-model-technical-resources.aspx>.

^{xiii} Ibid.

^{xiv} Cannon, Ben. "2017-19 Affirmative Action/Diversity & Inclusion Plan." *Higher Education Coordinating Commission*. 2016. Accessed September 19, 2018. <https://www.oregon.gov/highered/policy-collaboration/Documents/Equity/HECC-AA-DI-Plan-2017-19-final.pdf>.

^{xv} State of Oregon Higher Education Coordinating Commission. *Postsecondary Funding Distribution Models*. Accessed July 31, 2017. <http://www.oregon.gov/HigherEd/Documents/HECC/Resources/Finance/SSCMBaseShortPowerpointUpdatedfinal.pdf>.

^{xvi} State of Oregon Higher Education Coordinating Commission. *Postsecondary Funding Distribution Models*. Accessed July 31, 2017. <http://www.oregon.gov/HigherEd/Documents/HECC/Resources/Finance/SSCMBaseShortPowerpointUpdatedfinal.pdf>.
