

LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY	
<i>Series</i>	<p>OBF POLICY DEVELOPMENT AND REDESIGN: PRIORITIZING EQUITY</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 our OBF Equity Overview. It will help state policymakers and institutional leaders consider:</p> <ul style="list-style-type: none"> • Why it is critical to include institutions in OBF formula development; • How states have included institutional leaders in OBF formula development; and • A variety of strategies states can use to involve institutions in OBF formula 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

Advancing equity by including institutions in OBF formula development

Including institutions in formula development has the potential to increase equity in multiple ways. First, it can help ensure that OBF policies are sensitive to variations in institutional mission, size, and capacity. Second, involvement increases the likelihood of strong institutional buy-in because leaders would, at minimum, have a voice in the development of the policy. And third, the policies are more likely to recognize and address a range of implementation challenges faced by institutions.

To ensure more equitable outcomes for students and institutions, it is critically important that states consider institutional variation, capacity to respond, and institutional buy-in when creating or refining OBF policy. While policymakers may set the agenda, convene a committee, or drive the discussion, institutional leaders need a seat at the table to explain the realities on the ground and consider how different approaches to crafting OBF policy may impact institutions and their students.

LESSONS FROM THE FIELD

States in our study varied in the degree to which they involved institutions in their OBF policy development process. Some charged institutions to take the lead in formula development. Others established shared responsibility between states and institutions. And, in some states, institutions had minimal to no formal involvement. An overview of each approach and examples from the six study states are captured below, in order from most to least common.

Shared responsibility between states and institutions

In four states—Oregon, Tennessee, Kentucky, and New Mexico—state policymakers shared responsibility for formula development with institutions by inviting representatives from all public colleges and universities to serve on a task force to develop the formula. Task forces typically decided on the type of metrics to include in the funding formula and how the metrics should be prioritized for each sector and institution. Some task forces were composed of only institutional presidents, while others included multiple types of institutional administrators.

The formula workgroups in Oregon and Tennessee were both composed of a range of campus leaders from finance, student affairs, and academics. In Oregon, representatives from all seven public institutions sat on the workgroups. System-wide leaders, such as the President of the Interinstitutional Faculty Senate and a representative of the Oregon Student Association, also participated. In Tennessee, the working group included representatives from both community colleges and universities across a range of roles and positions.

Some states included political leaders in formula development. Kentucky's work group included the president of the Kentucky Council on Postsecondary Education, presidents of each public postsecondary institution, the Governor or his representative, the Speaker of the House or his representative, and the President of the Senate or his representative.¹ In New Mexico, the Legislative Finance Committee participated in formula design.

Some policymakers also consulted each institution on the development process. In Kentucky, staff from the Council on Postsecondary Education met with officials at each campus to review the formula proposed by the working group. The Tennessee Higher Education Commission facilitated meetings with each public university and community college as part of the development process. According to a Tennessee policymaker, the result was “a pretty broad consensus on what the [formula] metrics ought to be.”

Institution-driven OBF formula development

In Ohio, institutions were the primary leaders of OBF formula development. After the Ohio governor challenged institutions to reform the funding system, institutional leaders developed the formula. Community college and university administrators met separately to determine which measures to emphasize within their sector. Their recommendations became the new funding formula.

The Inter-University Council (IUC) and the Ohio Association of Community Colleges (OACC) provided support by convening institutional leaders and facilitating the process. While staff from the Ohio

Department of Higher Education (previously the Ohio Board of Regents) participated in discussions and ran data simulations, institutional leaders drove the development of the formula metrics.

Institutional leaders from Ohio community colleges chose to use an external consultant to support the development process. HCM Strategists, a public policy and advocacy consulting firm, was highly involved in the development of the formula for the two-year sector. They contributed to the creation of guiding principles, identification of key priorities, and construction of a formula that addressed those guiding values for community colleges.

State-driven OBF formula development

Indiana is an example of a state-driven formula development process. The state's Commission for Higher Education (CHE) is primarily responsible for developing the funding formula, with historically limited institutional involvement. Each biennium, CHE makes recommendations to the General Assembly on the metrics and weights to include in the formula, which the General Assembly routinely adopts. This signals support of CHE's authority as the driver of the formula.

THE TAKEAWAY

Involving institutions in the formula development process may help ensure that the formula is equitable to all institutions. Based on the examples described above, we make the following recommendations:

Include representatives from all postsecondary institutions in the formula development process. While involvement in policy development can take different forms, involving institutions in this process is widely perceived to be an important element of successful OBF policy reform. Institutions typically demonstrate deeper buy-in to OBF when the development process is transparent and inclusive. As noted, Indiana's formula development process was historically driven by the state's Commission for Higher Education (CHE). However, in 2017-18, CHE made it a point to ensure institutions felt included in the latest OBF revision process. One state official said:

Not only did we do the president meetings, but also had more candid conversations with anyone they [institutions] wanted to bring in. Also, we gave them [institutions] a list of everything they [institutional leaders] wanted to see, and we gave them all our [CHE] ideas...we basically clued them in every step of the way, we heard them all out, and ultimately ended up with a list of recommendations.

Develop committees with clearly identified roles and responsibilities. The New Mexico Higher Education Department (HED) established two committees during its formula development phase:

- A steering committee, comprised of institutional leaders, was tasked with *developing formula refinements that would further student success and statewide economic workforce needs.*
- A technical committee included institutional researchers, institutional finance staff, individuals from the Department of Finance and Administration, and the Legislative Finance Committee. This committee was tasked with *testing formula options and running formula scenarios.*ⁱⁱ

Establishing clarity regarding the roles and responsibilities of various stakeholders and working groups can deepen engagement across a range of institutional leaders involved in formula development.

As states develop or revise OBF policies, policymakers should consider committees that focus specifically on equity. An Equity Committee can focus on ensuring that the OBF policy encourages better results for historically underserved students and strong performance for institutions that serve those students.

Provide additional support to under-resourced institutions so they can fully participate. Under-resourced institutions often have overworked staff and limited travel budgets, which can make committee participation burdensome. States can address these challenges by providing options for committee members to participate remotely, rotating meetings between campuses, or visiting campuses individually. For example, the Oregon Higher Education Coordinating Commission facilitated work group meetings at each of the campuses, rotating their location to ensure that all institutions, including rural universities, could participate.

Develop feedback mechanisms once the formula proposal has been developed. Kentucky and Tennessee developed processes to gather additional feedback from the larger higher education community following the development of the formula but prior to approval. Feedback mechanisms, such as those developed in Kentucky and Tennessee, offered all institutions an opportunity to provide suggestions or concerns. Research universities or other large campuses with dedicated government relations staff can have an amplified voice in the policymaking process. Regularly taking stock of input from all institutions can establish an inclusive feedback process.

ⁱ Ransdell, Gary, Robert King, John Chilton, Andrew McNeill, David Givens, Arnold Simpson, Michael Benson, Jay Box, Aaron Thompson, Wayne Andrews, Robert Davies, Geoffrey Mearns, Eli Capilouto, and Neville Pinto. "Report of the Postsecondary Education Working Group to the Governor and Interim Joint Committee on Education." *Kentucky Council on Postsecondary Education*. December 1, 2016. <http://cpe.ky.gov/data/reports/performancefundingreport.pdf>.

ⁱⁱ Hartzler, Tracy. "Update LFC on the Higher Education Revised instruction and General (I&G) Funding Formula: FY12 to FY15 and Future Considerations." LFC Staff Brief, New Mexico, 2014. https://www.nmlegis.gov/Entity/LFC/Documents/Early_Childhood_And_Education/LFC%20Staff%20Brief.%20Higher%20Education%20Instruction%20and%20General%20Funding%20Formula%20-%20May%207%202014.pdf.