

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>SELECTING STUDENT GROUPS TO PRIORITIZE OBF POLICIES</p>
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<div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p style="text-align: center;"><i>Module</i> GOALS</p> <p>THIS MODULE addresses equity in OBF at the state and student levels as outlined in our OBF Equity Overview. It will help policymakers and institutional leaders consider:</p> <ul style="list-style-type: none"> • How six states prioritize a range of underserved student populations in their OBF policies to close achievement gaps; • Differences in how states define priority populations in OBF policies; and • Important factors to consider when states select priority populations to include in OBF policy. </div> <div style="width: 45%;"> <p style="text-align: center;"><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> </div> </div>	

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EQUITY CHALLENGE

Determining which students to prioritize—and how

As of 2018, most states with OBF policies include an emphasis on at least one group of historically underserved students in order to address barriers to success and explicitly communicate the importance of improving their outcomes. This approach also recognizes that students with more barriers need more costly supports. In addition, prioritizing the outcomes of underserved students in OBF also incentivizes institutions to serve these students rather than restrict their access.

However, **there is no one clear path toward creating an equity focus in OBF.** The process for selecting and defining priority populations is complex and varies significantly across states. Differences in definitions, demographics, state college attainment and workforce goals, the availability of data, and the policy development process itself can contribute to these variations.

LESSONS FROM THE FIELD

Table 1 shows that the specific student populations prioritized in OBF policies vary significantly across our six study states. Notably, states commonly select different target populations for the two- and four-year sectors.

Table 1. Priority populations in OBF formulas across six states

PRIORITY POPULATIONS		OH ^{i,ii}	KY ⁱⁱⁱ	TN ^{iv}	IN ^v	NM ^{vi}	OR ^{vii}
LOW-INCOME	2-year	•	•	•	•	•	N/A
	4-year	•	•	•	•	•	•
ACADEMICALLY UNDERPREPARED	2-year	•	•	•	•		N/A
	4-year	•					
UNDER-REPRESENTED MINORITY	2-year	•	•				N/A
	4-year	•	•				•
ADULT	2-year	•	•	•			N/A
	4-year	•		•			
FIRST GENERATION	2-year						N/A
	4-year	•					
RURAL	2-year						N/A
	4-year						•
VETERAN	2-year						N/A
	4-year						•

Every state in our study prioritizes low-income students in their OBF policies in every relevant sector.

Across all states, the outcomes of low-income students lagged behind those of other students. In addition, policymakers and institutional leaders commonly referred to low-income status as a proxy for historically underserved student populations. One institutional leader said, “It’s a broad enough definition that it was encompassing all demographics in many people’s minds.”

Half of the study states prioritize underrepresented minoritized students. In the three states that prioritized underrepresented minorities, data clearly demonstrated that minoritized students were underperforming; this provided a clear rationale for rewarding institutions for retaining and graduating them. In states that did not prioritize underrepresented minorities, some state policymakers believed that it was important to identify low-income, academically underprepared, or otherwise historically

disadvantaged students regardless of their race and gender. Other state leaders noted that political challenges created barriers to prioritizing minoritized student outcomes.

Academically underprepared students are more commonly prioritized in the two-year sector. Of the five study states with OBF in the two-year sector, four include academically underprepared students. In contrast, of the six states that include OBF in the four-year sector, only Ohio prioritizes these students. The emphasis on underprepared students in the two-year sector may reflect the increasingly common practice of tracking these students into community colleges.

Data availability may influence the selection of priority populations. For example, only Ohio prioritized first-generation students, but many institutions across the other five states identified first-generation students as an important population absent in their states' OBF formulas. Institutional leaders suggested that data limitations, such as the absence of reliable indicators of first generation status in student records, likely played a role in their states' decisions.

States varied in the total number of priority populations included in their OBF policies. For example, Ohio prioritized five types of historically underserved students, Kentucky and Oregon prioritized four, whereas New Mexico focused only on low-income students. In determining how many populations to include, states sought to create the right balance between simple and comprehensive policies.

Even when states prioritize similar populations, definitions can vary across states—and even within them. Table 2 summarizes the definitions used to define specific priority populations in OBF policies in each of our study states. Perhaps the most important takeaway from Table 2 is that definitions of priority populations vary in inclusivity. For example, using Pell eligibility will likely lead to recognition of a larger low-income priority population than using expected family contribution (EFC) < \$2,190, given that the maximum EFC to be eligible for a Pell Grant in 2017-18 was \$5,328.

Table 2. Definitions of underserved student populations in the OBF policies of six states

POPULATIONS	OH ^{viii,ix}	KY ^x	TN ^{xi}	IN ^{xii}	NM ^{xiii}	OR ^{xiv}
LOW-INCOME	2-year: Pell eligibility 4-year: Expected Family Contribution (EFC) < \$2,190	Pell eligibility	Pell eligibility	Pell eligibility	EFC ≤ \$5,000	Pell eligibility
ACADEMICALLY UNDERPREPARED	2-year: Underprepared in math 4-year: <17 on Math/English ACT; no ACT data; or enrolled in remedial course	Passed remedial math/English		Passed remedial math/English		
UNDER-REPRESENTED MINORITY	Self-reported African-American, American Indian, Hispanic, or Alaskan native	Self-reported African-American, American Indian or Alaskan native, Hispanic, Native Hawaiian or Asian Pacific Islander, or two or more races				Self-reported American Indian or Alaskan Native, Hispanic, Pacific Islander, Black, African American, or two or more races
ADULT	2-year: Start college ≥ 25 years old 4-year: Start college ≥ 22 years old		Achieve outcome ≥ 25 years old			
FIRST-GENERATION	First-generation college student according to FAFSA					
RURAL						High school tagged by NCES as “rural” or “town”
VETERAN						Served in U.S. Military

THE TAKEAWAY

Determining which student populations to prioritize is a critical element in an equity-focused OBF policy development process. The experiences of state policymakers and institutional leaders suggest several recommendations when determining priority populations:

Assess the scope and quality of available state data. States can only track what they measure, and data systems can vary significantly. For example, the emphasis on low-income students seen across our six study states is due, in part, to the fact that Pell eligibility and EFC data are easily accessible. In contrast, a metric such as first-generation student status is seldom tracked—a fact that may be due to a lack of statewide data. One institutional administrator explained data constraints in this way:

I have this mantra, ‘Measure what you value. Don’t value what you can measure.’ I think that the formula itself uses registrar data, because everybody submits registrar data. So, they try to see what they can measure with that data, but they’re not saying, ‘What are we really looking for?’ It’s just kind of saying, ‘What can we measure with what we have?’

Make efforts to align metrics with an assessment of a state’s most relevant achievement gaps. State demographics can also influence whether a population is prioritized. In New Mexico, for example, the fact that the population is heavily Hispanic, and all public postsecondary institutions are already designated as Hispanic-serving institutions (HSIs), informed the decision to exclude racially minoritized students as a priority population. One state policymaker explained, “You can’t really make an outcomes-based performance model [with a race equity metric] when everybody serves the same population.” In contrast, Kentucky is attempting to overcome a long history of racial segregation, so its OBF formula identifies multiple underrepresented student groups as priority populations.

“Equity” means different things to different people. When determining an equity focus for OBF, states should de-politicize the selection of priority populations by using statewide data on equity gaps and by advancing the viewpoints of stakeholders that represent underserved students. In some states, the selection process is data-driven and largely devoid of broader debates about the definition of equity. For example, Ohio and Kentucky identified priority populations based on student outcomes data.

While analyses of equity gaps in student outcomes provide a good starting point, even the best analysis may not prevail over contemporary debates about definitions of equity, the value of diversity, and the question of who is “deserving.” These factors often influence final decisions about which equity gaps to address. In some cases, states intentionally prioritize a broad range of student groups to satisfy the equity interests of different legislators. One policymaker noted:

When I talked [with Republicans] about providing extra dollars for certain students, I talked about veterans and rural students. When I talked to Democrats, I talked about getting institutions to be focusing on low-income and minority students.

In other cases, these decisions privilege the way certain policymakers understand the root causes of disadvantage over empirical evidence. In one state, for example, a policymaker explained that the decision to focus on low-income and academically underprepared students, but not historically underrepresented minorities, was made to “attack the real disadvantage.”

Therefore, it is important to involve stakeholders who can speak to the experiences of different priority populations, and, where necessary, counter with research that documents the role of race/ethnicity in equity.

ⁱ Ohio Department of Higher Education. *State Share of Instruction Handbook: Providing the Methodology for Allocating State Share of Instruction Funds for Fiscal Years 2018 and 2019 (For Use by University Regional and Main Campuses)*. Accessed August 7, 2018. https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/FY2018_SSIHandbookUniversity.pdf

ⁱⁱ Ohio Department of Higher Education. *State Share of Instruction Handbook: Providing the Methodology for Allocating State Share of Instruction Funds for Fiscal Years 2018 and 2019 (For Use by Community and Technical Colleges)*. Accessed August 7, 2018. https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/FY2018_SSIHandbookCollege.pdf

ⁱⁱⁱ Kentucky Council on Postsecondary Education. *Performance Funding*. Accessed August 7, 2018. <http://cpe.ky.gov/ourwork/performancefunding.html>

^{iv} Tennessee Higher Education Commission. *Outcomes-Based Funding Formula Overview*. Accessed August 7, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/1_-_Outcomes_Based_Funding_Formula_Overview_-_One_Page.pdf

^v Indiana Commission for Higher Education. *Paying for What We Value: The Evolution of Performance Funding in Indiana 2003-2017*. Accessed August 7, 2018. https://www.in.gov/che/files/2017_PF_Evolution_Table_Portrait_6_20_17.pdf

^{vi} New Mexico Higher Education Department. *New Mexico Higher Education I&G Funding Formula: 2017 Technical Guide for the FY18 Budget Cycle*. Accessed August 8, 2018. <http://www.hed.state.nm.us/uploads/files/NM%20I%20G%20Funding%20formula/New%20Mexico%20HED%20Funding%20Formula%20-%202017%20Technical%20Guide%20for%20FY18%20Budget%20Cycle.pdf>

^{vii} State of Oregon Higher Education Coordinating Commission. *Postsecondary Funding Distribution Models*. (2015). Accessed August 8, 2018. <https://www.oregon.gov/HigherEd/Documents/HECC/Resources/Finance/SSCMBaseShortPowerpointUpdatedfinal.pdf>

^{viii} Ohio Department of Higher Education. *State Share of Instruction Handbook: Providing the Methodology for Allocating State Share of Instruction Funds for Fiscal Years 2018 and 2019 (For Use by University Regional and Main Campuses)*. Accessed August 7, 2018. https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/FY2018_SSIHandbookUniversity.pdf

^{ix} Ohio Department of Higher Education. *State Share of Instruction Handbook: Providing the Methodology for Allocating State Share of Instruction Funds for Fiscal Years 2018 and 2019 (For Use by Community and Technical Colleges)*. Accessed August 7, 2018. https://www.ohiohighered.org/sites/ohiohighered.org/files/uploads/financial/FY2018_SSIHandbookCollege.pdf

^x Kentucky Council on Postsecondary Education. *Kentucky's Progress Toward Postsecondary & Adult Education Strategic Agenda Goals*. (2018). Accessed August 8, 2018. <http://cpe.ky.gov/data/reports/2018progressreport.pdf>

^{xi} Tennessee Higher Education Commission. *Outcomes-Based Formula Model Data Definitions*. (2016). Accessed August 8, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/Detailed_Outcomes_Formula_Definitions_08-2016.pdf

^{xii} Indiana Commission for Higher Education. *2017-19 Biennial Request Executive Summary*. Accessed August 8, 2018. https://www.in.gov/che/files/BudgetRunBook_ICHE201719BudgetRecommendation_20161202_IndianaUniversity.pdf

^{xiii} New Mexico Higher Education Department. *New Mexico Higher Education I&G Funding Formula: 2017 Technical Guide for the FY18 Budget Cycle*. Accessed August 8, 2018. <http://www.hed.state.nm.us/uploads/files/NM%20I%20G%20Funding%20formula/New%20Mexico%20HED%20Funding%20Formula%20-%202017%20Technical%20Guide%20for%20FY18%20Budget%20Cycle.pdf>

^{xiv} State of Oregon Higher Education Coordinating Commission. *Office of University Coordination: 2016-17 Public University Budget Report Summary*. Accessed August 8, 2018. <https://www.oregon.gov/highered/institutions-programs/public/Documents/Univ-Finance/1617%20brs.pdf>