

LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY	
<i>Series</i>	OBF IMPLEMENTATION: STATE STRATEGIES FOR SUPPORTING INSTITUTIONS TO CLOSE EQUITY GAPS
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<i>Module</i>	IDENTIFYING THE CAPACITY NEEDS OF DISADVANTAGED INSTITUTIONS TO INCREASE OUTCOMES UNDER OBF
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<p><i>Module</i></p> <p>GOALS</p> <p>THIS MODULE addresses equity in OBF at the state, institutional, and student levels as outlined in our OBF Equity Overview. It will help state policymakers and institutional leaders consider:</p> <ul style="list-style-type: none"> • How institutional capacities and characteristics can influence effective response to OBF; and • How states can support disadvantaged institutions to increase student outcomes. 	<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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EQUITY CHALLENGE

Creating OBF policies that address the additional capacity needs of under-resourced institutions to improve student outcomes

Understanding how some institutions may be limited in their ability to improve student outcomes under OBF is a central challenge to creating a policy environment that promotes equity. State policymakers

need a clear understanding of institutional variation before they can best determine how to support institutions enrolling high numbers of traditionally underserved students. These institutions face particular challenges, which often take one of two forms:

Lack of institutional capacity, such as historic underfunding or the recent loss of federal grants.

Formula characteristics that may disadvantage certain types of institutions, such as those with small campuses. This topic is covered in [Module 3.4: Constructing OBF Policies that Consider Small Schools](#).

Identifying institutions that may need additional support to respond to OBF policies is a critical element of ensuring that OBF is designed and implemented in a way that is equitable to all institutions.

LESSONS FROM THE FIELD

There are a variety of factors that limit or support an institution's ability to improve student success, and many represent deep and persistent inequities that have yet to be remedied. However, some states have implemented supports to help institutions overcome these inequities. (For a more complete discussion of these solutions, see [Module 3.2: Strategies for Supporting Institutions During OBF Implementation](#).)

Institutional leaders in our six study states report that institutional response to OBF is limited by the following factors:

Financial resources

Adequate resources to invest in student supports is critical to succeeding in OBF formulas. Within a state, institutions may have drastically different financial resources. Some of this variation stems from:

Chronic underfunding. Past or continued underfunding may limit resources needed for effective response. Kentucky recognized this disadvantage by absolving their HBCU, Kentucky State University, from participating in the OBF formula during early implementation, and by awarding additional grants to institutions that were historically underfunded by their prior approach to allocating appropriations.

Absence of federal or other targeted grants. Institutions that have lost federal grant funding and programs may feel particularly disadvantaged in their efforts to improve student success. One administrator explained, "When we lost our Title V grant, we lost our educational opportunity center." These targeted funds provide needed resources for improving student success. Tennessee mitigated this disadvantage by creating the Institutional Outcome Improvement Fund Grants¹ to target additional funds toward student success efforts at institutions performing below average in the funding formula.

Limited revenue streams. Some institutions have limited options for bringing in revenue, and, as a result, limited options for student success efforts. New Mexico recognized this disadvantage by awarding one-time supplemental appropriations to select institutions and creating a special hold-harmless scenario for institutions important to meeting public goals but not "winning" in the formula.

Leadership

Effective presidential or senior leadership is critical to ensuring a successful response to OBF. It is important for policymakers to understand that not all institutions will have the ability to attract and retain effective leadership. The following leadership factors may delay or impede successful response to OBF:

Degree of engagement from leadership. Presidential guidance provides the direction to change institutional practices to improve student success.

Degree of information. A limited understanding of OBF can also limit an institution's response. To remedy this challenge, Ohio's Association of Community Colleges holds two annual Student Success Leadership Institutes to bring campus teams from all of Ohio's community colleges together to share and discuss best practices to increase student outcomes identified by Ohio's funding formula.

Degree of stability. Presidential and executive staff turnover can delay important initiatives, stall necessary conversations, or disrupt helpful partnerships.

Students served

Open-access institutions enroll many students who require significant support to succeed. For this reason, it can cost more to ensure student success. Many states have incorporated equity metrics into their funding formula to drive additional funding to institutions that serve target populations. (See [Module 2.4: Equity Metrics: How States Construct OBF Formulas to Improve Outcomes for Underserved Students](#) for a more complete discussion of state approaches.) Some student characteristics that can limit institutional success under an outcomes-based funding model include:

Underprepared students. Students who are not college-ready are less likely to complete on time and may need additional, often costly, academic supports. One leader explained, "If you review the rankings, like grade school outcomes, you're going to see that our high school, our main provider, is the worst, nationally speaking."

Part-time students. Part-time students by definition will not complete "on time" as it is typically defined in OBF policy. Institutions that serve a high percentage of part-time students feel disadvantaged under OBF, and some feel part-time students levy an additional cost not recognized in OBF formulas.

Other populations less likely to complete on time or at all. Open-access institutions serve a variety of students outside those targeted in OBF formulas. Sometimes these students are less likely to complete a degree because of their personal goals, such as dual-enrollment students or non-degree seeking students wishing to gain specific knowledge by taking a single course. Some students are less likely to complete for other reasons, but they have not been targeted in their state's formula. These students could be first-generation students, single mothers, or others experiencing personal challenges.

Location

Most open-access institutions, by mission, serve their local population and are subject to local contextual factors that influence student enrollment and progress. These factors are completely outside of an institution's control but can influence their ability to secure funding through OBF. Some location-dependent challenges include:

Population loss. Institutions in rural areas with declining populations report concern that OBF may exacerbate funding lost through declining enrollment. Oregon recognizes that low-enrollment, rural campuses bear a higher administrative cost per student than other campuses in the state. To mitigate this, their Student Success and Completion Model includes "Regional Support" allocations as one of three types of mission differentiation funding. As written, "Regional Support allocations provide resources for the higher cost mission of the four Technical and Regional Universities (TRU) and OSU Cascades which serve a unique and critical public purpose."ⁱⁱ

Economy. Economic factors can influence enrollment and student success, for better or worse. One leader explained, "Community colleges grow when the economy tanks, and community colleges shrink when the economy prospers. Certainly the economy drives enrollment. It also influences who's coming to us. Not only do we see fewer students, but the students who are here are taking fewer credits, so that drags out the time to complete."

Community trauma. Institutions in areas with high rates of poverty, addiction, or other community traumas report an additional challenge to improving student success. One leader explained, “We are number one in terms of heroin addiction. So it's not uncommon that students here have been in jail. They are recovering from an addiction. So those are the equity gaps, where we need more support.”

Data capacity

Data collection and use is critical to support student success initiatives, assess progress against OBF outcomes, and guide institutional decision-making. However, data capacity varies tremendously between institutions, with some utilizing sophisticated data analytics to target additional student supports and others lacking basic student data systems. To improve the data capacity of all institutions, the Indiana Commission for Higher Education provides an online, interactive dashboardⁱⁱⁱ that displays completion data by campus, across racial and ethnic groups, by campus type, and overall. Campuses can use the dashboard to quickly understand trends and progress relative to other state institutions.

History with completion-focused initiatives

Institutions participating in completion initiatives such as Achieving the Dream or with a history of implementing other successful completion-focused initiatives may start in a better position to respond to OBF. One administrator explained, “We started a lot of this work on developmental education under Completion by Design, but part of what we've added under the performance-based funding model is multiple measures for placement into college level courses.” Ohio has operationalized efforts to focus on completion and mandates all public colleges and universities to submit a campus completion plan every two years that describes how they plan to improve their completion rates. Completion plans are made public to share practices across institutions.^{iv}

Mission

Some formulas may advantage institutions with a particular mission (i.e. research universities) and, in turn, disadvantage institutions without that mission.

THE TAKEAWAY

Based on the experiences of the six states in our study, we provide the following recommendations for how state policymakers and state higher education agencies can address the additional capacity needs of under-resourced institutions to improve student completions:

Identify institutions that have additional barriers to improving student success. Taking clear and realistic stock of institutional capacities is the first step to identifying which institutions need additional supports.

Invite disadvantaged institutions to the table during the OBF policy development or review process. Larger, well-resourced institutions often have more sway over formulas during the development or review process. Inviting under-resourced institutions to participate in these formula development processes, listening carefully, and responding to their concerns are important steps to supporting disadvantaged institutions. For more information about including institutions in the formula development or refinement process, see [Module 2.2: Involving Institutions in OBF Policy Development](#) and [Module 2.5: Involving Institutions in OBF Policy Review and Revision](#).

Develop ways to add capacity to under-resourced institutions. States should consider how state resources and expertise can be utilized to support institutions. Hosting a data summit where institutions can share best practices for data use or reaching out to a new college president to explain the formula

may better position an institution to succeed. For more examples of how states support institutions, please see Module 3.2: Strategies for Supporting Institutions During OBF Implementation.

Run simulations to project how your OBF model will influence funding for these institutions. Some institutions may not have staff with the time or expertise to run projections, so it may be helpful to do this for them. The more information a campus has about their performance and how it might impact their funding, the better.

Support institutions as they develop performance improvement plans. Encourage campus leaders to assess their ability to respond effectively to OBF using our Institutional Checklist for Effective Response (Module 4.2). Review their results and help them develop a plan to improve student performance. Check in regularly to determine how best to support their progress.

Encourage sharing of best practices and collaboration. Create structured opportunities for campuses to share best and promising practices. Discourage competition by ensuring that well-resourced institutions share practices with less advantaged institutions.

ⁱ Tennessee Higher Education Commission & Student Assistance Corporation. "Institutional Outcome Improvement Fund Grant Competition" Accessed August 7, 2018. <https://www.tn.gov/thecc/bureaus/finance-and-administration/fiscal-policy/redirect-fiscal-policy/institutional-outcome-improvement-fund-grant-competition.html>.

ⁱⁱ 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>.

ⁱⁱⁱ Indiana Commission for Higher Education. "College Completion Reports: Completion Dashboard." 2018. Accessed August 7, 2018. <https://www.in.gov/che/4673.htm>.

^{iv} Ohio Department of Higher Education. "Campus Completion Plans." November 2017. Accessed August 7, 2018. <https://www.ohiohighered.org/campus-completion-plans>.