

Section 2

OBF Policy Development and Redesign: Prioritizing Equity

Section 2 provides examples of how states and institutions approached the process of creating and refining OBF policies to advance equity by prioritizing success outcomes for underserved student populations.

Module 2.8 Louisiana and Washington Using OBF/SSF to Increase Racial Equity

Equity Challenge: Centering Racial Equity In State Agendas and OBF/SSF Formulas in Louisiana and Washington

Student Success Funding (SSF)ⁱ, Outcomes-Based Funding (OBF), and Performance-Based Funding (PBF) are all terms to describe the process of distributing appropriations to public higher education institutions based on student outcomes and are a departure from historic enrollment-based formulas. In some states, outcomes-based funding models have been shown to negatively impact institutionsⁱⁱ that serve large proportions of Blackⁱⁱⁱ and Latinx^{iv} students. In fiscal year 2020, 30 states were implementing an outcomes-based/student success funding (OBF/SSF) model, but only 14 states had models that included weights or bonuses for serving underrepresented or minoritized¹ students², and fewer still support their equity metrics with statewide plans to reduce completion gaps.

This module discusses strategies for centering racial equity in OBF/SSF formula design and implementation from two states: Louisiana and Washington. Both Louisiana and Washington's OBF/SSF include equity weights for students of color. Further, Louisiana includes a cost factor to their funding formula that distributes additional resources to public higher education institutions serving a proportion of minoritized students above the state average. Perhaps most compelling, both states have also embedded its OBF/SSF models in statewide agendas that advance racial equity.

Drawing upon publicly available policy documents and interview data collected between March 2021 and May 2021 with state-level policymakers, the following module presents lessons from two different approaches to focusing on racial equity in OBF/SSF design.

Lessons from the Field

Lesson 1: A communicated state focus on racial equity helps to buttress race conscious SSF/OBF models.

State and system agendas for higher education can play a critical role in shifting state culture and focus. The Tennessee Higher Education Commission gained national attention for its comprehensive completion agenda, advanced through consistent messaging and supplemented by interlocking policies that drove a statewide culture of college completion. Similarly, Oregon's Equity Lens, adopted by the Higher Education Coordinating Commission was recognized as an accountability structure in designing state policy that ensured a focus on racial equity. More recently, the Washington State Board for Community and Technical Colleges (SBCTC) and the Louisiana Board of Regents (LBR) have adopted updated strategic plans that present a racial equity vision.

In June 2019, the **Washington's** SBCTC announced a new vision statement following months of data analysis and facilitated conversations among State Board members and staff and a system-wide Equity Vision Work Group. Meant to provide inspiration and motivation to SBCTC staff and institutions, the statement places racial equity at the center of efforts helping students reach their full potential. Further, the SBCTC vision explicitly recognizes the impact of systemic racism on student degree attainment rates and provides a vision to keep decision makers focused on changing systems, not students:

"Leading with racial equity, our colleges maximize student potential and transform lives within a culture of belonging that advances racial, social, and economic justice in service to our diverse communities."

"Any system produces what it is designed to produce. Our community and technical colleges are producing white graduates at a higher rate than graduates of color. The answer lies not in "fixing" students but changing our institutions to better serve students of color. While history may have created inequalities in systems long before we were born, we are all part of the system now and it's our job to change it."

With this new vision statement, Washington SBCTC committed to embedding their values of equity into policy and practice. The following 2020-2023 strategic plan aligns with this vision statement and identifies goals and strategies that center efforts to advance a more equitable system of higher education. Further, the strategic plan introduces metrics for tracking progress towards equity. These metrics are consistent to those used in the Student Achievement Initiative, or the college system's SSF/OBF model.

Louisiana's strategic plan for higher education, [Louisiana Prospers: Driving our Talent Imperative](#), also released in 2019, outlines a plan for closing gaps in credential attainment, with race-conscious OBF/SSF included as one part of the plan. The Board of Regents has been able to build strong stakeholder consensus around the need to focus on racial equity by effectively communicating the data around equity gaps and framing the urgency in closing completion gaps as essential to the economic prosperity of the state.

Lesson 2: Including race-conscious equity metrics that award substantial funding can advance equity at both the institutional and student levels.

Including underrepresented minority student success as an equity weight incentivizes institutions to focus on closing completion gaps for students. Further, tying a high percentage of funding to equity metrics can redistribute resources to institutions serving minoritized students. Together, design elements of SSF/OBF models can signal the state's investment in racial equity and drive equity at the student and institution-level. Louisiana and Washington have taken two different approaches in designing their SSF/OBF models, with Louisiana focused on rewarding completions and implementing a cost adjustment for institutions serving minoritized students and Washington rewarding milestones for students of color.

[Louisiana's OBF/SSF model](#) allocates funding based on three domains: base funding, cost, and outcomes. The state has increased a focus on racial equity in their SSF model in three ways:

1. Over the past several years, Louisiana has gradually increased the amount of funding tied to outcomes in their OBF/SSF model, from 15% in FY17 to 25% in FY22. The remaining 75% of the formula is distributed through base funding and a cost adjustment – 58% and 17% of funding, respectively. While the proportion of resources allocated based on cost has remained similar since FY17, funding allocated through base funding has declined 12 percentage points.
2. Within the outcomes component of the model, Louisiana increased the percent of funding devoted to Equity Completers from 2% to 23% since 2019. Louisiana recognizes Equity Completers as underrepresented minority students (Black (non-Hispanic), Hispanic of any race, Native Hawaiian/Pacific Islander, Native American, and students reported as two or more races), adult students over age 25, and students receiving a Pell grant.
3. Lastly, for the FY22 model, the state legislature approved an added a cost adjustment to recognize additional costs and historic underfunding at institutions with large, underrepresented minority populations. The calculation starts with the average cost calculation by race based on full-time equivalent (FTE) students. The difference from the average cost calculation is then multiplied by the FTEs of underrepresented minority students at each institution which has a population above the statewide institutional average. This cost factor

aims to distribute additional funding to increase outcomes for underrepresented or minoritized students in alignment with the state’s strategic plan.

Washington’s [Student Achievement Initiative](#) (SAI) is the SSF model for Washington state's system of community and technical colleges. SAI is aligned to and supports guided pathways implementation with a strong focus on closing equity gaps. Colleges receive points, with funding attached, when students reach key academic momentum points, such as finishing college-level math, completing the first year of college, and earning a certificate or degree. Institutions receive additional points when their students of color, basic education students, and students from low-income households complete certain milestones. These target milestones include the first 15 college-level credits and completion of certificate, degrees, and apprenticeship awards. To compare Louisiana and Washington’s OBF/SSF models, the table below.

Sectors (two-year and/or four-year) implementing an SSF model, metrics, weights, and percent of total allocation of funding devoted to outcomes in Louisiana and Washington for FY22

Study States	LA*	WA
Sectors Implementing Student Success Funding	Both	2 Yr.
Basic Skills		•
Persistence/Credit Attainment (e.g., 15, 30 credit hours)	•	•
Completion of Gateway/Introductory College Courses		•
Cross-Enrollment of Students in 2- and 4-Year Institutions	•	
Transfer	•	
Credential and Degree Completion	•	•
Time-to-Award/On-Time Degree Completion	•	
Workforce Pathways (e.g., credentials in critical fields)	•	
Research	•	
Adult	•	
Students entering at basic skill level		•
Low-Income (e.g., Pell eligibility)	•	•
Students of Color	•	•
Percentage of Total Allocation based on Student Success	25%	5%

*In Louisiana, the formula includes both 2- and 4-Year Institutions. In Louisiana, the formula was not utilized in FY 2021 due to a decrease in state funds; the data here represents FY2022.^{vii}

Louisiana: Under Act 462 of the 2014 Regular Legislative Session, the Board of Regents and leaders from each public postsecondary education system met to develop a student success funding formula. The outcomes metrics currently include student retention and progression based on credit attainment, cross-enrollment of students in 2- and 4- year institutions, credential and degree completion, time-to-degree (baccalaureate and associate degrees), and transfers from two-year to four-year. Pell Grant students, underrepresented minority, and adult completers are identified as equity

completers. Outcomes for research and workforce are also included. These metrics have weights that are used to calculate the total outcomes points for each institution. For equity completers, a weight is applied to each equity component associated with the student and additional weights are earned for underrepresented and Pell completers from institutions with larger equity student populations. Each institution receives a pro-rata share of its production of the outcomes factors.^{viii} The Louisiana Board of Regents updated these components of its student success funding model following a 2019 master plan revision; changes to the model included increased weight for Pell and adult completers, the addition of an equity-gap completers metric, and a decrease to the research metric.^{ix}

Washington: The Student Achievement Initiative (SAI) is the performance funding system for Washington state's community and technical college system. Colleges earn “momentum points” every time a student reaches a certain level of achievement. SAI momentum points work in succession. The steps are as follows:

- **Basic Skills:** Colleges earn points when basic skills students make nationally recognized test gains in math, English language, or reading as measured by pre- and post-testing or competency-based assessments. Students also earn momentum points by earning a high school diploma or equivalency certificate and completion of six college-level credits.
- **15 and 30 College Credits:** Completion of the first 15 and 30 college credits.
- **English/Writing:** Completion of five college-level credits in English or writing.
- **Math:** Completion of five college-level math credits in computation, math, or logic.
- **45 College Credits:** Completion of 45 college credits in either an academic transfer or professional-technical pathway, which is one year.
- **Credential Completion:** The final momentum point is the completion of certificates, degrees, and apprenticeships.

In addition, basic skills students, low-income, and students-of-color receive additional points when achieving certain milestones: the first 15 college-level credits, completion of apprenticeship awards, and associate degrees.^x

Lesson 3: Direct engagement with diverse stakeholders ensures a more comprehensive and informed statewide strategy to improve OBF/SSF outcomes, particularly for minoritized students.

To assist institutions in better supporting Black, Latinx, and Indigenous American students, both states called upon leaders and core stakeholders, including leaders from Historically Black Colleges and Universities, businesses, community college leaders, and students to share knowledge and resources around better supporting students.

First, in **Louisiana**, the formation of a Historically Black College and University (HBCU) Advisory Council formalized a critical feedback loop between the state’s public and private HBCUs and the Louisiana Board of Regents. Positioned to communicate the needs of the state’s HBCUs and student body, the Council aims to help strengthen the capacity of Louisiana’s HBCUs to graduate minoritized students.

Second, in both **Louisiana** and **Washington**, state strategic plans call upon business and industry to invest in higher education. In Louisiana, the strategic plan recognizes the need for collaboration across key partners, mainly PK-12 and business. Cabinets such as the Louisiana Workforce and Education Subcabinet aim to ensure policy solutions to advance attainment are cross-sector and cross-agency. In Washington, engagement from the business community is less direct, although impactful. For Washington’s SBCTC, the alignment of the OBF/SSF model to guided pathways was driven by data analysis on factors that affect completion. To support guided pathways, the state devoted \$55.1 million dollars from the Workforce Education Investment Appropriations. This funding is derived from a business tax, ensuring that the organizations that benefit from skilled labor also pay a share into higher education.

In addition, **Washington** has also convened a Guided Pathways Advisory Council with members across community colleges in varied positions of influence.^{vi} The Council developed guiding principles that include “a culturally responsive commitment to racial and social equity by dismantling systemic policies and practices that perpetuate inequity,” and “a focus on learning and outcomes aligned with community values.” The SBCTC also developed guided pathways student fellowships where students from community and technical colleges work on a project around policies and practices that disproportionately impact historically underserved students of color, so that student success solutions are co-designed with students.

The Takeaway from Louisiana and Washington OBF/SSF Formula Design and Implementation

As more states revisit funding policies with a focus on equity, and particularly racial equity, Washington and Louisiana offer takeaways for how OBF/SSF can be leveraged to advance racial equity. As mechanisms to distribute state resources, these funding models can play a critical role within a larger state agenda or vision for racial equity, in advancing equity at the student and institution-level and engaging important sectors and stakeholders to support student completion. As hypothesized by the Education Trust in a 2021 report on OBF/SSF models, “with the right design and implementation, OBF policies have the potential to be catalysts of equity at the student and institutional

levels.” As a renewed focus on equity proliferates across states, Research for Action commits to tracking strategies and identifying lessons for centering equity in outcomes-based/student success funding models.

Reinforce race conscious SSF/OBF models with a racial equity vision and communication. Communicating why equity is important aligns stakeholders and creates a consensus on equity-focused goals.

Invest in SSF/OBF model’s race conscious equity metrics and consider how metrics can advance student and institution-level equity. Equity-focused weights create institution-level incentives to close equity gaps. Increasing the percentage of funding tied to equity metrics reallocates needed resources to institutions serving minoritized students. These investments are directly tied to racial equity visions and will therefore track the progress toward equity goals.

Engage diverse stakeholders in strategies to improve OBF/SSF outcomes, particularly for minoritized students. Purposeful engagement with community stakeholders will ensure shared knowledge and design collaboration in serving students of color.