

Re-Imagining Outcomes-Based Funding

STATE-LEVEL HANDBOOK



TABLE OF CONTENTS

INTRODUCTION.....	3
5 KEY METRICS FOR EQUITY-FOCUSED OUTCOMES-BASED FUNDING POLICIES	4
10 STEPS FOR DESIGN.....	4
5 STEPS FOR IMPLEMENTATION.....	6
ILLINOIS.....	7
TWO-YEAR INSTITUTIONS	7
SCENARIO: INCONSISTENT FUNDING	7
SCENARIO: FUNDING BY DISTRICT AND ENROLLMENT DECLINES	8
FOUR-YEAR INSTITUTIONS	10
SCENARIO: DESIGNING A NEW OUTCOMES-BASED FUNDING POLICY	11
SCENARIO: SETTING EQUITY TARGETS	12
OHIO	13
TWO-YEAR INSTITUTIONS	14
SCENARIO: WEIGHTED METRICS AND PELL ENROLLMENT	14
FOUR-YEAR INSTITUTIONS	16
SCENARIO: BLACK STUDENT ACCESS AND SUCCESS	16
SCENARIO: RESOURCE EQUITY	18
SCENARIO: OUTCOMES-BASED FUNDING & HBCUs	20
TENNESSEE.....	22
TWO-YEAR INSTITUTIONS	22
SCENARIO: OUTCOMES-BASED FUNDING & FREE COLLEGE.....	22
SCENARIO: ADDRESSING RACE EXPLICITLY	24
SCENARIO: LATINO STUDENT ACCESS & SUCCESS.....	24
FOUR-YEAR INSTITUTIONS	26
SCENARIO: EQUITY IN THE CALCULATION PROCESS.....	27
SCENARIO: CAMPUS CLIMATE.....	29
SCENARIO: QUALITY ASSURANCE FUNDING.....	31
CONCLUSION: ADVOCATING FOR EQUITY.....	32

RE-IMAGINING OUTCOMES-BASED FUNDING STATE-LEVEL HANDBOOK

KAYLA C. ELLIOTT, Ph.D., Interim Director for Higher Education Policy

LAWRENCE HAYNES, Former Higher Education Policy Analyst

TIFFANY JONES, Former Senior Director for Higher Education Policy

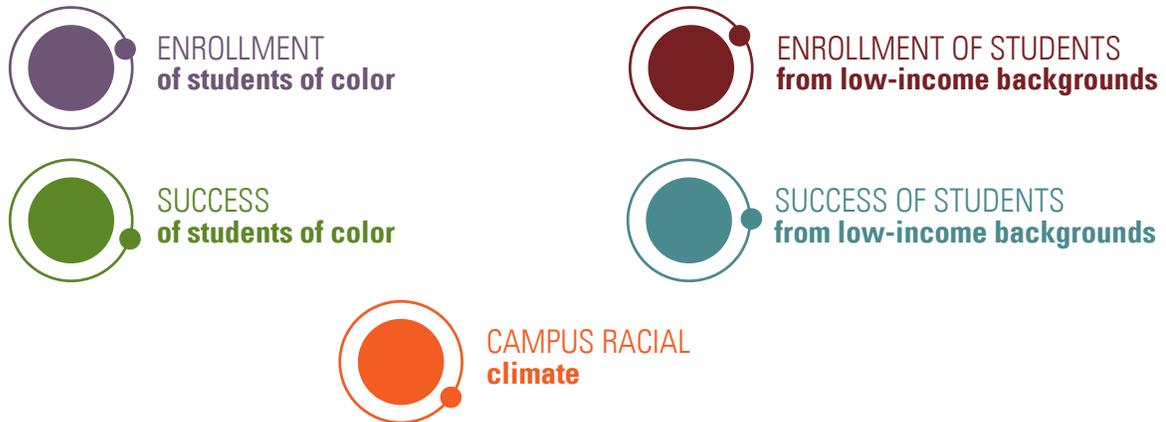
Re-imagining Outcomes-Based Funding: Using Metrics to Foster Higher Education Equity introduces five equity metrics to help state leaders develop equity-focused outcomes-based funding policies. We examine how well the existing OBF policies in 33 states are prioritizing the enrollment and success of students of color and students from low-income backgrounds. The results vary: 26 states, for instance, reward institutions for increasing the success of students from low-income backgrounds, but only 19 states use metrics for the success of students of color. In this handbook, we do a deep dive into three of those states — Illinois, Ohio, and Tennessee — to see distinctly different outcomes-based funding models and approaches to equity, and to contextualize our recommendations on how to design and implement equity-focused policies.

These three states' OBF policies are unique in design and implementation. Illinois only allocates a small portion of appropriations to two-year institutions through OBF. Ohio uses OBF for the majority of allocations to two-year and four-year institutions and uses similar metrics for both sectors. Tennessee uses an OBF policy for base funding to two-year and four-year institutions, and has a separate, optional OBF system for bonus funding. Taking a closer look at each provides an opportunity to apply our recommendations to specific scenarios, such as increasing access for Black students and Pell-eligible students in Illinois, both of whom have experienced enrollment declines; reversing the longstanding resource inequities faced by Ohio's public historically Black college and university (HBCU); and ensuring OBF works in concert with other policies designed to boost support for students who are underserved, such as Tennessee's free college programs.

For advocates in these three states, as well as those throughout the country, this handbook is a resource for both investigating the impact OBF is having on equity in their state and for realizing its potential as a lever for achieving racial and economic justice in higher education.

FIGURE 1 5 Equity-Focused Metrics

These metrics are key to creating an equity-focused, outcomes-based funding policy that prioritizes both access (*i.e.*, enrollment) and success (*i.e.*, retention and ultimately graduation) for students from low-income backgrounds and students of color.



10 STEPS FOR DESIGN



DESIGN STEP 1 MAKE EQUITY METRICS MANDATORY.

When equity metrics are optional, there is less likelihood that they will lead to institutional change. Moreover, it seems highly plausible that the campuses that opt out of equity metrics are those that are most in need of a greater focus on equity.



DESIGN STEP 3 USE EQUITY METRICS THAT ARE INCLUSIVE OF RACE.

Using income as a substitute for race will not bring about racial equity. Even when controlling for income and other relevant characteristics, racial gaps in enrollment and attainment still persist.² Without disaggregation, it is impossible to adequately support students of color.



DESIGN STEP 2 USE EQUITY METRICS THAT ARE INCLUSIVE OF STUDENTS FROM LOW-INCOME BACKGROUNDS.

State OBF policies could set targets for institutions to enroll a certain percentage of students from low-income families. We recommend a minimum target of 20% or the average share of low-income families in the state, whichever is higher. Annual OBF metrics can use incremental benchmarks, giving institutions a chance to work toward the target.¹ Also, since Pell Grant eligibility alone may not be the best indicator of a student's income and need, it would be helpful to include students who fall just above the threshold for Pell eligibility. Having state-level data would also be useful, since Pell eligibility does not capture undocumented students' need because they do not have access to federal funding.



DESIGN STEP 4 GIVE ADDITIONAL WEIGHT FOR ENROLLING STUDENTS FROM LOW-INCOME BACKGROUNDS AND STUDENTS OF COLOR.

States can use weights or premiums to incentivize the enrollment and success of students of color and students from low-income backgrounds. This recognizes the effort of institutions that do the lion's share of serving these students and entices other institutions to do their part as well.



**DESIGN
STEP 5** DISCOURAGE INSTITUTIONS FROM REDUCING ACCESS TO HIGH-QUALITY DEGREES OR CREDENTIALS FOR STUDENTS FROM LOW-INCOME BACKGROUNDS AND STUDENTS OF COLOR.

OBF should not allow institutions to game the system by changing whom they admit in order to increase outcomes. Instead, states can use OBF to prevent institutions from increasing selectivity by penalizing institutions that, for example, decrease their percentage of Pell Grant students by more than 5 percentage points over time. Additionally, OBF should not encourage HBCUs and MSIs to deviate from their missions by increasing their enrollment of White students to meet racial diversity metrics. Such actions would erode the already limited higher education opportunities for students of color. Finally, OBF policies should not reward institutions that increase outcomes by guiding students toward low-value credentials instead of high-quality degrees or steering them away from their educational goals.



**DESIGN
STEP 6** INVEST IN STUDENT SUCCESS STRATEGIES.

All too often, OBF policies increase the demand for for better student outcomes without increasing actual support for the strategies that would increase students' success. States should dedicate funding to and provide guidance and directives on promising and evidence-based strategies that would increase student success on certain metrics. For example, states that have retention or credit accumulation metrics should provide guidance on high-quality advising,³ tutoring,⁴ and career counseling programs.⁵



**DESIGN
STEP 7** INCENTIVIZE A POSITIVE CAMPUS RACIAL CLIMATE.

OBF can be used to reward institutions for fostering a positive campus climate for students of color and educating students on issues of race. Possible measurements and metrics include audits and assessments of faculty diversity; reviews of curricula/syllabi; supports such as events on diversity and inclusion; cultural and advocacy centers with extracurricular activities, and relevant policies, as well as reports of bias incidents or violence on campus. States can identify baselines and incremental goals by using established surveys on campus climate, academic self-concept, mentorship interactions, and the impact of diversity courses.



**DESIGN
STEP 8** AVOID INSTABILITY AND APPROACH FUNDING CUTS (IF UNAVOIDABLE) WITH EQUITY.

States can reduce an institution's financial instability and volatility by limiting structural changes to OBF policies to every two to three years. Additionally, OBF policies should not include all-or-nothing cutoffs, which do not reward marginal gains and often result in steep one-year funding drops.



**DESIGN
STEP 9** REWARD INSTITUTIONS FOR INCREMENTAL PROGRESS TOWARD LARGER GOALS.

OBF metrics should be aligned with larger state equity goals for enrollment and degree attainment, as well as goals related to workforce needs, and institutions should be rewarded for meeting various benchmarks along the way. As such, OBF policies should avoid harmful tactics that prevent institutions from being rewarded for incremental growth, such as absolute rankings, which unfairly pit institutions against one another; one-size-fits-all metrics, which ignore institutional demographics and resources; and punitive practices like rescinding an institution's recurring funds.



**DESIGN
STEP 10** INVEST A SIGNIFICANT AMOUNT OF STATE FUNDS THROUGH THE OBF FORMULA.

State OBF policies should allocate enough money to induce institutions to support students. When the amount of funding tied to OBF is a miniscule part of an institution's overall funding, there is no financial incentive to change behavior. Equity metrics in an underfunded system are just symbolic gestures.

5 STEPS FOR IMPLEMENTATION



DIVERSIFY STATE OFFICER RANKS WITH EQUITY ADVOCATES WHO ARE PEOPLE OF COLOR AND GRADUATES OF UNDERREPRESENTED INSTITUTIONS, LIKE HBCUs AND MSIs.

While OBF policies are enacted by state legislatures, they are typically implemented and overseen by appointed board members, higher education executive officers, and state administrators. Alternatively, these policies are sometimes adopted at the state higher education system level by a board and then, similarly, implemented and overseen by higher education executive officers and state administrators. If the state level leadership is not diverse, it will not be reflective of students of color or the institutions where these students are clustered. Including and empowering people of color in the design and implementation of OBF will help to ensure that such policies are informed by advocates who can speak firsthand about what it is like to navigate higher education as a Black, Latino, or Native student.



SEEK THE INPUT OF INSTITUTIONS THAT SERVE STUDENTS OF COLOR AND STUDENTS FROM LOW-INCOME BACKGROUNDS IN OBF DESIGN AND CHANGES.

In addition to hiring and appointing people of color to leadership positions, states should also seek and rely on the input of institutions that enroll and support underserved students. It's important to consider how different types of institutions are likely to perform under a given OBF policy. Poorly designed policies will exacerbate existing funding inequities between selective flagships, regional institutions, community colleges, and minority-serving institutions.



INVEST IN INCREASING THE CAPACITY OF UNDER-RESOURCED INSTITUTIONS.

States should provide under-resourced institutions access to the technical assistance, technology, and human capital they will need to scale existing promising practices. States should invest in student-facing strategies, like providing access to high-quality advising and academic programs, and institutional capacity-building for improving abilities to gather, analyze, and act on data. States can also invest in increasing institutions' capacity to address students' basic needs such as food and housing, child care, and transportation.



PROVIDE TECHNICAL ASSISTANCE TO BETTER ADDRESS AND PLAN FOR EQUITY ISSUES.

States should engage expert advocates, scholars, and consultants to provide institutions with capacity building and training around advancing diversity, equity, and inclusion on their campuses. Assistance might include support for student recruitment, faculty diversity, campus climate surveys, culturally responsive pedagogy, and diversity curricula. Institutions will also need assistance with planning, goal setting, and assessment.



HOLD INSTITUTIONS HARMLESS IN INITIAL (OR TRANSITION) YEARS OF OBF AND MATCH PREVIOUS-YEAR FUNDING.

Institutions need time to adjust to the new demands of OBF. States can provide a grace period when phasing in new requirements. During this time, states should allocate base funding based on the previous year's allocation, as institutions undergo the necessary strategic planning, hiring, budgeting, and programming to transition to an OBF environment. This is essential for under-resourced institutions working with less human, financial, and political capital.

ILLINOIS

Two-Year Institutions

The Illinois State Legislature adopted outcomes-based funding for all public community colleges in June 2012. Funding is awarded based on performance on six metrics:

- Degree and certificate completion
- Degree and certificate completion of “at risk students” who are Pell eligible and/or enrolled in developmental education courses. Students can be counted as both Pell eligible and remedial
- Advancement from developmental education to college-level coursework
- Credit accumulation for first-time students, as well as adult education students’ advancement to college-level coursework or their achievement of a Workforce Innovation and Opportunity Act compliant Educational Functioning Level Gain
- Lateral transfer to another community college within three years of their enrollment
- Transfer to a four-year institution within three years of their enrollment

Scenario: Inconsistent Funding

Illinois’ OBF model is plagued by inconsistent and insufficient funding. Allocations were first made in 2013 and again in 2014. No performance-based funding was awarded in 2015 and 2016. With the return of OBF in 2016, total funding increased by \$12 million, but fell steadily over the next three years. Total funding has gradually decreased since the policy was adopted — by about \$30 million from 2012 to 2019. In general, Illinois has disinvested from public higher education. Adjusted for inflation, the amount of general operations funding allocated to higher education in 2018 was less than half of spending in 2002 (\$736 million in 2018 and \$1.5 billion in 2002).⁶

Illinois’ OBF policy also doesn’t provide a strong enough financial incentive to change institutional behavior. The total funding allocated to the annual OBF pool for all institutions has only ranged between \$351,900-\$360,000. This is a meager .1% of the state’s total allocations to community colleges. In 2019, more than half of institutions received less than \$10,000, with three institutions receiving less than \$1,000.



DESIGN
STEP 8

Equity Guidance: *Avoid instability and approach funding cuts (if unavoidable) with equity. Invest a significant amount of state funds through the OBF formula.*



DESIGN
STEP 10

To advance equity, OBF must provide consistent, sufficient funding for initiatives and student supports that would lead to improved performance on the metrics. If the amount of funding is not sufficient to change institutional behavior or support new programs, the policy will not advance equity or improve outcomes. OBF is effective when the funding is sufficient to influence an institution’s choices and behaviors.

Scenario: Funding by District and Enrollment Declines

Illinois structures its funding by district, and there are 39 different community college “districts” in the state. While most of these districts have but one institution, two have multiple campuses. The City Colleges of Chicago district has seven colleges across the metropolitan Chicago area, and more than 60% of each of their student populations are Black and Latino. In contrast, the Illinois Eastern Community Colleges district has four colleges in small towns spread across a 3,000 square mile stretch in southeastern Illinois, near the Illinois-Indiana border.

Despite enrolling more than eight times the number of students, cumulatively, City Colleges has received only about \$7,000 more in outcomes-based funding than the substantially smaller and less diverse Illinois Eastern Colleges district over the entire existence of OBF in the state. This, also despite the fact that the number of students of color and students from low-income backgrounds enrolled in the City Colleges of Chicago district is greater than the total enrollment of the Illinois Eastern district. Illinois’ OBF model does not take into consideration these differences.

Funding by district and not by institution also ignores important differences in campus context. For example, as of 2019, four of the City Colleges of Chicago institutions are federally recognized Hispanic-serving institutions (HSI). These designations are based on enrollment and would help identify institutions that have core populations of students of color, and, potentially, if there are significant population changes. For example, if Latino student enrollment dropped below 25%, the institution would no longer be eligible for the HSI designation or the associated funding and support.

Since implementing OBF, the state has seen enrollment declines among some groups. For example, there are 33,000 fewer Black students across the entire two-year system than there were before OBF was put in place. The City Colleges are serving almost 12,000 fewer Black students in 2018 than they were in 2011. (The state’s Black population has decreased by approximately 44,000 people in the same timeframe. However, in their data on outcomes by race and gender, the Illinois Board of Higher Education cautions against explaining away differences in enrollment with population data.)⁷

Both City Colleges and Illinois Eastern also have seen a decrease in Pell recipients on their campuses since the start of outcomes-based funding. Though the decrease at Eastern has been slight but steady, the share of Pell students at City Colleges has decreased by more than 9 percentage points in six years. In 2018, the City Colleges of Chicago district served almost 10,000 fewer students from low-income backgrounds than it did in 2011. This is particularly pertinent to equity considerations because community colleges have historically been the most affordable and accessible option for such students.



Equity Guidance: Discourage institutions from reducing access to high-quality degrees or credentials for students from low-income backgrounds and students of color. Invest in student success strategies.



OBF policies should be structured to give institutions the resources they need to support students. Institutions should be funded on an individual basis, so differences in access and success can be recognized and there can be funding for student success programs on each campus. Research shows that colleges in states with OBF policies change their recruitment strategies to appeal to students from higher-income families.⁸ To counter this impulse, Illinois' OBF policies should be used to encourage institutions to increase access for Black students and Pell students, both of whom have experienced enrollment declines.

TABLE 1: Changes in Funding and Student Access at City Colleges of Chicago Since the Start of OBF

CITY COLLEGES OF CHICAGO						
	OBF Award	% Change in Total Funding from Previous Year	Share of State Funding	% Black	% Latino	% Pell
2011-2012	N/A	0%	21.84%	39.28%	36.79%	40.09%
2012-2013	\$10,983.75	-9.63%	20.63%	37.75%	38.58%	38.6%
2013-2014	\$ 4,891.00	-2.34%	20.6%	35.9%	40.65%	39.91%
2014-2015	\$0	-5.91%	19.81%	34.57%	42.09%	39.98%
2015-2016	\$0	-18.15%	15.54%	30.59%	45.85%	33.17%
2016-2017	\$7,240	19.13%	19.46%	28.68%	48.46%	31.95%
2017-2018	\$15,710	-11.63%	18.8%	28.16%	49.09%	31.04%

Source: Illinois Community College Board, Illinois Board of Higher Education, National Center for Education Statistics.

Illinois' OBF policies should be used to encourage institutions to increase access for Black students and Pell students, both of whom have experienced enrollment declines.

TABLE 2: Changes in Funding and Student Access at Illinois Eastern Community Colleges Since the Start of OBF

ILLINOIS EASTERN COMMUNITY COLLEGES						
	OBF Award	% Change in Total Funding from Previous Year	Share of State Funding	% Black	% Latino	% Pell
2011-2012	N/A	-6.43%	5.13%	1.46%	1.07%	15.91%
2012-2013	\$3,664.67	-3.44%	4.84%	2.67%	.99%	15.78%
2013-2014	\$15,455	0.63%	4.69%	1.93%	1.21%	16.15%
2014-2015	\$0	-7.99%	4.41%	1.13%	1.28%	15.53%
2015-2016	\$0	-1.97%	4.15%	1.44%	.99%	14.63%
2016-2017	\$4,000	-25.61%	3.24%	2.26%	1.01%	13.7%
2017-2018	\$8,800	27.97%	4.39%	3.23%	1.29%	14.44%

Source: Illinois Community College Board, Illinois Board of Higher Education, National Center for Education Statistics.

Four-Year Institutions

The state of Illinois does not have outcomes-based funding for four-year institutions. In fact, it has no funding formula for public universities. Illinois' four-year institutions vary greatly in size, student demographics, and funding.

The University of Illinois had the highest allocation per student in 2018 and received an additional \$63 million in set-asides for expenses such as research, scholarships, graduate schools (including its dentistry and pharmacy schools), and the affiliated hospital. Southern Illinois University and Chicago State University, however, received just \$4 million and \$2 million respectively for similar purposes. While Eastern Illinois, Northern Illinois, and Western Illinois universities received between \$8,000-\$36,000 for scholarships, Illinois State, Governors State, and Northeastern Illinois universities did not receive any funding outside of their operating funds. Notably, Chicago State University got fewer dollars per student and overall than the University of Illinois, yet a Chicago State University student is twice as likely to be from a low-income background (Pell recipient) and more than five times as likely to be Black. A Governors State University student is more likely to be from a low-income background and four times as likely to be Latino as a University of Illinois student, yet the state spends three times more on each student at the University of Illinois. Any funding formula developed by the state of Illinois will need to prioritize equity to help account for the existing funding inequities that disadvantage Pell recipients, Black, and Latino students in the state.

Any funding formula developed by the state of Illinois will need to prioritize equity to help account for the existing funding inequities that disadvantage Pell recipients, Black, and Latino students in the state.

Scenario: Designing a New OBF Policy

In 2018, state legislators formed a bipartisan higher education working group to explore legislative issues, including a funding formula. The same year, the Legislature also passed a bill charging the Illinois Board of Higher Education to recommend a fiscal year 2020 budget that used performance metrics. The board recommended the following performance measures:⁹

- Bachelor's degrees awarded
- Master's degrees awarded
- Doctoral and professional degrees awarded
- Undergraduate degrees per 100 FTE
- Research and public service expenditures
- Graduation rates within 150% of program time
- Persistence (24 credit hours completed in one year)
- Cost per credit hour
- Cost per completion

The board also recommend the model weight the performance of Pell-eligible students; students age 25 and older; African American students; Hispanic students; and STEM/Healthcare degrees awarded.

These weighted metrics are a step in the right direction, but the board also recommended that funds be treated as competitive. Competitive funding does not address the historic inequities between institutions discussed above. In states with policies that force institutions to compete for funding, oftentimes, outcomes-based funding can make matters worse by inadvertently transferring funds from low-resource institutions to larger well-resourced institutions that are already better positioned to perform well. Instead, institutions should be measured and rewarded based on their own performance, independent of the outcomes of other institutions in the state. Further, the IBHE notes that the model is meant to direct institutions on what to achieve, not on how to achieve it. Certainly, institutions need the flexibility and autonomy to tailor programs and interventions to their students, but providing guidance and technical assistance when designing a new OBF model can enhance institutions' capacity.



Equity Guidance: *Seek the input of institutions that serve students from low-income backgrounds and students of color in OBF design and changes. Provide technical assistance to better address and plan for equity issues. Hold institutions harmless in initial (or transition) years of OBF and match previous-year funding.*



Because Illinois has no funding formula, adopting OBF could foster resource equity. To date, the Legislature has not adopted these recommendations, but the IBHE is responsible for collecting data on each metric. The board recommended an FY 2020 OBF budget of \$5.5 million or only 0.5 percent of the FY 2019 appropriation level. As the state considers adopting OBF, legislators must decide whether it will become the state’s sole funding formula, or whether it will work in tandem with another funding method. With the right execution, weight, and funding, the formula could advance equity from the start.



Scenario: Setting Equity Targets

In 2013, the state of Illinois set a goal for 60% of residents to have a postsecondary credential by 2025. In 2018, the Illinois Legislature passed bills that directed the Illinois P-20 Council to identify attainment gaps for students from low-income backgrounds, first-generation students, and students of color. The legislation also charged the group with updating the state’s postsecondary attainment goal “to include equity-focused targets aimed at closing institutional racial and socioeconomic achievement gaps.” The P-20 Council’s College and Career Readiness Committee has since convened a working group comprised of over 80 diverse representatives to develop a framework for the targets, analyze data on postsecondary enrollment and completion, identify approaches for stakeholder engagement, and explore institutional and statewide strategies to achieve the targets and close gaps across the groups of interest. The committee has recommended five policy areas for the state to explore to address those gaps:

- Student Readiness for Postsecondary Education
- Access & Enrollment
- Affordability & Financial Aid
- Completion & Success
- Institutional Funding



Equity Guidance: *Use equity metrics that are inclusive of low-income populations. Use equity metrics that are inclusive of race.*

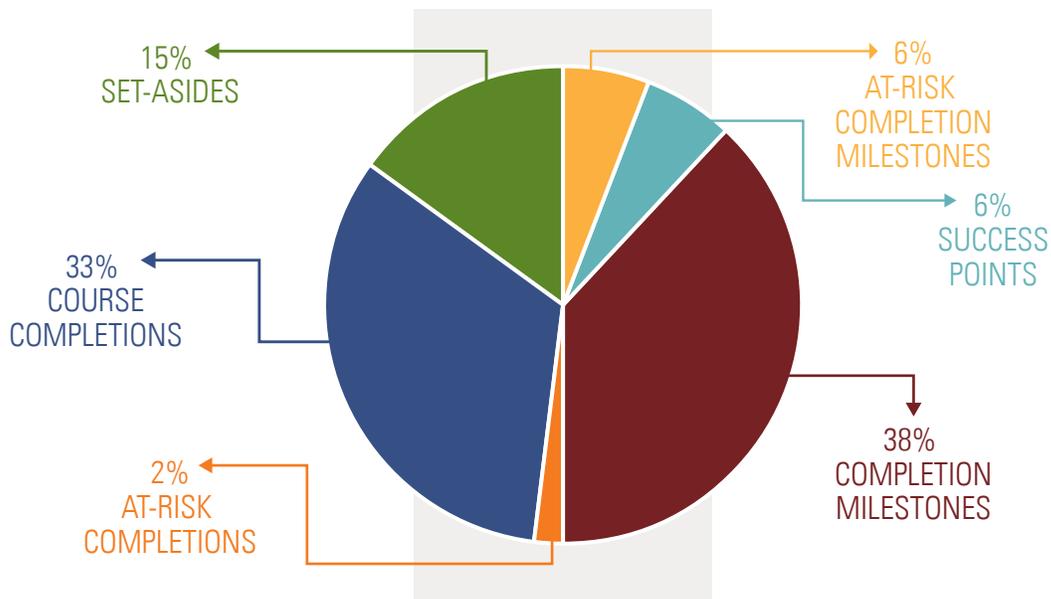


As advocates chart a path forward to equity in institutional funding, the existing OBF model for two-year institutions can be amended to better incentivize the enrollment and success of students from low-income backgrounds and students of color. Advocates can encourage the state to include OBF metrics that reward institutions for their progress in closing gaps and link specifically to the equity-focused targets set by the working group.

OHIO

Ohio has offered competitive grants and other performance related funding since the 1980s, but the current OBF model began in 2014. Known as State Share of Instruction, or SSI, Ohio’s model is distinct in that it is one of the few to allocate university funding almost exclusively through OBF. Ohio has different metrics for the two-year and four-year sectors, but most of the points in both sectors are based on course completion and degree completion.

FIGURE 1: How Each Metric Factors into Ohio’s Funding Allocations
FY 2019 Allocation of SSI



Source: Ohio Department of Higher Education

Ohio positions the OBF policy as a reimbursement based on the average course completions for the last three years and the average cost of courses for the last six years. The state calculates the cost of each course based on subject area and level of instruction. The State Share of Instruction policy has 26 different cost models based on:

- Arts & Humanities (1-6)
- Business, Education, and Social Sciences (1-7)
- Science, Technology, Engineering, Math and Medical (1-9)
- Doctoral (1-2)
- Medical (1-2)

Two-Year Institutions

Ohio's two-year outcomes-based funding policy is based on three metrics:

- 25% Degree completion
- 50% Course completion
- 25% Success Points including
 - Completing 12 credit hours
 - Completing 24 credit hours
 - Completing 36 credit hours
 - Completing developmental math, and within one year completing college-level math
 - Completing developmental English, and within one year completing college-level English

Scenario: Weighted Metrics and Pell Enrollment

In OBF policies, additional weights are used to encourage institutions to focus on special targets, typically regarding specific student populations or areas of study. Ohio's two-year policy gives more weight to both course completion and degree completion by students who meet one or more of four "access factors" — academic preparation, financial status, age, and race. However, these weights only make up 2% of institutions' funding. As in Illinois, this miniscule amount may not be enough to incentivize institutions' behaviors. Studies on Ohio's two-year OBF policy show that it failed to increase degree completion and, in some cases, contributed to a decrease in degree attainment.¹⁰

Ohio's two-year policy is a good example of the importance of weighting enrollment metrics. The number of high school graduates in Ohio has decreased in recent years. Overall enrollment in Ohio's community colleges decreased by 5% or roughly 8,600 in 2014, the first year of OBF, and has yet to recover. The percentage of Black and Latino students has hovered around 19-20% since at least 2010.

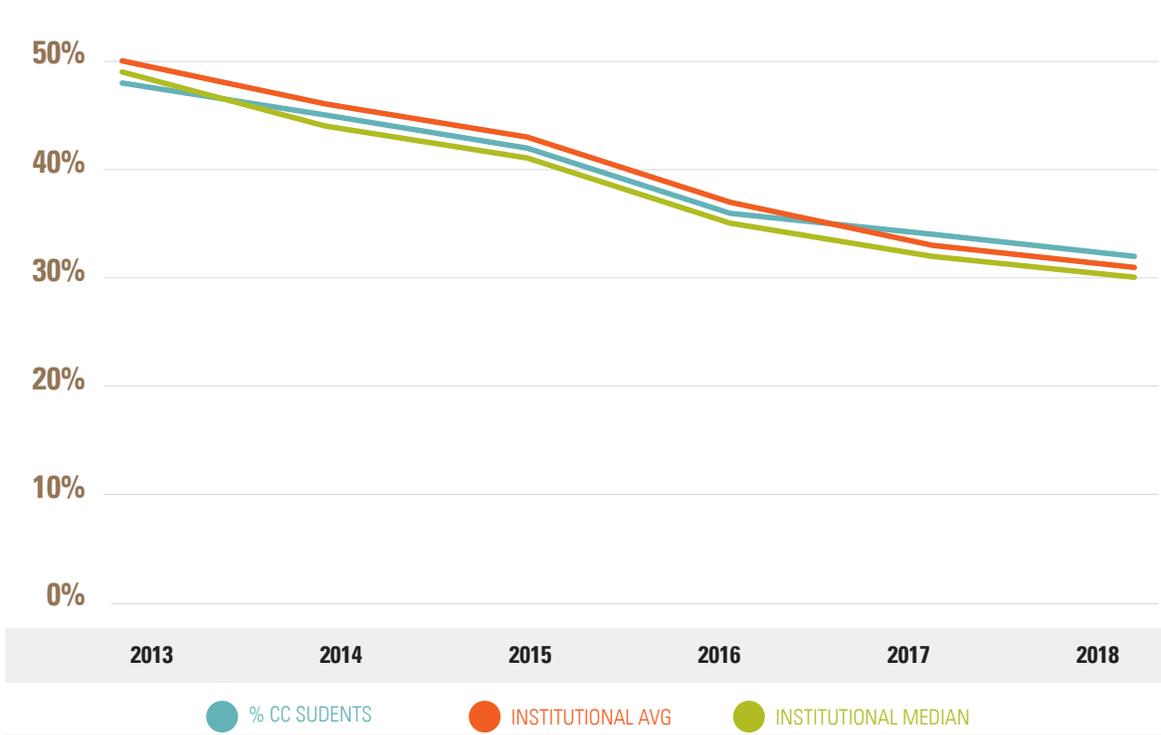
The decrease in Pell students, however, is much more pronounced. The year before OBF allocations were made, 48% of students in the community college system were Pell recipients. As of 2018, that share had decreased to 32%. Even more troubling, the institutional average decreased from 50% to 31%. There were 20,000 fewer Pell recipients enrolled in 2018 than there were the year before OBF was implemented. In 2013, James A. Rhodes State College had the *lowest* Pell enrollment at 41%. By 2018, Southern State Community College's 42% Pell enrollment was the *highest* enrollment of any institution. In 2014, 73% of Southern State's students were Pell recipients, and at least one-third of students at every institution in the state were Pell recipients. In 2018, less than half of Ohio's institutions enrolled one-third or more of Pell recipients, with Northwest State Community College sinking to 21%, a loss of 35% or 1,000 students since 2013.

TABLE 3: Changes in the Percentage of Pell Recipients at Ohio’s Two-Year Institutions

	2012	2013	2014	2015	2016	2017	2018
Percentage of All Community College Students	54%	48%	45%	42%	36%	34%	32%
Institutional Average	51%	50%	46%	43%	37%	33%	31%
Institutional Median	50%	49%	44%	41%	35%	32%	30%
Highest Institutional Percentage	70%	66%	73%	58%	50%	54%	42%

Source: National Center for Education Statistics

FIGURE 2: Decline of Pell-Eligible Students in Ohio’s Two-Year Institutions*





Equity Guidance: *Give additional weight for enrolling students from low-income backgrounds and students of color.*

Equity-focused OBF should foster access for underserved students. States can use weights or premiums to incentivize the enrollment and success of students of color and students from low-income backgrounds. Equity metrics should be given more weight compared to other factors, in recognition of institutions that do the lion's share of serving these students and to entice institutions that aren't doing their part to do more. Premiums provide funding for the financial, academic, and personal supports underserved students need to be successful.

Four-Year Institutions

Ohio's four-year OBF policy is based on four metrics:

- 50% Degree completion
- 30.3% Course completion
- 11.8% Doctoral set-aside
- 7.9% Medical set-aside

Ohio's four-year policy more heavily weights the performance of students deemed "at risk." There are five at-risk factors for degree completion: academic, financial, age, race, and first-generation status. For course completion, the only two at-risk factors that are weighted are academic and financial status.

Scenario: Black Student Access and Success

The Census Bureau's American Community Survey estimates that Black residents make up about 12.6% of the population in the state of Ohio.¹¹ In fall 2012, only six of the 14 four-year institutions in the state had a share of undergraduate Black students that was representative of its population. By fall 2015, the year after OBF was implemented, that number had dropped to two. In fact, the number and the percentage of Black students dropped at virtually every four-year institution between 2012 and 2018. As of 2018, there were 5,600 fewer Black students pursuing undergraduate degrees at Ohio's public institutions than there were in 2012.

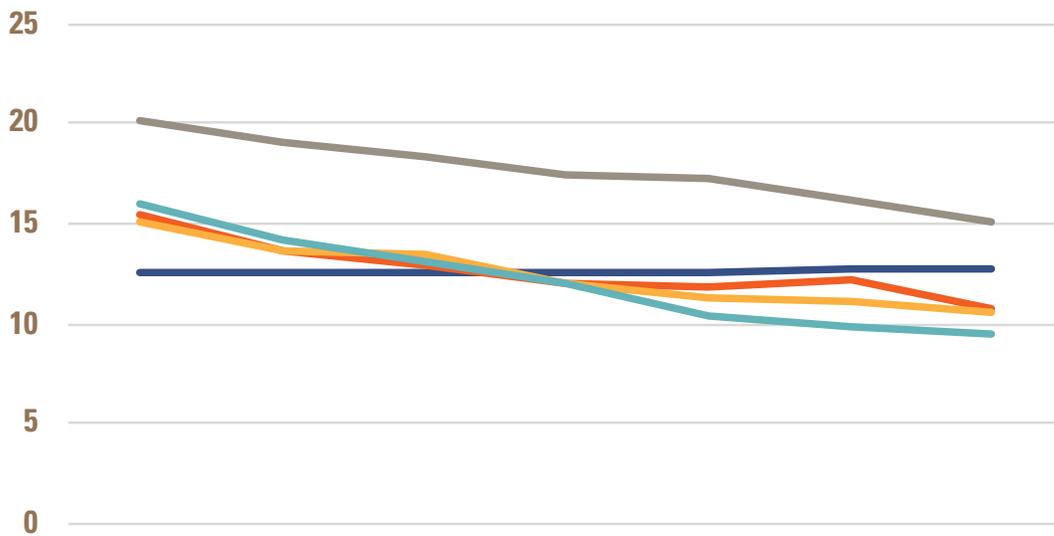
The share of Black undergraduate degree earners has gradually and continuously decreased at the University of Akron and Cleveland State University. Because the number of Black graduates at Youngstown State University has remained steady even as the total number of Black students enrolled has declined, there has been a slight increase in the share of Black graduates. However, Youngstown State is one of the most inequitable institutions for Black students — fewer than 1 in 10 Black first-time, full-time students completes a bachelor's degree within six years of enrolling there, while White students graduate at nearly five times that rate.¹²



Equity Guidance: *Invest in student success strategies.*

OBF policies should be designed to incentivize and fund increased student success. In addition to using student success metrics like retention, credit accumulation, and completion, states should also give guidance on promising and evidence-based strategies. For example, Ohio could invest in advising programs that improve outcomes for the degree completion metric, or in co-requisite education courses that improve outcomes for the course completion metric.

FIGURE 3: Change in Black Student Enrollment at Predominantly White Institutions (PWIs) in Ohio That Had a Representative Share of Black Students Before OBF



	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
% OF POPULATION	12.62	12.63	12.66	12.66	12.66	12.71	12.72
AKRON	15.46	13.71	12.91	12.07	11.93	12.2	10.71
CLEVELAND	20.22	19.05	18.35	17.5	17.31	16.19	15.08
TOLEDO	15.03	13.75	13.41	11.96	11.36	11.08	10.61
YOUNGSTOWN	16	14.2	13.14	12.1	10.48	9.86	9.54

Source: National Center for Education Statistics

Scenario: Resource Equity

All too often, OBF policies sustain and increase the gap between the institutional haves and have-nots. Cleveland State and Central State universities have the smallest endowments, and the lowest endowments relative to their student populations of all of the four-year public colleges and universities in Ohio. Since the start of the policy, Ohio State University and the University of Cincinnati, which have the largest endowments, have also received the top two OBF allocations overall. In 2019, Ohio State's OBF allocation per student was three times the size of Central State's. In that same year, Ohio State's endowment was 1000 times the size of Central State's. On a positive note, Cleveland State's per-student funding is consistently around the institutional median, and its overall funding has increased between 2%-4% every year. However, the equity weights in Ohio's OBF model only amount to 2% of each institution's allocation. And 2% of 2% growth may be too small of a reward to incentivize change.



Equity Guidance: *Invest in increasing the capacity of under-resourced institutions.*

When an OBF policy fails to account for an institution's current context, institutional resources may be cut at the expense of students who need them most. Year after year, funding goes to the colleges that already have the most resources, while the colleges that enroll the majority of students from low-income backgrounds and students of color are left to do more with much less. Decisions such as these only perpetuate the longstanding racial and socioeconomic inequities that plague our higher education system.

TABLE 4: Ohio Four-Year Institutions With the Most and Least Resources

	YEAR BEFORE OBF				FIRST YEAR OF OBF				DATA FROM 2018-2019			
	END OF YEAR (EOY) ENDOWMENT ASSETS 2013	ENDOWMENT PER STUDENT	2013 ALLOCATION	FUNDING PER STUDENT	EOY ENDOWMENT ASSETS 2014	ENDOWMENT PER STUDENT	OBF 2014	OBF PER STUDENT	EOY ENDOWMENT ASSETS 2019	ENDOWMENT PER STUDENT	OBF 2019	OBF PER STUDENT
Ohio State	\$3,145,896,441	\$50,378	\$331,828,611	\$5,314	\$3,610,582,332	\$57,020	\$353,898,143	\$7,091	\$5,252,329,129	\$77,913	\$383,610,171	\$5,690
Cincinnati	\$1,045,849,164	\$28,267	\$156,581,998	\$4,232	\$1,183,922,443	\$31,288	\$181,224,117	\$6,674	\$1,452,598,001	\$35,513	\$212,730,073	\$5,201
Cleveland	\$7,441,212	\$431	\$64,989,002	\$3,761	\$7,626,068	\$436	\$68,006,777	\$5,605	\$7,427,103	\$462	\$77,139,375	\$4,801
Central	\$2,504,456	\$1,164	\$6,302,628	\$2,929	\$2,526,780	\$1,222	\$6,263,727	\$3,076	\$5,934,498	\$2,828	\$3,802,032	\$1,811

Source: Ohio Department of Higher Education; National Center for Education Statistics

Scenario: OBF & HBCUs

Ohio has set an ambitious attainment goal: By 2025, the state wants 65% of residents between the ages of 25-64 to hold a degree, certificate or other postsecondary credential. Only 26.5% of Black adults in Ohio meet this criterion; and that rate is 13.8% lower than the share of White adults in the state who do.¹³ The state needs to produce 7,497 more Black bachelor’s degree holders and 3,891 more Black associate degree earners to reach parity. Central State, Ohio’s only public historically Black college or university (HBCU), is uniquely positioned to help the state reach its attainment goal. The institution is 94% Black, and 83.3% of its students are Pell Grant recipients.

Since 2012, the institution’s funding has decreased in six of the last eight years. Studies show that the institution disproportionately loses funding under OBF.¹⁴ The institution saw its greatest cut in 2018, with allocations falling over 22%, even though there was no overall state funding decrease from the previous year. In each of those eight years, the institution received the smallest share of funding, garnering as little as .25% - .5% of the state’s annual higher education appropriations. It also got the lowest amount of funding per student in three of the six years of OBF (2019, 2018, 2014). In the other three years, the institution’s per-student funding level was still consistently lower than that of most other four-year institutions. In fact, the amount of per-student OBF received by Central State was less than the average amount of per-student OBF awarded to Ohio’s two-year institutions. In the last two years, community colleges of similar size actually received higher allocations than Central State, resulting in considerably lower funding per student.

TABLE 5: OBF at Central State Versus OBF at Similarly Sized Two-Year Institutions

	2017 -2018			2018-2019		
	TOTAL STUDENTS	OBF	PER-STUDENT FUNDING	TOTAL STUDENTS	OBF	PER-STUDENT FUNDING
Central State University	1,784	\$4,242,466	\$2,378	2,099	\$3,802,032	\$1,811
Four-Year Institution Average	24,675	\$115,597,822	\$4,335	25,014	\$115,655,774	\$4,322
Belmont College	1,150	\$4,496,526	\$3,910	982	\$4,520,720	\$4,604
Washington State Community College	1,821	\$5,320,400	\$2,922	1,797	\$5,492,607	\$3,057

Source: National Center for Education Statistics; Ohio Department of Higher Education

Though Ohio began a formal performance-based system based largely on course completions in 2008, the governor created the Ohio Higher Education Funding Commission in 2011 to purportedly be “representative of the complete Ohio higher education community.” However, of the 12 commission members, only two were Black, and none was Latino. While the commission included three community college presidents, the president of the state’s only public HBCU or minority-serving institution (MSI), Central State University, was not included in the coalition, even though Central State’s leaders had previously raised concerns about the earlier model. Their concerns were realized when the OBF allocations began.



Equity Guidance: *Diversify state officer ranks with equity advocates who are people of color and graduates of underrepresented institutions, like HBCUs and MSIs. Engage institutions that serve students from low-income backgrounds and students of color and seek their input on OBF design and changes.*



To design an OBF system that fosters equity, states must prioritize guidance and feedback from institutions that serve students from low-income backgrounds and students of color. When OBF metrics fail to consider the diverse missions and students of institutions, they end up disadvantaging the institutions that serve students from low-income backgrounds and students of color. With a focus on equity, OBF offers an opportunity to provide HBCUs and MSIs the funding they need to support their students.

In fact, the amount of per-student OBF received by Central State was less than the average amount of per-student OBF awarded to Ohio’s two-year institutions. In the last two years, community colleges of similar size actually received higher allocations than Central State, resulting in considerably lower funding per student.

TENNESSEE

Tennessee has employed performance-based funding approaches since 1979. The current iteration was adopted with the Complete College Tennessee Act of 2010. The state has OBF for both two-year and four-year institutions. Like Ohio, 100% of institutional appropriations are based on OBF. There are separate metrics for two-year and four-year institutions.

Two-Year Institutions

Two-year institutions are awarded funding based on the following metrics:

- Students Accumulating 12, 24, and 36 Hours
- Dual Enrollment
- Associate Degrees Awarded
- Certificates Awarded
- Job Placements
- Transfers Out With 12 Credit Hours
- Workforce Training
- Awards per 100 FTE

Tennessee provides premiums to all institutions for the outcomes of two “focus populations”: adult students and students from low-income backgrounds. Two-year institutions also receive a premium for the outcomes of academically underprepared students. However, there are no policies that center race.

Scenario: OBF & Free College

OBF does not operate in isolation of other state higher education policies. In 2015, Tennessee adopted a free college policy for high school students, called Tennessee Promise; in 2018, it added a similar program for adult students, called Tennessee Reconnect. Well-planned and well-implemented policies can be designed to work in tandem toward equity by targeting support for specific student populations and the institutions that serve them best. For example, Tennessee targets adult students through both free college and OBF policies. While the OBF policy explicitly incentivizes the success of Pell-eligible students, the state’s free college policies do not incentivize the enrollment of students from low-income backgrounds. Tennessee’s free college policies provide resources to community college students only after all other financial aid has been exhausted, which means students from low-income backgrounds whose Pell Grants already cover the cost of tuition receive no additional money, even though tuition is less than one-fourth the full cost of attending a community college.

In fact, Tennessee’s community colleges saw an increase in Pell-eligible students in the first years of OBF. The average enrollment increased from 41% in 2009-2010 to 47% the next year, the very first year of OBF. As overall enrollment fell, so did the share of Pell recipients. By the time free college policies were adopted in 2015 and 2018, average Pell enrollment at two-year institutions had declined to 42% and 39% respectively. **Had there been better planning and foresight, a free college policy that provided additional resources to low-income students might have bolstered their enrollment.**

TENNESSEE

TABLE 6: Changes in Pell Enrollment in Tennessee Two-Year Institutions After OBF

	2009-2010		2010-2011		2011-2012		2012-2013		2013-2014		2014-2015		2015-2016		2016-2017		2017-2018	
	# Pell	% Pell																
Southwest Tennessee	6998	54	7517	56	7764	60	7485	60	6282	58	5927	58	4998	54	4517	53	5071	55
Northeast State	2925	47	3660	54	3526	54	3332	52	2697	46	2902	50	2791	46	2504	41	2703	45
Nashville State	3275	37	4110	42	4893	50	4787	48	5021	50	5021	50	4833	47	3970	45	3601	44
Walters State	2828	41	3171	45	3020	45	2811	43	2550	41	2357	39	2921	49	2207	37	2476	41
Roane State	2591	41	3194	46	3212	47	3173	48	2811	45	2579	43	2524	43	2279	39	2279	40
Dyersburg State	1673	50	2055	56	2022	55	1822	52	1583	49	1281	45	1173	42	1082	39	1100	39
Chattanooga State	3861	41	5125	49	5162	49	4944	49	4566	46	4141	44	3969	42	3384	39	3207	38
Jackson State	2193	43	2581	48	2505	51	2181	49	2026	44	1856	38	1741	37	1833	39	1796	38
Volunteer State	2908	34	3761	42	3618	42	3170	39	3029	37	2823	37	2982	37	3120	36	3151	36
Cleveland State	1473	41	2071	55	1994	53	1778	49	1681	45	1558	44	1418	40	1272	38	1094	36
Columbia State	1961	35	2262	40	2369	43	2283	43	2201	42	2052	40	2100	40	1872	33	2110	35
Pellissippi State	3552	34	4459	40	4749	41	4418	41	4194	39	3525	34	3314	32	3159	30	3398	30
Motlow State	1500	30	1681	32	1710	35	1445	31	1411	29	1289	27	1602	31	1749	30	1948	30
Average	2903	41	3511	47	3580	48	3356	46	3081	44	2870	42	2797	42	2534	38	2610	39

Source: National Center for Education Statistics

In 2020, the average Tennessee Promise recipient was a White female whose parent(s) or guardian(s) had attended college and had an adjusted gross income of \$53,500 and an expected family contribution of \$3,900. Tennessee Promise had less participation among Black and Latino students than White students. In 2017, 71% of eligible White students enrolled in the Tennessee Promise program, but only 46% of eligible Black students and 56% of eligible Latino students took part.¹⁵ Though the proportion of Latino Tennessee Promise students steadily rose from 3.5% in the first year to 6.4% in 2020, the trend for Black students decreased slightly. As states plan to adopt or amend OBF policies, they should consider how they can use other policies on attainment goals, free college, and other need-based aid, to close equity gaps for students from low-income backgrounds and students of color.

Scenario: Addressing Race Explicitly

Before 2015, Tennessee applied premiums to the outcomes of two focus populations: adult students and students from low-income backgrounds. After revisions, the state added premiums for academically underprepared students at two-year institutions. Tennessee has not incentivized the enrollment or success of students of color. When asked about racial equity, many states and institutions point to the premiums for students from low-income backgrounds. However, income is not a substitute for race. One study showed that OBF helped improve early credit accumulation and certificate and degree completion for full-time Pell-eligible students at community colleges.¹⁶ Yet the same study showed that OBF only improved certificate completion for full-time students of color at community colleges. The study showed a decrease in the size of that impact over time, and no impact on other outcomes.



DESIGN
STEP 3

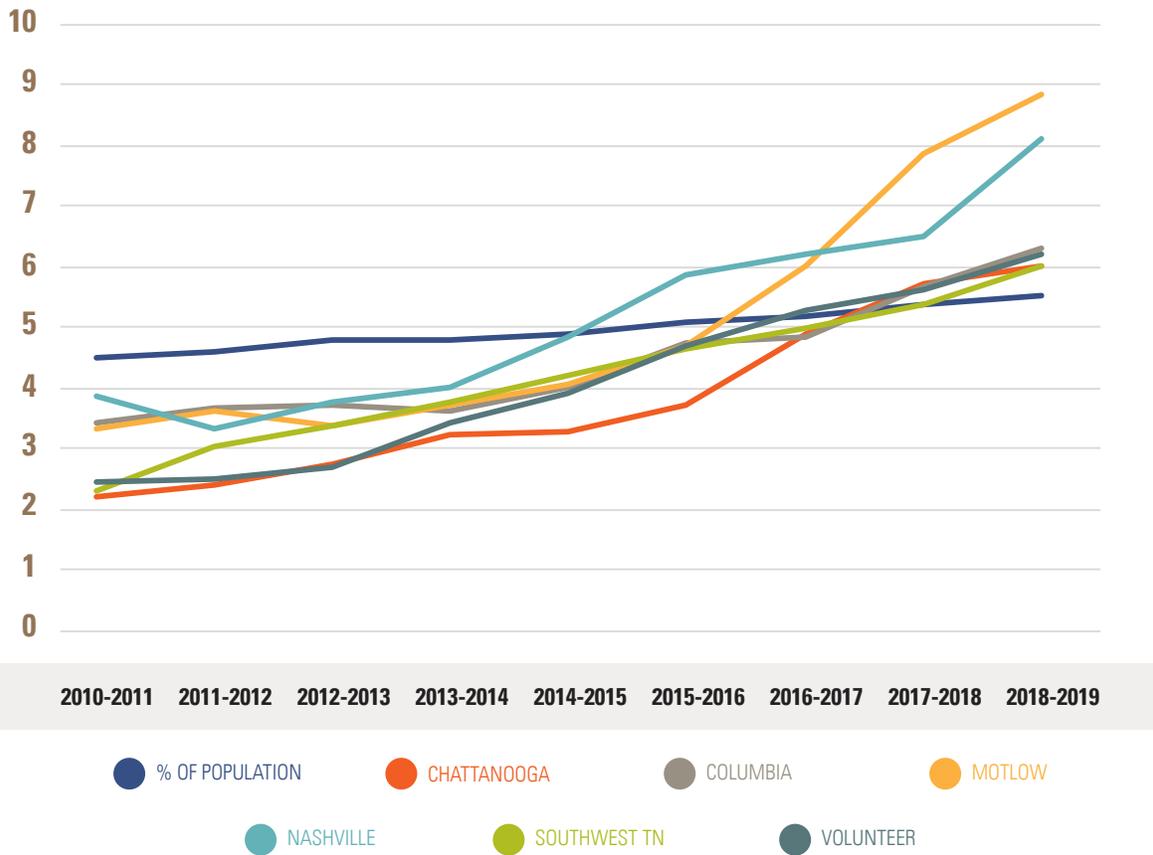
Equity Guidance: *Use equity metrics that are inclusive of race.*

Metrics that focus on enrollment and completion are mostly uncontroversial and apolitical. States have to address gaps in racial enrollment and attainment head on. An equity-focused OBF policy must be race-conscious.¹⁷ While most states have some measure that focuses on students from low-income families, states are still hesitant to explicitly address race. By including metrics on students of color, OBF policies would not only measure but incentivize the enrollment and success of those students.

Scenario: Latino Student Access & Success

Tennessee's two-year institutions have considerably improved Latino student access and success. According to census data¹⁸, Tennessee's Latino population increased from 4.5% in 2010 to 5.5% in 2018. Before 2015, none of the two-year institutions was representative of the growing Latino population and none kept up with the growing population. In 2015, Nashville State Community College became the first two-year institution to serve a representative share of Latino students. In 2019, six of Tennessee's two-year institutions enrolled a share of Latino students that was equal or greater than the share of Latino residents in the state. Additionally, despite a slight dip in 2013, the average share of Latino community college completions has consistently increased every year since.

FIGURE 4: Changes in Latino Student Enrollment at Select Two-Year Institutions in Tennessee



	% OF POPULATION	CHATTANOOGA	COLUMBIA	MOTLOW	NASHVILLE	SOUTHWEST TN	VOLUNTEER
2010-2011	4.5	2.2	3.43	3.33	3.87	2.31	2.43
2011-2012	4.6	2.42	3.66	3.61	3.33	3.04	2.5
2012-2013	4.8	2.76	3.72	3.38	3.75	3.39	2.68
2013-2014	4.8	3.23	3.6	3.73	4.02	3.78	3.42
2014-2015	4.9	3.29	4.03	4.04	4.83	4.18	3.93
2015-2016	5.1	3.7	4.72	4.68	5.84	4.62	4.68
2016-2017	5.2	4.87	4.82	6.01	6.21	5	5.27
2017-2018	5.4	5.74	5.69	7.87	6.49	5.37	5.62
2018-2019	5.5	6.02	6.3	8.84	8.1	6.02	6.22

Source: National Center for Education Statistics

TABLE 7: Changes in Latino Enrollment and Completion Across Tennessee’s Two-Year Institutions

	2010-2011		2011-2012		2012-2013		2013-2014	
	% LATINO	% LATINO ASSOCIATE DEGREES						
INSTITUTIONAL AVERAGE	2.36%	2.55%	2.59%	2.68%	2.32%	2.99%	2.78%	

	2015-2016		2016-2017		2017-2018		2018-2019	
	% LATINO	% LATINO ASSOCIATE DEGREES						
INSTITUTIONAL AVERAGE	3.73%	3.12%	4.10%	4.01%	4.66%	4.39%	5.18%	4.55%

Source: National Center for Education Statistics

Four-Year Institutions

Four-year institutions are awarded funding based on these seven metrics:

- Students Accumulating 30 Hours
- Students Accumulating 60 Hours
- Students Accumulating 90 Hours
- Bachelor’s and Associate Degrees
- Master’s/Ed. Specialist Degrees
- Doctoral/Law Degrees Research, Service, and Sponsored Programs
- Six-year Graduation Rate Degrees per 100 FTE

Tennessee’s OBF model employs a number of measures to prevent volatility and sharp funding fluctuations. First, the state agreed not to make drastic changes for five years to give institutions enough time to understand the policy, adjust to new reporting requirements, and evaluate the impact on their budget and students. This adjustment period is particularly important for under-resourced institutions that may have a limited capacity for institutional research or strategic planning. Second, Tennessee’s annual allocations are based on institutions’ average performance over the previous three academic years. This allows appropriations to reflect gradual changes and encourages sustained growth.



Equity Guidance: *Hold institutions harmless in initial or transition years and match previous funding from the last year. Avoid instability and approach funding cuts (if unavoidable) with equity.*



Tennessee embodied the spirit of these recommendations from the start. As states consider changing OBF in response to lost tax revenues from the COVID-19 pandemic, they should revisit these strategies to foster stability and smooth transitions.

Scenario: Equity in the Calculation Process

Each state calculates OBF allocations in its own unique way. Numbers are crunched using weights, points, percentages, and other methods, then compared with institutions’ performance across the state.

FIGURE 5: Tennessee OBF Calculation Process



Source: [Tennessee Higher Education Commission](#).

In Tennessee, each institution’s outcomes production is compared to that of its peers, and those comparisons are used to determine each institution’s total OBF appropriations share. For example, if most of the four-year institutions improved their six-year graduation rate, those that improved most would receive a greater share of total funding, while those that lagged behind might receive a smaller share. However, institutions’ shares remained largely the same from 2010 to 2017, with the larger, well-resourced institutions getting the bulk of the funding. Institutions’ funding shares were in closer alignment in 2018 and 2019, and funding across institutions was nearly equal in 2020.



Equity Guidance: *Reward institutions for incremental progress toward larger goals.*

Peer comparisons of indicators like enrollment, shares of undergraduates from low-income families, shares of part-time students, selectivity, funding or financial resources, and instructional spending can be used to set goals. Institutions should be rewarded for incremental progress toward these goals so they have the funding to sustain and expand their efforts.

TABLE 8: Changes in the Share of OBF at Four-Year Institutions in Tennessee

	2010 SHARE OF OBF	2011 SHARE OF OBF	2012 SHARE OF OBF	2013 SHARE OF OBF	2014 SHARE OF OBF	2015 SHARE OF OBF	2016 SHARE OF OBF	2017 SHARE OF OBF	2018 SHARE OF OBF	2019 SHARE OF OBF	2020 SHARE OF OBF
UT-Knoxville	28.75%	28.77%	29.07%	29.91%	30.38%	30.34%	30.28%	30.37%	13.94%	14.05%	11.02%
University of Memphis	18.36%	18.43%	18.19%	17.66%	17.44%	17.53%	17.58%	17.47%	11.34%	11.62%	11.07%
Middle Tennessee State	14.27%	14.18%	14.15%	13.86%	13.98%	13.73%	13.57%	13.31%	9.86%	9.75%	11.15%
East Tennessee State	9.12%	9.13%	9.05%	9.13%	8.85%	8.89%	8.90%	8.95%	9.26%	9.10%	11.37%
Tennessee Tech	7.17%	7.18%	7.22%	7.09%	6.76%	6.52%	6.63%	6.62%	10.64%	10.71%	11.11%
UT-Chattanooga	6.69%	6.69%	6.59%	6.51%	6.67%	7.04%	7.24%	7.39%	12.02%	12.04%	11.10%
Tennessee State	5.71%	5.68%	5.65%	5.62%	5.43%	5.24%	4.99%	4.96%	10.11%	10.12%	11.05%
Austin Peay State	5.12%	5.14%	5.27%	5.54%	5.70%	5.88%	6.05%	6.17%	8.76%	8.46%	11.29%
UT-Martin	4.81%	4.81%	4.80%	4.67%	4.79%	4.82%	4.78%	4.75%	14.08%	14.17%	10.86%

Source: Tennessee Higher Education Commission

Scenario: Campus Climate

Changes in student and faculty diversity and how states calculate these figures for the purposes of OBF scores are important. Some states use the change in percentage of students to calculate improvement. If one looks only at percentages, Black student enrollment appears to increase at Middle Tennessee State University (MTSU) from 2010 to 2016. The actual number of students, however, shows an overall decline in Black student enrollment from 2013-2018. The use of percentages instead of numbers can mask reality, giving the appearance of closing equity gaps without actually increasing access.

TABLE 9: Representation of Black Students and Faculty at MTSU

	OBF ALLOCATION	# BLACK STUDENTS	% BLACK STUDENTS	# BLACK FACULTY	% BLACK FACULTY
2010-2011	\$69,326,704	4280	16.19%	NA	NA
2011-2012	\$69,455,296	4577	17.31%	69	7.59%
2012-2013	\$71,297,400	4621	18.20%	66	7.24%
2013-2014	\$72,549,400	4638	19.42%	61	6.87%
2014-2015	\$73,796,704	4407	19.39%	60	6.73%
2015-2016	\$77,569,904	4482	19.91%	61	6.80%
2016-2017	\$78,049,104	4241	19.35%	65	7.14%
2017-2018	\$80,051,504	3970	18.35%	64	6.93%

Source: National Center for Education Statistics

Middle Tennessee State University also provides a good mini-case study on campus racial climate. In 1958, a building on the MTSU campus was named after Confederate General Nathan Bedford Forrest. The university announced in June 2015 that it would engage with the community on changing the name. After convening a task force, the Tennessee Board of Regents supported MTSU’s decision to rename the building in 2017, but in 2018, the Tennessee Historical Commission denied the institution’s petition. The institution would have had to pay external legal counsel in order to appeal and decided not to. State agencies should work with institutions, and not against them, to foster a positive campus racial climate.



DESIGN
STEP 7

Equity Guidance: *Incentivize a positive campus racial climate. Provide technical assistance to better address and plan for equity issues.*



IMPLEMENTATION
STEP 4

In 2005, the MTSU President’s Commission on the Status of Women administered assessments of the campus climate to undergraduate students and faculty. Selected survey items and findings are included below. States can use similar instruments to collect data and set benchmarks for improvement. States can also provide technical assistance and set OBF metrics for other measures of campus climate, such as faculty and administrator diversity.

SELECTED SURVEY ITEMS AND FINDINGS**FROM MTSU'S STUDENT ASSESSMENT OF CAMPUS CLIMATE*****"I feel that there are enough faculty or administrator role models for me at MTSU."***

- Although 60.2% agree or strongly agree, there is a significant difference ($p=.006$) between Whites and all other race/ethnic identifications (Whites - 62.7%; all others - 49.7%). Again, Native Americans and African Americans/Blacks most likely not to agree.

"How often have you been treated unfairly at MTSU because of your race/ethnicity?"

- Mean = 3.56, median = 4
- Most students reported never (72%) and only 3.2% reported often. These percentages did differ (p -value .000) by minority status - 76.9% Whites said never, while minorities reported 38.2% never and 9.7% often.

"How often have you been harassed at MTSU because of your race/ethnicity?"

- Mean = 3.85, median = 4
- Although 90% of the students reported this never happened to them, as one might expect, fewer minority students reported never (74%).

"Students of different racial and ethnic backgrounds participate equally in classroom discussion and activities at MTSU."

- Mean = 2.39, median = 2
- Most students agree or strongly agree (65%), but more Whites are positive (67%) than are minorities (51%).

"In the past year, how often have you attended non-classroom programs or activities about the history, culture, or social concerns of various racial and ethnic groups?"

- Similarly, only 14% reported having attended such events, while 35% were unaware of their opportunities.

"In the past year, how often have you made a derogatory statement or joke about a person's racial identity?"

- Overall, most students reported never making such negative statements or jokes (82%).

The climate at MTSU, in general, is...

- Nearly 88% think MTSU is non-racist.
- Mean = 2.15 and median = 2
- Minorities are less likely to think MTSU is non-racist, particularly Asians and Native Americans (approx. 44% and 46% respectively).

Scenario: Quality Assurance Funding

Tennessee's Quality Assurance Funding was the state's original performance funding policy, and has been in operation for over 30 years. The policy allows institutions to receive bonus funding based on progress toward their respective five-year plans. Institutions can get additional funding that amounts to up to 5.45% of the institution's state funding. Each public institution can select metrics that fall under the following areas:

- Academic Programs
- Institutional Satisfaction Study
- Adult Learner Success
- Tennessee Job Market Graduate Placement
- Student Access and Success

QAF is the only the only Tennessee funding policy that provides space to incentivize the enrollment and success of students of color. QAF allows institutions to choose five populations on which to focus particular attention and resources throughout the five-year QAF cycle.

**Equity Guidance:** *Make equity metrics mandatory.*

While students from low-income backgrounds and underrepresented students (by race and ethnicity) are the most common focus populations selected by colleges and universities, QAF metrics are not mandatory. As optional metrics for bonus funding, any emphasis on race is not a core part of an institution's base funding, but it should be.

CONCLUSION: ADVOCATING FOR EQUITY

While this report focuses on equity for Black students, Latino students, and students from low-income backgrounds, we honor their intersectionality and are fully aware of the ways in which other identities may act as additional barriers to participating in higher education. OBF offers an opportunity to target support for students who are marginalized in various ways.

In Illinois, Young Invincibles has advocated for changes to admissions and financial aid policies, including pushing for legislation to allow four-year universities to provide financial aid to undocumented students. Illinois and other states can break down barriers for undocumented students by not only offering them in-state tuition rates, but by including them in free college programs, and Illinois and others can support institutions that enroll these students by rewarding their enrollment through OBF. In Tennessee, Conexion Americas has been a leading partner in this work, advocating on behalf of students at the state level and providing resources such as a list and map of undocumented-friendly schools in Tennessee, resources on college affordability, including links to national scholarship databases for undocumented and DACAmented students, and information for educators.

States can also use OBF to eliminate barriers for currently incarcerated students. Currently incarcerated students are one of six special populations prioritized in Wisconsin's OBF policy. In Tennessee, this work is being led by the Tennessee Higher Education in Prison Initiative. This organization administers accredited, credit-bearing programs in two correctional facilities. Advocates like THEI and others can push the state to include equity metrics for currently incarcerated students, providing Nashville State Community College and Dyersburg Community College with the funding necessary to make coursework accessible and affordable for these students. A path forward could also include incentives for four-year institutions to offer programs to currently incarcerated students.

Many states have made strides toward fostering equity for students of color and students from low-income backgrounds. These measures and the gains they've made possible should not be abandoned, especially as decision-makers consider how to budget after-tax revenue losses due to the COVID-19 pandemic. Instead, states can double down on equity by using OBF to foster stability, invest in underfunded institutions, and ensure that institutions are using funds to support access and success of students who need it most.

ENDNOTES

1. Carnevale, A. P., & Van Der Werf, M. (2017). Selective colleges can afford to admit more Pell grant recipients: The 20% solution, <https://cew.georgetown.edu/cew-reports/pell20/>
2. Jones, T., & Berger, K. (2019). *Aiming for equity: A Guide to statewide attainment goals for racial equity advocates*. The Education Trust. <https://s3-us-east-2.amazonaws.com/edtrustmain/wp-content/uploads/2019/01/08151345/Aiming-For-Equity.pdf>; Jones, T., & Nichols, A. H. (2020). *Hard Truths: Why Only Race-Conscious Policies Can Fix Racism in Higher Education*. Washington, DC: Education Trust. <https://edtrust.org/resource/hard-truths/>
3. Strumbos, D. & Zineta Kolenovic, Z., & (2017). ASAP evaluation brief: January 2017 Six-Year Outcomes of ASAP Students: Transfer and Degree Attainment. http://www1.cuny.edu/sites/asap/wp-content/uploads/sites/8/2017/01/201701_ASAP_Eval_Brief_Six_Year_Outcomes_FINAL.pdf
4. Jones, T., & Assalone, A. (2016). *Not Just Faster: Equity and Learning Centered Developmental Education Strategies*. Atlanta, GA: Southern Education Foundation.
5. Kolodner, M. (2018 Feb 5). A program helps low-income parents graduate at twice the rate of other community college students. *Hechinger Report*. <https://hechingerreport.org/program-helps-low-income-parents-graduate-twice-rate-community-college-students/>
6. Illinois Board of Higher Education. (June 2018). *Examining the Relationship between State Appropriation Support and Tuition* (IBHE DataPoints 2018-8). Springfield, IL.
7. Illinois Board of Higher Education. (2020). *Equity Data Shows Minority Women Faring Better Than Men in College, But Not in Hiring Salaries.* https://www.ibhe.org/pdf/2020.09.15_IBHE_Equity_Data_Release.pdf
8. Kelchen, R., & Stedrak, L. J. (2016). Does performance-based funding affect colleges' financial priorities? *Journal of Education Finance*, 41(3), 302-321.
9. Illinois Board of Higher Education. (2018). *Fiscal Year 2020 Higher Education Budget Recommendations*. https://www.ibhe.org/assets/files/FY20_Budget_Book.pdf
10. Hillman, Nicholas W., David A. Tandberg, and Alicia H. Fryar. (2015). Evaluating the Impacts Of 'New' Performance Funding in Higher Education. *Educational Evaluation and Policy Analysis* 37 (4): 501–19. <http://doi.org/10.3102/0162373714560224>, 2015. See also: Li, Amy Y, and Justin C Ortagus. n.d. "Raising the Stakes: Impacts of the Complete College Tennessee Act on Underserved Student Enrollment and Sub-Baccalaureate Credentials." Working paper. See also: Hillman, Nicholas W., Alisa Hicklin Fryar, and Valerie Crespín-Trujillo. Evaluating the Impact of Performance Funding in Ohio and Tennessee. *American Educational Research Journal* 55 (1): 144–170. <https://doi.org/10.3102%2F0002831217732951>
11. United States Census Bureau. American Community Survey. https://data.census.gov/cedsci/table?q=All%20places%20in%20Ohio%20Race%20and%20Ethnicity&tid=ACSDT1Y2018.B02001&vintage=2018&layer=VT_2018_160_00_PY_D1&cid=DP05_0001E
12. Nichols, A. H., & Evans-Bell, D. (2017). *A Look at Black Student Success*. The Education Trust. <https://edtrust.org/resource/blackstudentsuccess/>
13. Nichols, A. H., & Schak, O. (2019). *Broken mirrors: Black student representation at public state colleges and universities*. The Education Trust. <https://edtrust.org/resource/broken-mirrors-black-representation/>
14. Hillman, N. W., & Corral, D. C. (2018). The equity implications of paying for performance in higher education. *American Behavioral Scientist*, 61(14), 1757-1772. <https://doi.org/10.1177%2F0002764217744834>
15. Tamburin, A. (2017, September 21). Tennessee Promise Students More Likely to Succeed in College, Less Likely to Drop Out, New Data Shows. *The Tennessean*. <https://www.tennessean.com/story/news/education/2017/09/21/tennessee-promise-students-more-likely-succeed-college-less-likely-drop-out-new-data-shows/690091001/>
16. Callahan, M. K., Meehan, K., Shaw, K. M., Slaughter, A., Kim, D. Y., Hunter, V. R., Lin, J., & Wainstein, L. (2017). Implementation and impact of outcomes-based funding in Tennessee. Research for Action. https://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2017/07/RFA-OBF-in-Tennessee-Full-Brief_updated-July-2017.pdf
17. Jones, T., & Nichols, A. H. (2020). *Hard truths: Why only race-conscious policies can fix racism in higher education*. The Education Trust. <https://edtrust.org/resource/hard-truths/>
18. United States Census Bureau. American Community Survey. <https://data.census.gov/cedsci/all?q=Populations%20and%20People&tid=ACSST1Y2018.S0101>



The Education Trust

Our Mission

The Education Trust is a national nonprofit that works to close opportunity gaps that disproportionately affect students of color and students from low-income families. Through our research and advocacy, EdTrust supports efforts that expand excellence and equity in education from preschool through college; increase college access and completion, particularly for historically underserved students; engage diverse communities dedicated to education equity; and increase political and public will to act on equity issues.

1501 K STREET, NW, SUITE 200, WASHINGTON, D.C. 20005

P 202-293-1217 F 202-293-2605 WWW.EDTRUST.ORG