Funding Equity Analysis – Emerging Best Practices

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Overview

1. Framing the Need
2. Techniques for Analysis
3. Policy Perspective
Institutional Resources Impact Student Outcomes

State funding and total revenue directly affect enrollment, retention, and completion rates at public institutions.

- Inequality ≠ inequity
- Unequal funding may be necessary but problems emerge when it harms an institution’s ability to serve certain students

Opportunity for Analysis

State finance audits can be used to identify inequality and inequities in funding for higher education.

Federal interest; required in *Build Back Better*; funding per student with analysis by type of institution; helpful guidance

No consensus on how to define, measure, or redistribute resources equitably
Inverse relationship between enrollment of underrepresented students and resources available

Could create challenges for institutions to support students through completion

Calculations by The Institute for College Access and Success (TICAS) using IPEDS data.
Conducting a State Finance Equity Audit

Determine metrics and measures
- Clear and informative data points disaggregated by race/ethnicity and other characteristics

Analyze data on finance measures
- Determine how differences in state funding are distributed based on demographics; consider other measures

Policy Assessment
- Assess how finance policies affect students and outcomes; communicate findings to inform policy

Focus on stakeholder engagement and transparency
Determining Metrics and Analyzing Data

What finance measures to use?
- Education and related expenditures
- State and local appropriations
- Totals versus per-student

How to identify highest/lowest funded institutions?
- Rank analysis
- National versus state-specific

How to examine inequitable distribution of funding?
- Racial/ethnic student enrollment by rank
- Socioeconomic enrollment by rank
Measuring Financial Inequality and Inequity

Method 1: Gini Coefficient:
Index describing the equity of a funding distribution
0 = perfect equality
1 = perfect inequality

Method 2: Funding Quintiles by Race:
Are students from different racial groups more or less likely to attend well-resourced institutions?

Applications in higher education:
- State and local appropriations
- Education and related expenditures (instruction, student support)
- Could be used with other revenue and expenditure categories
Gini Coefficients, Louisiana

Gini Coefficients of Financial Variables, Louisiana

- 0 = perfect equality
- 1 = perfect inequality
- Inequality is fairly stable for four-years, decreasing for two-years
- Measures per 12mo headcount
Gini Coefficients, Oregon

- **0** = perfect equality
- **1** = perfect inequality
- Similar levels of equality for two-years and four-years
- Inequality in expenditures at four-years has slightly increased; but inequality in appropriations have slightly decreased
• ~37% of Black students attend an institution in the bottom 2 quintiles, compared to ~26% of white students

• ~42% Black students attend top 2 quintiles, compared to ~52% White students
• ~47% of Black students attend an institution in the bottom 2 quintiles, compared to ~47% of white students

• ~16% Black students attend top 2 quintiles, compared to ~22% White students
Policy Perspective

- An equal funding distribution infers an entirely enrollment-based allocation; no equity mechanism

- Reframes equity; from formula mechanism to resource adequacy; are institutions receiving the resources needed to effectively serve underrepresented students?

- Lag in timing between changes to funding formula and impact on student outcomes can make this useful to assess formula design
Stakeholder Engagement

• Engaging stakeholders throughout the process is important to achieving the consensus needed for policy change.

• The level of transparency is dependent upon circumstance (example – workgroup process with recommendations and data made public).

What does equitable mean? Impact on funding formula?

Is other, related policy work needed?

If funding is intentionally unequal, how will it help close achievement gaps?
Moving Forward

2022
Proof of concept with three states

2023-2024
Larger learning community process to develop a suite of solutions and practices

2025
Continued evolution with toolkits, technical resources, and additional support

Destination

Develop equitable state funding policies to reduce student achievement inequities
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• ~40% of Black students attend an institution in the bottom 2 quintiles, compared to ~25% of white students
• ~40% Black students attend top 2 quintiles, compared to ~57% White students
• ~57% of Black students attend an institution in the bottom 2 quintiles, compared to ~46% of white students

• ~45% Black students attend top 2 quintiles, compared to ~47% White students