Strategy Labs Outcomes Based Funding

March 17, 2017

STRATEGY LABS

State Policy to Increase Higher Education Attainment

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Relentlessly Focused on Attainment

STRATEGY LABS
State Policy to Increase Higher Education Attainment

60%

of adults with high quality degrees or credentials by the Year 2025

STRATEGY LABS

State Policy to Increase Higher Education Attainment

Lumina's vehicle for higher education system change

Strategy Labs are an open platform for leaders and influencers in all 50 states to share research and data, encourage peer learning and provide opportunities for on-request support from Lumina Foundation and its state policy partners.

Strategy Labs Support

- Technical assistance and consulting support is provided to state leaders working to increase higher education attainment in their states.

- Four types of support
  – Non-Partisan, Evidence-Based Policy Expertise
  – Convening and Facilitation
  – Advising Policymakers
  – Research

Lumina State Policy Agenda

Guidepost to Advance Goal 2025

- Focused on student-centered, outcomes-based postsecondary education systems and
- Increased capacity to reach more students

Four Core Elements

State Commitment

Strategic Finance

Affordability

Innovation

Strategic Finance

Invest in Talent Development

- Design and coordinate a **statewide strategic finance plan** to improve college affordability, reduce costs, and increase demand for—and supply of—new, lower-priced paths in which all learning counts toward meaningful credentials.

Prioritize Student Outcomes

- Adopt and sustain an **outcomes-based funding** model that allocates a significant portion of the state's core source of operating support toward the completion of credentials, particularly for African American, Hispanic, and American Indian students and adults and people from low-income families.
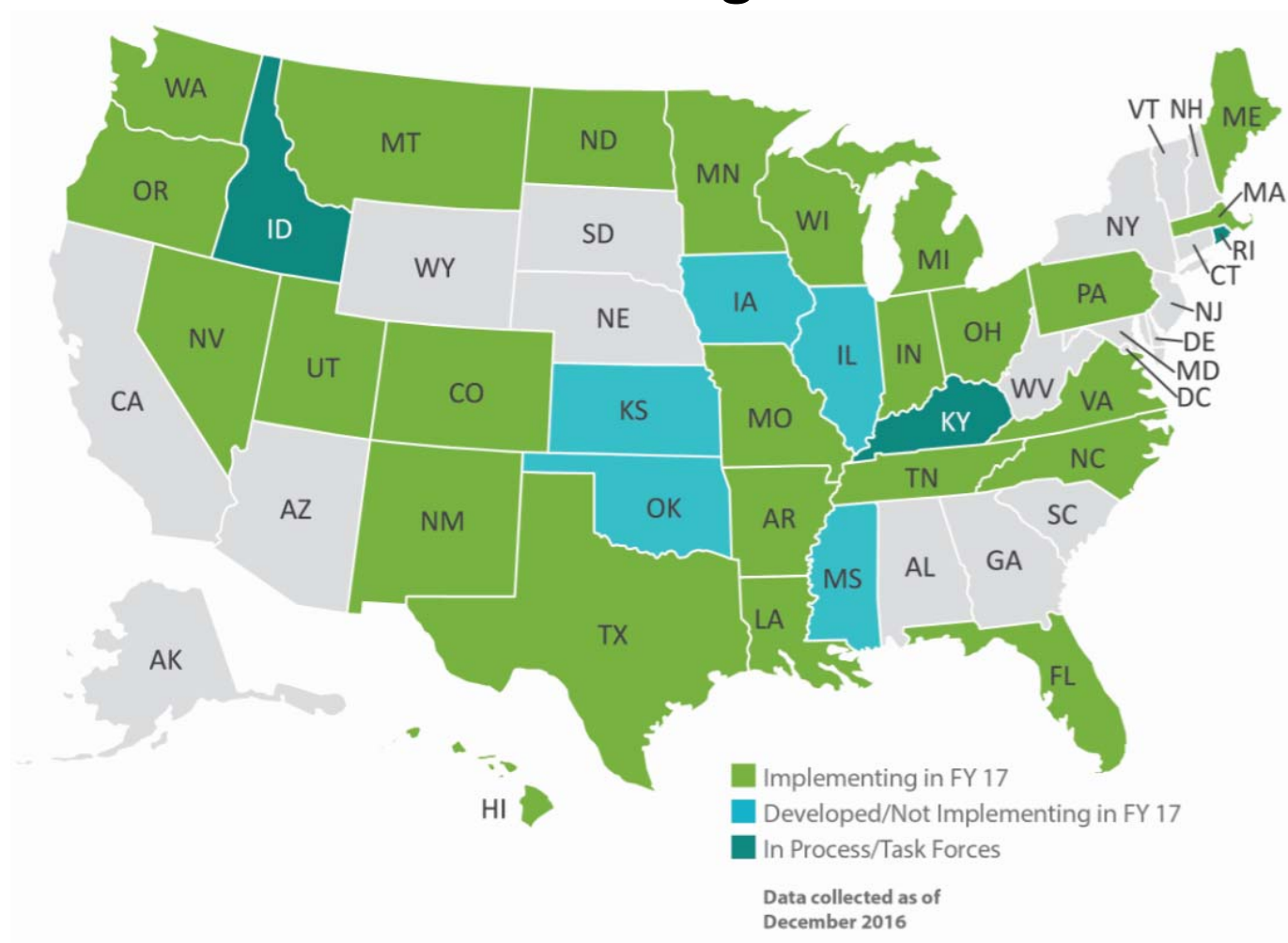
Statewide Strategic Finance Plan

- Gap analysis (relative to attainment goal)
  - What populations are being served?
  - What credentials are being produced?
  - What resources are available? Who and what they are supporting?

- Inventory and analysis of federal, state, local and employer resources

- Framework for analysis of policy options and investments
  - Affordability diagnosis
  - Leveraging and directing resources to close identified gaps
  - Options for expanding capacity of system: new funding sources; new credential pathways; alternative providers

OUTCOMES-BASED FUNDING

States Developing and Implementing Outcomes-Based Funding Models

Implementing in FY 17
Developed/Not Implementing in FY 17
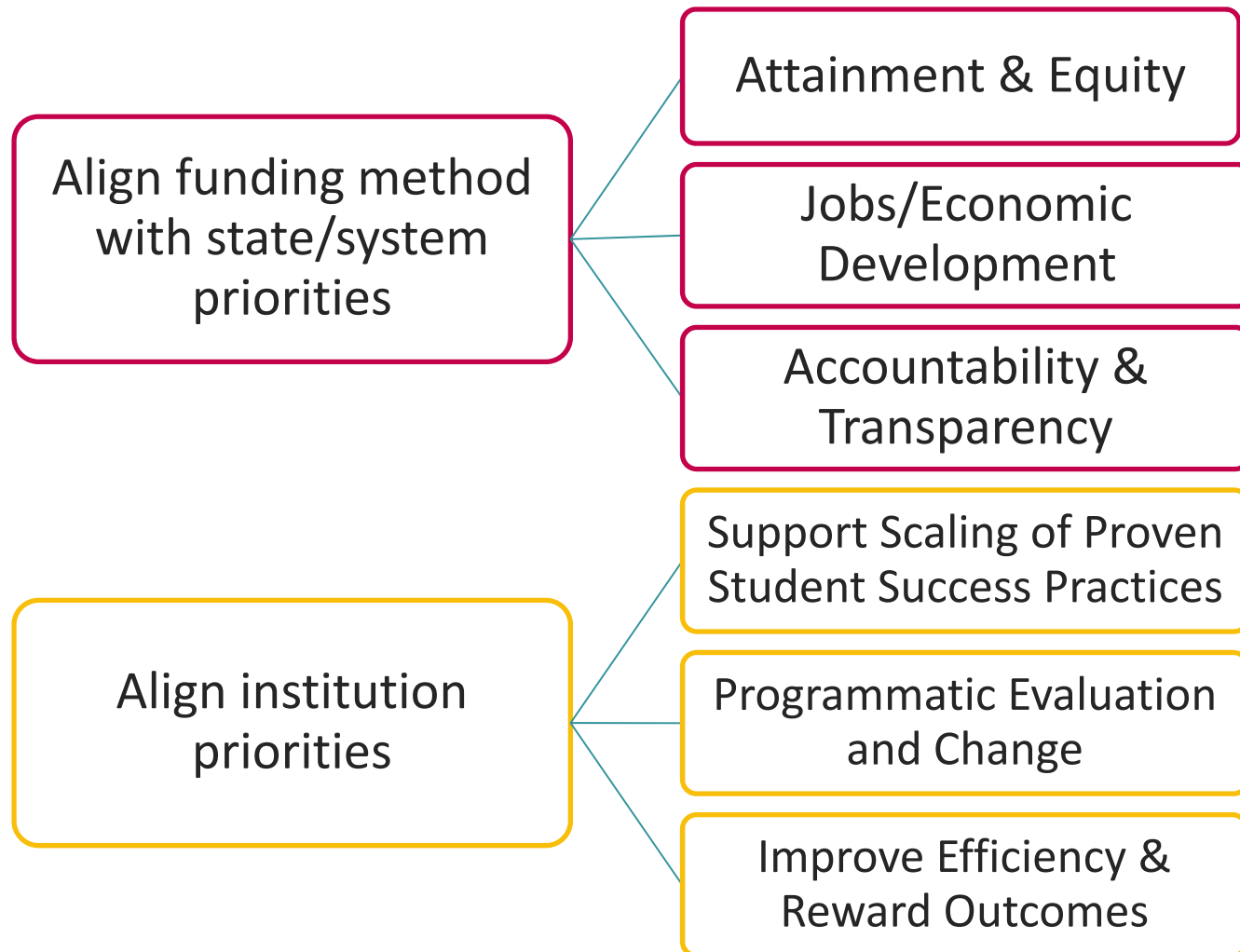In Process/Task Forces

Data collected as of December 2016

Wide Variation Among OBF Models

Elements of strong models:

- Linked to an attainment or completion goal
- Stable and formula-driven
- Level of funding is sufficient to drive institutional change
- Includes all public institutions
- Differentiates metrics across sectors
- Includes degree/credential completion
- Prioritizes underserved students
- Sustained over consecutive years

Policy Rationale for Funding for Outcomes

Align funding method with state/system priorities
- Attainment & Equity
- Jobs/Economic Development
- Accountability & Transparency

Align institution priorities
- Support Scaling of Proven Student Success Practices
- Programmatic Evaluation and Change
- Improve Efficiency & Reward Outcomes

Design Principles for Outcomes-Based Funding

Begin with a state goal/clear policy priorities	Use a simple approach	Include only measurable metrics
Incent success of typically underrepresented students	All public institutions included, reflect mission	Seek Stakeholder Input
Make the money meaningful	Phase-in (≠ Hold Harmless)	Plan to evaluate

Funding Associated with OBF Models

- Wide variation in funding in scope, structure and sophistication in state funding models

- Outcomes funding formulas are generally comprised of five components:
  - Student progression/momentum
  - Completion and outcomes
  - Efficiency
  - Mission funding
  - Priority funding

Challenges for States

- ## Development
  - Engaging stakeholders/securing commitment
  - Technical sophistication
  - Balance limited metrics with different institutional missions

- ## Implementation
  - Date and level of implementation not specified from outset
  - Perpetual pilot

- ## Sustainability
  - New dollars only

Role for Policymakers: Establish Framework

1. Goals & priorities the model will support
    - ✓ Attainment & Equity

2. Timeline for development & implementation

3. Funding amounts & source

4. Establish parameters for stakeholder input

Details Developed by Stakeholders

1. Guiding principles for development

2. Review data and choose initial metrics

3. Model various formula options

4. Implementation/phase-in options

5. Finalize recommendations

Communicate and Support Implementation

- State Level: Policy should be communicated within context of broader state attainment and equity goals; as a tool to align state finance model with these goals and outcome priorities.

- Campus Level: Campus leaders should connect OBF model with existing student success efforts and how it reinforces these efforts or allows them to be brought to scale.

Prior Research: Primarily Focused on Early Performance-Based Policies

- ## Qualitative Research
  - Numerous studies by Kevin Dougherty, et al.
  - Intermediate effect of earlier (PBF) models
    - Institutions respond to financial incentives
    - Programmatic (accelerates implementation of programmatic reforms)
    - Policy/Student Support Services
    - Concerns: Quality & Unintended Consequences (Limiting access)

- ## Quantitative Research
  - Attempts to look at affects of funding policies on student outcomes
  - Limitations:
    - Do not distinguish across state policies (intent, design, significance of funding)
  - Findings:
    - Sustainability of policy matters
    - Highlights need to focus on underserved student populations

Research for Action: IN and TN

- Full-time students do significantly better under OBF in terms of:
  - Credit accumulation in both 2- and 4-year sectors (TN)
  - Certificate completion (TN)
  - Degree completion in both the 2-year (TN) and 4-year (IN, TN) sectors
  - Declaring and obtaining a high impact degree in the 4-year sector (IN)
  - Significant positive impact on many of these metrics for full-time Pell and URM students.

- Areas of concern
  - Negative or no impact on part-time students

Key Questions / Next Steps

- What are the goals and priorities a funding model should address? What does this mean for state, institutions, students?

- Where does the funding model discussion fit relative to other policies, programs, and strategies being considered by the task force?

- How can the state best align the full scope of financial resources to attainment and equity needs?

- What supports or resources would be most helpful to the development process?

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