

Equity in Performance-Based Funding

A Literature Review

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Agenda

- I. Introduction
- II. Literature review
 - Academic Research
 - The Education Trust
 - Center for Law and Social Policy
 - Research for Action
 - HCM Strategists
- III. Recommendations

Illinois Performance-Based Funding

Funding formulas can:

- Create a clear and transparent mechanism for allocating existing state resources
- Provide stability and the ability for institutions to forecast more accurately
- Incentivize improvements in completion

Funding formulas do not:

- Make up for years of declining investment in students
- Project long term revenue needs in order to strengthen Illinois' higher education system
- Address the need for increased need based aid for low-income students

Thus no matter how well designed, even the most equitable funding formula does not resolve the need for new revenue to support our higher education system.

Literature Review

1. Academic Research
2. The Education Trust
3. Center for Law and Social Policy
4. Research for Action
5. HCM Strategists

Academic Research

- Most academic studies conclude that accountability funding models have not systemically increased degree completion (TN, PA) or interim measures of success (WA)
- Existing research on models that allocate funding via a bonus structure indicates little to no impact in the improvement completion rates
- Much more research is still needed on understanding the impact of including equity metrics in base funding

(Hillman, Tandberg, Fryar 2014)

Academic Research

- Though there is no clear evidence on optimal level of funding, higher levels may more significantly incentivize equitable outcomes.
- PBF bonus funding is more susceptible to cuts than PBF allocated in base funding, as base allocations are better insulated from the ups and downs of the state revenue cycle.
- Increased and insulated PBF may significantly improve the outcomes produced, but run the risk of a.) producing unintended outcomes and b.) will rise and decline with the movement of the state revenue cycle.

(K. Dougherty, V. Reddy, CCRC 2011)

The Education Trust

PBF models can be a catalyst for greater equity in higher education but historically, outcomes have been mixed—and in some cases, worrisome.

Possible unintended consequences of completion-centered models:

- Incentivizes increased selectivity in admission
- Exacerbates inequitable resource distribution
- Incentivizes lowering standards to increase degree production



The Education Trust

The Education Trust

Recommendations to limit unintended consequences

- Include equity metrics that are inclusive of race
- Make equity metrics mandatory
- Give additional weight for enrolling low-income students and students of color
- Dis-incentivize campuses that reduce access to high-quality degrees for low-income students and students of color
- Invest in capacity for low-resourced institutions



The Education Trust

Center for Law And Social Policy

Equity Metrics are important components of an equitable funding formula and contribute positively to equity in education by:

- Assigning weights to metrics that sufficiently incentivize the access, progression and success of priority populations
- Drawing on larger percentages of funding, whether they be additive or base allocations
- Providing more specific measures by which to meet and fund the needs of at-risk populations

CLASP

Policy Solutions That Work For Low-Income People

Research for Action

RFA findings prioritize the interplay of the following components of OBF:

- Mandatory and strategically weighted equity metrics that specifically fund the progress *and* completion of underserved student populations
- Inclusive stakeholder groups to actualize attainment (degree and skill) goals and share best practices
- Disaggregated and publicly available data, analyzed by institutions and policymakers to drive solutions



HCM Strategists

- Funding streams carry implications for the overall ability of an DBF to achieve equity that should be considered by policymakers
- The most robust DBF models reflect strong alignment between the state's completion and attainment agenda and finance policy and include:
 - Significant and stable funding
 - Full institutional participation
 - Differentiation by metrics and institutional sector
 - Prioritization of degree completion and progress outcomes for underrepresented students



Trends and Conclusions

- PBF/OBF on its own is not enough to drive student success but can influence institutional behavior
- To counter potential unintended consequences, PBF/OBF models must include equity metrics that are inclusive of race and incentivize enrollment of low-income students
- At the end of the day, institutional investments associated with increased student success, such as predictive analytics, intrusive intervention systems, etc., are long-term in nature and require a predictable and rationalized funding environment. (HCM)

Towards an Equity Based Funding Model in Illinois

Principles of an Equity-Based Funding (EBF) Model

1. Rewards institutions that admit low-income students (access + success)
2. Incentivizes continuous institutional improvement by rewarding achievement of milestone outcomes such as credit accumulation and progress through remedial education, and completion outcomes such as degrees earned
3. Gives substantial weight to equity metrics that may include socioeconomic status and race
4. Rewards institutions for year-after-year improvement

Recommendations

- Reconceptualize current model to center on equity
- Convene inclusive groups of stakeholders (including students, community members, faculty, CBOs) to inform policy creation and review progress towards goals
 - Examples: CA, OR, TN
- Include equity metrics related to the closing of racial and socioeconomic attainment gaps
- Draw performance based funding from base allocations as opposed to additive allocations, considering that institutional mission (e.g. Research I, Research II, Comprehensive) may drive differences in per student costs.

Citations

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