



FY22 Outcomes-Based Allocation (OBA) Review Process

New Jersey Office of the Secretary of Higher Education | April 10, 2022

Summary

OSHE is proud to present a new Outcomes-Based Allocation (OBA) funding rationale for FY2023 that rewards senior public institutions of higher education for postsecondary outcomes that align with the State’s higher education priorities. This OBA advances the State’s efforts to improve access to and success in postsecondary education, close longstanding equity gaps, accelerate mobility for students from underserved backgrounds, and spur an innovation economy that will continue to drive economic growth in New Jersey.

Between July and November 2021, the OBA Working Group met seven times¹ to discuss revisions to the existing OBA funding rationale, seeking to incorporate mission elements, expand the definition of low-income enrollment, and strengthen the alignment between the OBA and the Garden State Guarantee (GSG). OSHE worked in close partnership with national experts from HCM Strategists and policymakers from states with longstanding funding rationales to develop potential models. OSHE conducted extensive stakeholder engagement with presidents of the senior public institutions throughout the process to gather feedback and address concerns.

With a clear and transparent OBA, our senior public institutions and the State are working in lockstep to help more students access postsecondary education and graduate with a degree that prepares them for the future.

Working Group Guiding Principles

In line with national best practices, the “Making College Affordable” State Plan Working Group, chaired by Rutgers-Newark Chancellor Nancy Cantor and Rowan University President Ali Houshmand, established a set of principles in 2019 to guide the development of the funding rationale. These principles also guided the FY22 review process:

1. The model should align with the goals of increasing educational attainment and promoting the success of underrepresented students.
2. The model should be relatively easy to understand and communicate.
3. The model should only include metrics with a history of trusted data.
4. The model should be designed to be sustained over time.

¹ The OBA Working Group met over Zoom on July 28, August 19, August 31, September 15, October 27, and November 22. The OBA Working Group hosted a hybrid meeting, with most participants in-person and some participants virtual, at The College of New Jersey, on September 29. Please see Appendix A for the presidents who are members of the OBA Working Group.

5. The model should consider the different missions of the universities.
6. The model structure, including metrics, should be relatively consistent, year over year.
7. The model should reflect stakeholder input.

Additionally, the working group agreed that all new operating aid should be distributed through the OBA going forward.

Background

In March 2020, the “Making College Affordable” State Plan Working Group released a report proposing additional OBA modifications, including incorporating weights for outcomes earned by priority populations, such as under-represented minority, transfer, or low-income students.

Given the working group’s recommendation to revisit the funding rationale, and the senior public presidents’ desire to incorporate elements of institutional mission, OSHE launched a comprehensive OBA review in July 2021, consulting experts at HCM Strategists on national best practices and policymakers in other states, such as Tennessee, Oregon, and Louisiana, with longstanding outcomes-based funding rationales.

This revised allocation represents the culmination of six months of robust discussion and careful deliberation with all the senior public presidents and symbolizes the common ground achieved.

Revised OBA Funding Rationale

The FY22 Outcomes-Based Allocation (OBA) of \$80 million was distributed based on three data points from FY20: the number of Pell recipients, the number of degrees awarded, and the number of degrees awarded to underrepresented ethnic and racial minority (URM) students.

The OBA for FY23 and beyond maintains the focus on degree completions and access for low-income students through its two primary metrics: the total number of degrees and certificates awarded and the number of enrolled students with Adjusted Gross Incomes (AGIs) of \$65,000 and below. By expanding the low-income metric from strictly Pell recipients to an income range, we created a more inclusive definition of “low-income” that aligns the OBA more closely to the GSG.

Senior public institutions receive operational aid based on their share of total outcomes in the sector, using an average of the last three fiscal years. For each degree awarded, institutions receive additional premiums, determined and re-evaluated by OSHE every three years, in up to five priority areas: underrepresented ethnic and racial minority graduate, transfer student, student AGI of less than \$65,000, degree in STEM or healthcare fields graduate, and/or a doctoral degree graduate. These premium points are cumulative.

Institutions with larger shares of enrolled full- and part-time undergraduate students who are underrepresented ethnic and racial minorities also receive more weight for each student who graduates, thereby incentivizing institutions to not only to help these students complete but also

to expand access.

Table 1. Premiums for Degree Completions

	Premium
Underrepresented Ethnic and Racial Minority Student	2.25 - 4.25
Low-Income (\leq \$65K AGI)	1.50
STEM and Healthcare Degrees	1.50
Transfer	0.75
Doctoral Degrees	0.50

Table 2. Differential Premiums for Underrepresented Ethnic and Racial Minority Students

Percent of URM Undergraduates of Total Undergraduate Enrollment (Headcount)	Premium
0-25%	2.25
25.1-50%	3.25
50%+	4.25

By shifting toward using three-year averages, the FY23 OBA protects institutions from annual volatility with each metric, especially in light of unpredictable events such as the COVID-19 pandemic.

One recurring concern was the impact of institutional size on the outcomes share percentages. By using the differential URM premiums based on the share of URM students in the undergraduate student body, the impact of size becomes less prominent, allowing smaller institutions with diverse student bodies to gain larger shares of the OBA allocation. The formula drives access for URM students, incentivizing institutions to recruit, admit, and support URM students through graduation as well as increase their share of URM undergraduates over time.

While there were competing perspectives discussed, the OBA Working Group ultimately recognized the importance and necessity of reaching common ground. With the Governor's

proposed \$43.8 million in new funding to the OBA in FY23, the dollar allocations for all the senior public institutions are larger in FY23 than they were in FY22, thus holding all institutions harmless for the implementation of the GSG for the 2022 – 2023 academic year and the transition to this revised formula in FY23.

Table 3. Comparison between the FY20-22 OBA and FY23 OBA

FY 2020-2022 OBA	FY 2023 OBA
<i>Each metric adds up to a total count</i>	<i>Uses varying weights that add extra points for certain outcomes in line with State priorities</i>
<i>Uses data for most recent completed fiscal/academic year</i>	<i>Uses a three-year average to help control for annual volatility in particular metrics</i>
<i>Prioritizes the following outcomes:</i>	<i>Prioritizes the following outcomes:</i>
Number of Pell Grant Recipients	Number of Students with \$0-\$65K AGIs
Degree and Certificate Completions	Degree and Certificate Completions
Underrepresented Minority Completions	Underrepresented Minority Completions
	STEM and Healthcare Completions
	Transfer Completions
	Low-Income (\$0-\$65K AGI) Completions
	Doctoral Degree Completions

Appendix A: Members of the OBA Working Group

Name	Institution
Lamont Repollet	Kean University
Jonathan Koppell	Montclair State University
Sue Henderson	New Jersey City University
Joel Bloom	New Jersey Institute of Technology
Eugene Lepore	New Jersey Association of State Colleges and Universities (NJASCU)

Cindy Jebb	Ramapo College
Ali Houshmand	Rowan University
Jonathan Holloway	Rutgers University
Antonio Tillis	Rutgers University, Camden
Francine Conaway	Rutgers University, New Brunswick
Nancy Cantor	Rutgers University, Newark
Harvey Kesselman	Stockton University
Kate Foster	The College of New Jersey
Merodie Hancock	Thomas Edison State University
Richard Helldobler	William Paterson University