Arnold Ventures

IMPROVING ROI IN STATE HIGHER EDUCATION: AV'S POLICY RESEARCH AGENDA

Arnold Ventures' goal is to improve return on investment for students—especially historically marginalized students—and taxpayers in higher education. Through our investments in research, policy, advocacy, and litigation, we seek to build a higher education system that ensures students are better off for having attended higher education and that taxpayers aren't left holding the bag for unscrupulous or low value institutions and programs. Rigorous research, deep thinking, and a strong foundation of evidence are critical to building effective, sustainable policy change. This document outlines our two primary areas of interest in **state policy research**: 1. understanding how outcomes-based funding can be used to drive ROI and 2. exploratory policy research, development, and testing to understand and build state- and system-level policies to increase ROI.

1. UNDERSTANDING HOW OUTCOMES-BASED FUNDING CAN BE USED TO DRIVE ROI

Many states use outcomes-based funding (OBF) policies as a tool to improve student outcomes and shape institutional decisions in more productive, ROI-focused ways. However, evidence on early OBF policies has been mixed.[1] As more states are enacting increasingly nuanced OBF formulas and attaching more funding to increase incentives, it will be important to determine whether these new models have a more positive impact on student outcomes and which elements of OBF policy designs (i.e., incentives to produce positive labor market outcomes or graduates in certain industries, percentage of funds allocated, etc.) are most effective in increasing ROI. Answers to the following questions will determine the efficacy of OBF as a lever for improving outcomes:

- **What OBF policy designs are most effective at increasing long-term student outcomes, including completion, earnings, and return on investment?** How significant does the share of funding tied to outcomes need to be to drive improvement in our outcomes of interest? Do OBF designs with additional funding for student success efforts improve student outcomes and ROI? Do workforce or STEM incentives lead to higher student earnings and/or ROI?

- **How can OBF policies be designed to avoid unintended consequences in institutions' responses?** Evidence suggests OBF incentivizes some institutions to "game" the system, leading to unintended, negative consequences.[2] How do institutions restructure their expenditures, implement changes at varying levels (staff, faculty, advisors), and/or change their program offerings, especially in unintended or counterproductive ways, in response to OBF policy designs?

- **What other policy conditions make OBF most effective?** Are there particular policy circumstances, such as governance structures and political dynamics, that make OBF more effective in increasing ROI? How do other state policy initiatives contribute to or undermine the goals of OBF?[3]

In contrast to outcomes-based funding policies, which have been in existence and researched for more than a decade, most state- and system-level policy focused on quality assurance and ROI is in its infancy. Little is known about what states and systems are doing now to increase return on investment, the opportunities that exist, and the research needed to drive improvements in outcomes for students and taxpayers. Because these policy innovations are just emerging, this stream of work is focused on policy research and development related to instituting systems of quality assurance to improve outcomes for students and taxpayers, and scaling interventions with a strong evidence base of effectiveness. This area of work includes both state- and system-level policy.

Identify, develop, and test innovative state and system-level quality assurance policies:

Some states and systems are starting to experiment with quality assurance approaches outside of outcomes-based funding – especially related to program review and approval. There is an opportunity to identify how states and systems are using student outcomes to inform policy decisions that will help determine promising policies that can be evaluated. We are interested in supporting research addressing the following questions:

- How are states and systems using outcomes data in decision-making, such as program reviews or approvals of new offerings?

- What is the impact of the policies that use outcomes data? Do policies like tying program reviews or program approvals to student outcomes drive institutional change or improvement?
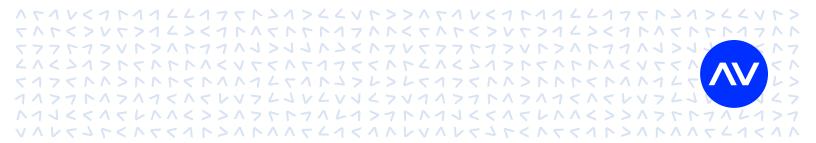
Identify and test innovative statewide effective practice policies to accelerate the adoption of evidence-based practices:

There has been growing interest and momentum among state policymakers, university system leaders, and advocates in replicating gold standard practices, such as ASAP and Bottom Line.[4] Despite this exciting momentum, evidence alone on effective practices is not enough to encourage states to scale them. The policy environment – including the funding structure and the incentives – must be right to enable widescale adoption of evidence-backed practices, especially the resource-intensive higher education practices that have demonstrated so much promise. There is an opportunity to drive the policy changes necessary to incentivize adopting and scaling those evidence-based interventions. This area of work seeks to understand what policy approaches – including dedicated appropriations, legislative mandates, or system-led initiatives – are most effective at supporting statewide scaling of effective practices. Answers to the following questions will help drive this work:

- What policies are states and systems currently implementing to support the scaling of evidence-based effective practices? What policy levers are most effective at scaling these evidence-based practices? What barriers do state policymakers face when encouraging or requiring schools to adopt effective practices?

Have a Research Idea?

Reach out to Jessica Taketa (jtaketa@arnoldventures.org). While these are our main areas of interest, we are open to research ideas that will help build the evidence to drive return on investment for students and taxpayers in state higher education policy.

Can I reach out if I don't have a fully thought-out idea?

Of course! No need to have the research idea fully fleshed out. You can send Jessica Taketa (jtaketa@arnoldventures.org) an email with a few sentences explaining your idea and/or schedule a call with her to chat through the idea(s).

What are some examples of projects that fit under these areas of work?

Some examples might include a quasi-experimental research project looking at more recent state outcomes-based funding policies to understand the impact of the updated policy on student outcomes; a research project determining the impact of a state or system's innovative program approval or review process that uses student outcomes to make decisions; a research project to assess a state's definition of "credential of value" – or work with a state to develop a definition – and then determine how a state can best use that definition in policy decisions.

What does the process look like to get a funded AV project?

Our projects tend to start with a conversation to learn about your idea and determine if it is aligned with our strategy. If aligned, we will ask your team to submit a short concept note (typically one page long) and would then ask you to complete a full proposal and budget request if selected to move forward.

What is an average award amount?

The award amount will depend on the project and what is needed to conduct high-quality research. However, our average project amount tends to be around $300,000.

ENDNOTES

1   Callahan, M., Meehan, K., Shaw, K., Slaughter, A., Kim, D., Hunter, V., Lin, J., and Wainstein, L. 2017. Implementation and impact of outcomes-based funding in Tennessee. Philadelphia, PA: Research for Action; Rutherford & Rabovsky, 2014; Sanford & Hunter, 2011; Hillman et al., 2015; Ortagus, J. C., Kelchen, R., Rosinger, K., & Voorhees, N. 2020. A systematic synthesis of the intended and unintended consequences. Educational Evaluation and Policy Analysis, 42(4), 520-550.

2   Unintended consequences include restricting student admission, weakening academic requirements, or pushing more students into lower ROI non-degree certificate programs that are easier to complete quickly.

3   Qualitative research suggests that other state policy initiatives, such as statewide attainment goals, can be either misaligned with or complementary to the goals of OBF policies, for instance.

4   Inside Higher Ed. 2023. SUNY Expands Academic Support Program; State Higher Education Executive Officers Association. 2023. SHEEO partners with City University of New York's ASAP|ACE National Replication Collaborative to launch inaugural College Completion Coalition Learning Community.