

# **A State Perspective: Tennessee's Implementation of Outcomes-Based Funding**

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Tennessee Higher Education Commission

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June 29, 2016

# Overview

- Origination & Implementation
- Formula Operation & Maintenance
- Myths & Objections

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# Origination & Implementation

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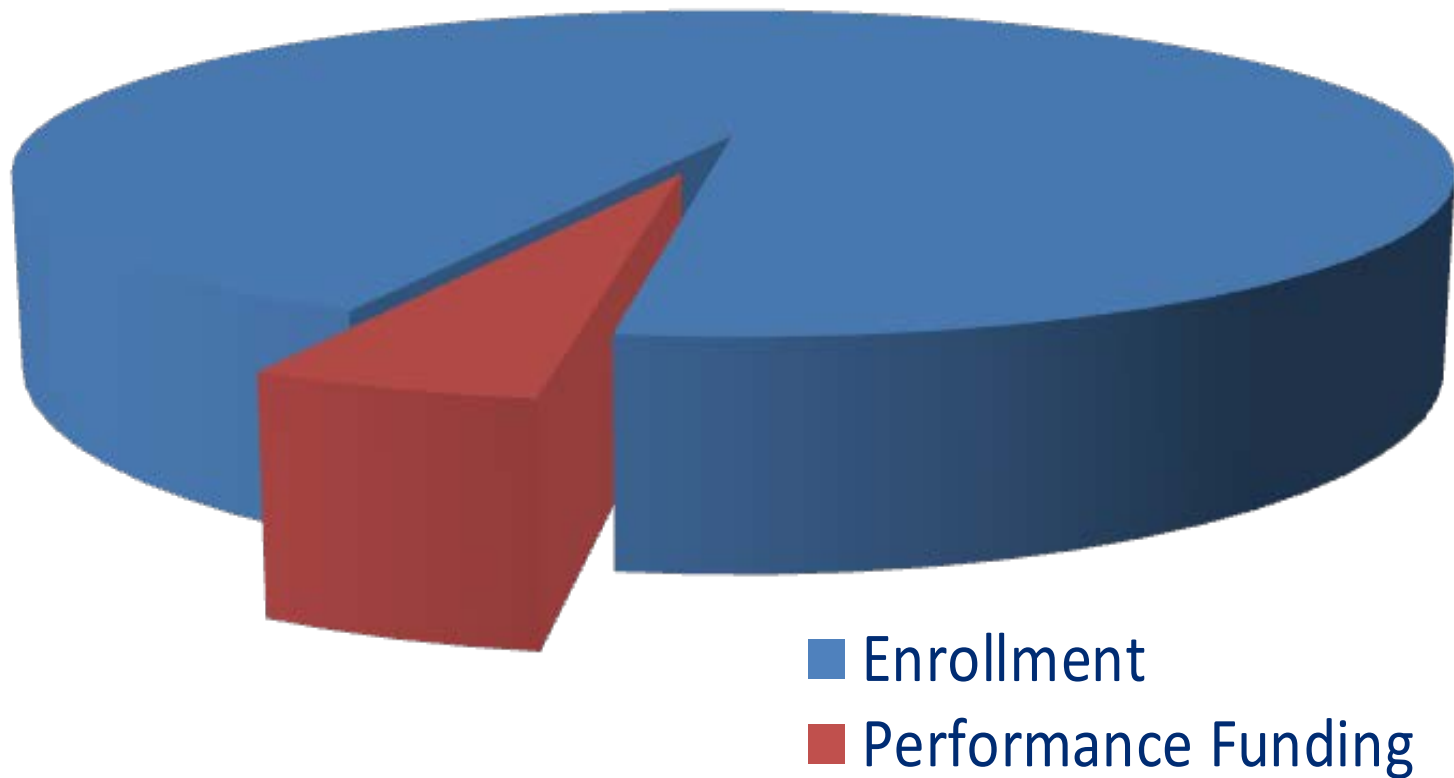
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# **Formula Operation & Maintenance**

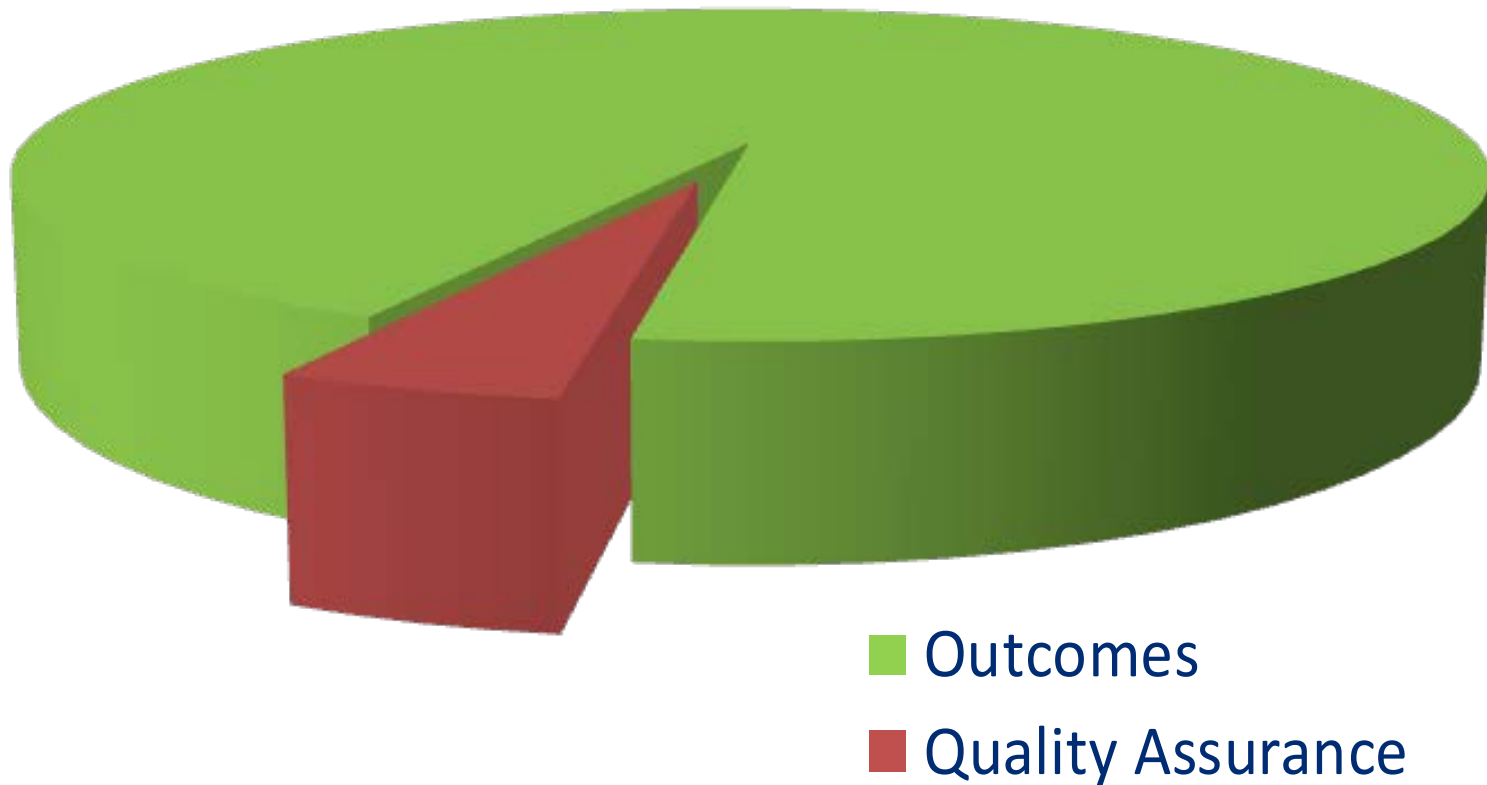
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Formula Units	Non-formula Units
All State Community Colleges	ETSU College of Medicine
Austin Peay State University	UT College of Veterinary Medicine
East Tennessee State University	UT Health Science Center
Middle Tennessee State University	UT Agricultural Experiment Station
Tennessee State University	UT Agricultural Extension Service
Tennessee Technological University	TSU Cooperative Education
University of Memphis	UT Space Institute
UT – Chattanooga	UT Institute for Public Service
UT – Knoxville	UT Wide Administration
UT – Martin	Tennessee Board of Regents
<i>TN Colleges of Applied Technology</i>	...and more

# TN Enrollment-Based Funding Formula, 1979-2011



# TN Outcomes-Based Funding Formula, 2011-Present



# Formula Principles

- Institutional state appropriations must be earned anew each year.
- Must distribute 100 percent of state funds to universities and community colleges.
- Must exclusively rely on outcomes.
- Must differentiate based on institutional mission.



# Main Moving Parts

- 3-year Average of Sector-specific Outcomes
- Focus Populations
- Differentiated Weights
- Quality Assurance
- Fixed Costs

# Sector Differentiated Outcomes

## University

Students Accumulating 30 hrs.

Students Accumulating 60 hrs.

Students Accumulating 90 hrs.

Bachelors and Associate's Degrees

Masters/Ed Specialist Degrees

Doctoral/Law Degrees

Research and Service

Six-Year Graduation Rate

Degrees per 100 FTE

## Community College

Students Accumulating 12 hrs.

Students Accumulating 24 hrs.

Students Accumulating 36 hrs.

Dual Enrollment

Associate's Degrees

Long-term Certificates

Short-term Certificates

Job Placements

Transfers out with 12 hrs.

Workforce Training

Awards per 100 FTE

# Focus Populations Applied to Progression Metrics and Undergraduate Awards

## University Focus Populations

Adult Students  
Low-income Students

## Community College Focus Populations

Adult Students  
Low-income Students  
Academically Underprepared

## Focus Population Premiums

80% for One Focus Population  
100% for Two Focus Populations

## Focus Population Premiums

80% for One Focus Population  
100% for Two Focus Populations  
120% for Three Focus Populations

# Mission Weights

- Weights in the model largely reflect institutional mission as defined by presidents and chancellors.
- The community college sector utilizes a consistent weighting structure for completion outcomes to reflect the needs of the State.

# Community College Weighting Structure

	Chattanooga	Cleveland	Columbia	Dyersburg	Jackson	Motlow	Nashville	Northeast	Pellissippi	Roane	Southwest	Volunteer	Walters
Students Accumulating 12 hrs	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Students Accumulating 24 hrs	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Students Accumulating 36 hrs	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Dual Enrollment	5.0%	7.5%	7.5%	15.0%	7.5%	7.5%	15.0%	10.0%	10.0%	15.0%	12.5%	10.0%	10.0%
Associates	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%	22.5%
1-2 Year Certificates	10.0%	2.5%	17.5%	10.0%	10.0%	0.0%	10.0%	12.5%	0.0%	10.0%	2.5%	5.0%	2.5%
<1yr Certificates	10.0%	17.5%	2.5%	10.0%	10.0%	20.0%	10.0%	7.5%	20.0%	10.0%	17.5%	15.0%	17.5%
Job Placements	15.0%	15.0%	5.0%	7.5%	15.0%	7.5%	7.5%	15.0%	7.5%	5.0%	5.0%	7.5%	7.5%
Transfers Out with 12 hrs	10.0%	5.0%	15.0%	10.0%	5.0%	12.5%	10.0%	5.0%	15.0%	10.0%	7.5%	15.0%	15.0%
Workforce Training	7.5%	10.0%	10.0%	5.0%	10.0%	10.0%	5.0%	7.5%	5.0%	7.5%	12.5%	5.0%	5.0%
Awards per 100 FTE	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

\* Outcomes highlighted in blue have consistent weights across the community college sector. The weights for the two certificate outcomes sum to 20.0% for each institution.

# University Weighting Structure

	UTM	APSU	TTU	UTC	MTSU	ETSU	TSU	UM	UTK
Students Accumulating 30 hrs	4.0%	3.0%	4.0%	4.0%	3.0%	6.0%	4.0%	3.0%	2.0%
Students Accumulating 60 hrs	6.0%	4.5%	6.0%	6.0%	4.5%	7.5%	6.0%	4.5%	4.0%
Students Accumulating 90 hrs	10.0%	7.5%	10.0%	10.0%	7.5%	9.0%	10.0%	7.5%	6.5%
Bachelors and Associates	30.0%	27.5%	25.0%	25.0%	22.5%	20.0%	22.5%	22.5%	20.0%
Masters/Ed Specialist Degrees	15.0%	20.0%	15.0%	10.0%	20.0%	15.0%	12.5%	10.0%	10.0%
Doctoral / Law Degrees	0.0%	0.0%	5.0%	5.0%	7.5%	15.0%	7.5%	15.0%	12.5%
Research and Service	5.0%	10.0%	10.0%	10.0%	10.0%	10.0%	15.0%	10.0%	12.5%
Degrees per 100 FTE	10.0%	17.5%	10.0%	15.0%	10.0%	7.5%	12.5%	10.0%	17.5%
Six-Year Graduation Rate	20.0%	10.0%	15.0%	15.0%	15.0%	10.0%	10.0%	17.5%	15.0%

\* Universities are in order by institutional complexity, as defined by Carnegie Classification.

# TN Outcomes-Based Formula: UT Knoxville

Outcome	Data*	Scaled Data		Weight		Weighted Outcome	
Student Progression: 30 Credit Hours	4,624	1,850	x	2%	=	37	
Student Progression: 60 Credit Hours	5,237	2,619	x	4%	=	105	
Student Progression: 90 Credit Hours	5,626	3,751	x	7%	=	244	
Bachelors Degrees	6,057	6,057	x	20%	=	1,211	
Masters Degrees	1,579	5,264	x	10%	=	526	
Doctoral/Law Degrees	562	11,240	x	13%	=	1,405	
Research and Service	\$146.1M	9,740	x	13%	=	1,218	
Degrees per 100 FTE	23	1,134	x	18%	=	198	
Six-Year Graduation Rate	78%	7,833	x	15%	=	1,175	% Change
* Includes premium focus populations.				<b>Total</b>		<b>6,119</b>	<b>-0.3%</b>

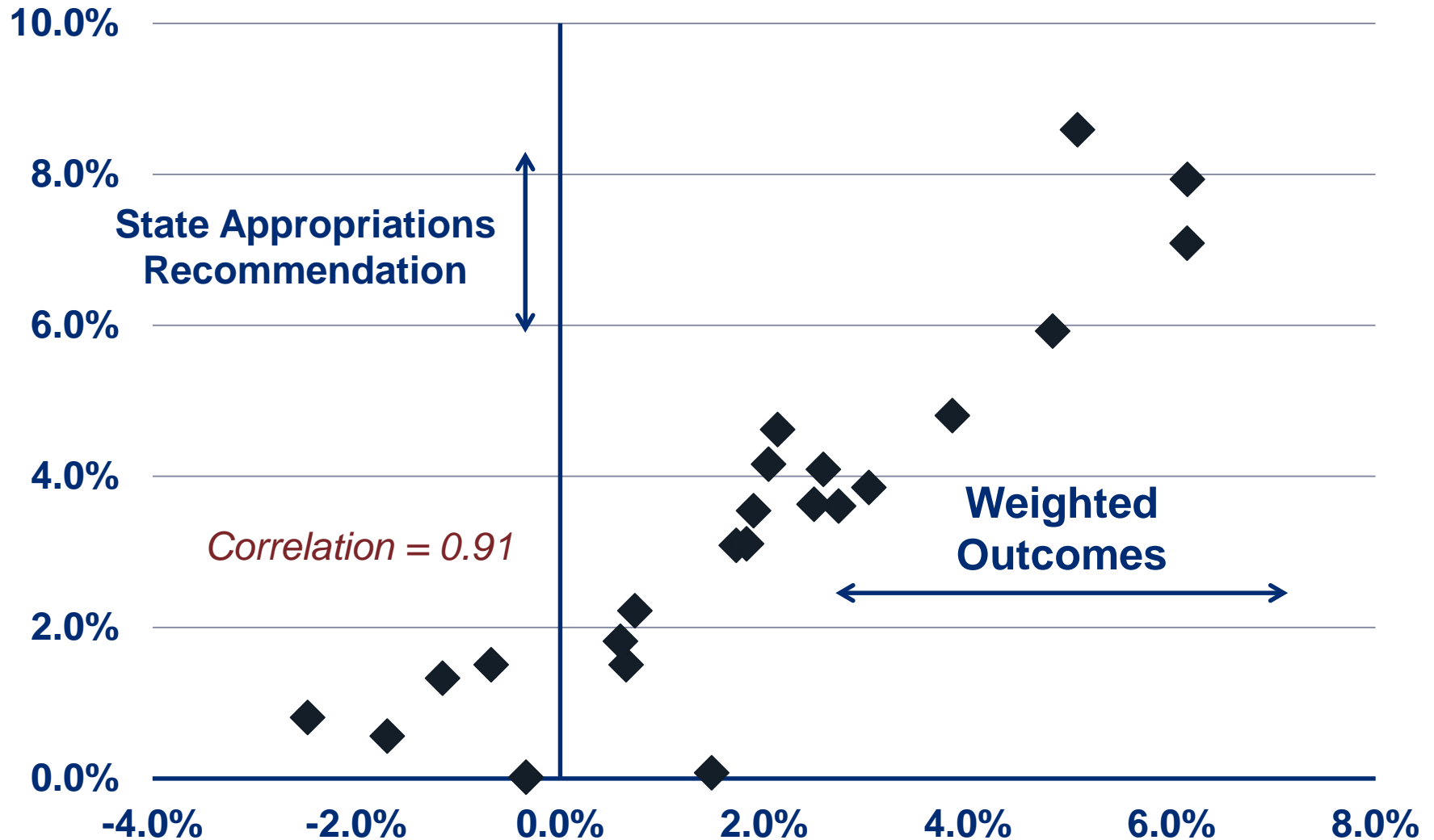
All steps are identical at each institution. Only differences include the weights and, at community colleges, the outcomes.

# Combination of Funding

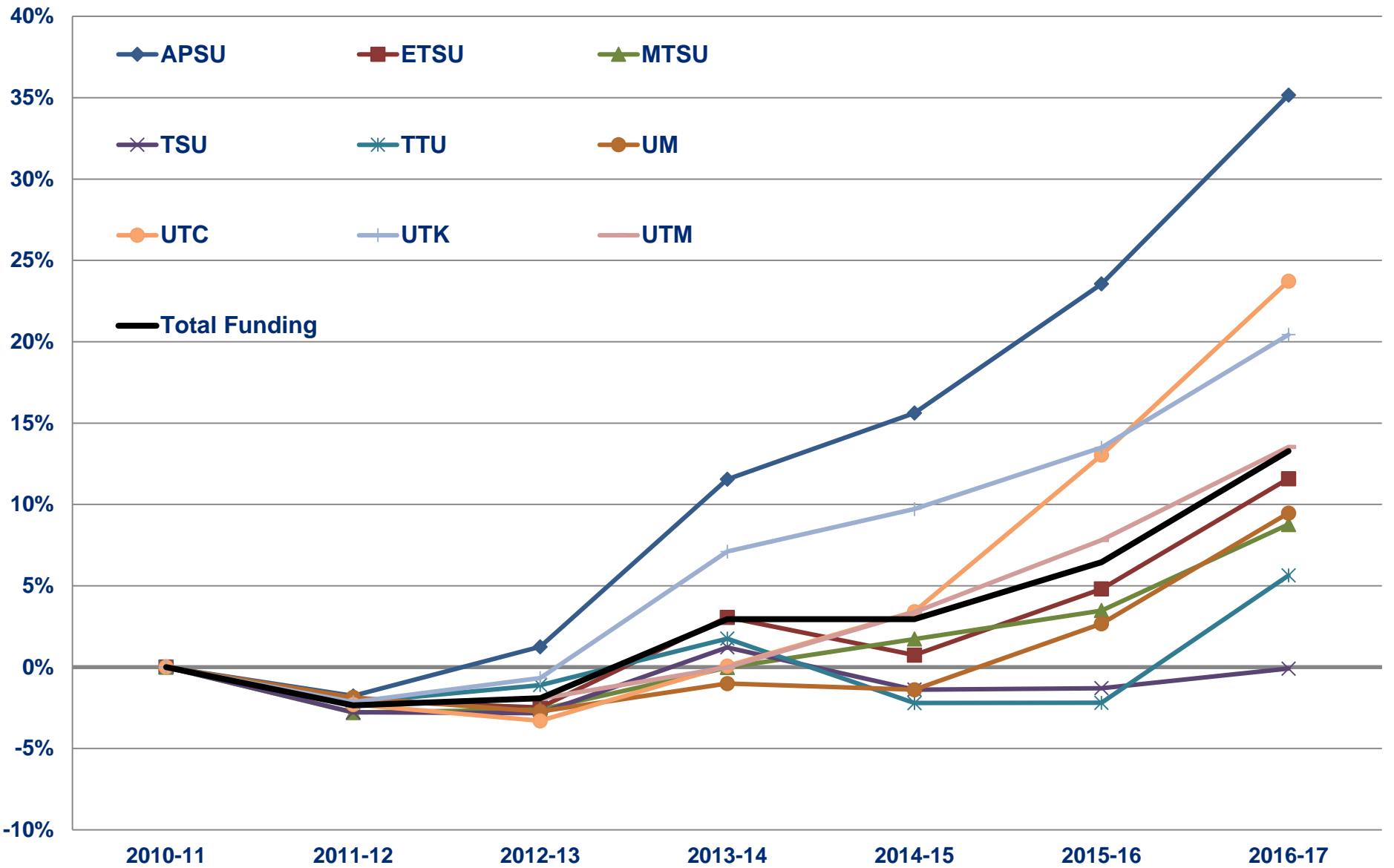
- Use year-to-year growth in total weighted outcomes to adjust an institution's share of appropriation.
- Adjust for fixed cost elements, such as infrastructure size and major equipment inventory.
- Finally, add Quality Assurance.



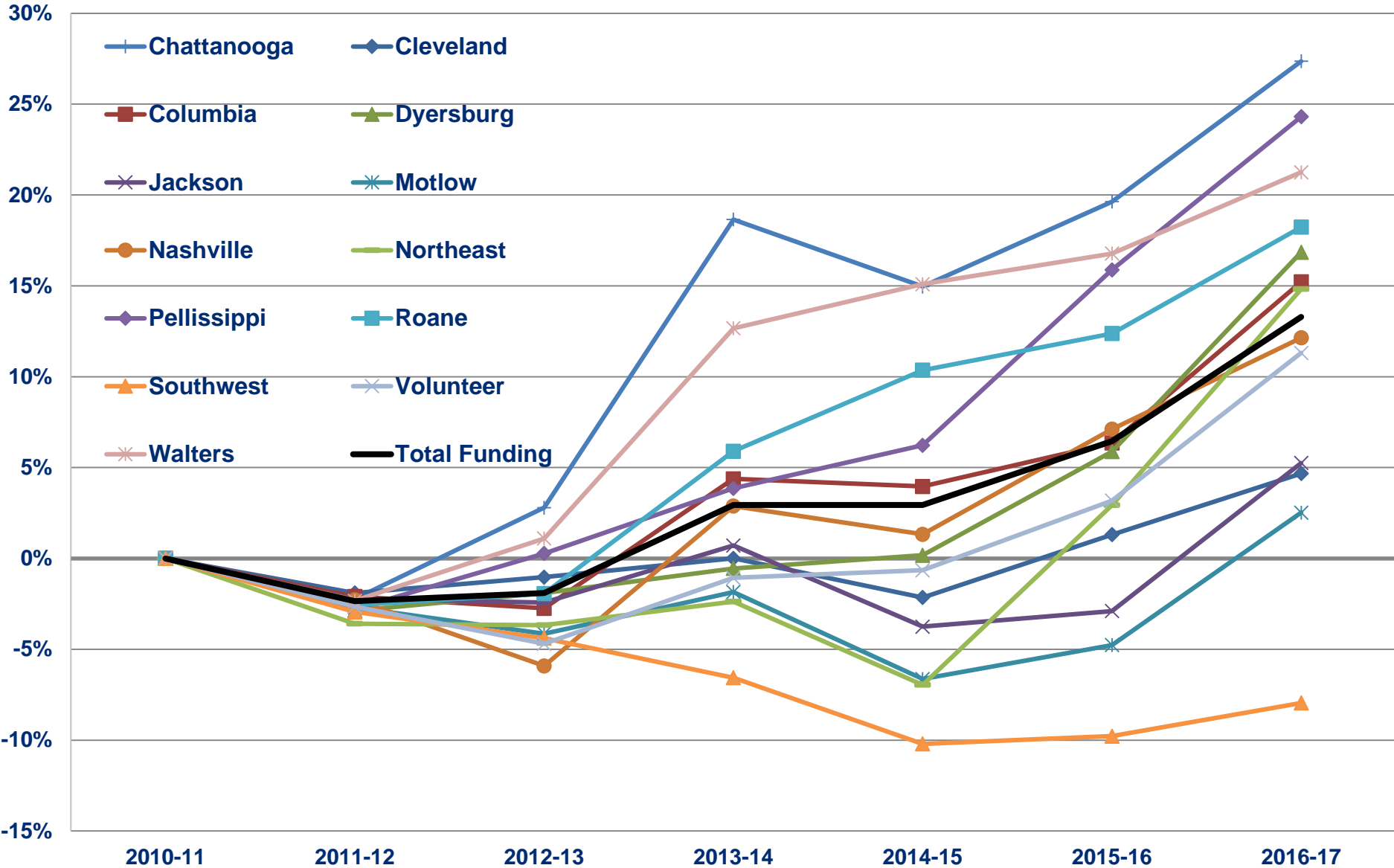
# Weighted Outcomes & State Appropriation Relationship: 2015-2016



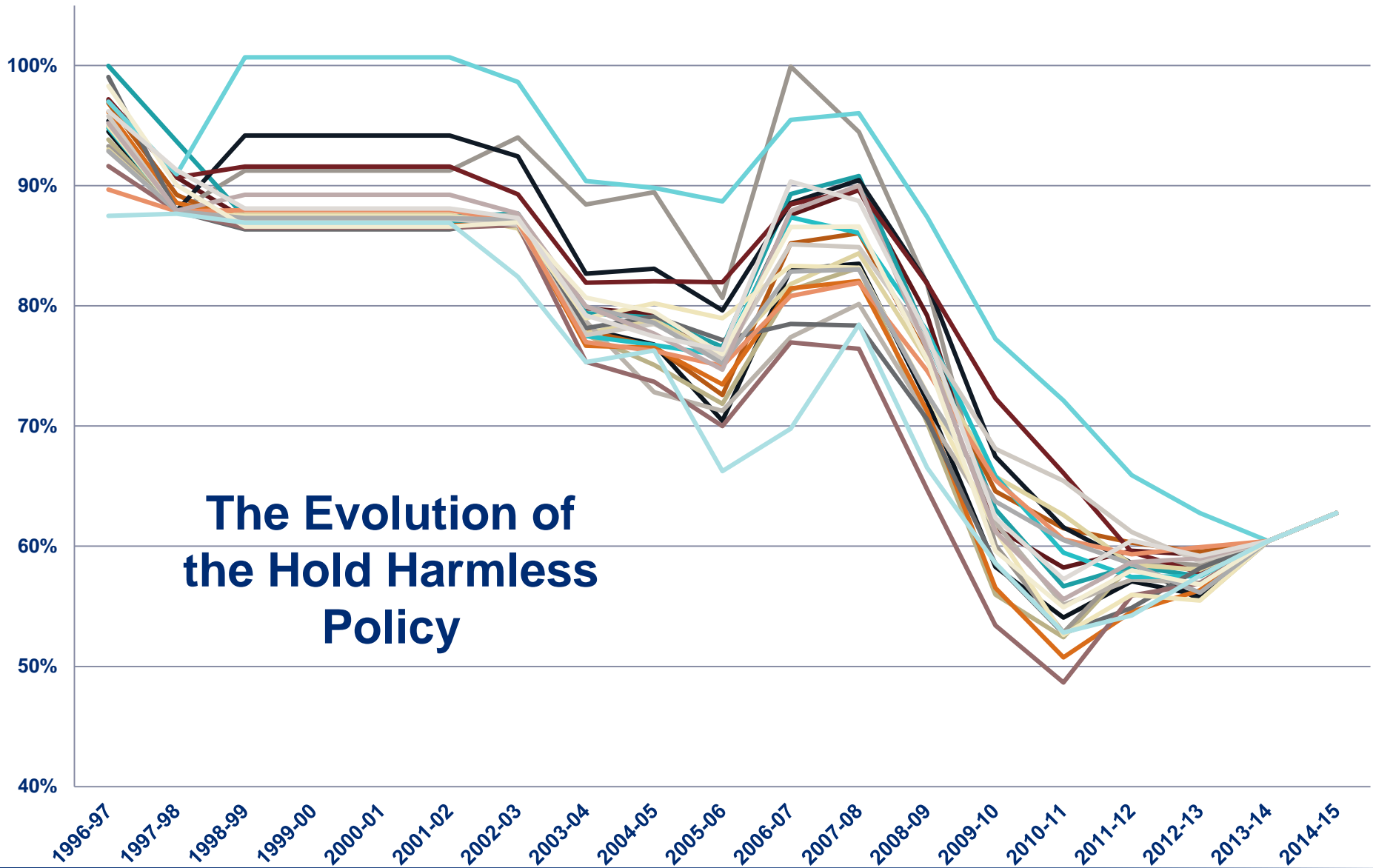
# Cumulative Change in Funding at Universities Due to the Formula



# Cumulative Change in Funding at Community Colleges Due to the Formula



# Percent Funded by Institution



**The Evolution of  
the Hold Harmless  
Policy**

# Formula Review Committees

- Annual convening of Advisory and Statutory Formula Review Committees
- Every five years the FRCs meet to propose and recommend substantive changes to the formula.
  - In 2015, the 2015-20 FRC met at least once a month from February to June and made substantive changes to the 2010-15 model.
  - All presidents/chancellors were asked to propose and review formula changes.
  - THEC approved the changes.

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# **Myths & Objections**

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# OBF Myths and Objections

1. It has been tried already, with little to no results.
2. It leads to grade inflation, degree mills, and “dumbing down.”
3. It requires new money.
4. It causes colleges to undervalue or ignore access for underrepresented populations.

# OBF Myths and Objections cont.

5. It's too volatile or unpredictable for institutions to plan.
6. It pits colleges against each other in a way that necessitates winners and losers.
7. It widens the gap between the haves and have-nots.
8. No single formula or funding schema can adequately reflect the comprehensive mission and nuance of the modern (insert institution type here).



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# Questions

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