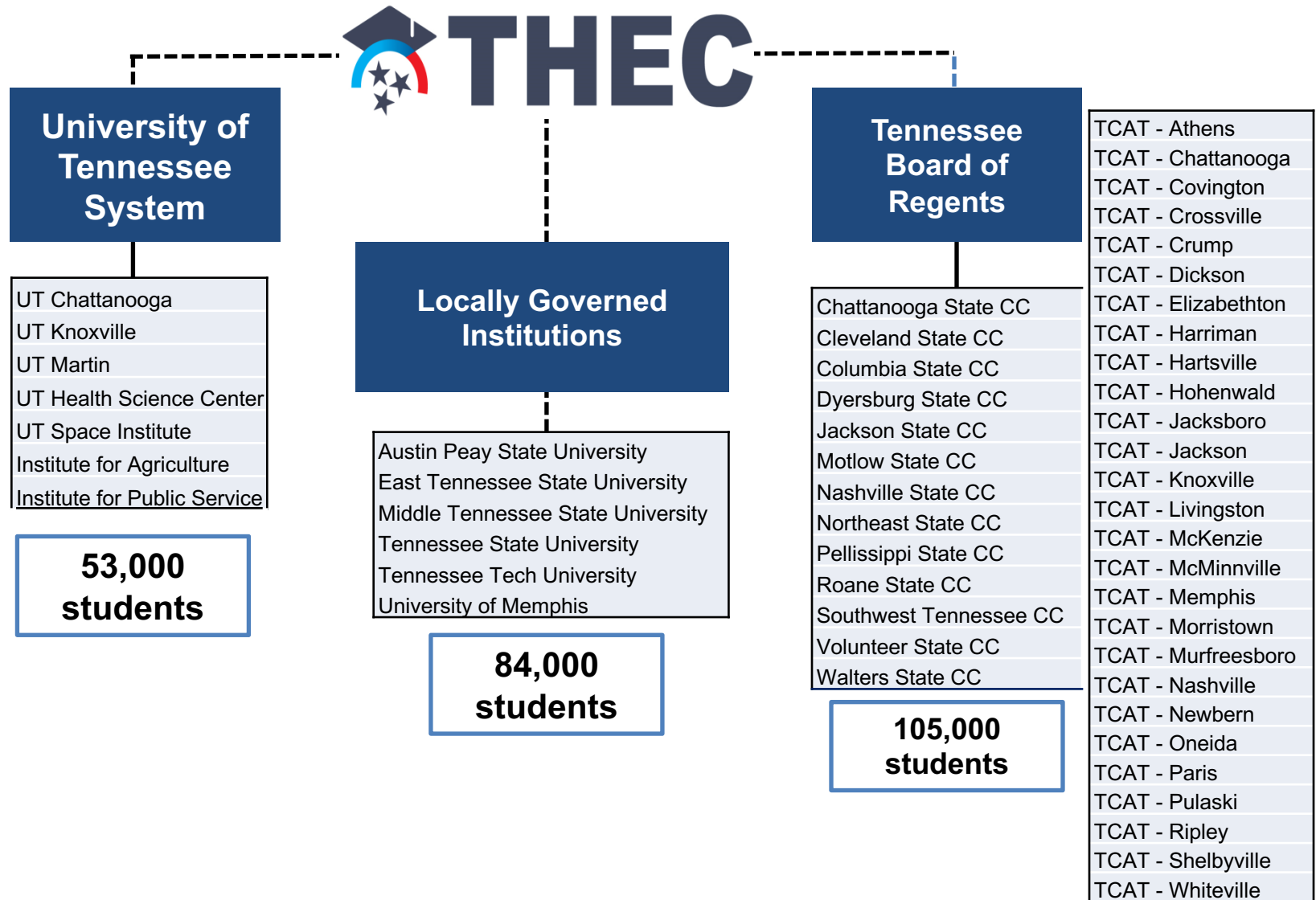


The Tennessee Outcomes-Based Funding Formula

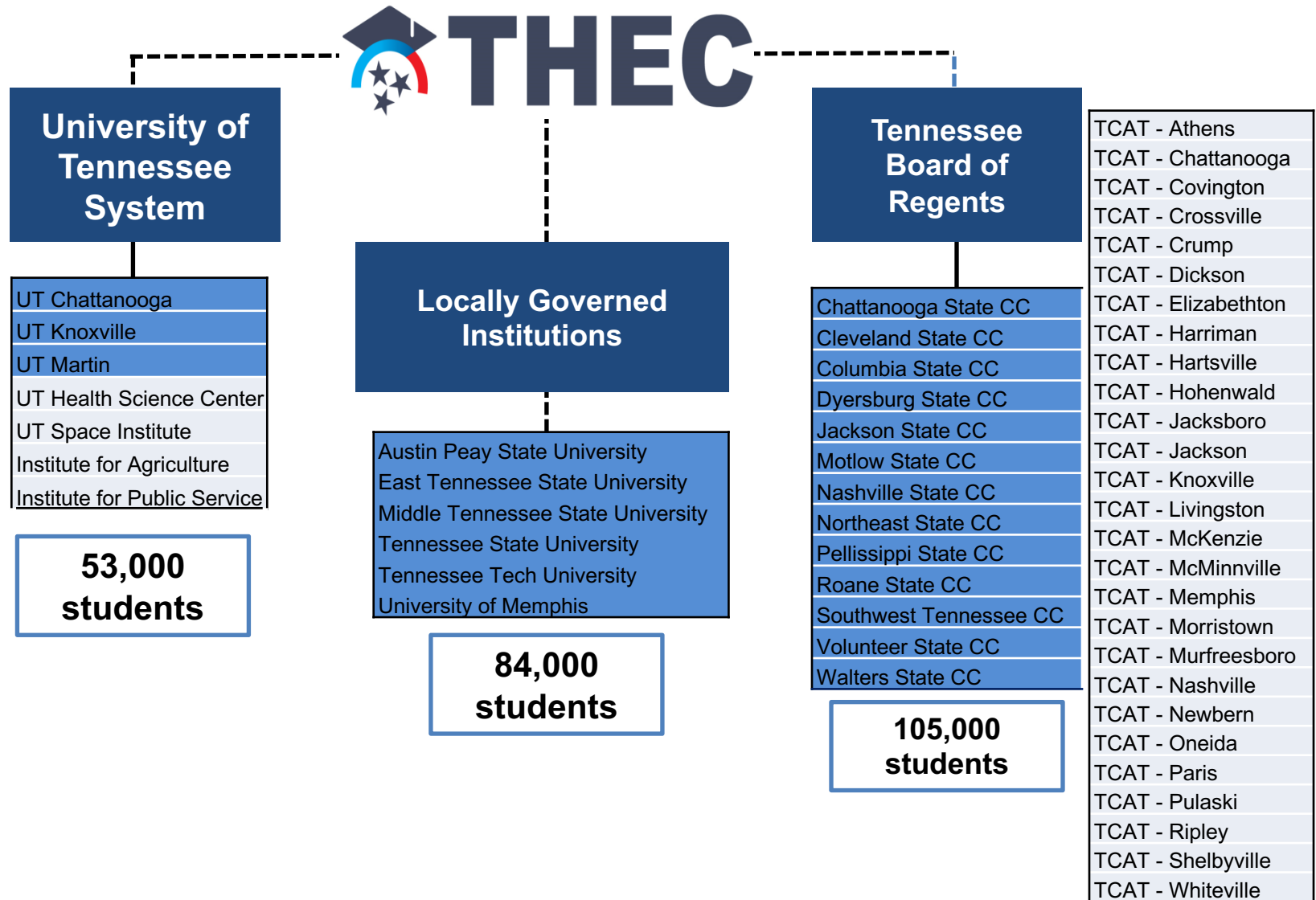
*Steven Gentile
Chief Policy Officer
Tennessee Higher Education Commission*

*Commission on Equitable Public University Funding
May Meeting*

Public Higher Education Structure



Public Higher Education Structure



Outcomes-Based Funding History

1979 – Performance-Based Funding began in Tennessee

1990s – Increased funding proportion distributed through PBF from 2.0% to 5.45%

2010 – TN passes the Complete College Tennessee Act, establishing the **Outcomes-Based Funding (OBF)** Formula, moving to 100% of funding based on outcomes

2015 – First five-year review of OBF model completed

2020 – Second five-year review of OBF model started

2022 – Second five-year review of OBF model completed

Formula Guiding Principles

- *The Commission will use the formula in all funding scenarios.*
§49-7-202(f)(1)
- *The formula will align with the education goals of the state, providing incentives for productivity improvements consistent with the statewide master plan.* **§49-7-202(f)(2)**
- *The formula will continue to incorporate outcomes across a range of variables, reflecting differences in institutional missions.*
§49-7-202(f)(2)
- *Any new outcomes will be incorporated only after rigorous evaluation of data quality and integrity.*
- *Effects in the formula will be driven by performance and not by the integration of new outcomes.*

Sector-Differentiated Outcomes

University

Students Accumulating 30 Hours

Students Accumulating 60 Hours

Students Accumulating 90 Hours

Associate Degrees

Bachelor's Degrees

Masters/Ed. Specialist Degrees

Doctoral/Law Degrees

Research & Service

Degrees per 100 FTE

Six-Year Graduation Rate

Community College

Students Accumulating 12 Hours

Students Accumulating 24 Hours

Students Accumulating 36 Hours

Dual Enrollment

Associate Degrees

Long-Term Certificates

Short-Term Certificates

Job Placement

Transfer Out with 12 Hours

Workforce Training

Awards per 100 FTE

Overview of Focus Populations

Populations



Adult



Low-Income



Academically Underprepared (CC only)

Premiums

1

2

3

80%

100%

120%



2



2



1



2



1.8



1



2.2



1.8



2



1



2.2



1.8

Overview of University Weights

Weights Based on Institutional Mission	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, Service and Sponsored Programs	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%

Stability

- *Limits volatility by comparing three-year outcome averages to prior formula year's three-year averages*
- *Mathematically scales all outcomes to better compare apples (e.g., bachelor degrees) to oranges (e.g., research and public service)*
- *When implementing any new measure, seeks to maintain an overall volatility of -7% to 7%, give or take*

Equity

- *Rewards Focus Populations Premiums for students who historically require more wrap-around support*
 - *Incentivizes enrolling underrepresented students*
 - *Supports institutions who historically serve and complete underrepresented students*
- *Defines “success” as growth on institution’s outcomes base*
 - *Recognizes institutional missions and does not incentivize a race to “flagship” status*
 - *Ensures that an open-access institution can compete against a selective institution*
- *Revisits formula outcomes and mechanics annually in a public meeting forum. Committee represents all institutions.*
 - *Ensures that new measures are not exclusionary*
 - *Allows institutions to address perceived inequities in current model*

Adequacy

- *Adequacy measure not inherent to model*
- *Monitor institutional financial health (composite finance index) to determine whether institutions are in need of further help*
 - *Informs all our fiscal policies, not just operating request*
- *Offer occasional grants to institutions to improve outcome performance—to ignite perpetual outcome performance*

Outcomes Funding Distribution History

Institution	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
APSU	4.54%	4.64%	4.70%	4.73%	4.70%	4.71%	4.98%
ETSU	6.28%	6.32%	6.40%	6.41%	6.46%	6.50%	6.55%
MTSU	10.55%	10.43%	10.22%	10.16%	9.99%	9.82%	9.60%
TSU	4.04%	3.88%	3.87%	3.86%	3.88%	3.81%	3.64%
TTU	4.83%	4.90%	4.93%	4.98%	5.07%	5.29%	5.25%
UM	11.69%	11.78%	11.68%	11.61%	11.49%	11.41%	11.36%
CCs	26.84%	26.76%	26.85%	26.82%	26.95%	27.29%	27.62%
UTC	5.12%	5.27%	5.38%	5.47%	5.48%	5.49%	5.45%
UTK	22.71%	22.63%	22.58%	22.64%	22.71%	22.54%	22.48%
UTM	3.40%	3.39%	3.38%	3.34%	3.27%	3.14%	3.07%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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