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

University of Tennessee System
- UT Chattanooga
- UT Knoxville
- UT Martin
- UT Health Science Center
- UT Space Institute
- Institute for Agriculture
- Institute for Public Service

53,000 students

Locally Governed Institutions
- Austin Peay State University
- East Tennessee State University
- Middle Tennessee State University
- Tennessee State University
- Tennessee Tech University
- University of Memphis

84,000 students

Tennessee Board of Regents
- Chattanooga State CC
- Cleveland State CC
- Columbia State CC
- Dyersburg State CC
- Jackson State CC
- Motlow State CC
- Nashville State CC
- Northeast State CC
- Pellissippi State CC
- Roane State CC
- Southwest Tennessee CC
- Volunteer State CC
- Walters State CC

105,000 students

TCAT - Athens
TCAT - Chattanooga
TCAT - Covington
TCAT - Crossville
TCAT - Crump
TCAT - Dickson
TCAT - Elizabethton
TCAT - Harriman
TCAT - Hartsville
TCAT - Hohenwald
TCAT - Jacksboro
TCAT - Jackson
TCAT - Knoxville
TCAT - Livingston
TCAT - McKenney
TCAT - McMinnville
TCAT - Memphis
TCAT - Morristown
TCAT - Murfreesboro
TCAT - Nashville
TCAT - Newbern
TCAT - Oneida
TCAT - Paris
TCAT - Pulaski
TCAT - Ripley
TCAT - Shelbyville
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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

<table>
<thead>
<tr>
<th>Students Accumulating 30 Hours</th>
<th>Students Accumulating 60 Hours</th>
<th>Students Accumulating 90 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate Degrees</td>
<td>Bachelor’s Degrees</td>
<td>Masters/Ed. Specialist Degrees</td>
</tr>
<tr>
<td>Doctoral/Law Degrees</td>
<td>Research &amp; Service</td>
<td></td>
</tr>
<tr>
<td>Degrees per 100 FTE</td>
<td>Six-Year Graduation Rate</td>
<td></td>
</tr>
</tbody>
</table>

### Community College

<table>
<thead>
<tr>
<th>Students Accumulating 12 Hours</th>
<th>Students Accumulating 24 Hours</th>
<th>Students Accumulating 36 Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dual Enrollment</td>
<td>Associate Degrees</td>
<td>Long-Term Certificates</td>
</tr>
<tr>
<td>Short-Term Certificates</td>
<td>Job Placement</td>
<td>Workforce Training</td>
</tr>
<tr>
<td>Transfer Out with 12 Hours</td>
<td></td>
<td>Awards per 100 FTE</td>
</tr>
</tbody>
</table>
Overview of Focus Populations

**Populations**
- Adult
- Low-Income
- Academically Underprepared (CC only)

**Premiums**
1. 80%
2. 100%
3. 120%

Counts:
- Adult: 2
- Low-Income: 2
- Academically Underprepared (CC only): 1.8

The counts and premiums are depicted in the diagram.
# Overview of University Weights

<table>
<thead>
<tr>
<th>Weights Based on Institutional Mission</th>
<th>UTM</th>
<th>APSU</th>
<th>TTU</th>
<th>UTC</th>
<th>MTSU</th>
<th>ETSU</th>
<th>TSU</th>
<th>UM</th>
<th>UTK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students Accumulating 30 hrs</td>
<td>4.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>3.0%</td>
<td>6.0%</td>
<td>4.0%</td>
<td>3.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Students Accumulating 60 hrs</td>
<td>6.0%</td>
<td>4.5%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>4.5%</td>
<td>7.5%</td>
<td>6.0%</td>
<td>4.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Students Accumulating 90 hrs</td>
<td>10.0%</td>
<td>7.5%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>7.5%</td>
<td>9.0%</td>
<td>10.0%</td>
<td>7.5%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Bachelors and Associates</td>
<td>30.0%</td>
<td>27.5%</td>
<td>25.0%</td>
<td>25.0%</td>
<td>22.5%</td>
<td>20.0%</td>
<td>22.5%</td>
<td>22.5%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Masters/Ed Specialist Degrees</td>
<td>15.0%</td>
<td>20.0%</td>
<td>15.0%</td>
<td>10.0%</td>
<td>20.0%</td>
<td>15.0%</td>
<td>12.5%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Doctoral / Law Degrees</td>
<td>0.0%</td>
<td>0.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>7.5%</td>
<td>15.0%</td>
<td>7.5%</td>
<td>15.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Research, Service and Sponsored Programs</td>
<td>5.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>15.0%</td>
<td>10.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Degrees per 100 FTE</td>
<td>10.0%</td>
<td>17.5%</td>
<td>10.0%</td>
<td>15.0%</td>
<td>10.0%</td>
<td>7.5%</td>
<td>12.5%</td>
<td>10.0%</td>
<td>17.5%</td>
</tr>
<tr>
<td>Six-Year Graduation Rate</td>
<td>20.0%</td>
<td>10.0%</td>
<td>15.0%</td>
<td>15.0%</td>
<td>15.0%</td>
<td>10.0%</td>
<td>10.0%</td>
<td>17.5%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>APSU</td>
<td>4.54%</td>
<td>4.64%</td>
<td>4.70%</td>
<td>4.73%</td>
<td>4.70%</td>
<td>4.71%</td>
<td>4.98%</td>
</tr>
<tr>
<td>ETSU</td>
<td>6.28%</td>
<td>6.32%</td>
<td>6.40%</td>
<td>6.41%</td>
<td>6.46%</td>
<td>6.50%</td>
<td>6.55%</td>
</tr>
<tr>
<td>MTSU</td>
<td>10.55%</td>
<td>10.43%</td>
<td>10.22%</td>
<td>10.16%</td>
<td>9.99%</td>
<td>9.82%</td>
<td>9.60%</td>
</tr>
<tr>
<td>TSU</td>
<td>4.04%</td>
<td>3.88%</td>
<td>3.87%</td>
<td>3.86%</td>
<td>3.88%</td>
<td>3.81%</td>
<td>3.64%</td>
</tr>
<tr>
<td>TTU</td>
<td>4.83%</td>
<td>4.90%</td>
<td>4.93%</td>
<td>4.98%</td>
<td>5.07%</td>
<td>5.29%</td>
<td>5.25%</td>
</tr>
<tr>
<td>UM</td>
<td>11.69%</td>
<td>11.78%</td>
<td>11.68%</td>
<td>11.61%</td>
<td>11.49%</td>
<td>11.41%</td>
<td>11.36%</td>
</tr>
<tr>
<td>CCs</td>
<td>26.84%</td>
<td>26.76%</td>
<td>26.85%</td>
<td>26.82%</td>
<td>26.95%</td>
<td>27.29%</td>
<td>27.62%</td>
</tr>
<tr>
<td>UTC</td>
<td>5.12%</td>
<td>5.27%</td>
<td>5.38%</td>
<td>5.47%</td>
<td>5.48%</td>
<td>5.49%</td>
<td>5.45%</td>
</tr>
<tr>
<td>UTK</td>
<td>22.71%</td>
<td>22.63%</td>
<td>22.58%</td>
<td>22.64%</td>
<td>22.71%</td>
<td>22.54%</td>
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<td>UTM</td>
<td>3.40%</td>
<td>3.39%</td>
<td>3.38%</td>
<td>3.34%</td>
<td>3.27%</td>
<td>3.14%</td>
<td>3.07%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.00%</td>
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Contact Information

Steven Gentile, Ed.D.
Chief Policy Officer,
Policy, Planning, and Research
Bureau
steven.gentile@tn.gov
(615) 741-0350

Crystal L. Collins
Senior Director,
Fiscal Policy Division
crystal.collins@tn.gov
(615) 741-7578

Russell VanZomeren
Director,
Fiscal Policy Division
russell.vanzomeren@tn.gov
(615) 741-0060