



The Complete College Tennessee Act and the Outcomes-Based Funding Formula

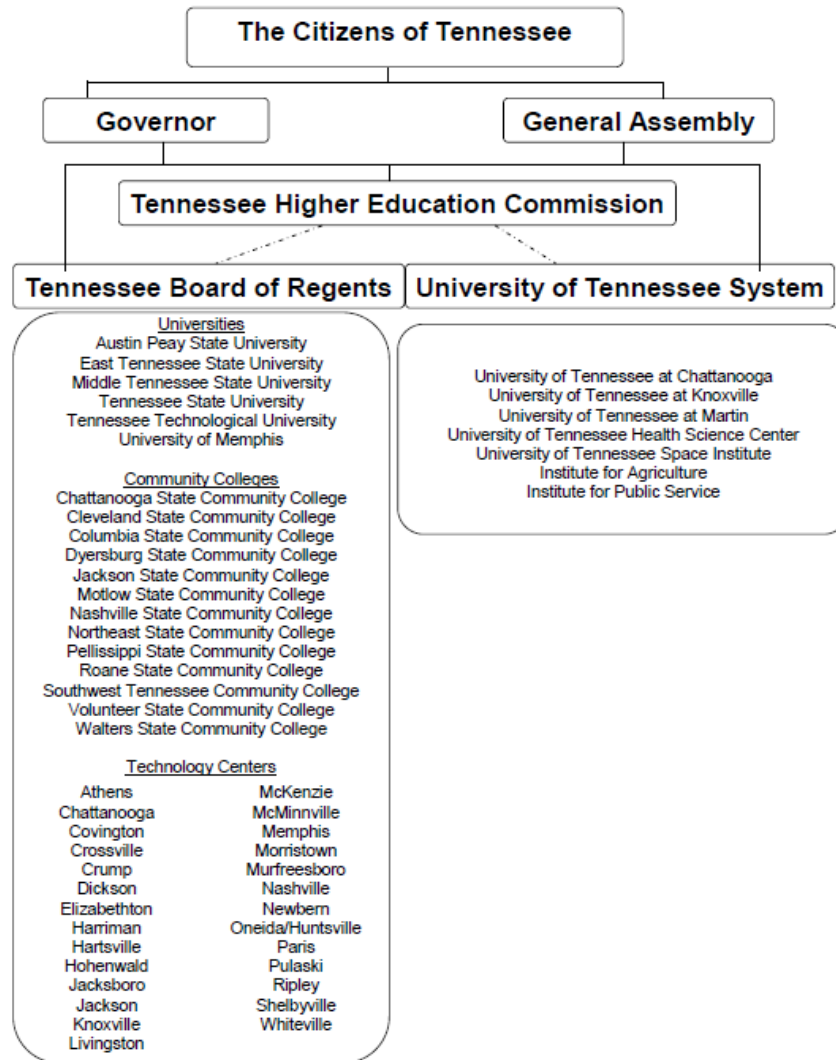
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THEC

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Tennessee Public Higher Education Governance/Coordination Structure



Tennessee Higher Education prior to CCTA



- Master Plan; limited buy-in from institutions
 - Little link between funding and state goals
- Performance Funding program allocated 5.5% of budget on measures tied to Master Plan
- Enrollment-based funding formula
 - Hadn't been fully funded since mid 1990s
- Geography and demography drove institutional growth

Tennessee Higher Education prior to CCTA



- Lottery scholarship
 - Implemented in 2004; based on Georgia HOPE
 - Primarily served the traditional-aged college-going population
 - Exceptions: Adult student grant; Technical skills grant
 - Covers a decreasing percentage of tuition and fees
 - Favored the universities and private institutions
 - Weak funding of state need-based grant

Tennessee Higher Education Fiscal Realities



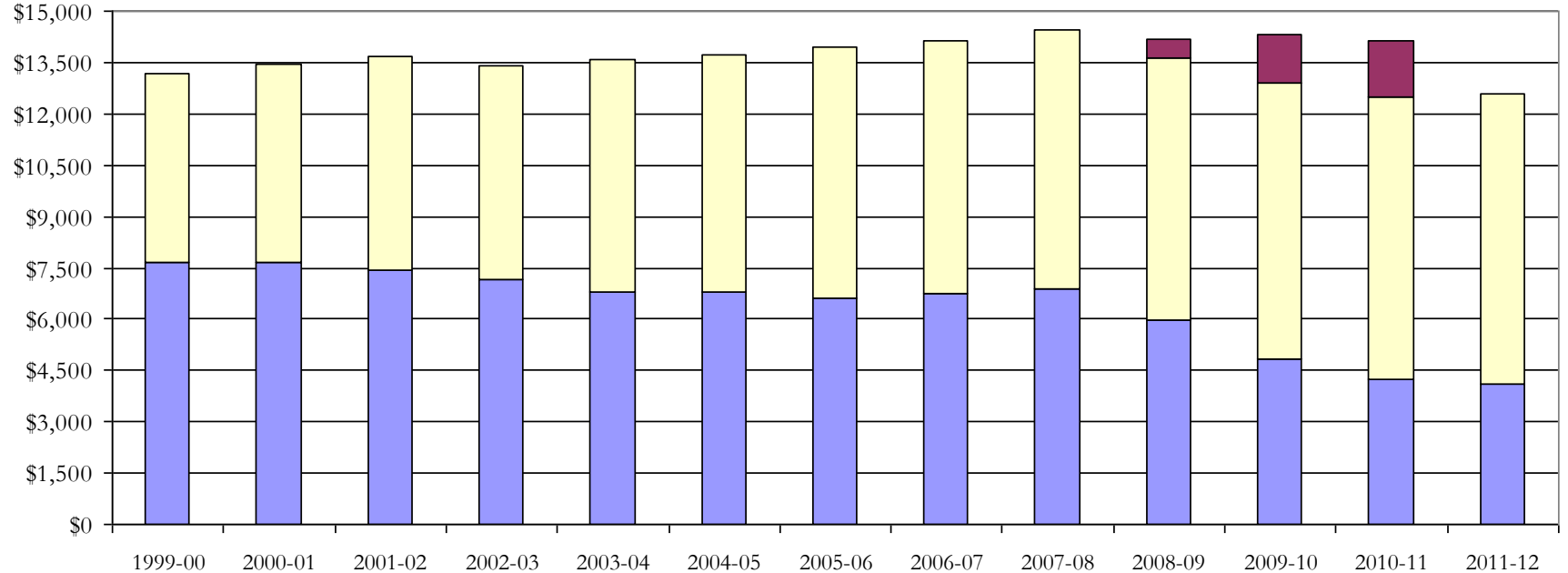
- Fewer state dollars for institutional operations
 - 20% cut over the last 5 years
- Enrollment growth
- Cost inflation
- Tuition spiral
- Exacerbated by recent recession



Tennessee Public Higher Education Operating Revenues



Total Revenue per FTE - Universities
Inflation Adjusted



CCTA Context



NEEDED:

A new vision for Tennessee
higher education



CCTA Context



- Unprecedented fiscal circumstances
- Emphasis on policy alignment
 - Statewide policy audit (April 2009, NCHEMS)
- Opportunity for higher ed to function as an integral part of a state agenda.



CCTA Overview



- Public Agenda
- Outcomes-based Funding Formula
- Mission Differentiation
- Articulation & Transfer
- Remedial & Developmental Education
- Community College System
- Research



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2010-2015 Public Agenda for Tennessee Higher Education



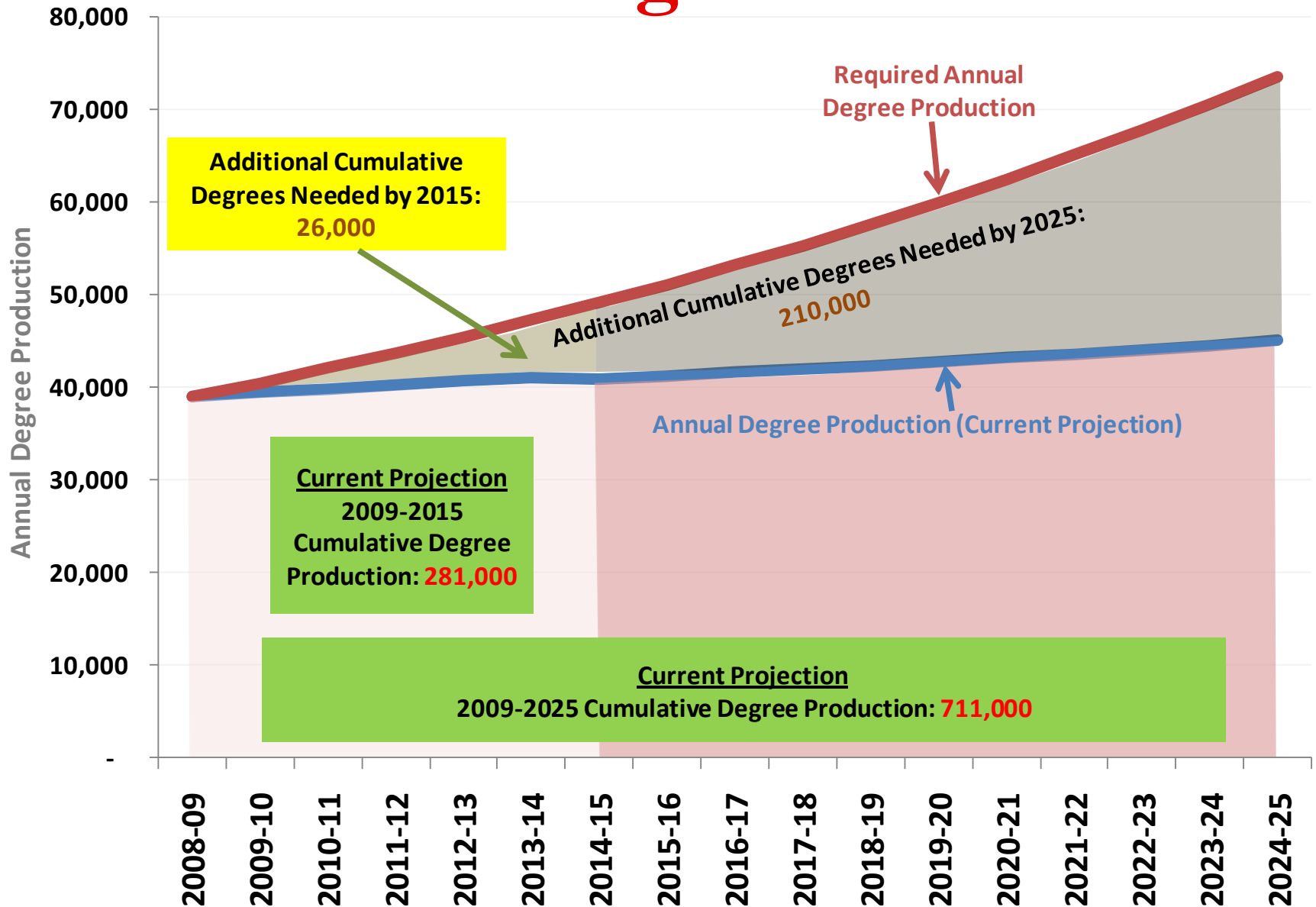
- Primary focus = increasing educational attainment
- “Public agenda” language was intentional
- Narrowly focused -- on CCTA implementation
- A Public Agenda annual *Progress Report* on the Complete College TN website will provide accountability for Agenda implementation

2010-2015 Public Agenda for Tennessee Higher Education



- The “Big Goal”
 - Informed by THEC Student Flow Model
 - Achieve the U.S. avg in ed attainment by 2025
 - Needed:
 - 26,000 additional cumulative degrees by 2015
 - 210,000 by 2025
 - 4% annual increases in certificate and degree production; every year from now to 2025
 - Goal includes private non-profits and for-profits

The Big Goal



Mission Profiles



- Required by the CCTA
- Why important?
 - Excellent institutions \neq higher ed system meeting State needs
- Institutional Mission Differentiation
 - Carnegie Classification
 - Academic Degree Programs by level and field
 - Undergraduate/graduate mix
 - Sub-populations
 - Research capacity
- Goal: avoid duplication of programs & services
- Core of outcomes funding formula
- Institutions constructed the profiles \Rightarrow systems endorsed \Rightarrow THEC approved

Mission and Student Success



- CCTA Productivity and Efficiency: *Progress through system, institutional, and faculty leadership*
 - Articulation and Transfer
 - Fully transferrable General Education Core
 - Universally transferrable 19-hour paths
 - Dual Admission agreements
 - Remedial/Developmental reform
 - Common Course Numbering

Outcomes Based Formula



- Primary features:
 - Direct reflection of the productivity focus of the 2010-15 *Public Agenda*.
 - Outcomes rather than enrollments.
 - Unique weighting structure for each outcome for each campus.
 - Weighted outcomes reflect institutional mission differentiation.

Performance Funding



- 30-year program; builds on indicators from existing cycles
- Quality Assurance focused
- Accountability instrument for Master Plan
- Serves as THEC statutorily-required State performance report for General Assembly
- Contributes to student success as the unifying goal of *Public Agenda*, outcomes based funding formula, and Performance Funding



Performance Funding



2010-15 Performance Funding Cycle Two Quality Assurance Standards

Standard I Quality of Student Learning & Engagement 75%	Institutional performance measured by achievement of student learning, program evaluation and satisfaction studies
Standard II Quality of Student Access and Student Success 25%	Institutional performance measured by achievement of credentials earned for selected student sub-populations





*Tennessee's Outcomes-Based
Funding Formula:
An Analysis of the First Two Years*



Tennessee Finance Policy Reform



- In January 2010, Tennessee passed the “Complete College Tennessee Act.”
- The legislation called for reforms in several areas:
 - student transfer
 - research collaboration
 - funding formula policy



Funding Formula Policy



- TN retired its enrollment based model and built a funding formula that is entirely a function of outcomes.
- The TN design, utilizing outcomes and an institution-specific weighting structure, is unique in higher education finance policy.



TN Outcomes-Based Model



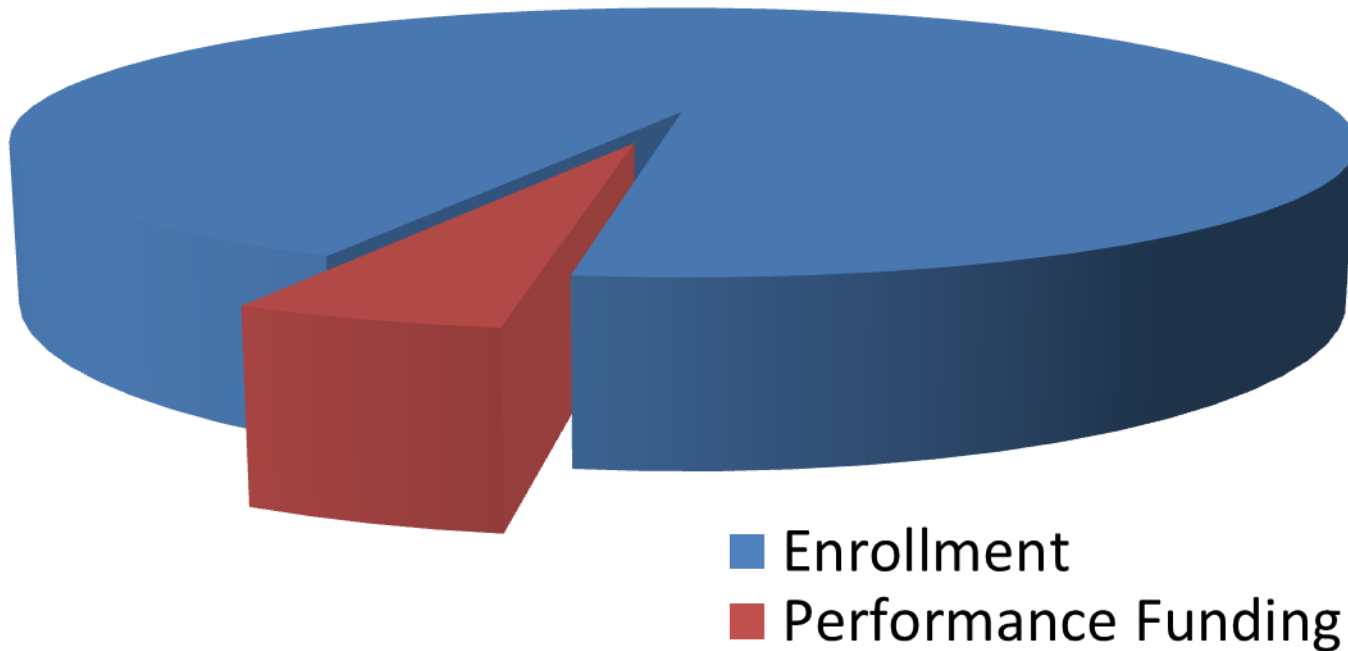
- This is *not* simply a reform to TN's long-standing Performance Funding program.
- The outcomes-based model *completely replaces* the enrollment-based model.
- There is no enrollment-based allocation in TN.



TN Funding Formula Evolution



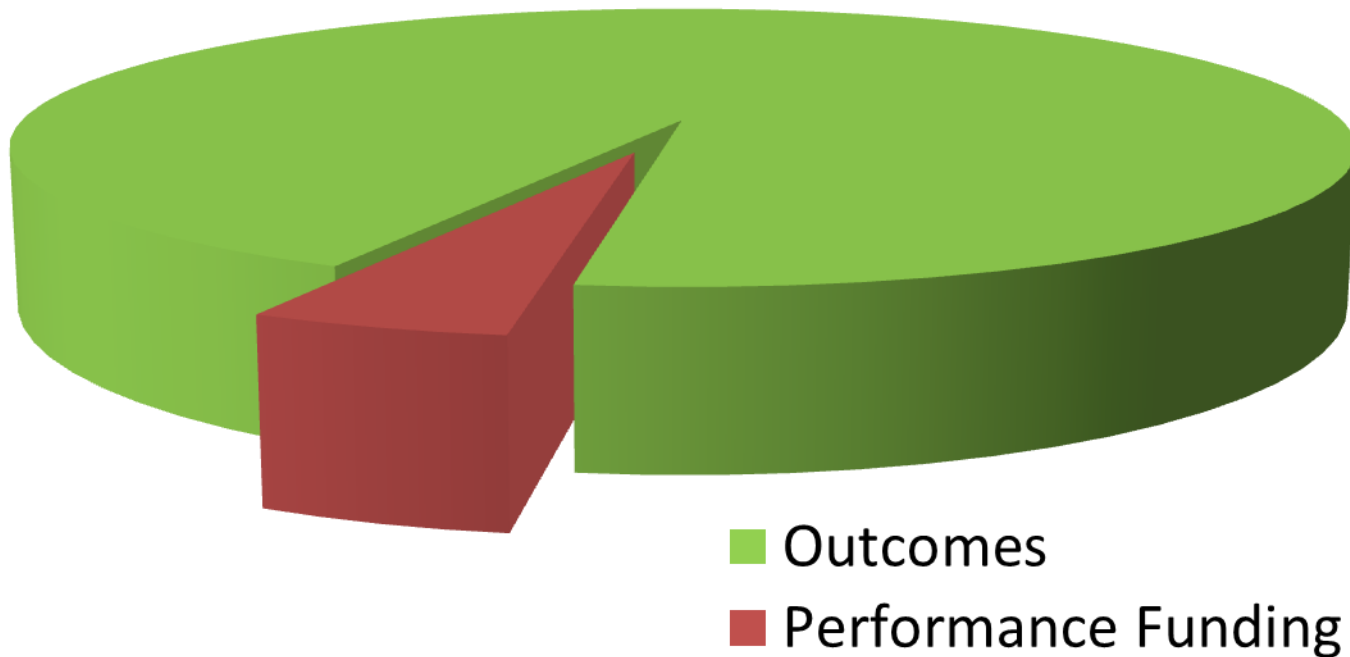
TN Enrollment-Based Funding Formula, 1979-2011



TN Funding Formula Evolution



TN Outcomes-Based Funding Formula, 2011-Present



TN Outcomes-Based Model



- Rather than counting enrollments, the TN model simply counts outcomes such as degrees.
- There are no state-imposed targets or pre-determined goals.
- The outcomes are weighted to reflect institutional mission.



TN Outcomes-Based Formula



Universities

Outcome
Student Progression: 24 Credit Hours
Student Progression: 48 Credit Hours
Student Progression: 72 Credit Hours
Bachelors Degrees
Masters Degrees
Doctoral/Law Degrees
Research/Grant Funding
Student Transfers
Degrees per 100 FTE
Graduation Rate



TN Outcomes-Based Formula



Community Colleges

Outcome
Students Accumulating 12 hrs
Students Accumulating 24 hrs
Students Accumulating 36 hrs
Dual Enrollment
Associates
Certificates
Job Placements
Remedial & Developmental Success
Transfers Out with 12 hrs
Workforce Training (Contact Hours)
Awards per 100 FTE

TN Outcomes-Based Formula



Weights Based on Institutional Mission	APSU	UTM	TTU	UTC	MTSU	ETSU	TSU	UM	UTK
Student Progression: 24 Credit Hours	3%	3%	3%	3%	3%	3%	3%	2%	2%
Student Progression: 48 Credit Hours	5%	5%	5%	5%	5%	5%	5%	3%	3%
Student Progression: 72 Credit Hours	7%	7%	7%	7%	7%	7%	7%	5%	5%
Bachelors Degrees	30%	30%	25%	25%	25%	25%	25%	25%	15%
Masters Degrees	15%	15%	15%	15%	15%	15%	15%	15%	15%
Doctoral/Law Degrees	0%	0%	5%	5%	5%	7.5%	7.5%	10%	10%
Research/Grant Funding	10%	10%	10%	10%	10%	12.5%	12.5%	12.5%	15%
Student Transfers	10%	10%	10%	10%	10%	5%	5%	5%	5%
Degrees per 100 FTE	15%	15%	10%	10%	10%	10%	10%	10%	10%
Graduation Rate	5%	5%	10%	10%	10%	10%	10%	12.5%	20%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

Bachelors degrees; little
research/doctoral degrees

Extensive doctoral degrees
and emphasis on research



TN Outcomes-Based Model



- Outcomes model utilized for 2011-12 and 2012-13 state budget cycles.
- The outcomes model is not for the allocation of *new* state funding, but for *all* state funding (\$750 million).
- The model works with flat, increasing or decreasing state appropriations.



TN Outcomes-Based Formula



- All state funding is back up for grabs every year.
- No institution is entitled to some minimal level of appropriations that is based on prior-year funding.
- State appropriations have to be earned anew each year.



TN Outcomes Formula



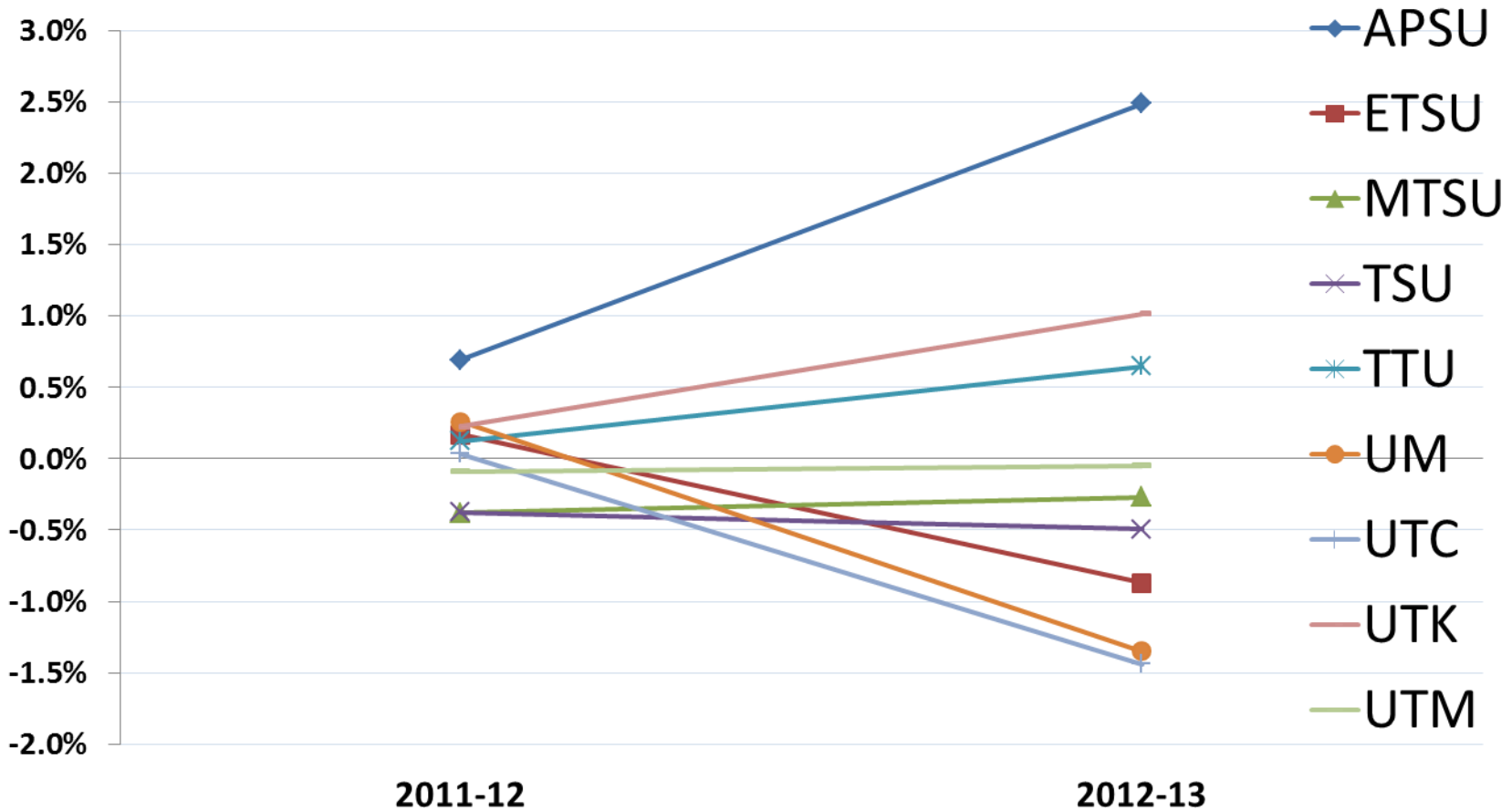
- 100% of state appropriations are subject to reallocation each year to reflect productivity changes.
- The TN model is engineered such that productivity changes generate state appropriations changes largely within a $\pm 2\%$ range.



TN Outcomes-Based Formula



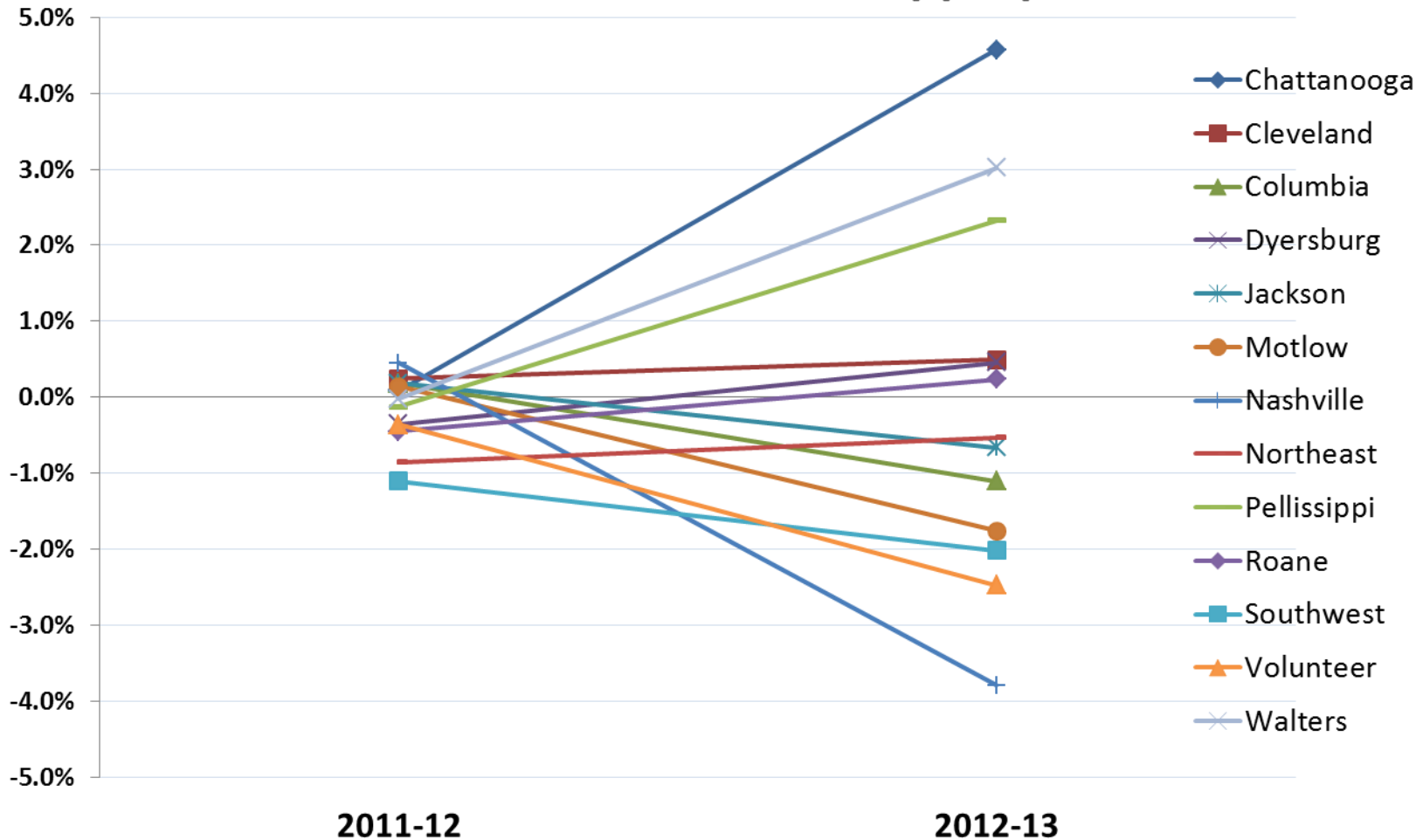
Annual Reallocation of State Appropriations



TN Outcomes-Based Formula

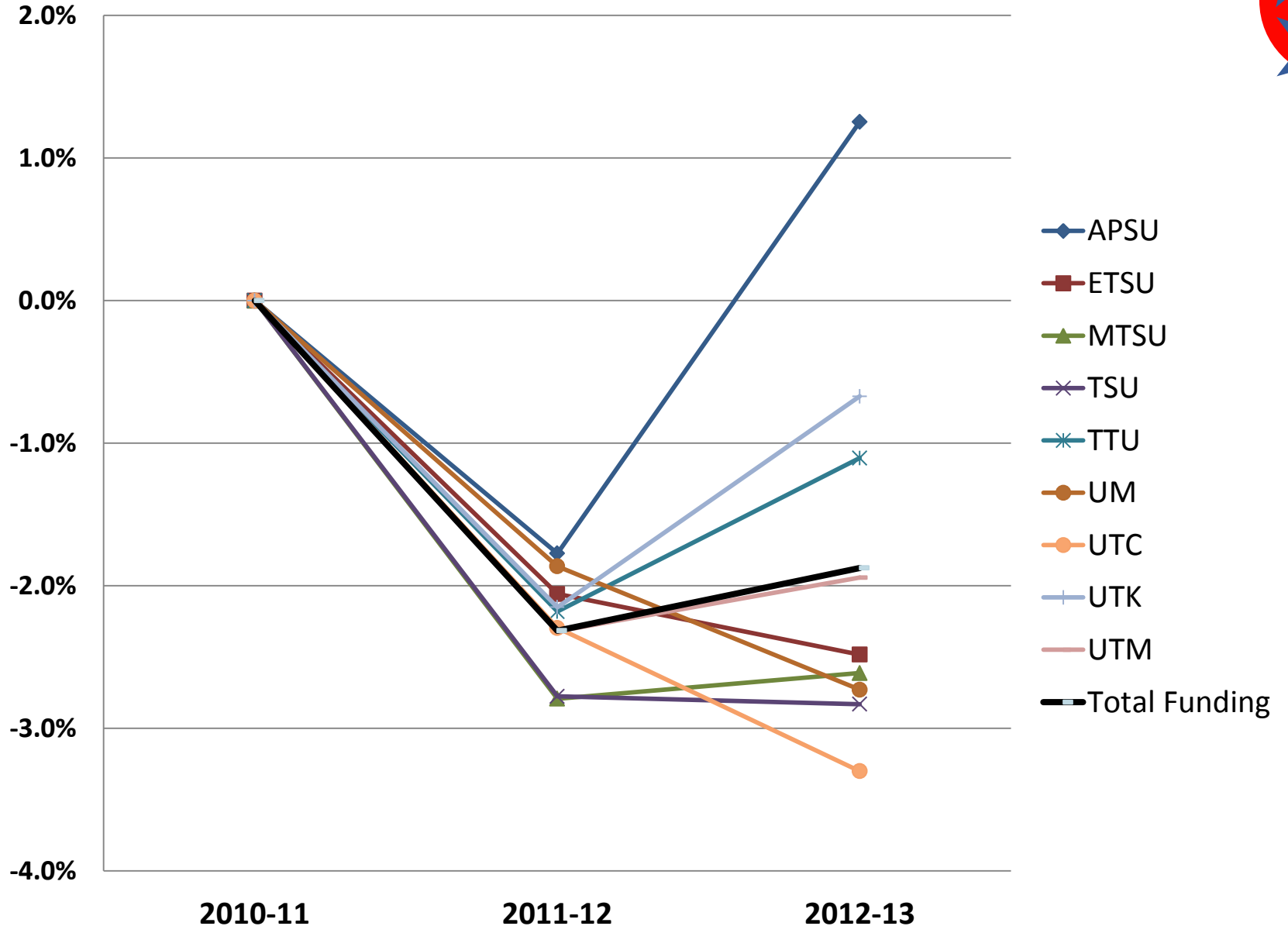


Annual Reallocation of State Appropriations





Cumulative Change in Appropriations Due to Formula



Outcomes Based Model Advantages



- The outcomes model is linked directly to the educational attainment goals of TN's Public Agenda.
- The outcomes model establishes a framework for government to have an ongoing policy discussion with higher education.
- The model is adjustable to account for new outcomes or a different policy focus (changing the weights).



Outcomes Based Model Advantages



- The structure (outcomes & weights) of the outcomes-based model is the key innovation.
- The specific outcomes and weights that TN chose fit our state's context and current needs.
- Other states could adopt the general design and decide for themselves what outcomes are valuable and how they should be weighted to reflect institutional mission.



TN Outcomes Formula



- Extensive information, including the formula model, is available on the THEC homepage.
- www.tn.gov/thec





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