

Tennessee Higher Education Commission

Outcomes Based Formula Explanation

The funding formula model, developed in response to the Complete College Tennessee Act (CCTA) of 2010, rewards institutions for the production of outcomes that further the educational attainment and productivity goals of the state Master Plan. The outcomes were chosen to represent broad activities across institutions and are grouped into the categories of student progression, degree production, efficiency, and other important institutional functions. The outcomes are weighted according to institutional mission, reflecting an institution’s Basic Carnegie classification. Because the model is flexible, future shifts in an institution’s Carnegie Classification can be accommodated through the weighting structure.

Outcomes Included in Four-Year Outcomes Based Formula

Students Accumulating 24hrs	Bachelor and Associate Degrees Awarded
Students Accumulating 48hrs	Masters and Ed Specialist Degrees Awarded
Students Accumulating 72hrs	Doctoral and Law Degrees Awarded
Research and Service Expenditures	Degrees per FTE
Transfers Out with at Least 12 Credit Hours	Six-Year Graduation Rate

Outcomes Included in Community College Outcomes Based Formula

Students Accumulating 12hrs	Dual Enrollment Students	Job Placements
Students Accumulating 24hrs	Associates Granted	Transfers out with 12 Credits
Students Accumulating 36hrs	Certificates Granted	Remedial and Developmental Success
Work Force Training	Awards per FTE	

The outcomes based model is designed to utilize actual outcome data, mostly from currently available sources. The outcome data is then weighted to reflect both the priority of that outcome at a particular institution and the institution’s Carnegie Classification. Institutions are also rewarded with a premium of 40 percent for progression and undergraduate degree production data attributable to low-income and adult students. The outcomes based model provides several distinct advantages to other funding methodologies. Approximately 60 percent of the old formula recommendation was based on enrollment. In contrast, the outcomes model is productivity based and includes ten outcomes, providing more stability by spreading the incentives across more variables. Additionally, the institutional specific weights allow the state to be clear in its expectations, while not being prescriptive to institutions in how to achieve higher levels of productivity. Unlike Performance Funding, the outcomes based formula does not have annual targets or benchmarks. Therefore, it is not punitive for failure to achieve a predetermined goal. Furthermore, the links to the Master Plan are strengthened by utilizing the formula as a policy tool to encourage increased productivity.

In developing the outcomes-based model, THEC convened a Formula Review Committee (FRC), which met over the course of eight months and included representatives from UT, TBR, the Constitutional offices, Legislative Budget, institutional Presidents and Chancellors, faculty, chief business officers and chief academic officers. The FRC also solicited feedback directly from each institutional President and Chancellor on major design components of the new formula. Throughout the process, THEC staff made several presentations across the state, answering questions about the model and presenting its major design principles and components to institutions and legislative committees. The model represents the collective judgment of not only the FRC, but the institutions, UT, TBR, THEC and state government. Primarily, the CCTA seeks to change the incentive structure imbedded in the formula model, away from enrollment and towards mission-driven outcomes. The model will be phased in over a three-year period, minimizing the immediate impact to institutions as they adjust to a new incentive structure. It is THEC's intention to review the model annually for any necessary adjustments and to examine whether it is having the desired effect.