



OUTCOMES BASED FUNDING FORMULA OVERVIEW

The Complete College Tennessee Act (2010) requires Tennessee public community colleges and universities to be funded on outcomes like student progression and completion. The Tennessee Higher Education Commission and Review Committee developed a formula that funds institutions through outcome metrics that reflect institutional priorities and mission. THEC uses a three-year average of the outcomes listed below to limit potential volatility in the formula year over year.

OUTCOMES

Community Colleges

Students Accumulating 12 hours
Students Accumulating 24 hours
Students Accumulating 36 hours

Associate Degrees

Long-Term Certificates

Short-Term Certificates

Dual Enrollment

Job Placements

Transfers out with 12 hours

Workforce Training

Universities

Students Accumulating 30 hours
Students Accumulating 60 hours
Students Accumulating 90 hours
Bachelor's and Associate Degrees

Masters/Ed. Specialist Degrees

Doctoral/Law Degrees

Research, Service, and Sponsored Programs

Four-year Graduation Rate

Outcomes are **weighted** to align with institutional priorities and mission, totaling 100 percent for each institution. The formula also includes premiums for **focus populations** for student progression and undergraduate awards to encourage completion at public institutions. Focus population premiums are applied to outcomes in bold above.

FOCUS POPULATIONS

Community Colleges

Premiums

Universities

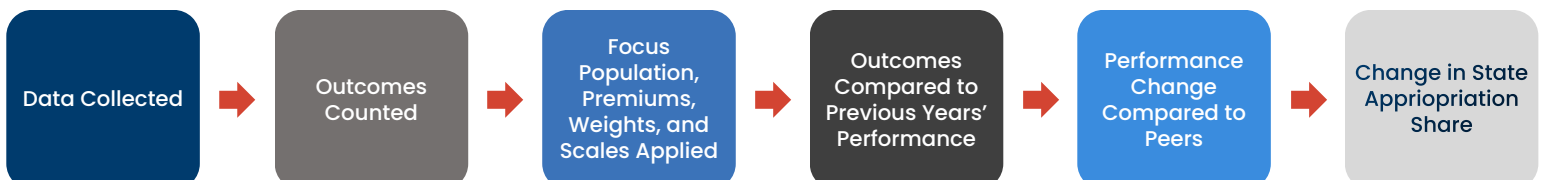
Adult
Low-Income
Academically Underprepared
High-Need Fields*

1 Focus Population = 80% = 1.8 Outcomes
2 Focus Population = 100% = 2 Outcomes
3 Focus Population = 120% = 2.2 Outcomes
4 Focus Population = 140% = 2.4 Outcomes

Adult
Low-Income
High-Need Fields*

*Applied to undergraduate awards only

How It Works: Universities and community colleges compete for a **share** of available state appropriations each year. They do this through improvement in their outcomes relative to peers. Data are counted and **scaled**, then compared to previous total outcomes. An institution's increase or decrease in outcome production is assessed compared to peer increases or decreases in outcome production. Outcome movement influences an institution's share of state appropriations. For example, if all institutions experienced net increases in outcomes, institutions that experienced the *greatest growth* would increase their share of total funding the most.



The funding formula also includes an assessment of institutional quality and programmatic support via the **Quality Assurance Funding** (QAF) score. Institutions may earn up to an additional 5.45% of funding based upon metrics such as licensure pass rates and accreditation. The formula also includes values for institutional **fixed costs** intended to ensure institutions receive adequate funds to maintain the operation of their physical infrastructure.

Outcome	Simplified Definition
Student Progression	The number of undergraduate students reaching 30, 60, or 90 credit hours at universities or 12, 24, or 36 credit hours at community colleges during an academic year.
Short-Term (<1 Year) Certificates	The total number of technical certificates requiring fewer than 24 credit hours granted during a calendar year.
Long-Term (1 - 2 Year) Certificates	The total number of long-term certificates (excluding those in the general education core) awarded in an academic year.
Bachelor's Degree	The total number of bachelor's degrees awarded in an academic year.
Associate Degrees	The total number of associate's degrees awarded in an academic year.
Master's And Education Specialist's Degrees	The total number of master's and education specialist's degrees and certificates awarded in an academic year.
Doctoral And Law Degrees	The total number of doctoral and law degrees awarded in an academic year.
Graduation Rate	The four-year university graduation rate of first-time, full-time freshmen.
Research, Service, And Sponsored Service	Expenditures derived from external sources for research, public service, and sponsored program activities at a university.
Dual Enrollment	The number of credit hours earned in degree-credit courses in an academic year.
Transfers Out	The number of undergraduate students who, after accumulating 12 credit hours, successfully transferred to another institution in an academic year.
Job Placement	The number of graduates employed full-time in the year following graduation from a community college.
Workforce Training	The number of eligible non-credit workforce training hours completed in an academic year at a community college.
Focus Population	Simplified Definition
Adult	Students 25 years or older at the time the outcome is achieved.
Academically Under-Prepared	Any student who scores below certain thresholds on the ACT and any student who is ever identified by the community college as requiring a remedial or development course. Only applicable for community colleges.
Low-Income	Students identified as Pell-eligible at any time during their college career.
Workforce Investment	Students who receive an undergraduate award in an approved high-need academic field in a given academic year. Used for undergraduate awards only.