TENNESSEE HIGHER EDUCATION COMMISSION

REGULAR CALENDAR ITEM: **VIII.**

MEETING DATE: July 23, 2026

SUBJECT: 2026-2030 Outcomes-Based Funding Formula Recommendations

ITEM TYPE: Action

BACKGROUND

Tenn. Code Ann. § 49-7-202(g) requires the Commission to establish and annually convene a review committee to aid in the development or revision of the Outcomes-Based Funding (OBF) formula. After consulting the Statutory Review Committee (SRC), THEC staff then make formal recommendations to amend or revise the formula to the Commission, which votes on all recommendations.

In practice, although the SRC convenes annually, substantive changes to the formula are considered for implementation every five years, ensuring consistency in formula knowledge and understanding.

For the most recent five-year review process, THEC staff convened the SRC three times between October of 2025 and June of 2026 (Membership for both the SRC and working group can be found in Appendix A). In advance of and alongside the formula review process, THEC staff have worked to keep the Commission informed and aware of deliberations pertaining to the Outcomes-Based Funding Formula review process. Informed by these discussions with the SRC and Commission, THEC staff present changes to the OBF formula below, for consideration of the Commission.

SUMMARY OF 2026-2030 OUTCOMES-BASED FUNDING FORMULA CHANGES

Below is a summary of the recommended changes discussed during the five-year OBF formula review. More detailed information on the proposed changes, as well as items considered but not recommended, can be found in Attachment A. Materials related to the SRC, including meeting minutes, can be found in the Appendices.

RECOMMENDED CHANGES TO OUTCOME METRICS FOR THE 2026-2030 FORMULA

Graduation Rate

While the graduation rate outcome provides a consistent measure of long-term student completion, its six-year timeframe does not align with Tennessee's emphasis on on-time graduation. The state has made significant efforts to encourage students to complete bachelor's degrees within four years, both to reduce costs and to improve workforce readiness. However, because the OBF formula rewards institutions based on a six-year graduation rate, there is little financial incentive for campuses to prioritize on-time completion. This disconnect can create confusion for policymakers and advocates, who often look to four-year graduation rates as indicators of student success and institutional performance.

Based on feedback from the SRC and the passage of 2026 Tenn. Code Ann. § 49-7-202 defining on-time completion, **THEC staff recommend the adoption of on-time graduation rates.** For the purposes of the OBF formula, this will define graduation rates as the number of first-time, full-time freshmen who earn a bachelor's degree within four years.

Eliminate Awards/Degrees Per 100 Full-Time Equivalencies

For community colleges, students enrolled in short-term certificate programs are not counted in this metric because their credentials are not included in the award totals. This puts the sector at a disadvantage, since many community colleges serve large numbers of short-term certificate students. In addition, these programs often require fewer than 24-credit hours, meaning students may never reach the credit thresholds needed to be counted in the progression metric. As a result, a significant portion of community college activity and student success is not reflected in key outcomes, which lowers their performance on the formula.

In addition, university sector feedback from the SRC indicates that this measure adds complexity and does not align as strongly with institutional priorities as other outcomes. Therefore, **THEC staff recommend the removal of the Awards/Degrees Per 100 Full-Time Equivalencies outcomes.**

Revise the Dual Enrollment Metric to Capture Full-Time Equivalencies

Unlike other outcomes in the OBF formula, the dual enrollment metric recognizes only whether a high school student takes at least one degree-credit course, without accounting for the level of instructional effort required to support them. As a result, the OBF formula treats a student who completes a single dual enrollment course the same as a student who completes multiple, despite the significant differences in faculty time, advising, instructional delivery, and institutional resources required. This enrollment-only approach limits the formula's ability to reflect the true scope of institutional investment in dual enrollment and may understate the contributions of institutions that support students taking multiple courses or pursuing more structured early-college pathways.

THEC staff analyses demonstrated that dual enrollment participation patterns vary widely across institutions, with some institutions enrolling large numbers of students in multi-course pathways while others primarily support single-course participation. These differences create uneven recognition in the formula and obscure the scale of effort required at high-participation institutions. **THEC staff recommend revising the dual enrollment metric to count the total number of credit hours completed by dual enrollment students.** Shifting from an unduplicated headcount to completed credit hours would more accurately reflect the instructional effort and institutional investment required to support early college coursework. This approach would also strengthen incentives for campuses to help dual enrollment students successfully complete their courses, rather than just enroll in them, which is essential given the role dual enrollment plays in reducing college costs and accelerating time to degree.

RECOMMENDED CHANGES TO PREMIUMS FOR THE 2026-2030 FORMULA

Workforce Investment Premium

To ensure Tennessee's higher education system continues to meet the state's evolving workforce needs, it is critical that the OBF formula remains aligned with high-demand career fields. In previous years, institutions and state leaders emphasized the importance of recognizing the unique costs associated with producing graduates in these fields. In response, the formula was updated to include a metric acknowledging undergraduate awards in high-need workforce areas. As workforce requirements and economic priorities continue to shift, **THEC staff recommend updating and refining this existing focus population category to more accurately capture current high-need fields and ensure continued alignment between degree production and labor-market demand**. A list of instructional programs by Classifications of Instructional Programs (CIP) proposed for inclusion in the updated Workforce Investment Premium definition can be found in Appendix F.

RECOMMENDED ACTION

Based on discussions with the Statutory Review Committee, feedback received from legislative, institution, government and other stakeholders, THEC staff recommend the changes to the 2026-2030 outcomes-based funding formula summarized above be approved for immediate implementation for the 2027-2028 appropriation request cycle. Any approved changes will continue to be reviewed annually as outlined in statute.

Tennessee Higher Education Commission

Dr. Steven Gentile, *Executive Director*
312 Rosa L. Parks Ave, 9th Floor
Nashville, TN 37243

Attachment A

2026-2030 Outcomes-Based Funding Formula Review Process

Introduction

Throughout 2025, THEC worked with a variety of stakeholders to develop the 2025-2035 Strategic Higher Education Master Plan: Enhancing the Value for Tennessee. Following the development of the Master Plan's guiding principles and cornerstones, THEC staff identified structural changes to the Outcomes-Based Funding (OBF) formula to provide greater alignment. While informal discussions around the OBF formula took place throughout 2025, the formal five-year review process began in October 2025 and concluded in June 2026. During that time, the Statutory Review Committee (SRC) met three times, as well as a meeting with the working group (see membership in Appendix A). THEC staff updated the Commission on the Strategic Higher Education Master Plan and the 2026-2030 OBF formula throughout the process.

This document provides detailed information about the discussed changes to the OBF formula as outlined in the above-described process. Changes approved by the Commission will be implemented immediately to inform the FY2027-28 appropriation request.

Discussed Changes for the 2026-2030 OBF Formula

Changes Recommended for the 2026-2030 Formula

Awards/Degrees per 100 FTE

For community colleges, students enrolled in short-term certificate programs are not counted in this metric because their credentials are not included in the award totals. This puts the sector at a disadvantage, since many community colleges serve large numbers of short-term certificate students. In addition, these programs often require fewer than 24 credit hours, meaning students may never reach the credit thresholds needed to be counted in the progression metric. As a result, a significant portion of community college activity and student success is not reflected in key outcomes, which lowers their performance on the formula.

Based on university sector feedback from the SRC indicating that this measure adds complexity and does not align as strongly with institutional priorities as other outcomes, **THEC staff recommend the removal of the Awards/Degrees Per 100 Full-Time Equivalencies outcomes.**

Dual Enrollment

Unlike other outcomes in Tennessee's OBF formula, the dual enrollment metric recognizes only whether a high school student takes at least one degree-credit course, without accounting for the level of instructional effort required to support them. As a result, the formula treats a student who completes a single dual enrollment course the same as a student who completes multiple, despite the significant differences in faculty time, advising, instructional delivery, and institutional resources required. This enrollment-only approach limits the formula's ability to reflect the true scope of institutional investment in dual enrollment and may understate the contributions of institutions that support students taking multiple courses or pursuing more structured early-college pathways.

THEC staff analyses demonstrated that dual enrollment participation patterns vary widely across institutions, with some institutions enrolling large numbers of students in multi-course pathways while others primarily support single-course participation. These differences create uneven recognition in the formula and obscure the scale of effort required at high-participation institutions. **THEC staff recommend revising the dual enrollment metric to count the total number of credit hours completed by dual enrollment students.** Shifting from an unduplicated headcount to completed credit hours would more accurately reflect the instructional effort and institutional investment required to support early-college coursework. This approach would also strengthen incentives for institutions to help dual enrollment students successfully complete their courses, rather than just enroll in them, which is essential given the role dual enrollment plays in reducing college costs and accelerating time to degree.

Graduation Rate

While the graduation rate outcome provides a consistent measure of long-term student completion, its six-year timeframe does not align with Tennessee's emphasis on on-time graduation. The state has made significant efforts to encourage students to complete bachelor's degrees within four years, both to reduce costs and to improve workforce readiness. However, because the OBF formula rewards institutions based on a six-year graduation rate, there is little financial incentive for institutions to prioritize on-time completion. This disconnect can create confusion for policymakers and advocates, who often look to four-year graduation rates as indicators of student success and institutional performance.

Based on feedback from the SRC and the passage of 2026 Tenn. Code Ann. § 49-7-202 defining on-time completion, **THEC staff recommend the adoption of on-time graduation rates.** For the purposes of the OBF formula, this will define graduation rates as the number of first-time, full-time freshmen who earn a bachelor's degree within four years.

Workforce Investment Premium

When the Workforce Investment Premium was created in 2022, it was intentionally designed to be broadly inclusive of high-need fields to ensure institutions were supported for meeting statewide workforce demands. However, as Tennessee continues to sharpen its focus on high-need and high-wage occupations—and on maximizing return on investment for both students and the state—the current list of eligible CIP codes may no longer fully reflect today's workforce priorities. For example, some programs included in the original design may not align with the state's most urgent labor market needs or high-value career pathways. As a result, the premium may reward fields that are less strategically aligned with emerging priorities, creating gaps in how institutional contributions to workforce preparation are measured and incentivized.

With guidance from the SRC and state stakeholders, THEC staff have investigated avenues to better align academic programs included in the premium with state workforce needs. **Building upon an Impact Credential Framework and the state's work on Workforce Pell, THEC staff recommend implementing an updated Workforce Investment Premium that includes academic programs, targeted at the four-digit CIP code level, to address in-demand and livable wages for its graduates.** Additional details, including the list of eligible programs, are included in Appendix F.

Changes Considered but not Recommended for the 2026-2030 Formula

Adult Learner Focus Population Premium

Recent changes to state policy have created a misalignment in adult learner age requirements between scholarship eligibility and the funding formula. The 2022 HOPE Expansion Bill lowered Tennessee Reconnect eligibility to age 23, resulting in Reconnect-eligible institutions classifying and supporting 23-year-olds as adult learners for financial aid purposes. However, the OBF formula defines adult learners as students age 25 or older when they achieve an outcome. As a result, some institutions may provide services and awards to students considered adult learners under state scholarship rules yet receive no corresponding premium in the formula.

However, THEC staff analyses found that shifting the adult learner age from 25 to 23 would modestly increase community colleges and significantly increase university outcomes. Between 2020-21 and 2024-25, these gains would have disproportionately accrued to the university sector, particularly in progression and completion metrics. **Therefore, THEC staff recommend maintaining the existing definition of adult learner.**

Focus Population Premium Structure

Under the current design, each focus population adds the same amount of additional weight: one focus population equals 1.8 outcomes, two equals 2.0 outcomes, three equals 2.2 outcomes, and four equals 2.4 outcomes. Since these categories were created, institutions and THEC staff have questioned whether equal weighting is appropriate. Some student groups may face greater barriers to progression or completion than others—for example, an academically underprepared student may encounter more significant challenges to graduation than an adult learner. Additionally, when students fall into multiple focus populations, it is unclear whether the combined weighting accurately reflects the differences in their likelihood of success. An academically underprepared adult learner, for instance, may face different or more substantial obstacles than a low-income adult learner. These questions raised important considerations about whether the premium should be differentiated to better capture the varying levels of challenge across populations.

To explore this issue, THEC partnered with the State Higher Education Executive Officers Association (SHEEO) to analyze whether the current premium structure accurately reflects the relative difficulty of supporting focus population students in reaching key milestones. As shown in Appendix H, the impact of focus population membership varies widely across credentials, sectors, and student pathways. As a result, no alternative weighting approach provided a clearer or more consistent improvement over the current structure. **Therefore, THEC staff recommend maintaining the existing focus population premium weighting structure.**

Progression Metrics

The current milestone-based progression structure does not fully capture the institutional effort required to support students between thresholds. While these checkpoints mark important points in a student's academic journey, they overlook the significant learning and support that occurs between them. For example, a university receives no recognition for a student who arrives having earned 30 credits and successfully completes another 45, because the student does not cross the next milestone at 60 credit hours. As a result, substantial instructional investment and student progress go unrecognized in the formula, creating gaps in how institutions' work is measured and rewarded.

In discussions with institutional representatives and the SRC, many emphasized that the current milestone structure is both intuitive and meaningful for institutions. Institutions noted that the milestones provide clear, concrete points for students to work toward and serve as symbolic indicators of continued momentum along an academic pathway. While some stakeholders suggested exploring retention rates as a potential proxy for student progress, THEC staff ultimately determined that incorporating additional rates into the formula would constrain institutional growth due to the inherent cap on rate-based measures. **Given these considerations, and the broad support for the clarity and motivational value of the existing milestones, THEC staff recommend maintaining the current progression structure.**

Transfer Student Focus Population Premium

Tennessee's Transfer Pathways (TTPs) have long been a strength of the state's higher education landscape, yet the current formula recognizes transfer activity only through the community college "transfer out" metric, which counts students who earn 12 credit hours and then successfully transfer to another institution. This measure captures just one point in the broader transfer continuum and does not reflect the substantial institutional work that occurs after students arrive at a university. For example, while community colleges receive acknowledgement for sending students onward, universities receive no direct funding incentive for enrolling, supporting, or applying credits toward degree completion for these transfer students. As a result, significant academic effort, credit-evaluation work, and student progress occurring after transfer go unrecognized, creating a misalignment in how the formula captures institutional contributions to transfer success.

In conversations with the SRC, stakeholders expressed limited interest in expanding the number of focus population premiums. Several committee members agreed that supporting transfer pathways remains important within the OBF framework, but there was broad consensus that the existing transfer out metric, paired with the reverse transfer component, already provides sufficient recognition of transfer activity within the state. Some suggested alternative approaches, but overall, participants emphasized maintaining the clarity and balance of the current structure rather than creating an additional focus population. **Given these considerations, and the general support for retaining the existing approach, THEC staff do not recommend developing a new transfer-student focus population at this time.**

Workforce Training Age Requirements

Under the current formula design, workforce training includes only postsecondary activities, excluding non-postsecondary offerings such as GED preparation, summer camps, and other community-based training programs. During the review process, community college workforce training leads expressed interest in expanding the definition to include high school students who participate in institution-led training activities. They noted that many colleges are increasingly engaging younger learners through career exploration, technical skill development, and early workforce readiness programs. However, incorporating high school students into the formula would represent a significant shift in how workforce training is defined and measured, raising questions about consistency, data quality, and alignment with the formula's postsecondary focus.

To better understand the implications of such an expansion, THEC staff surveyed institutions about the availability and reliability of data on high school students participating in workforce training. The responses varied widely: some institutions reported robust tracking systems, while others indicated limited or inconsistent data collection. Because the formula relies on a three-year average to ensure stability and comparability across institutions, the lack of uniform data makes it difficult to

incorporate high school participants without introducing volatility or inequity. **Given the inconclusive and uneven data across institutions, THEC staff recommend maintaining the current definition of workforce training.**

Appendix A

2026-2030 THEC Formula Review Committee

Name	Organization	Title
Randy Boyd	University of Tennessee System	President
Jim Bryson	Tennessee Department of Finance and Administration	Commissioner
Steven Gentile	Tennessee Higher Education Commission	Executive Director
Bill Hardgrave	University of Memphis	President
Catherine Haire	Office of Legislative Budget Analysis	Director, Senate Budget Analysis
Gary Hicks	Tennessee House of Representatives	Chair, House Finance, Ways and Means Committee
Jessica Himes	Office of Legislative Budget Analysis	Director, House Budget Analysis
Michael Licari	Austin Peay State University	President
Sidney McPhee	Middle Tennessee State University	President
Jason Mumpower	Tennessee Comptroller of the Treasury	Comptroller
Brian Noland	East Tennessee State University	President
Phil Oldham	Tennessee Technological University	President
Dwayne Tucker	Tennessee State University	President
Flora Tydings	Tennessee Board of Regents	Chancellor
Bo Watson	Tennessee Senate	Chair, Senate Finance, Ways and Means Committee
Dawn White	Tennessee Senate	Chair, Senate Education Committee
Mark White	Tennessee House of Representatives	Chair, House Education Committee

2026-2030 THEC Formula Review Working Group

Name	Organization	Title
Amy Aldridge	Middle Tennessee State University	Vice Provost for Academic Programs & Professor of Communication
Ava Bell	Tennessee Department of Finance and Administration	Budget Analyst, Education
Carley Bowers	Tennessee House of Representatives	Research Analyst, House Education Committee
Jessica Bryant	Tennessee Senate	Research Analyst, Senate Education Committee
Mitch Cordova	Austin Peay State University	Provost and Vice President for Academic Affairs
Russ Deaton	Tennessee Board of Regents	Executive Vice Chancellor for Policy & Strategy
Stephanie Fletcher	University of Tennessee, Southern	Vice Chancellor for Finance & Administration
Steven Gentile	Tennessee Higher Education Commission	Executive Director
Brent Goldberg	University of Tennessee, Chattanooga	Vice Chancellor for Finance and Administration
Catherine Haire	Office of Legislative Budget Analysis	Director, Senate Budget Analysis
Jessica Himes	Office of Legislative Budget Analysis	Director, House Budget Analysis
Michael Hoff	East Tennessee State University	Vice Provost, Planning and Decision Support and University Chief Planning Officer
John Kerr	Tennessee Senate	Research Analyst, Senate Finance, Ways, and Means Committee
John Liu	Tennessee Technological University	Interim Provost and Vice President for Academic Affairs
Linda Martin	University of Tennessee System	Executive Vice President
Petra McPhearson	University of Tennessee, Martin	Senior Vice Chancellor, Finance and Administration
April Robinson	Tennessee State University	Chief Financial Officer
David Russomanno	University of Memphis	Provost
Bernie Savarese	University of Tennessee System	Vice President for Academic Affairs, Research and Student Success
Chris Sherbesman	University of Tennessee, Chattanooga	Associate Vice Chancellor for Finance & Administration
Lauren Spires	Tennessee Comptroller of the Treasury	Assistant Director, Office of Research and Education Accountability
Mirna Tunjic	Tennessee House of Representatives	Research Analyst, Finance, Ways, and Means Committee
Greg Turner	Tennessee Department of Finance and Administration	Budget Coordinator, Education

Tennessee Higher Education Commission

Dr. Steven Gentile, *Executive Director*
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Appendix B

Minutes of the Statutory Review Committee

Virtual Meeting | October 6, 2025

Name	Organization	Attended	Designee
Randy Boyd	University of Tennessee System	X	
Jim Bryson	Tennessee Department of Finance and Administration	X	
Steven Gentile	Tennessee Higher Education Commission	X	
Bill Hardgrave	University of Memphis	X	
Catherine Haire	Office of Legislative Budget Analysis		
Gary Hicks	Tennessee House of Representatives		
Jessica Himes	Office of Legislative Budget Analysis		
Michael Licari	Austin Peay State University	X	
Sidney McPhee	Middle Tennessee State University	X	
Jason Mumpower	Tennessee Comptroller of the Treasury	Designee	Robert Quittmeyer
Brian Noland	East Tennessee State University	X	
Phil Oldham	Tennessee Technological University	X	
Dwayne Tucker	Tennessee State University	X	
Flora Tydings	Tennessee Board of Regents	X	
Bo Watson	Tennessee Senate	X	
Dawn White	Tennessee Senate		
Mark White	Tennessee House of Representatives		

Public Comment
There were no public comments.

Executive Director Report
Dr. Steven Gentile, Executive Director, opened the meeting by expressing his appreciation to all participants. He outlined the two primary focuses of the meeting:

1. The development and finalization of the Master Plan
2. The Outcomes-Based Funding Formula, which is currently in its five-year review period and will be the focus of the next four to six months

Dr. Gentile reminded the group that this Committee serves in an advisory capacity and is not required to vote or take formal action. Instead, it plays a critical role in guiding and informing both the Master Plan and the Outcomes-Based Funding (OBF) formula process. He also noted that Dr. Cameron Conn, President of TICUA, would depart the meeting following the 2025-2035 Strategic Higher Education Master Plan discussion.

I. Higher Education Master Plan Process
Ms. Amanda Klafehn, Chief Strategy Officer, provided an overview of the Master Plan timeline and restated its three foundational cornerstones: *aligned*, *achievable*, and *agile*. She

emphasized that the Master Plan is designed to inform and drive the Outcomes-Based Funding Formula. Once adopted, the plan will be:

- Disseminated to stakeholders and institutions
- Used to identify and collect measurable outcomes
- Supported through the annual convening of the statutory committee
- Applied across institutions and systems

Committee members asked questions, and a discussion was held.

II. Outcomes-Based Funding Formula

Mr. Russell VanZomeren, Senior Director of Fiscal Policy, presented an overview of the history and statutory requirements of the OBF formula. The focus of this portion of the meeting was on aligning the formula with the newly developed 2025-2035 Strategic Higher Education Master Plan.

Committee members asked questions, and a discussion was held. Key discussion topics included:

- The varying costs associated with producing different degrees and how to capture that in the formula
- Recognition nationally on the OBF formula and how to maintain and continue that growth
- Focus populations for students and the mechanics of how the premiums affect funding outcomes
- Transfer pathways and outcomes for both community colleges and universities
- How to respond to economic shifts and changes in enrollment
- The goals of a workforce investment premium
- Job placement outcomes beyond the community and technical college sectors
- Recognition of diverse college pathways
- Simplifying the formula for broader understanding across departments and higher education
- Emphasis on student outcomes
- On-time completion

Dr. Gentile concluded the meeting by outlining the next steps in the OBF formula review process, which will include one-on-one discussions with stakeholders and a follow-up convening of the Committee in early 2026.

Tennessee Higher Education Commission

Dr. Steven Gentile, *Executive Director*
312 Rosa L. Parks Ave, 9th Floor
Nashville, TN 37243

Appendix C

Minutes of the Statutory Review Committee

Virtual Meeting | January 12, 2026

Name	Organization	Attended	Designee
Randy Boyd	University of Tennessee System	Designees	Linda Martin and David Miller
Jim Bryson	Tennessee Department of Finance and Administration	X	
Steven Gentile	Tennessee Higher Education Commission	X	
Bill Hardgrave	University of Memphis	Designee	David Russomanno
Catherine Haire	Office of Legislative Budget Analysis		
Gary Hicks	Tennessee House of Representatives	X	
Jessica Himes	Office of Legislative Budget Analysis		
Michael Licari	Austin Peay State University	X	
Sidney McPhee	Middle Tennessee State University	X	
Jason Mumpower	Tennessee Comptroller of the Treasury	Designee	Lauren Spires
Brian Noland	East Tennessee State University	X	
Phil Oldham	Tennessee Technological University	X	
Dwayne Tucker	Tennessee State University	X	
Flora Tydings	Tennessee Board of Regents	X	
Bo Watson	Tennessee Senate		
Dawn White	Tennessee Senate	X	
Mark White	Tennessee House of Representatives	Designee	Carley Bowers

Public Comment
There were no public comments offered at this time.

Executive Director Remarks
Dr. Gentile introduced the formation of a working group that would emerge from this meeting, noting that it would include representatives from several offices present. He also stated his intention to meet individually with representatives to discuss the Outcomes-Based Funding Formula (OBF) in depth. Dr. Gentile then turned the meeting over to Mr. Russell VanZomeren, Senior Director of Fiscal Policy.

I. Overview of the OBF Review Process
Mr. Russell VanZomeren provided a summary of the OBF formula review process and its alignment with the statewide Master Plan. He noted that the goal of the day's meeting was to consider all ideas on the table regarding potential OBF formula adjustments and to gather feedback from committee members on how to proceed.

II. Committee Discussion

- **Dual Enrollment**
  - Mr. Russell VanZomeren began the discussion by introducing a potential shift in the dual enrollment metric, from counting headcount to using credit hours, to provide a

fuller understanding of dual enrollment activity. Dr. Gentile added that dual enrollment is a metric primarily used for community colleges and that this change would better recognize its impact. No questions or comments were raised on this topic.

- **Focus Populations**
  - The conversation then shifted to focus populations, with particular emphasis on adult learners. Mr. Russell VanZomeren noted that the current premium for adult students is set at 25, while the Reconnect Grant defines the adult population at age 23. He cautioned that lowering the age threshold to 23 could unintentionally include fifth-year seniors, introducing data complications. He also referenced other potential definitions of adult status, such as Free Application for Federal Student Aid (FAFSA) filing category.
  - A committee member asked whether there was an estimate of how many additional students would be included if the age threshold changed. Mr. VanZomeren explained that this would depend on how adult status is ultimately defined, and whether it is measured at entry or completion. Dr. Gentile expressed support for exploring a point-of-entry definition and noted the usefulness of independent filing status.
  - A member questioned whether data supports the effectiveness of focus populations in improving driving outcomes for these students. Mr. VanZomeren responded that data is still being developed but that such questions are important to the review process.
  - The committee raised additional concerns about data reporting and clarity, Ms. Amanda Klafehn, Chief Strategy Officer, affirmed that these conversations are ongoing and that efforts toward improved clarity will continue. Members discussed how other states define adult learners, the need for formula simplicity, and the risk that focus populations add complexity. Dr. Gentile agreed, reiterating the importance of keeping the formula streamlined.
- **Workforce Premium and High-Demand Fields**
  - Mr. Russell VanZomeren transitioned to possible workforce-related premiums and metrics tied to high-demand fields. One member cautioned that emerging fields may not be known yet, and frequent reevaluation would be needed if such metrics were adopted. Another member asked about the purpose of premiums overall. Mr. VanZomeren responded that premiums are intended to encourage alignment with Tennessee's workforce and economic priorities.
  - Members also raised questions about defining high-need fields, particularly when essential fields such as teaching may not carry high wages. Dr. Gentile noted that while a wage component had been discussed, he is hesitant to incorporate wage-based metrics due to lower-paying but high-need jobs such as teachers and social workers. Members also noted concerns about data lag in labor-market information.
  - Mr. Russell VanZomeren acknowledged these challenges and described the need to consider both statewide and regional labor demand if such metrics are pursued.
- **Transfer Incentive**
  - Mr. Russell VanZomeren reintroduced the idea of a transfer incentive metric for universities, referencing a previous period in which this existed in the formula. The metric would acknowledge incoming transfer students. A committee member asked where transfer issues occur most in Tennessee. Dr. Gentile and Mr. VanZomeren

discussed Tennessee Transfer Pathways and concerns about credit loss. Members also noted that general education requirements can hinder smooth credit transfer and questioned who determines these requirements: institutions, THEC, or the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC).
    - Members discussed whether the goal should be reducing time to degree, improving transfer processes, or addressing skills and financial needs that affect transfer outcomes. One member commented that although reform takes time, it is worthwhile to consider how Tennessee educates students, not just how long it takes.
- **Simplification and Redundant Metrics**
    - Mr. Russell VanZomeren asked whether members are interested in exploring a time-to-degree metric. A member responded that existing measures at 30, 60, and 90 credit hours already capture progression. Mr. Russell VanZomeren invited feedback on potentially redundant metrics. Dr. Gentile noted that simplification would help stakeholders better understand OBF, and that the 30/60/90 metrics may be candidates for consolidation.
    - A member asked about the purpose of the three-progression metrics, and another provided context that these measures were originally designed to support retention and enrollment strategies. Mr. Russell VanZomeren added that early credit accumulation metrics help mitigate lag in other formula components, as institutional costs begin when a student enrolls. Members also discussed creating benchmark models for graduation rates and considering a cost-of-production measure for programs not currently captured.

III. Final Topics

Mr. Russell VanZomeren concluded with two final topics:

- A potential shift from four-year to six-year graduation rates for defining on-time completion
- A possible workforce training premium

He emphasized that all definition changes and metric proposals will return to this group before advancing to the Commission. Mr. Russell VanZomeren reiterated that THEC will schedule one-on-one meetings with each member and will request representatives for the working group.

Tennessee Higher Education Commission

Dr. Steven Gentile, *Executive Director*
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Nashville, TN 37243

Appendix D

Minutes of the Statutory Review Committee Working Group

Virtual Meeting | March 10, 2026

Name	Organization	Attended
Amy Aldridge	Middle Tennessee State University	X
Ava Bell	Tennessee Department of Finance and Administration	X
Carley Bowers	Tennessee House of Representatives	X
Jessica Bryant	Tennessee Senate	X
Mitch Cordova	Austin Peay State University	X
Celeste Carruthers	University of Tennessee Boyd Center for Business and Economic Research	X
Russ Deaton	Tennessee Board of Regents	X
Stephanie Fletcher	University of Tennessee, Southern	X
Steven Gentile	Tennessee Higher Education Commission	X
Catherine Haire	Office of Legislative Budget Analysis	X
Jessica Himes	Office of Legislative Budget Analysis	X
Michael Hoff	East Tennessee State University	X
John Kerr	Tennessee Senate	X
John Liu	Tennessee Technological University	X
Linda Martin	University of Tennessee System	X
Petra McPhearson	University of Tennessee, Martin	X
April Robinson	Tennessee State University	X
David Russomanno	University of Memphis	X
Bernie Savarese	University of Tennessee System	X
Chris Sherbesman	University of Tennessee, Chattanooga	X
Lauren Spires	Tennessee Comptroller of the Treasury	X
Mirna Tunjic	Tennessee House of Representatives	X
Greg Turner	Tennessee Department of Finance and Administration	X

Public Comment

There were no public comments.

Opening of the Working Group

The meeting opened with a brief primer on the Outcomes-Based Funding (OBF) formula by Mr. Russell VanZomeren, Assistant Chief Financial Officer, followed by remarks from Executive Director Dr. Steven Gentile expressing appreciation and emphasizing the group's role on OBF.

I. Presentation: Workforce Premiums | Dr. Celeste Carruthers, William F. Fox Distinguished Professor of Labor Economics, Boyd Center for Business & Economic Research

Dr. Celeste Carruthers provided an overview of workforce premiums and outlined several key questions for the group to consider:

- How should institutions earn credit from programs that value workforce credentials?
- Should outcomes be limited only to program completers, particularly in programs with high dropout risk?
- How should stackability of credentials be incorporated into workforce premiums?
- How should graduate degree programs be evaluated within this model, and how should feeder programs be considered?
- How do we account for programs with strong societal or personal benefits but lower wages (e.g., social work)?

Dr. Celeste Carruthers emphasized the potential benefits of using outcome models more directly connected to employment. She noted high data availability, removal of the CIP–SOC intermediary, and incentives for institutions to improve employment outcomes. She also discussed complexities related to evaluating graduate programs, fields with lower wages, and the need to consider both actual and potential employment outcomes.

A discussion followed where members of the SRC working group asked the following questions:

- Do inputs or outputs matter more in determining workforce premiums? Can we calculate this using CIP codes and job placement?
- How should we account for skills important to the regional economy when Tennessee falls below federal funding thresholds?
- How can we align state and regional workforce needs?
- How would 90-credit-hour degree structure would affect OBF?
- How should universities balance alignment with regional versus statewide needs?

II. Regional Workforce Needs

Mr. Russell VanZomeren posed the question: Should regional workforce needs be met by universities within that region, or by any institution capable of fulfilling the need?

Member comments included:

- How well are institutions currently serving regional needs?
- Members expressed concerns regarding data availability, particularly around student movement and capturing true regional workforce needs.
- Members also noted benefits of regional institutions meeting regional needs, especially regarding support systems and accessibility for students.
- Are regional needs more relevant to two-year or four-year institutions?

A discussion was held regarding the intent of a regional workforce premium and whether it might unintentionally create "winners and losers."

III. Inflation in Higher Education

Members discussed whether creating a premium for higher-cost programs could cause institutions to increase program costs. Members brought up concerns about incentivizing higher prices by

rewarding program expense. Members posed the question of if inflation been considered within the workforce premium model?

IV. Graduation Rates

Mr. Russell VanZomeren noted the proposed shift from a six-year graduation metric to a four-year graduation metric.

Questions and comments included:

- How should transfer students be evaluated? (e.g., a student starting at a community college and transferring to a university).
- One member suggested considering IPEDS-based expected vs. actual outcomes rather than a flat institutional rate.
- One member asked whether small cohort sizes, such as during COVID, could distort graduation metrics or create incentives to reduce cohort size.

Mr. Russell VanZomeren concluded by noting that the next meeting will begin with a discussion of adult learners.

Tennessee Higher Education Commission

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Appendix E

Minutes of the Statutory Review Committee

Virtual Meeting | June 24, 2026

Name	Organization	Attended	Designee
Randy Boyd	University of Tennessee System	Designee	Linda Martin
Jim Bryson	Tennessee Department of Finance and Administration	X	
Steven Gentile	Tennessee Higher Education Commission	X	
Bill Hardgrave	University of Memphis	X	
Catherine Haire	Office of Legislative Budget Analysis		
Gary Hicks	Tennessee House of Representatives	X	
Jessica Himes	Office of Legislative Budget Analysis	X	
Michael Licari	Austin Peay State University	Designee	Mitch Cardova
Sidney McPhee	Middle Tennessee State University	Designee	Drew Harpool
Jason Mumpower	Tennessee Comptroller of the Treasury	Designee	Lauren Spires
Brian Noland	East Tennessee State University		
Phil Oldham	Tennessee Technological University	X	
Dwayne Tucker	Tennessee State University	Designee	April Robinson
Flora Tydings	Tennessee Board of Regents	X	
Bo Watson	Tennessee Senate	X	
Dawn White	Tennessee Senate	Designee	Jessica Bryant
Mark White	Tennessee House of Representatives		

Public Comment
There were no public comments at this time.

I. Opening Remarks
Dr. Cavender, Chief Financial Officer, provided an overview of the purpose of the meeting and summarized the recommendations that THEC staff would present in greater detail throughout the session. He then turned the meeting over to Ms. Julia Ahrns-Hoffman, Director of Fiscal Policy.

II. Overview of Outcomes-Based Funding
Ms. Julia Ahrns Hoffman reviewed the agenda and presented a detailed explanation of the history, mechanics, and 15-year evolution of the Outcomes-Based Funding (OBF) formula. She discussed model funding structures, redistribution principles, and the influence of new money on the formula.

She also outlined potential redistribution changes, including:

- Limiting the impact of out-of-state students
- Changing from a three-year average to a four or five-year average
- Considering a hold harmless provision
- Exploring separate funding pools
- Weighting progression metrics

She described the implications of each approach and how the potential effects to the OBF model in the short and long-term.

III. Committee Discussion

- **Out-of-State Enrollment**
    - Dr. Steven Gentile noted that formula changes may help address increases in out-of-state enrollment not only at UTK but across all universities. He stated that pooling concepts could create inequities when and if funding constraints emerge.
- **Threshold Models and Growth**
    - One member asked whether THEC had considered threshold style models, noting that institutions operating near 90% success in an outcome may face difficulty generating additional growth. They asked whether THEC analysis could help institutions adjust strategically.
      Ms. Julia Ahrns Hoffman stated that rate-based approaches had been reviewed extensively. Dr. Steven Gentile added that data only approaches may not resolve structural issues within the formula.
- **Institutional Perspective**
    - One member emphasized that while institutions often desire formula changes favorable to themselves, the OBF model has performed well for 15 years. They advocated for incremental improvements rather than major overhauls and cautioned against limiting out-of-state students, noting their role in workforce development and enrollment stability.
- **Hold Harmless**
    - A member asked for more details about the hold harmless proposal. Both Dr. Steven Gentile and Ms. Julia Ahrns Hoffman explained that it would allow institutions time to adjust to negative impacts instead of facing abrupt funding shifts.
- **Workforce Investment Premium (WIP)**
    - Mr. Stone Watson, Fiscal Policy Analyst, presented the proposed Workforce Investment Premium framework, outlining potential limitations, applicability to future academic programs, interactions with Workforce Pell and out-of-state students, and how institutions could adapt to Tennessee's workforce needs.
    - Dr. Steven Gentile added historical context, including the evolution of previous workforce premiums such as alignment with Quality Assurance Funding, and noted that the new framework is designed to capture labor-market needs that may have been overlooked in the past.

IV. Recommended Changes for the 2026–2030 OBF Cycle

Ms. Julia Ahrns Hoffman presented the proposed staff recommendations for the 2026–2030 OBF cycle and reviewed upcoming steps in the process, including:

- Presenting the recommendations to the Commission
- Implementing approved changes for the FY2027-28 appropriation request

She and Dr. Steven Gentile concluded by thanking committee members for their thoughtful discussion, questions, and contributions to the ongoing OBF review.

Tennessee Higher Education Commission

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Appendix F

Workforce Investment Premium Analysis[1]

2026-2030 Outcomes-Based Funding Review

Executive Summary

Workforce Investment Premium: Impact and Limitations

Since the inception of the Workforce Investment Premium in Spring 2022, more than 36,000 undergraduate credentials in high-need fields have generated additional outcome points, strengthening recognition of programs aligned with Tennessee's workforce priorities. However, the original premium, limited to STEM and healthcare undergraduate programs, captured only a portion of the state's high-need fields. As Tennessee's labor market continues to evolve, a more comprehensive and flexible approach is needed to ensure that the premium reflects both statewide and regional workforce needs and supports programs with demonstrable labor-market value.

Recommendations

THEC staff recommend enhancing the Workforce Investment Premium through a methodology that integrates a high-need field and living wage framework, the state's Workforce Pell Grant framework, and an institutional nomination process. Using detailed labor-market indicators allows for a more precise and data-informed determination of eligible programs. Incorporating institutional nominations further ensures that programs meeting regional workforce needs, experiencing significant growth, or newly approved programs in response to employer demand can be recognized even when statewide data are limited. This combined approach strengthens alignment between state investments and Tennessee's workforce priorities while maintaining a transparent and predictable process for updating the list of eligible programs.

[1] This memo has been updated to reflect the discussion held on the June 24 SRC Meeting and the final methodology proposed for the Workforce Investment Premium.

2020-2025 Formula Background

Focus Population	Simplified Definition
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.

In Spring 2021, the Statutory Review Committee (SRC) considered the inclusion of a premium for undergraduate degrees awarded in fields identified as relevant to the state's workforce development plan. The fields were identified at the two-digit Classification of Instructional Program (CIP) level by the Quality Assurance Funding team and include:

01 Agriculture, Ag Operations, and Related Sciences

03 Natural Resources and Conservation

11 Computer and Information Sciences

14 Engineering

15 Engineering Technologies/Technicians

26 Biological and Biomedical Sciences

27 Mathematics and Statistics

40 Physical Sciences

51 Health Professions and Related Clinical Sciences

The Workforce Investment Premium is readily applied to four-year institutions, but their application is less straightforward at community colleges, where many students fall within the broad University Parallel CIP with possible sub-concentrations. To address this, THEC proposed awarding the premium to community colleges for associate's degrees and credentials that subsequently lead to a Workforce Investment Premium-aligned bachelor's degree. In spring of 2022, the Commission approved to include the premium in the formula and thus each student that completes a degree/certificate in these designated fields receives additional outcome points in the formula.

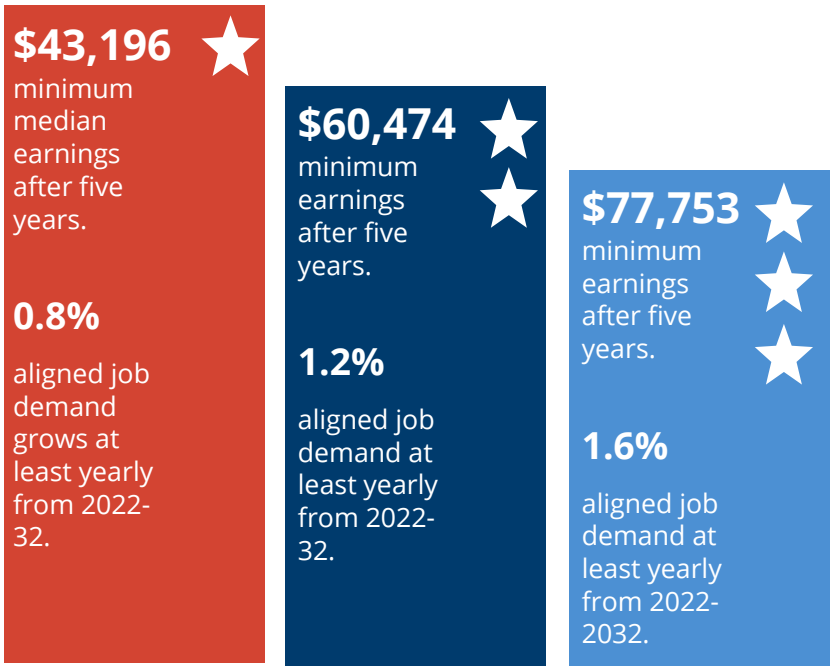
Since the Commission voted to include the Workforce Investment Premium, over 36,000 certificate/diplomas, associate degrees, and bachelor's degrees have been awarded in eligible fields during the 2022-23, 2023-24, and 2024-25 academic years.

Impact Credential Framework

States are increasingly allocating higher education funding to measurable return on investments.[2] For example, Texas links funding directly to labor market outcomes, awarding community colleges for credentials in high-demand fields, successful transfers, and other indicators of workforce success.[3] Tennessee's current Workforce Investment Premium by contrast is awarded by completing degrees in high-demand CIP fields in alignment with Quality Assurance Funding definitions at the time. Throughout this review cycle, the SRC tasked THEC staff with examining options to strengthen the connection between the Workforce Investment Premium and workforce outcomes, while maintaining the formula's stability and long-standing focus on student success.

To consider the future of the Workforce Investment Premium within the Outcomes-Based Funding (OBF) formula, THEC staff partnered with the University of Tennessee's Boyd Center for Business & Economic Research to examine whether linking CIP codes to labor market outcomes and projected growth can align funding with the state's efforts on economic and workforce development. This analysis draws on an Impact Credential Framework[4] developed through work by the State Collaborative on Reforming Education (TN SCORE).

Figure 1.



THEC staff's findings include:

- **Greater Precision in Workforce Alignment**
  Moving from 2-digit CIP codes in current methodology to more granular 4-digit CIP codes allows the state to more accurately identify which programs lead to strong labor market outcomes.

[2] Osborne, M. (2026, February 12). *Enlisting ROI to better align academic credentials and workforce needs*. https://www.ncsl.org/state-legislatures-news/details/enlisting-roi-to-better-align-academic-credentials-and-workforce-needs
[3] Texas Higher Education Coordinating Board. *High-Demand Fields*. https://www.highered.texas.gov/community-college-finance/high-demand-fields/
[4] SCORE, Connecting education and opportunity: A framework for credential impact in Tennessee (2025), https://tnscore.org/assets/documents/Connecting-Education-andOpportunity_A-Framework-for-Credential-Impact-in-TN-030725.pdf.

- **Gaps Between High-Value Credentials and Current Incentives**
  Many programs that lead to strong wage and employment outcomes are not currently rewarded within the Workforce Investment Premium, as the current model took a broad STEM and healthcare approach, suggesting a need to better reflect current and emerging labor market demands.
- **Misalignment in High-Need Designation**
  In the current model, a substantial portion of programs designated as high-need lack clear connections to occupations that are both growing and high-wage.
- **Opportunity for a More Data-Driven, High-Wage Model**
  The Impact Credential Framework suggests a path toward a more data informed structure, which more precisely rewards institutions for producing credentials tied to employment outcomes.

The Impact Credential Framework's methodology mapped individual undergraduate academic programs to occupations, incorporating job outlook, and wage data. More detailed methodology included:

- Completions data from 2017 from TN DATA[5] were used to compile awards and programs offered by Tennessee's postsecondary institutions.
  - Programs sharing the same 4-digit CIP code and award-level across institutions were combined into a single statewide observation. Only bachelor's degrees, associate degrees, and community college certificates (less than one year and one to two years) were included. TCAT awards were not included in the analysis. Short- and long-term certificates were grouped together, while associate and bachelor's degrees were kept as separate categories.
- Each credential was then assigned to an impact level (see figure 1).
  - Impact levels were determined using job outlook projections for 2022–2032 from the Tennessee Department of Labor and Workforce Development and median earnings five years after graduation compared against MIT's 2024 living wage threshold.[6,7] Inflation adjustment was added by multiplying the 2022 earning amounts by the Consumer Price Index (CPI) over that time period to calculate earnings in 2024 dollars before comparing them to the living wage thresholds. Metrics were then mapped to the impact level framework to assign each academic program a star rating (see figure 1).

While the Impact Credential Framework enhances the effectiveness and intent of the premium structure, there are several limitations to the model:

- Wage data is limited to students who remain in Tennessee after graduation, thus excluding academic programs that may be considered high wage in neighboring states and regions.

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[5] Tennessee Data Analytics for Transparency and Accountability (TN DATA) is a statewide initiative led by the Office of Evidence and Impact (OEI) and Strategic Technology Solutions (STS) to improve state services and programs by supporting and coordinating agency partnerships through data sharing and analytics. https://www.tn.gov/finance/oei/tn-data.html

[6] Tennessee Department of Labor and Workforce Development. (2024, June). *Tennessee Labor Market Report: June 2024.* https://www.tn.gov/content/dam/tn/workforce/archive/documents/LMR/LMRJune2024.pdf

[7] Living Wage Institute, Inc. (2025, February). *Living Wage technical documentation: Living Wage Benchmark Series 2025.* https://livingwage.mit.edu/resources/living_wage_technical_documentation.pdf

- Wage and job outlook data availability are limited, resulting in many academic programs being excluded from the list due to insufficient information.
- By using wage data five years after graduation, eligible academic programs are limited to those with graduates in 2017, which excludes emerging fields.
- Utilizing a framework that emphasizes both high-needed and high-wage fields excludes fields with low wages, limiting statewide alignment in filling all in-demand fields.
- Nearly 15% of CIPs have different impact levels depending on the credential level, meaning that a program that is offered at the bachelor's and associate's level with the same CIP has different impact levels.
- While the impact levels are a helpful guide to differentiating the employment outcomes for academic programs, it introduces a higher level of complexity to the formula that may outweigh their value.

THEC staff view these data limitations as an area for potential growth in future iterations of the OBF formula. For example, THEC's partnership with the U.S. Census Bureau to access Postsecondary Employment Outcomes (PSEO) data will provide detailed earnings and employment outcomes by degree level, major, institution, and state. These data will enable more precise assessments of program-level workforce outcomes and could further strengthen the Workforce Investment Premium by linking funding more directly to demonstrable labor-market value.

Proposed Methodology

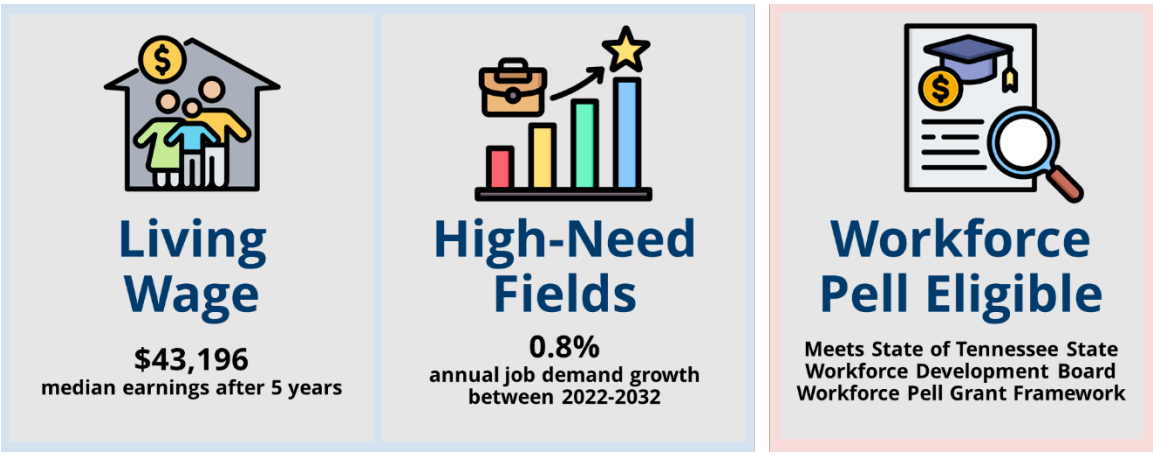
Throughout this past year, the Statutory Review Committee tasked THEC staff with developing an updated approach to the Workforce Investment Premium. In response, THEC staff convened a working group of institutional partners and engaged researchers from the University of Tennessee Boyd Center for Business & Economic Research to examine how best to align the premium with state workforce needs. These discussions focused on identifying high-need fields, assessing labor-market relevance, and evaluating how to effectively incentivize institutions for contributing to statewide workforce priorities.

As part of this work, THEC staff conducted an independent analysis to determine which academic programs demonstrated the strongest evidence of economic impact for Tennesseans. While the Impact Credential Framework provided a useful starting point, the above limitations suggest that its incorporation into the model as-is would omit essential academic programs in the formula. To address these gaps, THEC staff identified supplemental frameworks to develop a more robust and comprehensive methodology.

Under the proposed methodology (Figure 2), academic programs would be included in the Workforce Investment Premium if they meet the baseline criteria of the Impact Credential Framework—**specifically, demonstrating both a livable wage outcome and alignment with a high-demand field.** Programs would qualify if their graduates earned at least the livable wage benchmark, reflected in median earnings of approximately $43,000 five years after graduation, and if the field shows sustained labor-market demand of an annual job growth rate of 0.8% between 2022 and 2032. The living wage benchmark is drawn from MIT's nationally recognized Living Wage Calculator, which provides the standard for determining the minimum income needed to meet basic living costs across local communities. In addition to meeting these statewide indicators, programs would also be eligible if they satisfy the Tennessee State Workforce Development Board's Workforce

Pell Grant Framework, ensuring that the premium supports fields that are both economically valuable to students and strategically important to the state's workforce priorities.

Figure 2.



The Workforce Pell Grant Framework would allow the Workforce Investment Premium to include state and federally identified high-need academic programs in the formula. Additionally, the Workforce Pell Grant Framework includes a component to address emerging fields, which would then be reflected in the premium. Under this framework, all undergraduate certificates and awards tied to an eligible Workforce Pell CIP code will be included in the Workforce Investment Premium.

While this enhanced methodology strengthens the state's ability to identify programs that reflect Tennessee's workforce needs, it does not fully address the need for the Workforce Investment Premium to remain agile and responsive to emerging institutional and regional priorities across all award levels. Both the Impact Credential Framework and the Workforce Pell Grant Framework emphasize statewide indicators, which may overlook academic programs that are critically important in specific regions or those experiencing rapid enrollment growth but lacking sufficient earnings or completion data to qualify under the baseline methodology. THEC staff also recognize that newly approved academic programs, particularly those developed in response to employer demand, may not yet have the data required for inclusion despite their strategic relevance.

Tennessee State Workforce Development Board Workforce Pell Grant Policy

The Tennessee State Workforce Development Board's Workforce Pell Grant Policy Framework establishes the criteria Tennessee uses to review, approve, and monitor short-term workforce training programs eligible for federal Workforce Pell funding. Under the Workforce Pell Grant Framework, an occupation is considered in-demand if it offers a median wage of at least 80 percent of the regional median and represents at least 0.04% of total regional employment. It must also meet two of three indicators of strong labor-market demand: a job-postings-to-employment ratio, a hires-to-employment ratio, or a projected-openings-to-employment ratio at or above the regional median. The Tennessee State Workforce Development Board may also designate an occupation as in-demand when it is strategically important to Tennessee's economic development or public service needs, even if it does not meet the quantitative thresholds. The framework further recognizes high-skill occupations—those requiring postsecondary training leading to a recognized credential—and high-wage occupations, defined as those paying at least 20 percent above the regional median wage. Together, these criteria ensure that Workforce Pell eligibility is limited to programs that prepare students for occupations that are economically meaningful, in demand, and aligned with state priorities.

To address these gaps, THEC staff propose an **Institutional Nomination Process**, which would allow institutions to nominate academic programs that meet documented regional workforce needs, demonstrate significant program growth, or represent newly approved programs aligned with state

or regional priorities. THEC staff also propose that the list of eligible academic programs may only be expanded on an annual basis, ensuring a predictable and transparent process for institutions. Removal of academic programs would occur during the five-year review cycle of the OBF Funding formula, with guidance from the SRC and the Commission. This structure ensures that the Workforce Investment Premium remains responsive to evolving workforce demands while maintaining stability and oversight within the broader funding framework.

The proposed methodology of combining two complementary frameworks with a structured process for institutional engagement creates a more comprehensive and responsive approach to identifying academic programs associated with high-need employment outcomes and livable wages.

2026-30 Proposed Workforce Investment Premium

To enhance the effectiveness of Tennessee's Workforce Investment Premium, the updated methodology aligns with statewide workforce priorities by combining a high-need and living wage framework and the Workforce Pell Grant Framework. This approach moves beyond reliance on STEM and healthcare fields alone and instead uses detailed labor-market indicators to more precisely identify programs that contribute to Tennessee's economic needs.

In addition, the Workforce Investment Premium Institutional Nomination Process ensures that institutions can highlight programs that meet regional workforce needs, demonstrate significant program growth, or represent newly approved offerings developed in response to employer demand. This combination of statewide data and institutional insight creates a more comprehensive and responsive methodology, allowing the Workforce Investment Premium to better reflect Tennessee's evolving labor-market landscape.

Tennessee Higher Education Commission

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Appendix G

Proposed Workforce Investment Premium

The CIP codes listed below represent the academic programs eligible for the proposed Workforce Investment Premium. The final list of eligible CIP codes will include THEC's Institutional Nomination Process (methodology found in Appendix F).

THEC will disseminate the list of eligible CIP codes for the Workforce Investment Premium during each appropriation request cycle.

CIP Category	CIP Code: Academic Program Title
Agricultural/Animal/Plant/Veterinary Science and Related Fields	01.00) Agriculture, General
	01.01) Agricultural Business and Management
	01.02) Agricultural Mechanization
	01.03) Agricultural Production Operations
	01.04) Agricultural and Food Products Processing
	01.06) Applied Horticulture and Horticultural Business Services
	01.09) Animal Sciences
	01.10) Food Science and Technology
	01.11) Plant Sciences
	01.12) Soil Sciences
	01.82) Veterinary Administrative Services
	01.83) Veterinary/Animal Health Technologies/Technicians
Natural Resources and Conservation	03.01) Natural Resources Conservation and Research
	03.02) Environmental/Natural Resources Management and Policy
	03.06) Wildlife and Wildlands Science and Management
Architecture and Related Services	04.02) Architecture
	04.09) Architectural Sciences and Technology
	04.10) Real Estate Development
Communication, Journalism, and Related Programs	09.01) Communication and Media Studies
	09.09) Public Relations, Advertising, and Applied Communication
Communications Technologies/Technicians and Support Services	10.01) Communications Technologies/Technicians
	10.02) Audiovisual Communications Technologies/Technicians
	10.03) Graphic Communications
	11.01) Computer and Information Sciences, General

Computer and Information Sciences and Support Services	11.02) Computer Programming
	11.05) Computer Systems Analysis
	11.06) Data Entry/Microcomputer Applications
	11.07) Computer Science
	11.09) Computer Systems Networking and Telecommunications
	11.10) Computer/Information Technology Administration and Management
Culinary, Entertainment, and Personal Services	12.03) Funeral Service and Mortuary Science
	12.04) Cosmetology and Related Personal Grooming Services
	12.05) Culinary Arts and Related Services
Education	13.10) Special Education and Teaching
	13.12) Teacher Education and Professional Development, Specific Levels and Methods
	13.13) Teacher Education and Professional Development, Specific Subject Areas
Engineering	14.01) Engineering, General
	14.02) Aerospace, Aeronautical, and Astronautical/Space Engineering
	14.05) Biomedical/Medical Engineering
	14.07) Chemical Engineering
	14.08) Civil Engineering
	14.09) Computer Engineering
	14.10) Electrical, Electronics, and Communications Engineering
	14.19) Mechanical Engineering
	14.23) Nuclear Engineering
	14.35) Industrial Engineering
Engineering/Engineering-Related Technologies/Technicians	15.00) Engineering Technologies/Technicians, General
	15.01) Architectural Engineering Technologies/Technicians
	15.02) Civil Engineering Technologies/Technicians
	15.03) Electrical/Electronic Engineering Technologies/Technicians
	15.04) Electromechanical Technologies/Technicians
	15.05) Environmental Control Technologies/Technicians
	15.06) Industrial Production Technologies/Technicians
	15.07) Quality Control and Safety Technologies/Technicians

	15.08) Mechanical Engineering Related Technologies/Technicians
	15.09) Mining and Petroleum Technologies/Technicians
	15.10) Construction Engineering Technology/Technician
	15.11) Engineering-Related Technologies/Technicians
	15.12) Computer Engineering Technologies/Technicians
	15.13) Drafting/Design Engineering Technologies/Technicians
	15.14) Nuclear Engineering Technology/Technician
	15.15) Engineering-Related Fields
	15.17) Energy Systems Technologies/Technicians
Foreign Languages, Literatures, and Linguistics	16.01) Linguistic, Comparative, and Related Language Studies and Services
	16.09) Romance Languages, Literatures, and Linguistics
Family and Consumer Sciences/Human Services	19.02) Family and Consumer Sciences/Human Sciences Business Services
	19.05) Foods, Nutrition, and Related Services
	19.07) Human Development, Family Studies, and Related Services
	19.09) Apparel and Textiles
Legal Professions and Studies	22.00) Non-Professional Legal Studies
	22.03) Legal Support Services
English Language and Literature/Letters	23.01) English Language and Literature, General
Biological and Biomedical Sciences	26.01) Biology, General
	26.02) Biochemistry, Biophysics and Molecular Biology
	26.05) Microbiological Sciences and Immunology
	26.10) Pharmacology and Toxicology
	26.13) Ecology, Evolution, Systematics, and Population Biology
Mathematics and Statistics	27.01) Mathematics
Military Technologies and Applied Sciences	29.02) Intelligence, Command Control and Information Operations
	29.03) Military Applied Sciences
	29.04) Military Systems and Maintenance Technology
Multi/Interdisciplinary Studies	30.01) Biological and Physical Sciences
	30.18) Natural Sciences
	30.19) Nutrition Sciences

	30.33) Sustainability Studies
	30.34) Anthrozoology
	30.41) Environmental Geosciences
	30.44) Geography and Environmental Studies
Parks, Recreation, Leisure, Fitness, and Kinesiology	31.03) Parks, Recreation, and Leisure Facilities Management
	31.05) Sports, Kinesiology, and Physical Education/Fitness
Physical Sciences	40.04) Atmospheric Sciences and Meteorology
	40.05) Chemistry
	40.06) Geological and Earth Sciences/Geosciences
	40.08) Physics
	40.10) Materials Sciences
Science Technologies/Technicians	41.00) Science Technologies/Technicians, General
	41.02) Nuclear and Industrials Radiologic Technologies/Technicians
	41.03) Physical Sciences Technologies/Technicians
	41.99) Science Technologies/Technicians, Other
Psychology	42.01) Geological and Earth Sciences/Geosciences
	42.28) Physics
Homeland Security, Law Enforcement, Firefighting and Related Protective Services	43.01) Criminal Justice and Corrections
	43.02) Fire Protection
	43.03) Homeland Security
	43.04) Security Science and Technology
Public Administration and Social Service Professions	44.00) Human Services, General
	44.04) Public Administration
	44.07) Social Work
Social Sciences	45.04) Criminology
	45.06) Economics
	45.07) Geography and Cartography
	45.10) Political Science and Government
	45.99) Social Sciences, Other
Construction Trades	46.00) Construction Trades, General
	46.01) Mason/Masonry
	46.02) Carpenters
	46.03) Electrical and Power Transmission Installers
	46.04) Building/Construction Finishing, Management, and Inspection
	46.05) Plumbing and Related Water Supply Services
Mechanic and Repair Technologies/Technicians	47.00) Mechanics and Repairers, General
	47.01) Electrical/Electronics Maintenance and Repair Technologies/Technicians.

	47.02) Heating, Air Conditioning, Ventilation and Refrigeration Maintenance Technology/Technician (HAC, HACR, HVAC, HVACR)
	47.03) Heavy/Industrial Equipment Maintenance Technologies/Technicians
	47.04) Precision Systems Maintenance and Repair Technologies/Technicians.
	47.06) Vehicle Maintenance and Repair Technologies/Technicians
	47.07) Energy Systems Maintenance and Repair Technologies/Technicians.
Precision Production	48.05) Precision Metal Working
Transportation and Materials Moving	49.01) Air Transportation
	49.02) Ground Transportation
	49.03) Marine Transportation
Visual and Performing Arts	50.04) Design and Applied Arts
	50.09) Music
	50.10) Arts, Entertainment, and Media Management
Health Professions and Related Programs	51.00) Health Services/Allied Health/Health Sciences, General
	51.06) Dental Support Services and Allied Professions
	51.07) Health and Medical Administrative Services
	51.08) Allied Health and Medical Assisting Services
	51.09) Allied Health Diagnostic, Intervention, and Treatment Professions
	51.10) Clinical/Medical Laboratory Science/Research and Allied Professions
	51.15) Mental and Social Health Services and Allied Professions
	51.18) Ophthalmic and Optometric Support Services and Allied Professions.
	51.20) Pharmacy, Pharmaceutical Sciences, and Administration
	51.22) Public Health
	51.26) Health Aides/Attendants/Orderlies.
	51.27) Medical Illustration and Informatics
	51.32) Health Professions Education, Ethics, and Humanities.
	51.33) Alternative and Complementary Medicine and Medical Systems
	51.36) Movement and Mind-Body Therapies and Education

	51.37) Energy and Biologically Based Therapies
	51.38) Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing
	51.39) Practical Nursing, Vocational Nursing, and Nursing Assistants
Business, Management, Marketing, and Related Support Services	52.01) Business/Commerce, General
	52.02) Business Administration, Management and Operations
	52.03) Accounting and Related Services
	52.04) Business Operations Support and Assistant Services
	52.06) Business/Managerial Economics
	52.07) Entrepreneurial and Small Business Operations
	52.08) Finance and Financial Management Services
	52.09) Hospitality Administration/Management
	52.10) Human Resources Management and Services
	52.11) International Business
	52.12) Management Information Systems and Services
	52.13) Management Sciences and Quantitative Methods
	52.14) Marketing
	52.15) Real Estate
	52.17) Insurance
	52.18) General Sales, Merchandising and Related Marketing Operations
	52.19) Specialized Sales, Merchandising and Marketing Operations
	52.20) Construction Management
History	54.01) History

Tennessee Higher Education Commission

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Appendix H

Focus Population Research Executive Summary

Since the inception of the Outcomes-Based Funding formula (OBF), Tennessee has included three focus populations: adult learners, low-income students, and academically underprepared students in the community college sector. Under the current design, each focus population adds the same amount of additional weight; 1 focus population equals 1.8 outcomes, two equals 2.0 outcomes, three equals 2.2 outcomes, and four equals 2.4 outcomes. In summer 2025, THEC partnered with the State Higher Education Executive Officers Association (SHEEO) to analyze whether the current premium structure accurately reflects the relative difficulty of supporting focus population students in reaching key milestones.

Bachelor's Degree Completion

When compared to their peers, students in every focus population are less likely to complete a bachelor's degree. These gaps in bachelor's degree completion are more pronounced when a student belongs to more than one focus population. For example, students at four-year institutions who are both adults and low-income are 45% less likely to complete a bachelor's degree than their peers.

Associate Degree Completion

When compared to their peers, adult students and low-income students are more likely than their peers to complete an associate degree, while academically underprepared students are less likely. However, higher rates of associate degree completion in this sector may represent lower rates of focus population students transferring to four-year institutions early, rather than higher likelihood of degree completion.

Certificate Completion

When compared to their peers, most focus population students at community colleges are more likely than their peers to complete a certificate. The only group with lower certificate completion likelihood is students who are low-income and academically underprepared.

Any Degree or Award Completion

The completion of any degree (bachelor's, associate, or certificate) follows similar patterns to associate and certificate completion. At all institutions, adult students, regardless of other characteristics, are more likely than their peers to complete some type of credential. Low-income and underprepared students, however, remain less likely overall to complete any credential. At community colleges, adult learners again stand out for higher completion rates across all awards. At 4-year institutions, all focus population groups are less likely to complete any credential, mirroring the bachelor's degree results.

Recommendation

These findings underscore the continued importance of focus population premiums within Tennessee's outcomes-based funding formula. The completion gaps for students who fall into more than one focus population make clear that institutions are serving students with significantly

different levels of need. Premiums help recognize the additional effort, resources, and support required to help these students succeed, particularly at the bachelor's level where gaps are most pronounced. Maintaining these premiums ensures that the formula continues to incentivize student success and aligns state funding with the challenges institutions face in closing attainment gaps.