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

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THEC

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

• Fewer state dollars for institutional operations
  o 20% cut over the last 5 years
• Enrollment growth
• Cost inflation
• Tuition spiral
• Exacerbated by recent recession
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:
    o 26,000 additional cumulative degrees by 2015
    o 210,000 by 2025
    o 4% annual increases in certificate and degree production; every year from now to 2025
    o Goal includes private non-profits and for-profits
The Big Goal

- **Additional Cumulative Degrees Needed by 2015:** 26,000
- **Current Projection 2009-2015**
  - Cumulative Degree Production: 281,000
- **Current Projection 2009-2025**
  - Cumulative Degree Production: 711,000
Mission Profiles

• Required by the CCTA
• Why important?
  ▪ Excellent institutions ≠ 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 ⇒ systems endorsed ⇒ THEC approved
Mission and Student Success

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

<table>
<thead>
<tr>
<th>Standard I</th>
<th>Institutional performance measured by achievement of student learning, program evaluation and satisfaction studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Student Learning &amp; Engagement 75%</td>
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</table>

<table>
<thead>
<tr>
<th>Standard II</th>
<th>Institutional performance measured by achievement of credentials earned for selected student sub-populations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Student Access and Student Success 25%</td>
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</table>
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

- Enrollment
- Performance Funding
TN Outcomes-Based Funding Formula, 2011-Present

Outcomes
Performance Funding
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

<table>
<thead>
<tr>
<th>Outcome</th>
</tr>
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<tbody>
<tr>
<td>Student Progression: 24 Credit Hours</td>
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<tr>
<td>Student Progression: 48 Credit Hours</td>
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<tr>
<td>Student Progression: 72 Credit Hours</td>
</tr>
<tr>
<td>Bachelors Degrees</td>
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<tr>
<td>Masters Degrees</td>
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<tr>
<td>Doctoral/Law Degrees</td>
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<tr>
<td>Research/Grant Funding</td>
</tr>
<tr>
<td>Student Transfers</td>
</tr>
<tr>
<td>Degrees per 100 FTE</td>
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<tr>
<td>Graduation Rate</td>
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</tbody>
</table>
## TN Outcomes-Based Formula

### Community Colleges

<table>
<thead>
<tr>
<th>Outcome</th>
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<tbody>
<tr>
<td>Students Accumulating 12 hrs</td>
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<tr>
<td>Students Accumulating 24 hrs</td>
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<tr>
<td>Students Accumulating 36 hrs</td>
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<tr>
<td>Dual Enrollment</td>
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<tr>
<td>Associates</td>
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<tr>
<td>Certificates</td>
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<tr>
<td>Job Placements</td>
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<tr>
<td>Remedial &amp; Developmental Success</td>
</tr>
<tr>
<td>Transfers Out with 12 hrs</td>
</tr>
<tr>
<td>Workforce Training (Contact Hours)</td>
</tr>
<tr>
<td>Awards per 100 FTE</td>
</tr>
</tbody>
</table>
## TN Outcomes-Based Formula

<table>
<thead>
<tr>
<th>Weights Based on Institutional Mission</th>
<th>APSU</th>
<th>UTM</th>
<th>TTU</th>
<th>UTC</th>
<th>MTSU</th>
<th>ETSU</th>
<th>TSU</th>
<th>UM</th>
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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 +/-2% range.
TN Outcomes-Based Formula

Annual Reallocation of State Appropriations

- APSU
- ETSU
- MTSU
- TSU
- TTU
- UM
- UTC
- UTK
- UTM

2011-12
2012-13
Cumulative Change in Appropriations Due to Formula

-4.0%  -3.0%  -2.0%  -1.0%  0.0%  1.0%  2.0%

2010-11  2011-12  2012-13

APSU  ETSU  MTSU  TSU  TTU  UM  UTC  UTK  UTM  Total Funding
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](http://www.tn.gov/thec)
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