



S N A P S H O T

Funding Tennessee's Public Colleges and Universities: The Outcomes-Based Funding Formula

Joshua Testa/Legislative Research Analyst
Joshua.Testa@cot.tn.gov

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The outcomes-based funding formula is a higher education funding tool that allocates state funds to Tennessee's public colleges and universities based on performance. Outcomes rewarded in the formula consist of progression, completion, and efficiency measures, such as student credit hour accumulation, the number of degrees awarded, and degrees awarded per 100 full-time equivalent students. The outcomes-based funding formula governs all operating appropriations for Tennessee's public colleges and universities, with approximately 5.45 percent awarded under the Quality Assurance Funding component of the formula.

The report documents the various components at work in the outcomes-based funding formula that result in the recommendation of appropriation shares to Tennessee's public colleges and universities. The report also shows how each component works through step-by-step examples of the formula's impact on certain institutions' outcomes and appropriation shares.

KEY POINTS

For 2017-18, the formula calculated \$1.35 billion in operating funds for higher education. The Tennessee Higher Education Commission's (THEC) actual funding request to the General Assembly, however, is typically about 67 percent of the formula's calculation. The General Assembly has fully funded THEC's request for each of the last three years.

The formula accounts for "focus populations" and provides premiums for focus population success on progression and completion outcomes.

Focus populations are those populations that are commonly viewed as at-risk and require additional resources for success. These populations are identified as adult students, low-income, and academically underprepared students (for community colleges). The premiums for universities are 80% for a student falling into one focus population and 100% for a student falling into two focus populations. Community colleges add a 120% premium if a student falls into all three focus population categories.

Outcomes are weighted based on institutional mission. Mission weights are applied to outcomes

based on institutional priorities as identified by college and university presidents and chancellors and in accordance with the Basic Carnegie Classification.

Quality Assurance Funding (QAF) provides institutions with an opportunity to receive additional funding on top of their individual appropriation. Institutions can earn points in the QAF component by meeting quality standards for student learning, engagement, and student access.

An institution can increase their appropriation share in two ways: By increasing their performance compared to their own 3-year average and/or by increasing their performance at a greater rate relative to other institutions.

Any changes in funding are added or deducted from an institution's share of funding from the previous year. While performance determines each institution's share of funding, the amount of funding appropriated by the General Assembly determines how much funding is ultimately received by each institution.