Outcomes-Based Funding Formula

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 Formula 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

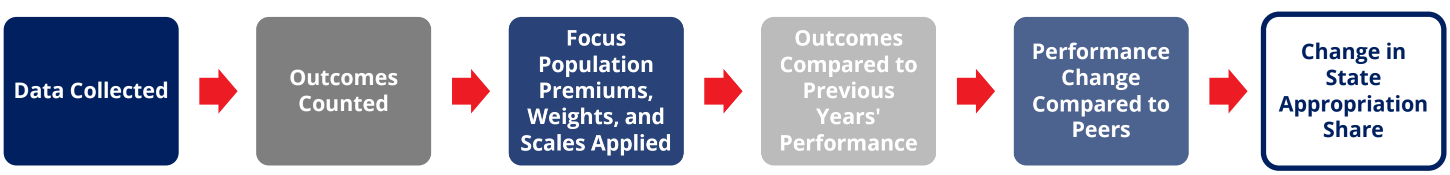
Community Colleges	Universities
Students Accumulating 12 hrs.	Students Accumulating 30 hrs.
Students Accumulating 24 hrs.	Students Accumulating 60 hrs.
Students Accumulating 36 hrs.	Students Accumulating 90 hrs.
Dual Enrollment	Bachelor's and Associate Degrees
Associate Degrees	Masters/Ed. Specialist Degrees
Long-Term Certificates	Doctoral/Law Degrees
Short-Term Certificates	Research, Service, and Sponsored Programs
Job Placements	Six-year Graduation Rate
Transfers out with 12 hrs.	Degrees per 100 FTE
Workforce Training/Contact Hours	
Awards per 100 FTE	

Outcomes are **weighted** to align with institutional priorities and mission, totaling 100 percent for each institution. At the recommendation of the Tennessee Board of Regents, the 2015-2020 model uses a common weight structure for progression and awards at community colleges. The formula also includes premiums for **focus populations** for student progression and undergraduate awards to encourage completion at public institutions.

Focus Populations

Community Colleges	Universities	Premiums
Adult	Adult	1 Focus Population = 80% = 1.8 Outcomes
Low-Income	Low-Income	2 Focus Populations = 100% = 2 Outcomes
Academically Underprepared		3 Focus Populations = 120% = 2.2 Outcomes

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** and compared to previous outcome levels. An institution's increase or decrease in outcome production is assessed compared to peer increases or decreases in outcome production. That movement influences that institution's share of state appropriations. For example, if all institutions experienced net improvement in outcomes, institutions that experienced the *greatest* improvements would increase their share of total funding, compared to institutions that lagged in performance, who could receive reduced funding.



The funding formula also includes an assessment of institutional quality and programmatic support via the **Quality Assurance** (QA) score. Institutions may earn up to an additional 5.45% of funding based upon metrics such as licensure pass rates, accreditation, and success with underrepresented populations. The formula also includes values for institutional **fixed costs** (e.g., rent, utilities, maintenance and operation), intended to ensure institutions receive adequate funds to maintain the operation of their infrastructure.