

Tennessee Higher Education Commission Dynamic Outcomes Based Funding Formula Model

The Dynamic Outcomes Based Funding Formula Model is a tool that illustrates the effects that changes in outcomes will have on higher education appropriations at individual institutions. This tool is intended to demonstrate how the outcomes formula model will operate in 2012-13 as productivity levels increase or decrease across higher education institutions. It does not estimate the effect of the removal of the hold harmless provision. The calculated state appropriations are only a projection based solely on assumptions about changes in productivity data.

The Dynamic Model allows the user to change each individual outcome up or down at every institution. For example, the Certificate production at one community college may be moved down by a few percentage points while Certificate production may be increased at all other community colleges. The productivity projections for each university and community college can be individually adjusted. The total amount of state appropriations can also be increased or decreased to project the impact of changes in the distribution of state appropriations. Finally, the Dynamic Model shows how final appropriations are calculated from such adjustments.

Included in the Dynamic Model are several simulations for ease of use. The first three simulations set all outcomes to an increase of 0%, 1%, or 2% at the university or community college level. In these scenarios, the distribution of appropriations is virtually unchanged indicating that the model is not skewed toward any sector or institution. Equal percent improvement in outcomes equates to a constant share of available state appropriations. The final simulation sets the outcomes at all other universities or community colleges to match the increases or decreases in outcomes at a selected university or community college.

The Dynamic Outcomes Based Funding Formula Model is available at the THEC website at <http://www.tn.gov/thec>. This Excel file also contains a detailed instructions tab for users. It is our hope that this Dynamic Model will provide a unique window into understanding the outcomes formula model and can assist institutions and governing boards in planning efforts.

The THEC staff gratefully acknowledge those individuals who provided feedback on preliminary versions of this tool.