



RICHARD G. RHODA
Executive Director

PHIL BREDESEN
Governor

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
PARKWAY TOWERS, SUITE 1900
NASHVILLE, TENNESSEE 37243-0830
(615) 741-3605
FAX: (615) 741-6230
www.state.tn.us/thec/

MEMORANDUM

TO: Formula Review Committee Members

FROM: Richard G. Rhoda

SUBJECT: Formula Review Committee

DATE: February 26, 2010

Based on the Complete College Tennessee Act, passed during the special Legislative Session, THEC is convening a Formula Review Committee (FRC) to develop an outcomes-based funding formula. Thank you for agreeing to serve on the FRC, in an advisory role. The new model will be recommended to THEC for approval at the April 29, 2010 quarterly meeting for use this fall in the 2011-12 budget cycle. As part of your work on the FRC, we ask that you represent the interests of and solicit feedback from your respective constituencies.

We will host the first meeting the FRC in the 18th floor THEC boardroom on Monday, March 8 at 1:00 p.m. central time. Much of the subsequent work we believe can be done via email and conference calls which will be scheduled later. The complete membership of the FRC is indicated below.

Jack Murrah
Dale Sims
Gary Rogers
David Thurman
Cathy Pierce
Paul Robertson

Tré Hargett
Jim Vaden
O.W. Higley
Russ Deaton
Scott Boelscher
Jessica Gibson

Your willingness to participate in the FRC is appreciated. We look forward to seeing you next week at our first meeting.

AGENDA
Tennessee Higher Education Commission
Formula Review Committee (FRC)
March 8, 2010
1:00 p.m. Central; 18th Floor THEC Boardroom

- **Welcome and Introductions**

- **Overview of Complete College Tennessee Act (CCTA)**

- **Discussion of Outcomes-Based Model Concepts**
 - Alignment with Master Plan as outlined in CCTA
 - Institutional Outcomes
 - Weighting Structure
 - Fixed Costs
 - Performance Funding
 - Cost Sharing/Tuition Policy
 - Evaluation and Calibration

- **Other Issues**

- **Adjourn**

Formula Review Committee Preliminary Issues to be Discussed

- **Selected Language from the Complete College Tennessee Act of 2010:**

(4) Develop, after consultation with the board of regents and the University of Tennessee board of trustees, policies and formulae or guidelines for fair and equitable distribution and use of public funds among the state's institutions of higher learning that are consistent with and further the goals of the statewide master plan. The policies and formulae or guidelines shall result in an outcomes-based model. In developing an outcomes-based model, the commission shall consider factors unique to community colleges. This model shall emphasize outcomes across a range of variables that shall be weighted to reinforce each institution's mission and provide incentives for productivity improvements consistent with the state's higher education master plan. These outcomes shall include end of term enrollment for each term, student retention, timely progress toward degree completion and degree production and may also include, but not necessarily be limited to, student transfer activity, research, and student success, as well as compliance with transfer and articulation principles in subsection (e) of this section;

(A) The policies and formulae or guidelines as are developed by the commission shall include provisions for capital outlay programs and operating expenses, and shall be utilized to determine the higher education appropriations recommendation. The commission shall submit the revised higher education funding formula to the office of legislative budget analysis and the comptroller of the treasury no later than December 1 of each year. The commission shall also report any projected tuition increases for the next academic year to the office of legislative budget analysis and the comptroller of the treasury no later than December 1 of each year. The office of legislative budget analysis and the comptroller of the treasury shall each provide comments on the higher education funding formula to the chairs of the education and finance, ways and means committees of both houses of the general assembly;

(B) Additionally, the policies and formulae or guidelines shall provide for the consideration of the impact of tuition, maintenance fees and other charges assessed by each institution in determining the fair and equitable distribution of public funds as required by this subdivision (4). The commission shall therefore review tuition, maintenance fees and other charges assessed by each institution and make recommendations to the governing boards of the various institutions regarding adjustments;

(E) Before any subsequent amendment or revision to the formulae or guidelines for fair and equitable distribution and use of public funds among the state's institutions of higher education shall become effective, the amendment or revision shall be presented to the Education and Finance, Ways and Means Committees of the Senate and House of Representatives for review and recommendation;

- **Alignment with Master Plan**

- *“Develop, after consultation with the board of regents and the University of Tennessee board of trustees, policies and formulae or guidelines for fair and equitable distribution and use of public funds among the state's institutions of higher learning that are consistent with and further the goals of the statewide master plan.”*

- Current state of the Master Plan
- Master Plan goals

- **Outcomes**

- *“The policies and formulae or guidelines shall result in an outcomes-based model ... These outcomes shall include end of term enrollment for each term, student retention, timely progress toward degree completion and degree production and may also include, but not necessarily be limited to, student transfer activity, research, and student success, as well as compliance with transfer and articulation principles...”*

- Possible Outcomes (4yr):

Students Achieving Soph. Status	Transfers Out to Univ. (Good Academic Standing)	Adult Student Enrollment
Students Achieving Jr. Status	Transfers out to CC (Good Academic Standing)	Research Expenditures
Students Achieving Sr. Status	Transfers in from Univ.	Graduation Rate
Bachelor’s Degrees	Transfers in from CC	Time to Degree
Doctoral Degree Production	First Time Students	Master’s Degrees

- Other outcome suggestions

- *“...the commission shall consider factors unique to community colleges.”*

- Possible Outcomes (CC):

Associate Degrees Awarded	Certificates Awarded	Job Placements
Remedial & Developmental Success	Transfers Out to Univ. (Good Academic Standing)	Transfers out to CC (Good Academic Standing)
Adult Student Enrollment	First Time Students	Non-degree seeking students

- Other outcome suggestions

- **Unique Institutional Characteristics**

- *“This model shall emphasize outcomes across a range of variables that shall be weighted to reinforce each institution's mission and provide incentives for productivity improvements consistent with the state's higher education master plan.”*

- How will weights be determined?
 - Horizontal and vertical equity of the weighting structure (see attachment).
 - How will institutional mission be accounted for?

- Use of Carnegie Class, as an example:

Master Low	Master High	Doc/Research	Research High	Research Very High
APSU UTM	MTSU TTU UTC	ETSU TSU	UM	UTK

- Sub-populations

- Identify specific sub-populations which will receive a premium in certain outcomes such as retention and degree production

- Examples:

Adult	Low Income/Pell	Transfer
R&D/Low Academic Preparedness	Part-time	First Generation
STEM/Health/Other Area of Emphasis	High Unemployment Counties	Other

- **Performance Funding**

- **Cost Sharing**

- **Fixed Costs**

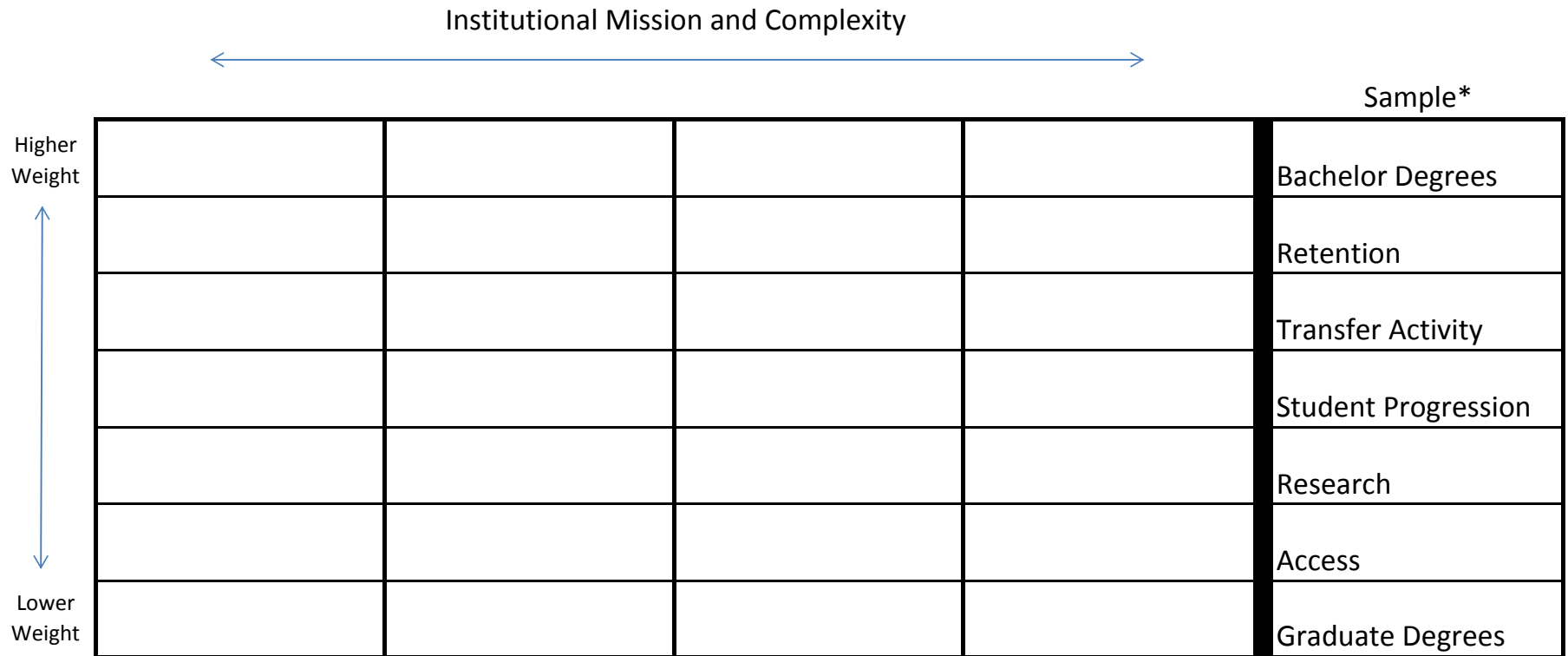
- Utilize same methodology as previous formula?
 - Utilities
 - M&O
 - Rent

- **Calibration**

- Is it necessary to calibrate the outcomes-based model as close as possible to the previous formula calculation?

- **Evaluation**
 - Simulate model using projected data
 - Apply proposed model to historical data and compare to past formulas
 - Determine impact changes in weights and outcomes have on formula total
 - Other

Outcome Weighting Structure



Possible Outcome Categories			
Bachelor Degrees	Retention	Transfer Activity	Student Progression
Graduate Degrees	Access	Research	Other

*As indicated in the sample, for this type of institution greater weight would be placed on Bachelor Degrees than Graduate Degrees.