

LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY			
<i>Series</i>	BACKGROUND: LEVERAGING OBF FOR EQUITY		
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<i>Module</i>	TENNESSEE STATE PROFILE		
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<table border="1"> <tr> <td style="text-align: center;"> <p><i>Module</i></p> <p>OVERVIEW</p> <p>Tennessee’s Outcomes-Based Funding Formula was adopted in 2010 as part of the Complete College Tennessee Act. The Tennessee Higher Education Commission oversaw the development of a formula that incentivizes student progression, completion, productivity, and in the two-year sector, transfer and job placement. The formula also provides bonus weighting for the success of adult, low-income, and in the two-year sector, academically underprepared students. Currently, 85% of state support to public postsecondary institutions flows through the formula.</p> </td> <td style="text-align: center;"> <p><i>About This</i></p> <p>TOOLKIT</p> <p>THE OBF EQUITY TOOLKIT provides practical lessons on how states, systems, and institutions work to address equity in the development and implementation of OBF policy. Broken into four Series focused on equity challenges in distinct phases of the OBF policy process, the Toolkit contains short, individual modules that consider specific topics and provide lessons learned and recommendations for policymakers and institutional leaders to consider. Content is derived from in-depth study of six states (Tennessee, Indiana, Ohio, New Mexico, Oregon, and Kentucky) and 13 institutions in them. See the Research Methods section of the Overview for more information.</p> </td> </tr> </table>		<p><i>Module</i></p> <p>OVERVIEW</p> <p>Tennessee’s Outcomes-Based Funding Formula was adopted in 2010 as part of the Complete College Tennessee Act. The Tennessee Higher Education Commission oversaw the development of a formula that incentivizes student progression, completion, productivity, and in the two-year sector, transfer and job placement. The formula also provides bonus weighting for the success of adult, low-income, and in the two-year sector, academically underprepared students. Currently, 85% of state support to public postsecondary institutions flows through the formula.</p>	<p><i>About This</i></p> <p>TOOLKIT</p> <p>THE OBF EQUITY TOOLKIT provides practical lessons on how states, systems, and institutions work to address equity in the development and implementation of OBF policy. Broken into four Series focused on equity challenges in distinct phases of the OBF policy process, the Toolkit contains short, individual modules that consider specific topics and provide lessons learned and recommendations for policymakers and institutional leaders to consider. Content is derived from in-depth study of six states (Tennessee, Indiana, Ohio, New Mexico, Oregon, and Kentucky) and 13 institutions in them. See the Research Methods section of the Overview for more information.</p>
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Quick facts about OBF in Tennessee

- Governor Phil Bredesen and Governor Bill Haslam are cited as key champions of Tennessee’s outcomes-based funding policy.
- Tennessee’s public institutions were formally involved in the development of the outcomes-based funding policy. The state formed several committees made up of institutional leaders and stakeholders during the development of the formula.ⁱ

- Outcomes-based funding policy was adopted as one component of the Complete College Tennessee Act of 2010. While the policy has not changed, a formula review committee, made up of institutional leaders, Tennessee state legislature representatives, governor’s office representatives, and system officials, meet annually to review the formula. Every five years the formula undergoes a comprehensive review.
- Tennessee’s OBF policy identifies three student groups as priority populations: adult and low-income students, and at community colleges only, students who are academically underprepared.

Tennessee state context

Statewide demographics: 74% White – not Hispanic or Latino, 17% Black or African American, 0.5% American Indian and Alaska Native, 2% Asian, 0.1% Native Hawaiian and Other Pacific Islander, 2% Two or More Races, 6% Hispanic or Latino.ⁱⁱ

Governance structure: Two different systems of governance across the two- and four-year systems.

- Tennessee’s community college system is **centralized**. The Tennessee Board of Regents sets and manages all policies for the administration of the community college and technical institutions sector.
- Tennessee’s university system is **decentralized**. Tennessee’s six Locally-Governed Institutions have their own board of trustees responsible for the administrative functions of each campus. The University of Tennessee system is comprised of three institutions, all of which are governed by the University of Tennessee System’s Board of Trustees.

Coordinating/governing agency for postsecondary: The Tennessee Higher Education Commission serves as the coordinating body for all higher education in the state.ⁱⁱⁱ

TENNESSEE’S EQUITY CHALLENGE

Large attainment gaps exist in Tennessee. While total credentialed attainment in 2016 equaled 41%, attainment varies across race and ethnicity.^{iv}

Table 1. The percent of Tennessee residents age 25-64 with at least an associate degree or workforce-relevant certificate or higher in 2016^v

RACE AND ETHNICITY	CREDENTIAL ATTAINMENT
Asian and Pacific Islander	59%
White	37%
American Indian and Alaska Native	35%
African-American	28%
Hispanic	19%

To increase focus on equity, Tennessee doubled bonuses for priority populations. The first iteration of the formula applied a 40% bonus whenever a low-income or adult student persisted or completed. In 2015, the formula was revised to increase the bonus to 80% and to offer graduated bonus levels, meaning that outcomes achieved by students who qualify for one focus population will garner an 80% bonus; students who qualify for two will garner a 100% bonus; and students who qualify for three, at community colleges only, will garner a 120% bonus.

Tennessee State University, Tennessee’s public HBCU, may be disproportionately harmed by OBF. Since OBF implementation, Tennessee State University has seen a slower rate of funding growth than all other universities at 8%, compared to the state average of 25%.^{vi}

OUTCOMES-BASED FUNDING FORMULA AND POLICY^{vii}

Table 2. Timeline for adoption and implementation of Outcomes Based Funding in Tennessee^{viii}

TIMELINE FOR ADOPTION AND IMPLEMENTATION OF OBF IN TENNESSEE	
2010	<ul style="list-style-type: none"> Complete College Tennessee Act (CCTA) of 2010 is signed into law. The CCTA includes the adoption of the outcomes-based funding policy.
2011	<ul style="list-style-type: none"> Policy is implemented. Metrics include credit hours, research and service incentive, degree and certificate completion, transfers, degree efficiency, dual enrollment, job placement, developmental education success, and graduation rate.
2013	<ul style="list-style-type: none"> Hold-harmless policy is removed.
2015	<ul style="list-style-type: none"> Formula is revised following a comprehensive five-year review. Current policy is adopted.

Current funding formula^{ix}

For a detailed description of Tennessee’s OBF policy, see THEC’s website, [Outcomes Based Funding Formula Resources](#).^x

Percent allocated through formula in 2018: 85%

Data and outcomes calculated: Three-year rolling averages

Equity metrics: Adult and low-income students, and students who are academically underprepared.

Table 3. Overview of FY2016-21 Tennessee outcomes-based funding formula

COMPONENTS OF FORMULA			TYPE OF METRIC	EQUITY METRIC
DIRECT MEASURES	Credit benchmarks	2 yr	Milestone	
		4 yr	Milestone	
	Dual enrollment	2 yr	Enrollment Headcount	
		4 yr	NA	
	Degrees	2 yr	Completion	

		4 yr	Completion	
	Long- and short-term certificates	2 yr	Completion	
		4 yr	NA	
	Awards and degrees per 100 FTE	2 yr	Completion	
		4 yr	Completion	
	Job placements	2 yr	Headcount	
		4 yr	NA	
	Transfer out with 12 hrs	2 yr	Milestone	
		4 yr	NA	
	Workforce training/contact hours	2 yr	Training	
		4 yr	NA	
	Masters and ed specialist degrees	2 yr	NA	
		4 yr	Graduate Completion	
	Doctoral/law degrees	2 yr	NA	
4 yr		Graduate Completion		
Research, service, and sponsored programs	2 yr	NA		
	4 yr	Other		
Six-year graduation rate	2 yr	NA		
	4 yr	Completion		
BONUS WEIGHTS	FOCUS POPULATIONS		Bonus Weight Applied to:	
	Adult	2 yr	Completion & Milestone	●
		4 yr	Completion & Milestone	●
	Low-income	2 yr	Completion & Milestone	●
		4 yr	Completion & Milestone	●
	Academically underprepared	2 yr	Completion & Milestone	●
		4 yr	NA	

ⁱ Tennessee Higher Education Commission. "2015-2020 Outcomes-Based Funding Formula Overview." Accessed August 20, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/2015-2020_Formula_Review_Website_101615.docx.

ⁱⁱ United States Census Bureau. "Quick Facts: Tennessee; United States." 2017. Accessed August 20, 2018. <https://www.census.gov/quickfacts/fact/table/tn.US/PST045217>.

ⁱⁱⁱ Tennessee Higher Education Commission. "2017-2018 Tennessee Higher Education Fact Book." Accessed August 20, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/research/other-research/factbook/2017-18%20Fact%20Book_Suppressed_Final.pdf.

^{iv} Lumina Foundation. "Tennessee's Progress toward the Goal." A Stronger Nation. 2016. Accessed August 20, 2018. <http://strongernation.luminafoundation.org/report/2018/#state/TN>.

^v Ibid.

^{vi} Testa, Joshua. "Outcomes-Based Funding Formula Profile: Tennessee State University." Tennessee Comptroller of the Treasury. August 2018. Accessed October 10, 2018. [http://www.comptroller.tn.gov/Repository/RE/TSU%20\(8.15\).pdf](http://www.comptroller.tn.gov/Repository/RE/TSU%20(8.15).pdf)

^{vii} Tennessee Higher Education Commission. "Outcomes-Based Funding Formula Overview." Accessed August 20, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/1_Outcomes_Based_Funding_Formula_Overview_One_Page.pdf.

^{viii} Ibid.

^x Ibid.

^x Tennessee Higher Education Commission. "Outcomes Based Funding Formula Resources." <https://www.tn.gov/thecc/bureaus/finance-and-administration/fiscal-policy/redirect-fiscal-policy/outcomes-based-funding-formula-resources.html>