

LEVERAGING OUTCOMES-BASED FUNDING TO SUPPORT EQUITY	
<i>Series</i>	<p>OBF IMPLEMENTATION: STATE STRATEGIES FOR SUPPORTING INSTITUTIONS TO CLOSE EQUITY GAPS</p>
3	
<i>Module</i>	<p>CASE STUDY OF TENNESSEE: ADVANCING OBF EQUITY THROUGH A STATE COMPLETION AGENDA</p>
3.4	
<p><i>Module</i> GOALS</p> <p>THIS MODULE addresses equity in OBF at the state and institutional levels as outlined in our OBF Equity Overview. It will help state policymakers and institutional leaders consider:</p> <ul style="list-style-type: none"> • How Tennessee advanced equity by addressing systemic barriers to postsecondary completions; • How initiatives within the state's completion agenda addressed priority populations identified in Tennessee's OBF model; and • How a state can align multiple policies to increase completion and close the attainment equity gap. 	<p><i>About This</i> 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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EQUITY CHALLENGE

Aligning state policy to support an equity agenda

In 2010, the Complete College Tennessee Act authorized the development of an outcomes-based funding model to align postsecondary funding with state college completion goals. Subsequently, Tennessee has implemented over a dozen complementary statewide initiatives to improve its postsecondary educational pipeline. The result is a networked approach to completion, in which OBF plays a role in focusing institutions on achieving targeted outcomes, buttressed by an array of completion-focused policies which support the implementation of best practices for student success to increase completion and persistence.

Tennessee did not design this networked approach with an explicit equity agenda. However, the state has advanced equity through a comprehensive suite of policies that address systemic barriers to postsecondary completion by creating conditions under which traditionally underrepresented students enter and persist through the postsecondary pipeline. In addition, Tennessee's OBF formula rewards institutional efforts to support the success of low-income, academically underprepared, and adult students by placing greater value on their completions. While this multi-pronged approach to improving college attainment makes it difficult to attribute impacts to outcomes-based funding or any other single policy, it provides a unique and important example of how an ecosystem of statewide completion policies and initiatives work together to address equity while driving a statewide completion goal.

Tennessee has also recognized the challenges faced by institutions as they implement OBF by providing a range of supports to colleges and universities. Specifically, both the Tennessee Higher Education Commission (THEC) and Tennessee Board of Regents have offered direct technical assistance to institutions, and THEC has awarded capacity-building grants to support institutions as they respond to OBF and the larger completion agenda. For more information on direct supports to institutions, see [Module 3.2: Strategies for Supporting Institutions During OBF Implementation](#). This module captures how a suite of comprehensive policies and programs, some of which target specific student populations, tie into a larger, statewide completion agenda.

LESSONS FROM THE FIELD

An overview of Tennessee's OBF policy

Tennessee moved to an outcomes-based funding policy through the passage of the Complete College Tennessee Act of 2010. The formula was implemented in FY2011. One hundred percent of state support to postsecondary institutions is funneled through the formula, with 85% of funding allocated based on outcomes.

Complete College Tennessee Act of 2010

The CCTA is "a comprehensive reform agenda that seeks to transform public higher education through changes in academic, fiscal, and administrative policies at the state and institutional level."ⁱ Together, CCTA and outcomes-based funding serve to advance the state attainment goal, Drive to 55. Set by Governor Haslam in 2013, Drive to 55 aims to have 55% of Tennesseans hold a postsecondary credential by 2025.ⁱⁱ

As a critical part of this goal, Tennessee acknowledged that it was not possible to reach this level of attainment without strategically targeting disadvantaged populations, including underprepared, adult, and low-income students.ⁱⁱⁱ To that end, its OBF policy focuses on three priority populations: underprepared students (for the two-year sector), adult students, and low-income students. For further discussion of how states address equity through priority populations, see [Module 2.3 Selecting Student Groups to Prioritize in OBF Policies](#).

Table 1 shows where Tennessee's OBF formula weights completions and milestones of adult and low-income students in both sectors and academically underprepared students in the two-year sector. The state has a similar

but distinct set of outcomes for each sector, and each outcome’s weight is differentiated according to institutional mission and adjusted based on institutional feedback. For more detailed information on Tennessee’s formula, including a description of the equity measure weights, see [Module 1.6: Tennessee State Profile](#).

Table 1. Outcomes in Tennessee’s OBF formula, 2015-20^{iv}

CATEGORY	2-YEAR SECTOR	4-YEAR SECTOR	BONUS WEIGHT APPLIED FOR PRIORITY POPULATION
Credit benchmarks	●	●	●
Dual enrollment	●		
Undergraduate degrees	●	●	●
Long- and short-term certificates	●		●
Awards and degrees per 100 FTE	●	●	
Job placements	●		
Transfers out with 12 hrs.	●		
Workforce training/contact hours	●		
Masters/ed. specialist degrees		●	
Doctoral/law degrees		●	
Research, service, and sponsored programs		●	
Six-year graduation rate		●	

Tennessee policies that advance the completion agenda

In addition to outcomes-based funding, the Complete College Tennessee Act also signaled the advent of a suite of policies for students and institutions aimed at advancing the completion agenda. Table 2 summarizes these policies and indicates the focus of each policy.

Table 2. Completion-focused policies in Tennessee

POLICY	YEAR	SUMMARY	FOCUS
Outcomes-based funding	2010	A funding model determining institutional funding from the state based on a set of student outcomes.	Institutions
Transfer pathways ^v	2011	An advising tool designed to prevent credit loss for community college students who plan to transfer to a university and an agreement between community colleges and four-year institutions that community college courses meet major preparation requirements.	Students
Drive to 55 ^{vi}	2013	Policy agenda aiming for 55% of Tennessee residents to have a degree or certificate by the year 2025.	Statewide
Course Revitalization Initiative ^{vii}	2013	Provides grant funding to teams of faculty members looking to revitalize high-enrollment gateway classes through improvements in course structure and curricula.	Students and Institutions
Tennessee LEAP (Labor Education Alignment Program) ^{viii}	2013	Creates a statewide structure allowing students in Tennessee’s community colleges,	Students

		technical colleges, and high schools to participate in technical training and apprenticeships developed by area employers. Aims to create a pipeline of students to employers in technical fields.	
Remediation in High Schools – Seamless Alignment and Integrated Learning Support (SAILS) ^{ix}	2013	Introduces college developmental curriculum to high school seniors to improve college readiness and time-to-degree.	Students
Reduction in credits for degree ^x	2014	Requires a maximum of 120 semester hours for a bachelor’s degree or 60 semester hours for an associate degree. Exceptions to this maximum must be approved by TBR.	Students
Academic Fresh Start ^{xi}	2014	Allows undergraduate students who have experienced academic difficulty to make a clean start upon returning to college after an extended absence.	Students
Co-requisite model ^{xii}	2014	Places students in supplemental learning support classes concurrently with credit-bearing English and math courses.	Students
Reverse Transfer ^{xiii}	2014	Provides a framework for all three higher education systems to award associate degrees to students who transferred to a university from a community college prior to receipt of the associate degree, but who continued to complete the required coursework and credits required for an associate degree.	Institutions
Degree plans/ Academic foci ^{xiv}	2015	System-wide adoption of nine academic foci for community colleges.	Students and Institutions
Tennessee Reconnect ^{xv}	2017	Establishes a last-dollar scholarship for adult learners seeking to obtain a degree or certificate from Tennessee’s community colleges and technical schools. Covers remaining tuition and mandatory fees.	Students
Tennessee Promise ^{xvi}	2015	Establishes a last-dollar scholarship and mentoring program for recent high school graduates seeking to obtain a degree from Tennessee’s community colleges and technical schools. Covers remaining tuition and mandatory fees.	Students

Outcomes-based funding policy in Tennessee provided the foundation for the completion agenda by signaling a clear commitment from the state. The monetary incentive of the funding formula focused institutions squarely on completion. In addition, institutions recognized the funding formula as rewarding their adoption and success across the multitude of completion-focused policies and initiatives that followed OBF implementation. Two institutional leaders acknowledged the importance of the outcomes-based funding policy within the completion agenda. One noted:

[The outcomes-based funding policy] incentivizes us to look at our metrics and helps keep focus on those instead of chasing the shiny new thing that comes down the pipe. At the end of the day, college presidents, college leadership, they need the funding to pull off some of these things. I appreciate being in a state where there is that kind of funding.

Another said:

As much as I hate to say it, I do [think the outcomes-based funding policy is necessary]. I think that there was a focus and attention on completion, right, before. But never has it been to this level that I can remember. And I think coupling funding with the completion agenda has really driven institutions to think really hard about not just how we enroll students, but how do we get them out of here and how do we make sure that they are having success?

While the OBF policy continues to be a critical tool in advancing Tennessee's completion agenda, it is one tool within a suite of policies aimed at increasing completion in the state that offer a roadmap for how to achieve this goal.

Many of the policies that advance the completion agenda in Tennessee drive completion for all students. Policies described in Table 2 such as outcomes-based funding and Drive to 55 message the success for all students. In addition, initiatives such as course revitalization and degree plans provide system-wide reform aimed at removing barriers for any student.

However, a host of policies also focus on increasing outcomes for specific underserved students, mainly academically underprepared, adult, and low-income students. Policies and initiatives described in Table 2, such as SAILS, academic fresh start, co-requisite model, Tennessee Promise, and Tennessee Reconnect, provide supports and interventions for historically underserved student groups. In doing so, Tennessee's completion agenda includes policies and initiatives that promote equitable student outcomes.

Institutional leaders pointed to three key policies that support efforts to narrow the equity gap: Tennessee Promise, Tennessee Reconnect, and co-requisite remediation policy. Each of the following is detailed in more depth below.

Tennessee Promise allows recent high school graduates working toward an associate degree or certificate to attend a Tennessee postsecondary institution tuition- and fee-free. It pays for tuition and mandatory fees after other forms of assistance (such as Pell Grants and other state grant aid) have been exhausted.

The program also requires community service hours as well as interaction with a Tennessee Promise mentor.

Such community-based mentors have been shown to increase completions, particularly among at-risk students in educational settings.^{xvii} Moreover, by including a community service component, the program simultaneously builds the case for the public good of higher education and increases community buy-in.

While Tennessee Promise offers universal eligibility, specific outreach is provided to low-income students to encourage them into the program.^{xviii} In addition, partners such as [tnAchieves](#) deliver wraparound supports to increase the likelihood of success. Promise programs have also been shown to increase the likelihood that underserved students and communities will see college as a viable option.^{xix}

Finally, Tennessee Promise also serves as an investment in the two-year sector, which enrolls most low- and middle-income students. In the first year of Tennessee Promise, overall enrollment at community colleges across the state increased by nearly 25%.^{xx}

Tennessee Reconnect is a promise program that targets older students who attend community colleges and technical colleges. It offers a last-dollar scholarship that also covers tuition and mandatory fees for adult

Tennessee residents who do not already have an associate or bachelor's degree and who are able to commit to an associate degree, technical certificate, or diploma program. Students can attend full- or part-time and enroll with an advising requirement. When Tennessee Reconnect was announced, institutional leaders started adjusting staffing, programs, and interventions to better support adult students as they moved toward completion. One institutional leader described campus changes this way:

With the rollout of the Tennessee Promise, and now, the Tennessee Reconnect, we're responding with retention policies. We added an adult student coordinator who is a recruiter for that population of people that have some college or have never been to college and are now returning adult students..... We offer free tutoring [and] we're focusing on trying to connect the tutoring with the student to be sure that they're aware of that service. We have online tutoring because we do have a population...taking their classes online [who] don't make it to one of our locations on a regular basis.

Other institutional leaders noted the increase in availability of evening or online classes to maximize flexibility for adult students with busy work and family schedules. Such changes are emblematic of the effects of Reconnect: The state anticipated 8,000 applicants in its first year of operation, but ultimately over 30,000 adults applied to the program.^{xxi}

Co-requisite model is a Tennessee Board of Regents initiative designed to address the needs of academically underprepared students at community colleges. It aims to advance student success by coupling college-level courses with learning supports. Notably, Tennessee's OBF policy rewards two-year institutions for retaining and advancing students who require developmental education. Institutional leaders noted that after implementation of outcomes-based funding, co-requisite courses were leveraged to bolster completions. One said:

An emphasis on campus right now is to involve students who need co-requisite remediation in our learning communities, because we know learning communities are a high-impact practice. We have several teams right now that are looking at redesigning the co-requisite to create a learning community in an effort to retain and help those students, which would help move them towards those benchmarks of 12 hours, 24 hours, [and] on towards degree completion.

Tennessee also invested in “co-requisite academies” to aid policy implementation across institutions and share best practices. By incentivizing remediation success in the OBF formula and by supporting institutions during implementation, Tennessee improved the passing rate of developmental math courses among students from 12.3% to 51%.^{xxii} Since most developmental education students drop out when they first enroll in college, co-requisite reform is an effective way to operationalize the completion agenda at a vulnerable stage for students.

THE TAKEAWAY

Tennessee provides an example of how outcomes-based funding can work in concert with several policy levers to increase completions. States interested in aligning multiple policies to increase completion and close the attainment equity gap should weigh the following recommendations:

Consider a range of supports for institutions as they work toward a completion agenda. Tennessee institutions were assisted by range of supports, including direct technical assistance, capacity-building grants, and a suite of completion-focused policies and programs from the state following the Complete College Tennessee Act.

Align multiple policies to a completion agenda to amplify and extend the effects of outcomes-based funding policies. A roadmap of completion-focused policies and initiatives aligned to the state’s outcomes-based funding policy provides cohesion between policy and practice for institutions.

Address student equity by offering completion-focused policies and initiatives to support the success of student populations identified as underserved. While an equity-focused OBF formula can be an effective tool in focusing postsecondary institutions on closing the achievement gap, other reforms, such as co-requisite remediation, can also remove barriers to completion. In addition, driving resources directly to students through policies such as Tennessee Promise and Reconnect can also increase attainment rates and promote a more equitable completion agenda.

ⁱ Tennessee Higher Education Commission. “Outcomes-Based Funding Formula Overview.” Accessed August 7, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/1 - Outcomes Based Funding Formula Overview - One Page.pdf.

ⁱⁱ “Drive to 55 Alliance.” *Drive to 55*. Accessed August 7, 2018. <http://driveto55.org/>.

ⁱⁱⁱ Tennessee Higher Education Commission. “Postsecondary Attainment in the Decade of Decision, The Master Plan for Tennessee Postsecondary Education 2015-2025.” Accessed August 20, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/research/other-research/master-plan/MasterPlan2025_0418.pdf.

^{iv} Tennessee Higher Education Commission. “Outcomes-Based Funding Formula Overview.” Accessed August 7, 2018. https://www.tn.gov/content/dam/tn/thec/bureau/fiscal_admin/fiscal_pol/obff/1 - Outcomes Based Funding Formula Overview - One Page.pdf.

^v Tennessee Board of Regents. “Tennessee Transfer Pathway.” Accessed August 7, 2018. <http://www.tntransferpathway.org/>.

^{vi} “Drive to 55 Alliance.” *Drive to 55*. Accessed August 7, 2018. <http://driveto55.org/>.

^{vii} The College System of Tennessee. “Initiatives (Academic).” Accessed September 26, 2018. <https://www.tbr.edu/academics/initiatives-academic>

^{viii} Tennessee Higher Education Commission & Student Assistance Corporation. “Labor Education Alignment Program (LEAP).” Accessed September 26, 2018. <https://www.tn.gov/thec/for-institutions/grant-programs-for-institutions/leap.html>.

^{ix} Tennessee Higher Education Commission & Student Assistance Corporation. “Seamless Alignment and Integrated Learning Support (SAILS).” Accessed September 26, 2018. <https://www.tn.gov/thec/bureaus/academic-affairs-and-student-success/academic-programs/sails.html>.

^x The College System of Tennessee. “General Education Requirement and Degree Requirements: 2:01:00:00.” Accessed August 7, 2018. <https://policies.tbr.edu/policies/general-education-requirements-and-degree-requirements>.

^{xi} The College System of Tennessee. “Undergraduate Academic Retention Standards: 2:03:01:01.” Accessed August 7, 2018. <https://policies.tbr.edu/policies/undergraduate-academic-retention-standards#Minimum-Criteria-for-Institutional-Academic-Fresh-Start-Policies>.

^{xii} The College System of Tennessee. “Tennessee Board of Regents Co-Requisite Remediation Model Produces Giant Leaps in Student Success in Math and English.” Accessed August 7, 2018. <https://www.tbr.edu/news/tennessee-board-regents-co-requisite-remediation-model-produces-giant-leaps-student-success>.

^{xiii} The College System of Tennessee. “Reverse Transfer: Policies, Procedures, and Guidelines: 2:02:00:02.” Accessed August 7, 2018. <https://policies.tbr.edu/policies/reverse-transfer-policies-procedures-and-guidelines-0>.

^{xiv} The College System of Tennessee. “Initiatives (Academic).” Accessed August 7, 2018. <https://www.tbr.edu/academics/initiatives-academic>.

^{xv} Tennessee State Government. “Tennessee Reconnect One-Pager.” Accessed September 26, 2018. <https://www.tn.gov/content/tn/nexttennessee/tennessee-reconnect/tennessee-reconnect-one-pager0.html>.

^{xvi} <http://tnpromise.gov/about.shtml>

^{xvii} Campbell, Toni A., and David E. Campbell. “Outcomes of Mentoring At-risk College Students: Gender and Ethnic Matching Effects.” *Mentoring & Tutoring: Partnership in Learning* 15 no. 12 (2007): 135-148.

^{xviii} The College System of Tennessee. “Low-income Student Support.” Accessed August 7, 2018. <https://www.tbr.edu/student-success/low-income-student-support>.

^{xix} Bartik, Timothy J., and Marta Lachowaka. “The Short-term Effects of the Kalamazoo Promise Scholarship on Student Outcomes.” *In New Analyses of Worker Well-Being, Research in Labor Economics*. 38 (2013): 37-76.

^{xx} Tennessee Higher Education Commission and Tennessee Student Assistance Corporation. "Tennessee Promise Annual Report." 2017. Accessed August 7, 2018.

https://www.tn.gov/content/dam/tn/thecc/bureau/research/promise/2017_TN_Promise_Report.pdf.

^{xxi} Smith, Ashley A. "Tens of Thousands of Adults Life Up for Free College in Tennessee." *Inside Higher Ed*. August 24, 2018. Accessed August 7, 2018. <https://www.insidehighered.com/news/2018/08/24/tennessee-sees-thousands-apply-tuition-free-adult-plan>.

^{xxii} https://www.tbr.edu/sites/tbr.edu/files/media/2016/04/TBR%20CoRequisite%20Study%20-%20Update%20Spring%202016%5B1%5D_1.pdf