

Tennessee Higher Education Commission
Outcomes Based Funding
Overview

Background Policy Context

- Prior to 2010:
 - 14th Day Enrollment Model with some performance-based funding
 - Rarely followed. Either hold harmless or base-plus
- Complete College Tennessee Act of 2010:
 - No use of enrollment enrollment—use of outcomes only
 - Built upon a strong student information system
- Funding formula moves all \$1.6B in operating funding for community colleges and universities

Statutorily Required Elements

- The formula must further goals of statewide higher education master plan
- Outcomes should include:
 - Student retention, timely progress toward degree and degree production
 - Compliance with transfer and articulation policies
 - Research
- Outcomes shall be weighted to reinforce each institution's mission
- Establishes a funding formula review committee:
 - Committed to periodic reviews of the formula
 - Stakeholders from institutions and state intimately involved

A large, light-colored wireframe sphere graphic on the left side of the slide, composed of many thin lines forming a grid that curves around a central point.

Overview

Sector-Differentiated Outcomes

University

Students Accumulating 30 hours

Students Accumulating 60 hours

Students Accumulating 90 hours

Bachelors and Associates

Masters/Ed Specialist Degrees

Doctoral / Law Degrees

Six-Year Graduation Rate

Degrees per 100 FTE

Research, Service and Sponsored Programs

Community College

Students Accumulating 12 hours

Students Accumulating 24 hours

Students Accumulating 36 hours

Associates

1-2 Year Certificates

<1yr Certificates

Dual Enrollment

Transfers Out with 12 hours

Awards per 100 FTE

Job Placements

Workforce Training

Bolded outcomes are eligible for focus population premiums.

Focus Population Premiums



Adult



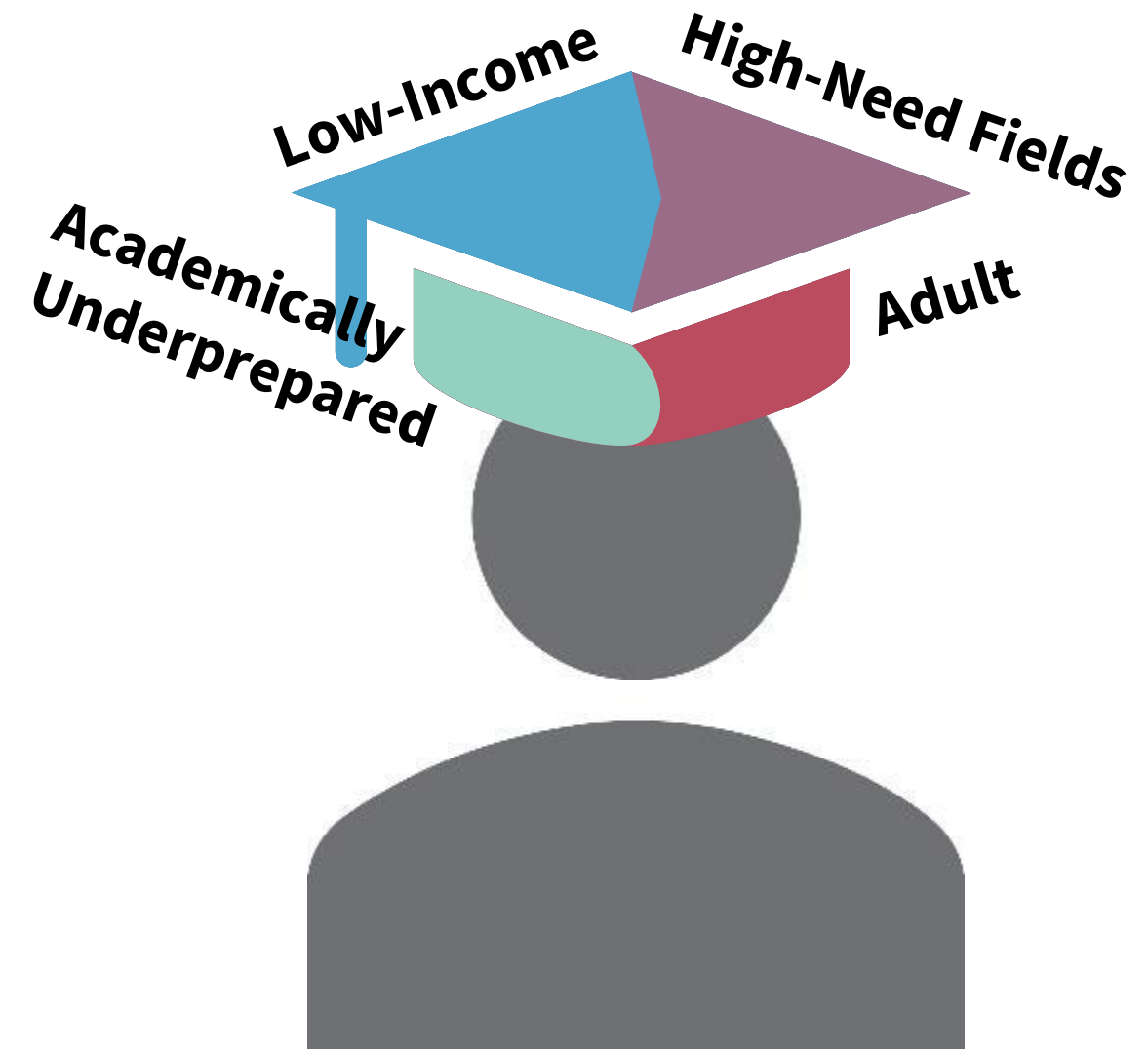
Low-Income



Academically Underprepared (CC)



High-Need Fields




2.4

Outcome Point(s)

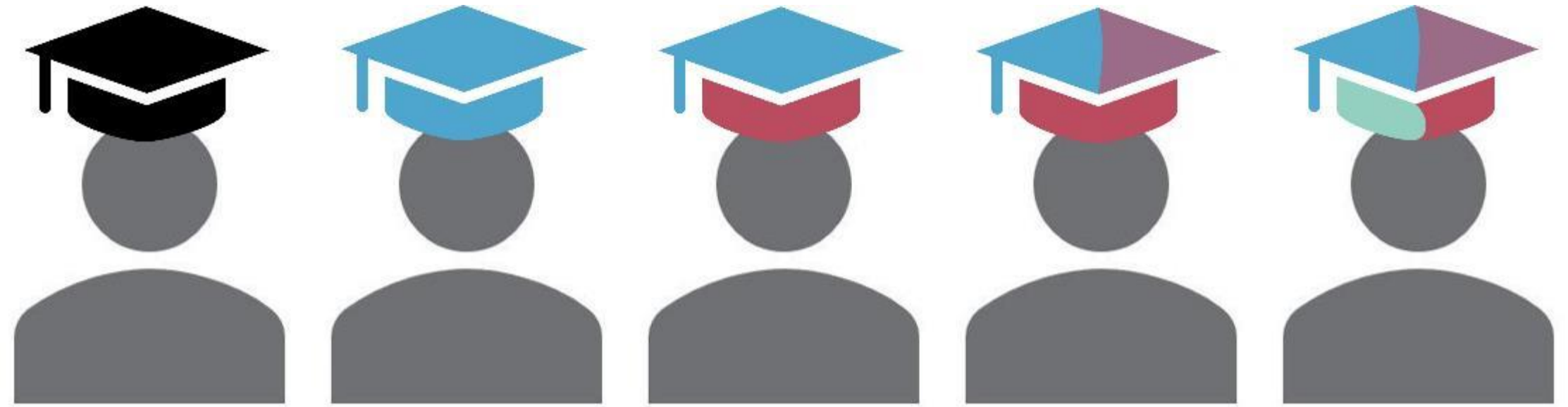
Focus Population Premiums

 Adult

 Low-Income

 *Academically Underprepared (CC)*

 *High-Need Fields*



1

1.8

2

2.2

2.4

Outcome Point(s) Awarded

Students eligible for focus population(s) are counted at a premium when they hit progression or completion metrics.

Outcome Weights Examples

During each review process, institutions are given the opportunity to rank outcomes based on their institutional mission.

Outcomes	Average University	Example University
Students Accumulating 30 hours	3%	2%
Students Accumulating 60 hours	5%	4%
Students Accumulating 90 hours	8%	7%
Bachelors and Associates	23%	25%
Masters/Ed Specialist Degrees	15%	20%
Doctoral / Law Degrees	9%	5%
Six-Year Graduation Rate	14%	15%
Degrees per 100 FTE	12%	15%
Research, Service and Sponsored Programs	11%	8%

-- Represents ineligible outcomes for the sector.

Outcome Scales

Scales are mathematically derived to compare outcomes of varying magnitudes in a similar manner.



1.5 Transfers Out

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**150 Hours of
Workforce Training**

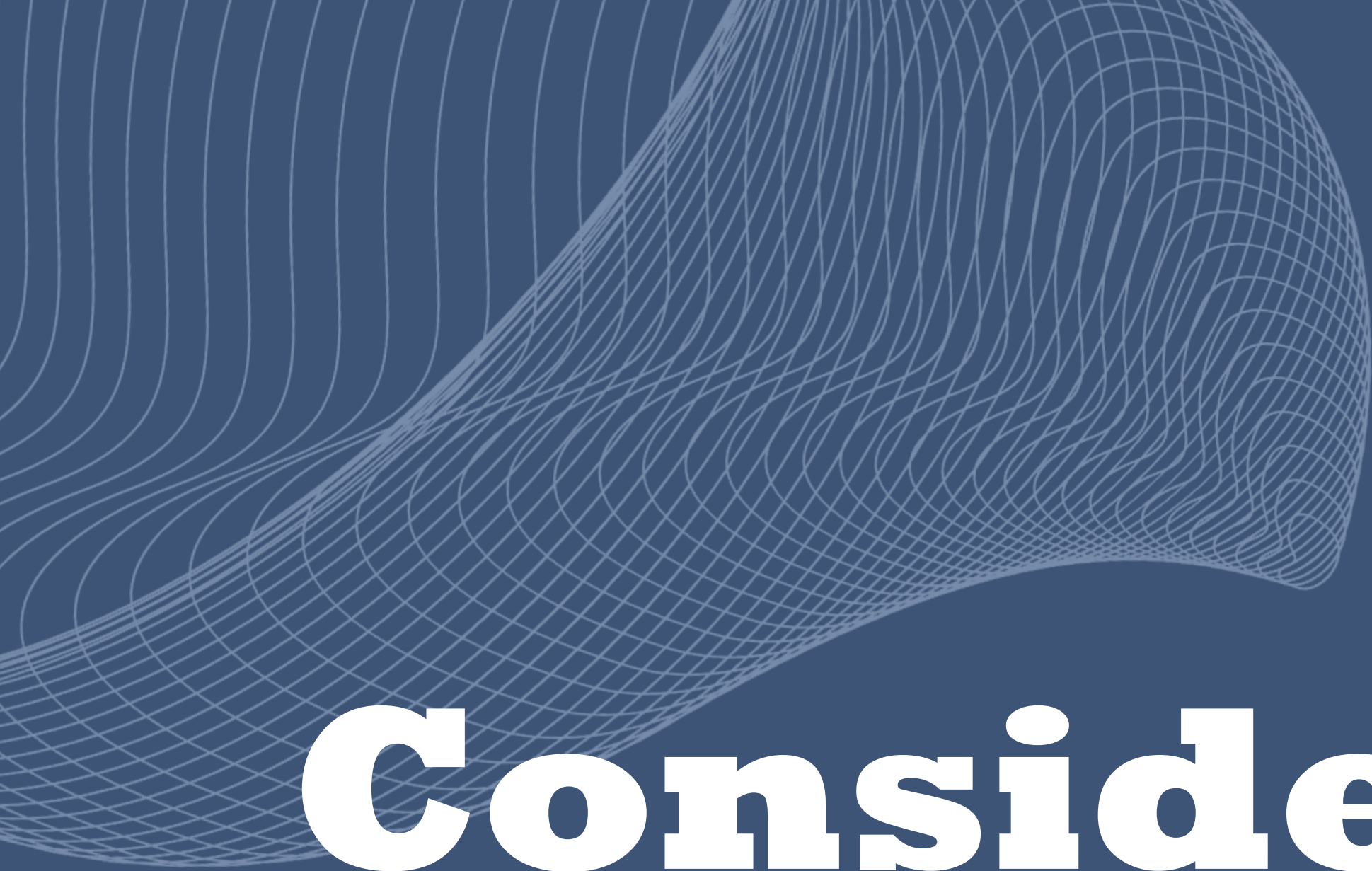
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**1 Bachelor
Degree**

Share of Outcomes-Based Funding

Institution	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Austin Peay	4.70%	4.71%	4.98%	5.11%	5.22%	5.11%	5.04%
East Tennessee	6.46%	6.49%	6.55%	6.61%	6.66%	6.74%	6.67%
Middle Tennessee	9.99%	9.80%	9.60%	9.60%	9.54%	9.62%	9.57%
Tennessee State	3.88%	3.81%	3.64%	3.59%	3.64%	3.53%	3.51%
Tennessee Tech	5.07%	5.28%	5.25%	5.20%	5.20%	5.29%	5.26%
Univ. of Memphis	11.49%	11.41%	11.36%	11.48%	11.60%	11.73%	11.86%
UT Chattanooga	5.48%	5.48%	5.45%	5.46%	5.44%	5.49%	5.42%
UT Knoxville	22.71%	22.57%	22.48%	22.54%	22.79%	23.32%	23.75%
UT Martin	3.27%	3.14%	3.07%	3.10%	3.15%	3.17%	3.12%
Community Colleges	26.95%	27.30%	27.62%	27.32%	26.76%	26.01%	25.80%



Considerations

Benefits of the TN OBF

1. By focusing on outcome counts, rather than rates, OBF limits creaming while also giving our better performing institutions room to grow.
2. Institutions are incentivized to perform better relative to their own mission.
3. Due to a robust data system, THEC can easily share analyses with institutional leadership on opportunities for better performance.
4. Through the review process, the formula creates institutional and state buy-in.
5. The state follows it, trusts it, and funds it.

Limitations of the TN OBF

1. Many mechanical elements (outcomes, weights, scales) can make it difficult to grasp—which is necessary for any incentivization scheme.
2. Does not speak to funding adequacy.
3. Outcome achievement is downstream of enrollment, so great increases in enrollment aren't recognized by the state operational funding for years.
4. Not all data is perfect, requiring constant data quality maintenance.
5. State vigilance required to ensure right type of competition.



THANK YOU

Steven Gentile

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THEC Fiscal Policy

Resources

- [OBF One-Pager](#)
- [2025-26 Formula Materials](#)
- [2025-26 Appropriation Materials](#)
- [Tuition and Fee Materials](#)
- [Strategic Financial Plan](#)
- [Master Plan](#)