

Agenda Item: I.C.

DATE: November 19, 2015

SUBJECT: 2016-17 Operating State Appropriation Recommendations

ACTION RECOMMENDED: Approval

BACKGROUND INFORMATION

Immediately following the passage of the Complete College Tennessee Act of 2010 (CCTA), THEC convened a Formula Review Committee (FRC) consisting of institutional, system and governmental stakeholders to provide counsel on the creation of an outcomes-based funding formula, informed by university and community college presidents, that funds institutions based on metrics that measure success and weights that reflect institutional priorities and missions.

Since 2010, THEC has annually convened the FRC to review the strengths and weaknesses of the formula. Beginning in February 2015, the FRC met monthly to review and propose changes to the formula model for the 2015-2020 funding cycle. A basic framework for this revised model was presented to and approved by the Commission in July 2015. Soon after, all components of the funding model were finalized. Summaries of these changes can be found in Appendix A.

The finalized 2015-2020 outcomes-based funding formula was used to calculate the 2016-17 recommendations for operating state appropriations and these recommendations are presented in the following attachments for consideration. Funds continue to be allocated on an equitable basis as academic formula unit campuses are recommended to receive the same percentage of their formula calculation.

As a reminder, since 2012-13 THEC is to make state appropriations recommendations in lump sum fashion for the community college sector as a whole, per a provision of the CCTA. The CCTA transferred responsibility for determining individual community college allocations to the Tennessee Board of Regents (TBR). Outcomes-based formula calculations for individual community colleges are presented for informational purposes only.

RECOMMENDATION SUMMARY

Institutions showed some improvement in funding formula outcomes in 2014-15, the most recent year of data that is utilized for the 2016-17 budget cycle. Outcomes overall are beginning to plateau as the enrollment surge that occurred in the aftermath of the economic downturn in 2008 fades. Tennesseans who returned to higher education to retool in a shrinking economy now are entering the workforce rather than enrolling in higher education. Universities awarded more bachelor's degrees in 2014-15 than the previous year. Community colleges awarded more short-term, workforce ready certificates and provided more dual enrollment opportunities to high school students this year than last.

Students continue to be responsible for the majority of costs at community colleges and universities. On average, tuition and fees accounts for nearly 66 percent of revenue at the formula units. A decade ago, they were responsible for less than half. THEC is presenting operating appropriations, student fees and need-based financial aid recommendations that work together to begin to reverse this trend and improve affordability for Tennessee students.

For the 2016-17 fiscal year, THEC is requesting an increase of \$40.9 million in state appropriations for formula units that would increase the percent funded of the formula from 63.2 percent to 66 percent. As recently as 2007-08, formula units were funded at an average of 86 percent of their formula calculations. This increase in state funding will begin to ameliorate the cost shifting over the last decade that has transferred significant funding responsibilities to students and their families.

Along with the formula unit funding recommendation, THEC is requesting an equivalent percentage increase in funding for operations and strategic investments at the non-formula units. This 4.7 percent increase in state appropriations will fund \$9.5 million in new operating dollars spread across all non-formula units, as well as \$6.2 million in strategic program initiatives at seven non-formula units. The THEC staff recommendation for 2016-17 operating funds for the formula and non-formula units are detailed in Attachment II. Additional information on the non-formula strategic initiatives can be found in Appendix B.

The staff recommendations include other components of note. First is an improvement to the state's need-based grant, the Tennessee Student

Assistance Award (TSAA). In 2015-16, the program will fund approximately 41,100 students across public, private and proprietary institutions in Tennessee with total funding of \$68 million in state appropriations and \$6.8 million in lottery funds. In September, the TSAC Board recommended that funding increase in 2016-17 by \$28.6 million, which would fund 15 percent of the estimated 118,000 students that are eligible for the award — based on financial need — but currently do not receive the grant due to limited funds being exhausted. THEC staff concur with this recommendation and believe that this improvement, coupled with the student fee recommendations presented in Item I.C., represent continued advancement in college affordability for Tennesseans.

Additionally, THEC staff are recommending \$800,000 in non-recurring state appropriations to fund an institutional outcome improvement fund. As a framework, this fund could award four to eight grants ranging from \$50,000 to \$150,000 to institutions that continue to face challenges as they work to increase outcomes. These grants would be awarded through a competitive application process and would require that institutions develop action plans for addressing lagging outcomes, goals for increases in these outcomes of focus, and metrics for how to measure success.

The grand total recurring and non-recurring recommendation for all higher education operating appropriations for 2016-17 is \$1.37 billion. This grand total includes \$40.9 million to fund the outcomes formula, \$9.5 million for other institutional operating costs and \$6.2 million for strategic program investments at non-formula units, \$28.6 million for expansion of the need-based financial aid program, and \$800,000 in non-recurring funds for an institutional outcome improvement fund. These recurring and non-recurring recommendations total \$86 million, or an increase of 6.7 percent.

Finally, the Department of Finance & Administration has requested that state agencies prepare the 2016-17 budget with a three and a half percent reduction in state appropriations. Financial aid funding provided by TSAC — primarily through the need-based grant award — and recurring funds for the Governor's Drive to 55 Initiatives are exempted from these reduction scenarios. For higher education this would result in a reduction in state appropriations of \$42.3 million. This distribution is detailed in Attachment III.

ATTACHMENT I

State Appropriations History

| Academic Formula Units | 2010-11 | 2011-12 | 2012-13 * | 2013-14 * | 2014-15 * | 2015-16* |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| TBR Universities | | | | | | |
| Austin Peay | \$25,570,600 | \$26,107,600 | \$28,537,600 | \$32,995,000 | \$34,239,800 | \$36,983,700 |
| East Tennessee | 45,582,600 | 44,000,700 | 45,772,200 | 48,685,000 | 48,048,900 | 51,428,100 |
| Middle Tennessee | 71,318,700 | 73,423,800 | 77,193,600 | 81,024,600 | 82,830,300 | 85,856,700 |
| Tennessee State | 28,554,800 | 29,335,100 | 30,810,900 | 32,610,800 | 32,088,900 | 32,892,000 |
| Tennessee Tech | 35,853,000 | 35,086,300 | 37,288,600 | 39,559,500 | 38,394,000 | 39,297,400 |
| University of Memphis | 91,785,400 | 85,464,300 | 87,346,700 | 89,106,400 | 89,331,900 | 95,139,600 |
| Subtotal | \$298,665,100 | \$293,417,800 | \$306,949,600 | \$323,981,300 | \$324,933,800 | \$341,597,500 |
| Community Colleges | | | | | | |
| Chattanooga | \$20,086,100 | \$19,970,200 | \$21,902,500 | \$26,624,800 | \$26,008,100 | \$27,449,400 |
| Cleveland | 9,062,000 | 8,421,200 | 8,672,000 | 8,997,100 | 8,843,700 | 9,336,300 |
| Columbia | 11,439,800 | 11,121,800 | 11,294,400 | 12,339,500 | 12,349,500 | 12,842,400 |
| Dyersburg | 6,168,000 | 6,484,500 | 6,867,800 | 7,238,900 | 7,317,900 | 7,841,700 |
| Jackson | 10,479,000 | 10,518,500 | 10,821,400 | 11,510,200 | 11,095,700 | 11,401,100 |
| Motlow | 8,591,400 | 9,662,900 | 10,310,000 | 11,017,200 | 10,656,700 | 11,007,400 |
| Nashville | 12,677,800 | 13,794,900 | 14,516,500 | 15,983,500 | 15,861,200 | 16,935,900 |
| Northeast | 10,605,000 | 11,924,900 | 12,920,300 | 13,648,200 | 13,224,100 | 14,594,100 |
| Pellissippi | 17,199,100 | 18,692,600 | 20,819,800 | 22,913,400 | 23,429,800 | 25,599,300 |
| Roane | 15,684,300 | 14,750,900 | 15,244,700 | 16,619,800 | 17,399,500 | 18,011,800 |
| Southwest | 32,436,900 | 28,648,100 | 27,953,000 | 25,739,300 | 24,677,200 | 25,278,600 |
| Volunteer | 15,389,800 | 15,281,400 | 15,614,700 | 16,075,400 | 16,216,000 | 17,198,100 |
| Walters | 16,032,000 | 15,745,100 | 17,043,300 | 19,866,900 | 20,350,200 | 20,967,800 |
| Subtotal | \$185,851,200 | \$185,017,000 | \$193,980,400 | \$208,574,200 | \$207,429,600 | \$218,463,900 |
| UT Universities | | | | | | |
| UT Chattanooga | \$33,463,400 | \$33,294,400 | \$34,601,800 | \$36,128,500 | \$37,501,400 | \$41,674,700 |
| UT Knoxville | 143,699,500 | 144,150,000 | 153,343,900 | 174,335,300 | 179,044,900 | 187,890,300 |
| UT Martin | 24,047,300 | 23,636,300 | 24,609,100 | 25,243,000 | 26,249,700 | 27,892,100 |
| Subtotal | \$201,210,200 | \$201,080,700 | \$212,554,800 | \$235,706,800 | \$242,796,000 | \$257,457,100 |
| Total Colleges and Universities | \$685,726,500 | \$679,515,500 | \$713,484,800 | \$768,262,300 | \$775,159,400 | \$817,518,500 |
| TN Colleges of Applied Technology | \$46,263,500 | \$52,260,300 | \$53,848,800 | \$57,400,500 | \$55,346,600 | \$56,343,900 |
| Total Academic Formula Units | \$731,990,000 | \$731,775,800 | \$767,333,600 | \$825,662,800 | \$830,506,000 | \$873,862,400 |

Note: All years of appropriations are recurring funds only.

*Community College detail was estimated by THEC based on information from the Tennessee Board of Regents. Beginning in 2012-13, funds were allocated to the Community Colleges as a system.

ATTACHMENT I

State Appropriations History

| Specialized Units | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Medical Education | | | | | | |
| ETSU College of Medicine | \$25,377,900 | \$25,859,200 | \$27,321,000 | \$28,893,900 | \$28,948,800 | \$30,166,900 |
| ETSU Family Practice | 5,150,800 | 5,322,000 | 5,731,700 | 6,117,800 | 6,130,800 | 6,447,000 |
| UT College of Medicine | 42,524,700 | 42,820,200 | 44,883,300 | 47,065,400 | 46,956,800 | 48,646,400 |
| UT Family Practice | 9,187,200 | 9,313,200 | 9,870,100 | 10,458,800 | 10,506,000 | 10,929,900 |
| UT Memphis | 62,105,000 | 63,089,600 | 66,869,800 | 71,363,200 | 71,919,300 | 75,408,500 |
| UT College of Vet Medicine | 14,160,600 | 14,416,600 | 15,385,200 | 16,453,000 | 16,530,900 | 17,379,800 |
| Subtotal | \$158,506,200 | \$160,820,800 | \$170,061,100 | \$180,352,100 | \$180,992,600 | \$188,978,500 |
| Research and Public Service | | | | | | |
| UT Agricultural Experiment Station | \$22,812,000 | \$23,111,900 | \$24,342,600 | \$25,438,800 | \$25,557,800 | \$26,380,600 |
| UT Agricultural Extension Service | 27,416,300 | 27,825,100 | 29,431,800 | 30,836,900 | 31,044,400 | 32,384,200 |
| TSU McMinnville Center | 527,900 | 527,300 | 543,300 | 560,400 | 560,400 | 575,500 |
| TSU Institute of Ag. and Environmental Research | 2,156,200 | 2,145,000 | 2,208,900 | 2,280,500 | 2,278,500 | 2,340,600 |
| TSU Cooperative Extension | 2,918,300 | 2,918,200 | 3,010,500 | 3,110,400 | 3,108,900 | 3,207,300 |
| TSU McIntire-Stennis Forestry Research | 171,900 | 170,600 | 174,100 | 179,400 | 179,400 | 183,400 |
| UT Space Institute | 7,212,500 | 7,276,600 | 7,603,400 | 7,896,700 | 7,916,500 | 8,187,700 |
| UT Institute for Public Service | 4,312,800 | 4,341,200 | 4,541,300 | 5,232,400 | 5,247,800 | 5,420,500 |
| UT County Technical Assistance Service | 1,482,500 | 1,521,800 | 1,646,200 | 1,753,200 | 1,763,100 | 1,858,100 |
| UT Municipal Technical Advisory Service | 2,499,300 | 2,554,300 | 2,732,200 | 2,886,200 | 2,897,500 | 3,033,400 |
| Subtotal | \$71,509,700 | \$72,392,000 | \$76,234,300 | \$80,174,900 | \$80,554,300 | \$83,571,300 |
| Other Specialized Units | | | | | | |
| UT University-Wide Administration | \$4,143,800 | \$4,209,000 | \$4,440,900 | \$4,589,300 | \$4,661,800 | \$4,859,900 |
| TN Board of Regents Administration | 4,407,400 | 4,563,400 | 4,881,800 | 5,104,200 | 5,133,100 | 5,465,400 |
| TN Student Assistance Corporation | 48,567,100 | 48,579,200 | 55,205,400 | 61,586,800 | 61,566,800 | 70,459,600 |
| Tennessee Student Assistance Awards | 46,162,500 | 46,162,500 | 52,762,500 | 57,762,500 | 57,762,500 | 67,762,500 |
| Tennessee Student Assistance Corporation Loan/Scholarships Program | 1,213,600 | 1,225,700 | 1,251,900 | 1,353,500 | 1,333,500 | 1,476,300 |
| Endowment Scholarships | 1,191,000 | 1,191,000 | 1,191,000 | 1,220,800 | 1,220,800 | 1,220,800 |
| | - | - | - | 1,250,000 | 1,250,000 | - |
| TN Foreign Language Institute | 338,100 | 352,800 | 378,600 | 410,300 | 414,100 | 426,500 |
| Contract Education | 2,217,000 | 2,198,200 | 2,178,400 | 2,232,900 | 2,180,800 | 2,110,800 |
| TN Higher Education Commission | 2,160,300 | 2,224,500 | 2,292,100 | 2,479,200 | 2,438,800 | 2,921,000 |
| Total Formula and Specialized Units | \$1,023,839,600 | \$1,027,115,700 | \$1,083,006,200 | \$1,162,592,500 | \$1,168,448,300 | \$1,232,655,400 |
| Program Initiatives | | | | | | |
| Campus Centers of Excellence | \$17,238,700 | \$17,328,000 | \$17,538,300 | \$18,193,700 | \$17,769,000 | \$17,414,600 |
| Campus Centers of Emphasis | 1,240,700 | 1,247,600 | 1,265,900 | 1,313,300 | 1,282,600 | 1,257,000 |
| Academic Scholars Program | 401,800 | 401,800 | 401,800 | 411,800 | 411,800 | 411,800 |
| UT Access and Diversity Initiative | 5,648,700 | 5,600,600 | 5,550,100 | 5,688,900 | 5,688,900 | 5,806,700 |
| TBR Access and Diversity Initiative | 9,977,400 | 9,892,900 | 9,803,700 | 10,048,800 | 10,048,800 | 10,256,900 |
| THEC Grants | 2,359,200 | 2,339,200 | 2,318,100 | 2,403,300 | 2,353,900 | 5,778,400 |
| Research Initiatives - UT | 5,693,700 | 5,645,200 | 5,594,300 | 5,734,200 | 5,734,200 | 5,852,900 |
| Subtotal | \$42,560,200 | \$42,455,300 | \$42,472,200 | \$43,794,000 | \$43,289,200 | \$46,778,300 |
| Total Operating | \$1,066,399,800 | \$1,069,571,000 | \$1,125,478,400 | \$1,206,386,500 | \$1,211,737,500 | \$1,279,433,700 |

Note: All years of appropriations are recurring funds only.

ATTACHMENT II

2016-17 State Appropriations Share of Total Calculation

| | A | B | C | D | E | F = D + E | G = F + A | H = F / A |
|--|---------------------------------------|--------------------------------|--------------------------------|-------------------------------------|-------------------------|---------------------|---------------------------|-------------------|
| | | | | Breakdown of 2016-17 Changes | | | | |
| Academic Formula Units | 2015-16 Appropriation ¹ | 2015-16 Appropriation Share | 2016-17 Appropriation Share | Outcomes Formula Adjustments | Share of New Funding | 2016-17 Changes | 2016-17 Recommendation | Percent Change |
| TBR Universities | | | | | | | | |
| Austin Peay | \$36,983,700 | 4.54% | 4.65% | \$833,000 | \$1,742,200 | \$2,575,200 | \$39,558,900 | 7.0% |
| East Tennessee ² | 51,078,100 | 6.28% | 6.30% | 193,700 | 2,362,100 | 2,555,800 | 53,633,900 | 5.0% |
| Middle Tennessee | 85,856,700 | 10.55% | 10.42% | (1,021,100) | 3,908,400 | 2,887,300 | 88,744,000 | 3.4% |
| Tennessee State | 32,892,000 | 4.04% | 3.86% | (1,433,400) | 1,449,300 | 15,900 | 32,907,900 | 0.0% |
| Tennessee Tech | 39,297,400 | 4.83% | 4.90% | 553,600 | 1,836,000 | 2,389,600 | 41,687,000 | 6.1% |
| University of Memphis | 95,139,600 | 11.69% | 11.79% | 817,500 | 4,420,800 | 5,238,300 | 100,377,900 | 5.5% |
| Subtotal | \$341,247,500 | 41.92% | 41.92% | (\$56,700) | \$15,718,800 | \$15,662,100 | \$356,909,600 | 4.6% |
| Community Colleges³ | | | | | | | | |
| Chattanooga | \$27,449,400 | 3.37% | 3.37% | \$900 | \$1,264,700 | \$1,265,600 | \$28,715,000 | 4.6% |
| Cleveland | 9,336,300 | 1.15% | 1.12% | (210,800) | 420,400 | 209,600 | 9,545,900 | 2.2% |
| Columbia | 12,842,400 | 1.58% | 1.61% | 273,000 | 604,200 | 877,200 | 13,719,600 | 6.8% |
| Dyersburg | 7,841,700 | 0.96% | 0.99% | 221,100 | 371,500 | 592,600 | 8,434,300 | 7.6% |
| Jackson | 11,401,100 | 1.40% | 1.43% | 198,600 | 534,400 | 733,000 | 12,134,100 | 6.4% |
| Motlow | 11,007,400 | 1.35% | 1.35% | 3,900 | 507,300 | 511,200 | 11,518,600 | 4.6% |
| Nashville | 16,935,900 | 2.08% | 2.04% | (302,700) | 766,300 | 463,600 | 17,399,500 | 2.7% |
| Northeast | 14,594,100 | 1.79% | 1.84% | 413,100 | 691,400 | 1,104,500 | 15,698,600 | 7.6% |
| Pellissippi | 25,599,300 | 3.14% | 3.15% | 2,100 | 1,179,500 | 1,181,600 | 26,780,900 | 4.6% |
| Roane | 18,011,800 | 2.21% | 2.20% | (93,900) | 825,500 | 731,600 | 18,743,400 | 4.1% |
| Southwest | 25,278,600 | 3.11% | 3.01% | (791,300) | 1,128,100 | 336,800 | 25,615,400 | 1.3% |
| Volunteer | 17,198,100 | 2.11% | 2.15% | 264,500 | 804,500 | 1,069,000 | 18,267,100 | 6.2% |
| Walters | 20,967,800 | 2.58% | 2.52% | (443,600) | 945,600 | 502,000 | 21,469,800 | 2.4% |
| Community College Subtotal | \$218,463,900 | 26.84% | 26.78% | (\$465,100) | \$10,043,400 | \$9,578,300 | \$228,042,200 | 4.4% |
| UT Universities | | | | | | | | |
| UT Chattanooga | \$41,674,700 | 5.12% | 5.26% | \$1,155,100 | \$1,973,100 | \$3,128,200 | \$44,802,900 | 7.5% |
| UT Knoxville ² | 184,890,300 | 22.71% | 22.66% | (454,700) | 8,497,100 | 8,042,400 | 192,932,700 | 4.3% |
| UT Martin ² | 27,692,100 | 3.40% | 3.38% | (178,600) | 1,267,600 | 1,089,000 | 28,781,100 | 3.9% |
| Subtotal | \$254,257,100 | 31.24% | 31.30% | \$521,800 | \$11,737,800 | \$12,259,600 | \$266,516,700 | 4.8% |
| Total Colleges and Universities | \$813,968,500 | 100.00% | 100.00% | \$0 | \$37,500,000 | \$37,500,000 | \$851,468,500 | 4.6% |

1 - Recurring funding. Includes historical funding of \$2.81M for legislative initiatives. A breakdown of these initiatives by campus is included in Appendix C.

2 - Does not include recurring funds appropriated to the ETSU Gray Fossil Site (\$350K), UT Martin Parsons Center (\$200K) or to UT Knoxville for the engineering college (\$3M). These appropriations are included as Program Initiatives.

3 - THEC's Community College recommendation is only for the sector as a whole. Institutional detail displayed here is for informational purposes only.

ATTACHMENT II

2016-17 State Appropriations Distribution Recommendation

| | A | B | C | D | E = C + D | F = E + A | G = E / A | H = F / B |
|--|---------------------------------------|--------------------------------|---------------------------------|-------------------------|---------------------|---------------------------|-------------------|-------------------|
| | Breakdown of 2016-17 Changes | | | | | | | |
| Academic Formula Units | 2015-16 Appropriation ¹ | 2016-17 Formula Calculation | Outcomes Formula Adjustments | Share of New Funding | 2016-17 Changes | 2016-17 Recommendation | Percent Change | Percent Funded |
| TBR Universities | | | | | | | | |
| Austin Peay | \$36,983,700 | \$59,934,200 | \$833,000 | \$1,742,200 | \$2,575,200 | \$39,558,900 | 7.0% | 66.0% |
| East Tennessee ² | 51,078,100 | 81,258,600 | 193,700 | 2,362,100 | 2,555,800 | 53,633,900 | 5.0% | 66.0% |
| Middle Tennessee | 85,856,700 | 134,452,400 | (1,021,100) | 3,908,400 | 2,887,300 | 88,744,000 | 3.4% | 66.0% |
| Tennessee State | 32,892,000 | 49,857,400 | (1,433,400) | 1,449,300 | 15,900 | 32,907,900 | 0.0% | 66.0% |
| Tennessee Tech | 39,297,400 | 63,158,300 | 553,600 | 1,836,000 | 2,389,600 | 41,687,000 | 6.1% | 66.0% |
| University of Memphis | 95,139,600 | 152,078,500 | 817,500 | 4,420,800 | 5,238,300 | 100,377,900 | 5.5% | 66.0% |
| Subtotal | \$341,247,500 | \$540,739,400 | (\$56,700) | \$15,718,800 | \$15,662,100 | \$356,909,600 | 4.6% | 66.0% |
| Community Colleges³ | | | | | | | | |
| Chattanooga | \$27,449,400 | \$43,504,900 | \$900 | \$1,264,700 | \$1,265,600 | \$28,715,000 | 4.6% | 66.0% |
| Cleveland | 9,336,300 | 14,462,600 | (210,800) | 420,400 | 209,600 | 9,545,900 | 2.2% | 66.0% |
| Columbia | 12,842,400 | 20,786,000 | 273,000 | 604,200 | 877,200 | 13,719,600 | 6.8% | 66.0% |
| Dyersburg | 7,841,700 | 12,778,400 | 221,100 | 371,500 | 592,600 | 8,434,300 | 7.6% | 66.0% |
| Jackson | 11,401,100 | 18,383,900 | 198,600 | 534,400 | 733,000 | 12,134,100 | 6.4% | 66.0% |
| Motlow | 11,007,400 | 17,451,400 | 3,900 | 507,300 | 511,200 | 11,518,600 | 4.6% | 66.0% |
| Nashville | 16,935,900 | 26,361,300 | (302,700) | 766,300 | 463,600 | 17,399,500 | 2.7% | 66.0% |
| Northeast | 14,594,100 | 23,784,300 | 413,100 | 691,400 | 1,104,500 | 15,698,600 | 7.6% | 66.0% |
| Pellissippi | 25,599,300 | 40,574,700 | 2,100 | 1,179,500 | 1,181,600 | 26,780,900 | 4.6% | 66.0% |
| Roane | 18,011,800 | 28,397,300 | (93,900) | 825,500 | 731,600 | 18,743,400 | 4.1% | 66.0% |
| Southwest | 25,278,600 | 38,808,900 | (791,300) | 1,128,100 | 336,800 | 25,615,400 | 1.3% | 66.0% |
| Volunteer | 17,198,100 | 27,675,800 | 264,500 | 804,500 | 1,069,000 | 18,267,100 | 6.2% | 66.0% |
| Walters | 20,967,800 | 32,527,900 | (443,600) | 945,600 | 502,000 | 21,469,800 | 2.4% | 66.0% |
| Community College Subtotal | \$218,463,900 | \$345,497,400 | (\$465,100) | \$10,043,400 | \$9,578,300 | \$228,042,200 | 4.4% | 66.0% |
| UT Universities | | | | | | | | |
| UT Chattanooga | \$41,674,700 | \$67,879,200 | \$1,155,100 | \$1,973,100 | \$3,128,200 | \$44,802,900 | 7.5% | 66.0% |
| UT Knoxville ² | 184,890,300 | 292,304,400 | (454,700) | 8,497,100 | 8,042,400 | 192,932,700 | 4.3% | 66.0% |
| UT Martin ² | 27,692,100 | 43,605,000 | (178,600) | 1,267,600 | 1,089,000 | 28,781,100 | 3.9% | 66.0% |
| Subtotal | \$254,257,100 | \$403,788,600 | \$521,800 | \$11,737,800 | \$12,259,600 | \$266,516,700 | 4.8% | 66.0% |
| Total Colleges and Universities | \$813,968,500 | \$1,290,025,400 | \$0 | \$37,500,000 | \$37,500,000 | \$851,468,500 | 4.6% | 66.0% |
| TN Colleges of Applied Technology | \$56,343,900 | \$90,496,500 | \$0 | \$3,400,000 | \$3,400,000 | \$59,743,900 | 6.0% | 66.0% |
| Total Academic Formula Units | \$870,312,400 | \$1,380,521,900 | \$0 | \$40,900,000 | \$40,900,000 | \$911,212,400 | 4.7% | 66.0% |

1 - Recurring funding. Includes historical funding of \$2.81M for legislative initiatives. A breakdown of these initiatives by campus is included in Appendix C.

2 - Does not include recurring funds appropriated to the ETSU Gray Fossil Site (\$350K), UT Martin Parsons Center (\$200K) or to UT Knoxville for the engineering college (\$3M). These appropriations are included as Program Initiatives.

3 - THEC's Community College recommendation is only for the sector as a whole. Institutional detail displayed here is for informational purposes only.

ATTACHMENT II

2016-17 State Appropriations Distribution Recommendation

A B₁ B₂ C = (B₁ + B₂) - A D = C / A

| Specialized Units | 2015-16 Appropriation ¹ | 2016-17 Recommendation ¹ | | Total Change | Percent Change |
|---|---------------------------------------|-------------------------------------|------------------------------------|---------------------|-------------------|
| | | Operating Funds | Strategic Initiatives ² | | |
| Medical Education | | | | | |
| ETSU College of Medicine | \$30,166,900 | \$30,926,900 | \$583,600 | \$1,343,600 | 4.5% |
| ETSU Family Practice | 6,447,000 | 6,609,400 | - | 162,400 | 2.5% |
| UT College of Vet Medicine | 17,379,800 | 17,817,700 | 1,365,300 | 1,803,200 | 10.4% |
| UT Memphis Medical Units | 134,984,800 | 138,385,700 | - | 3,400,900 | 2.5% |
| UT College of Medicine | 48,646,400 | 49,872,000 | - | 1,225,600 | 2.5% |
| UT Family Practice | 10,929,900 | 11,205,300 | - | 275,400 | 2.5% |
| UT Memphis Other Specialized | 75,408,500 | 77,308,400 | - | 1,899,900 | 2.5% |
| Subtotal | \$188,978,500 | \$193,739,700 | \$1,948,900 | \$6,710,100 | 3.6% |
| Research and Public Service | | | | | |
| UT Agricultural Experiment Station | \$26,380,600 | \$27,045,200 | \$1,289,500 | \$1,954,100 | 7.4% |
| UT Agricultural Extension Service | 32,384,200 | 33,200,100 | 1,198,700 | 2,014,600 | 6.2% |
| TSU McMinnville Center | 575,500 | 590,000 | - | 14,500 | 2.5% |
| TSU Institute of Ag. and Environmental Research | 2,340,600 | 2,399,600 | 1,039,000 | 1,098,000 | 46.9% |
| TSU Cooperative Extension | 3,207,300 | 3,288,100 | - | 80,800 | 2.5% |
| TSU McIntire-Stennis Forestry Research | 183,400 | 188,000 | - | 4,600 | 2.5% |
| UT Space Institute | 8,187,700 | 8,394,000 | - | 206,300 | 2.5% |
| UT Institute for Public Service | 5,420,500 | 5,557,100 | - | 136,600 | 2.5% |
| UT County Technical Assistance Service | 1,858,100 | 1,904,900 | - | 46,800 | 2.5% |
| UT Municipal Technical Advisory Service | 3,033,400 | 3,109,800 | - | 76,400 | 2.5% |
| Subtotal | \$83,571,300 | \$85,676,800 | \$3,527,200 | \$5,632,700 | 6.7% |
| Other Specialized Units | | | | | |
| UT University-Wide Administration | \$4,859,900 | \$4,982,300 | \$500,000 | \$622,400 | 12.8% |
| TN Board of Regents Administration | 5,465,400 | 5,603,100 | 200,000 | 337,700 | 6.2% |
| TN Student Assistance Corporation | 70,459,600 | 99,186,400 | - | 28,726,800 | 40.8% |
| Tennessee Student Assistance Awards | 67,762,500 | 96,362,500 | - | 28,600,000 | 42.2% |
| Tennessee Students Assistance Corporation | 1,476,300 | 1,545,700 | - | 69,400 | 4.7% |
| Loan/Scholarships Program | 1,220,800 | 1,278,200 | - | 57,400 | 4.7% |
| Endowment Scholarships | - | - | - | - | NA |
| TN Higher Education Commission | 2,921,000 | 3,058,300 | - | 137,300 | 4.7% |
| TN Foreign Language Institute | 426,500 | 437,200 | - | 10,700 | 2.5% |
| Contract Education | 2,110,800 | 2,210,000 | - | 99,200 | 4.7% |
| Subtotal | \$86,243,200 | \$115,477,300 | \$700,000 | \$29,934,100 | 34.7% |
| Total Specialized Units | \$358,793,000 | \$394,893,800 | \$6,176,100 | \$42,276,900 | 11.8% |
| Total Formula and Specialized Units | \$1,229,105,400 | \$1,306,106,200 | \$6,176,100 | \$83,176,900 | 6.8% |
| Program Initiatives | | | | | |
| Campus Centers of Excellence | \$17,414,600 | \$18,233,000 | \$0 | \$818,400 | 4.7% |
| Campus Centers of Emphasis | 1,257,000 | 1,316,100 | - | 59,100 | 4.7% |
| Academic Scholars Program | 411,800 | 431,200 | - | 19,400 | 4.7% |
| UT Access and Diversity Initiative | 5,806,700 | 6,079,600 | - | 272,900 | 4.7% |
| TBR Access and Diversity Initiative | 10,256,900 | 10,738,900 | - | 482,000 | 4.7% |
| THEC Grants | 2,278,400 | 2,385,500 | - | 107,100 | 4.7% |
| Research Initiatives - UT | 5,852,900 | 6,128,000 | - | 275,100 | 4.7% |
| ETSU Gray Fossil Site ³ | 350,000 | 350,000 | - | - | 0.0% |
| UT Martin Parsons Center ³ | 200,000 | 200,000 | - | - | 0.0% |
| UT Knoxville College of Engineering ³ | 3,000,000 | 3,000,000 | - | - | 0.0% |
| Governor's Drive to 55 Initiative | 3,500,000 | 3,500,000 | - | - | 0.0% |
| Institutional Outcome Improvement Fund ⁴ | - | 800,000 | - | 800,000 | NA |
| Subtotal | \$50,328,300 | \$53,162,300 | \$0 | \$2,834,000 | 5.6% |
| Total Recurring | \$1,279,433,700 | \$1,359,268,500 | \$6,176,100 | \$86,010,900 | 6.7% |

1 - Recurring funds unless otherwise footnoted.

2 - Recurring funds for strategic initiatives at ETSU College of Med (\$584K), UT College of Vet Med (\$1.37M), UT Ag Experiment (\$1.29M), UT Ag Extension (\$1.20M), TSU Institute of Ag (\$1.04M), UT Admin (\$500K), and TBR Admin (\$200K). Additional information can be found in Appendix B.

3 - Recurring funds appropriated to ETSU (\$350K), UT Martin (\$200K) and UT Knoxville (\$3M).

4 - Nonrecurring funding for a competitive grant program to assist institutions facing challenges as they work to increase outcomes.

ATTACHMENT III

2016-17 State Appropriations Distribution With a 3.5% Reduction

A B C D E = C + D F = E + A G = E / A H = F / B

| | 2015-16 Appropriation ¹ | 2016-17 Formula Calculation | Breakdown of 2016-17 Changes | | 2016-17 Change | 2016-17 Recommendation | Percent Change | Percent Funded |
|--|---------------------------------------|--------------------------------|---------------------------------|---------------------------------------|-----------------------|---------------------------|-------------------|-------------------|
| | | | Outcomes Formula Adjustments | 3.5% Reduction to Higher Education | | | | |
| Academic Formula Units | | | | | | | | |
| TBR Universities | | | | | | | | |
| Austin Peay | \$36,983,700 | \$59,934,200 | \$833,000 | (\$1,566,900) | (\$733,900) | \$36,249,800 | -2.0% | 60.5% |
| East Tennessee ² | 51,078,100 | 81,258,600 | 193,700 | (2,124,500) | (1,930,800) | 49,147,300 | -3.8% | 60.5% |
| Middle Tennessee | 85,856,700 | 134,452,400 | (1,021,100) | (3,515,200) | (4,536,300) | 81,320,400 | -5.3% | 60.5% |
| Tennessee State | 32,892,000 | 49,857,400 | (1,433,400) | (1,303,500) | (2,736,900) | 30,155,100 | -8.3% | 60.5% |
| Tennessee Tech | 39,297,400 | 63,158,300 | 553,600 | (1,651,200) | (1,097,600) | 38,199,800 | -2.8% | 60.5% |
| University of Memphis | 95,139,600 | 152,078,500 | 817,500 | (3,976,000) | (3,158,500) | 91,981,100 | -3.3% | 60.5% |
| Subtotal | \$341,247,500 | \$540,739,400 | (\$56,700) | (\$14,137,300) | (\$14,194,000) | \$327,053,500 | -4.2% | 60.5% |
| Community Colleges³ | | | | | | | | |
| Chattanooga | \$27,449,400 | \$43,504,900 | \$900 | (\$1,137,400) | (\$1,136,500) | \$26,312,900 | -4.1% | 60.5% |
| Cleveland | 9,336,300 | 14,462,600 | (210,800) | (378,100) | (588,900) | 8,747,400 | -6.3% | 60.5% |
| Columbia | 12,842,400 | 20,786,000 | 273,000 | (543,400) | (270,400) | 12,572,000 | -2.1% | 60.5% |
| Dyersburg | 7,841,700 | 12,778,400 | 221,100 | (334,100) | (113,000) | 7,728,700 | -1.4% | 60.5% |
| Jackson | 11,401,100 | 18,383,900 | 198,600 | (480,600) | (282,000) | 11,119,100 | -2.5% | 60.5% |
| Motlow | 11,007,400 | 17,451,400 | 3,900 | (456,300) | (452,400) | 10,555,000 | -4.1% | 60.5% |
| Nashville | 16,935,900 | 26,361,300 | (302,700) | (689,200) | (991,900) | 15,944,000 | -5.9% | 60.5% |
| Northeast | 14,594,100 | 23,784,300 | 413,100 | (621,800) | (208,700) | 14,385,400 | -1.4% | 60.5% |
| Pellissippi | 25,599,300 | 40,574,700 | 2,100 | (1,060,800) | (1,058,700) | 24,540,600 | -4.1% | 60.5% |
| Roane | 18,011,800 | 28,397,300 | (93,900) | (742,400) | (836,300) | 17,175,500 | -4.6% | 60.5% |
| Southwest | 25,278,600 | 38,808,900 | (791,300) | (1,014,600) | (1,805,900) | 23,472,700 | -7.1% | 60.5% |
| Volunteer | 17,198,100 | 27,675,800 | 264,500 | (723,600) | (459,100) | 16,739,000 | -2.7% | 60.5% |
| Walters | 20,967,800 | 32,527,900 | (443,600) | (850,400) | (1,294,000) | 19,673,800 | -6.2% | 60.5% |
| Community College Subtotal | \$218,463,900 | \$345,497,400 | (\$465,100) | (\$9,032,700) | (\$9,497,800) | \$208,966,100 | -4.3% | 60.5% |
| UT Universities | | | | | | | | |
| UT Chattanooga | \$41,674,700 | \$67,879,200 | \$1,155,100 | (\$1,774,900) | (\$619,800) | \$41,054,900 | -1.5% | 60.5% |
| UT Knoxville ² | 184,890,300 | 292,304,400 | (454,700) | (7,642,100) | (8,096,800) | 176,793,500 | -4.4% | 60.5% |
| UT Martin ² | 27,692,100 | 43,605,000 | (178,600) | (1,140,000) | (1,318,600) | 26,373,500 | -4.8% | 60.5% |
| Subtotal | \$254,257,100 | \$403,788,600 | \$521,800 | (\$10,557,000) | (\$10,035,200) | \$244,221,900 | -3.9% | 60.5% |
| Total Colleges and Universities | \$813,968,500 | \$1,290,025,400 | \$0 | (\$33,727,000) | (\$33,727,000) | \$780,241,500 | -4.1% | 60.5% |
| TN Colleges of Applied Technology | \$56,343,900 | \$90,496,500 | \$0 | (\$1,609,000) | (\$1,609,000) | \$54,734,900 | -2.9% | 60.5% |
| Total Academic Formula Units | \$870,312,400 | \$1,380,521,900 | \$0 | (\$35,336,000) | (\$35,336,000) | \$834,976,400 | -4.1% | 60.5% |

1 - Recurring funding. Includes historical funding of \$2.81M for legislative initiatives. A breakdown of these initiatives by campus is included in Appendix C.

2 - Does not include recurring funds appropriated to the ETSU Gray Fossil Site (\$350K), UT Martin Parsons Center (\$200K) or to UT Knoxville for the engineering college (\$3M). These appropriations are included as Program Initiatives.

3 - THEC's Community College recommendation is only for the sector as a whole. Institutional detail displayed here is for informational purposes only.

ATTACHMENT III

2016-17 State Appropriations Distribution With a 3.5% Reduction

| | A | B | C = B - A | D = C / A |
|--|---------------------------------------|--|-----------------------|-------------------|
| Specialized Units | 2015-16 Appropriation ¹ | 2016-17 Recommendation ¹ | Total Change | Percent Change |
| Medical Education | | | | |
| ETSU College of Medicine | \$30,166,900 | \$29,528,300 | (\$638,600) | -2.1% |
| ETSU Family Practice | 6,447,000 | 6,343,100 | (103,900) | -1.6% |
| UT College of Vet Medicine | 17,379,800 | 16,912,300 | (467,500) | -2.7% |
| UT Memphis Medical Units | 134,984,800 | 131,564,000 | (3,420,800) | -2.5% |
| UT College of Medicine | 48,646,400 | 47,435,200 | (1,211,200) | -2.5% |
| UT Family Practice | 10,929,900 | 10,753,800 | (176,100) | -1.6% |
| UT Memphis Other Specialized | 75,408,500 | 73,375,000 | (2,033,500) | -2.7% |
| Subtotal | \$188,978,500 | \$184,347,700 | (\$4,630,800) | -2.5% |
| Research and Public Service | | | | |
| UT Agricultural Experiment Station | \$26,380,600 | \$25,955,500 | (\$425,100) | -1.6% |
| UT Agricultural Extension Service | 32,384,200 | 31,862,400 | (521,800) | -1.6% |
| TSU McMinnville Center | 575,500 | 566,200 | (9,300) | -1.6% |
| TSU Institute of Ag. and Environmental Research | 2,340,600 | 2,302,900 | (37,700) | -1.6% |
| TSU Cooperative Extension | 3,207,300 | 3,155,600 | (51,700) | -1.6% |
| TSU McIntire-Stennis Forestry Research | 183,400 | 180,400 | (3,000) | -1.6% |
| UT Space Institute | 8,187,700 | 8,039,200 | (148,500) | -1.8% |
| UT Institute for Public Service | 5,420,500 | 5,333,200 | (87,300) | -1.6% |
| UT County Technical Assistance Service | 1,858,100 | 1,828,200 | (29,900) | -1.6% |
| UT Municipal Technical Advisory Service | 3,033,400 | 2,984,500 | (48,900) | -1.6% |
| Subtotal | \$83,571,300 | \$82,208,100 | (\$1,363,200) | -1.6% |
| Other Specialized Units | | | | |
| UT University-Wide Administration | \$4,859,900 | \$4,781,600 | (\$78,300) | -1.6% |
| TN Board of Regents Administration | 5,465,400 | 5,377,300 | (88,100) | -1.6% |
| TN Student Assistance Corporation | 70,459,600 | 70,435,800 | (23,800) | 0.0% |
| Tennessee Student Assistance Awards | 67,762,500 | 67,762,500 | - | 0.0% |
| Tennessee Students Assistance Corporation | 1,476,300 | 1,452,500 | (23,800) | -1.6% |
| Loan/Scholarships Program | 1,220,800 | 1,220,800 | - | 0.0% |
| Endowment Scholarships | - | - | - | NA |
| TN Higher Education Commission | 2,921,000 | 2,873,900 | (47,100) | -1.6% |
| TN Foreign Language Institute | 426,500 | 419,600 | (6,900) | -1.6% |
| Contract Education | 2,110,800 | 2,076,800 | (34,000) | -1.6% |
| Subtotal | \$86,243,200 | \$85,965,000 | (\$278,200) | -0.3% |
| Total Specialized Units | \$358,793,000 | \$352,520,800 | (\$6,272,200) | -1.7% |
| Total Formula and Specialized Units | \$1,229,105,400 | \$1,187,497,200 | (\$41,608,200) | -3.4% |
| Program Initiatives | | | | |
| Campus Centers of Excellence | \$17,414,600 | \$17,134,000 | (\$280,600) | -1.6% |
| Campus Centers of Emphasis | 1,257,000 | 1,236,700 | (20,300) | -1.6% |
| Academic Scholars Program | 411,800 | 411,800 | - | 0.0% |
| UT Access and Diversity Initiative | 5,806,700 | 5,713,100 | (93,600) | -1.6% |
| TBR Access and Diversity Initiative | 10,256,900 | 10,091,600 | (165,300) | -1.6% |
| THEC Grants | 2,278,400 | 2,241,700 | (36,700) | -1.6% |
| Research Initiatives - UT | 5,852,900 | 5,758,600 | (94,300) | -1.6% |
| ETSU Gray Fossil Site ² | 350,000 | 350,000 | - | 0.0% |
| UT Martin Parsons Center ² | 200,000 | 200,000 | - | 0.0% |
| UT Knoxville College of Engineering ² | 3,000,000 | 3,000,000 | - | 0.0% |
| Governor's Drive to 55 Initiative | 3,500,000 | 3,500,000 | - | 0.0% |
| Subtotal | \$50,328,300 | \$49,637,500 | (\$690,800) | -1.4% |
| Total | \$1,279,433,700 | \$1,237,134,700 | (\$42,299,000) | -3.3% |

1 - Recurring funds unless otherwise footnoted.

2 - Recurring funds appropriated to ETSU (\$350K), UT Martin (\$200K) and UT Knoxville (\$3M).

NOTE: TSAA Awards, Loan/Scholarship Program, Academic Scholars Program and Endowment Scholarships are exempt from 2016-17 reductions per F&A budget instructions.

ATTACHMENT IV

2016-17 State Appropriations Funding Scenarios

| | A | B | C | D | E |
|--|------------------------------------|--|--|---------------------------------|-------------------------------|
| | | | | Alternative Funding Scenarios | |
| | Outcomes Formula Calculation | Share of Total Formula Calculation | \$40,900,000 THEC Recommendation | \$0 Flat Funding Scenario | 3.5% Reduction Scenario |
| Academic Formula Units | | | | | |
| TBR Universities | | | | | |
| Austin Peay | \$59,934,200 | 4.65% | \$39,558,900 | \$37,783,900 | \$36,249,800 |
| East Tennessee | 81,258,600 | 6.30% | 53,633,900 | 51,227,300 | 49,147,300 |
| Middle Tennessee | 134,452,400 | 10.42% | 88,744,000 | 84,761,800 | 81,320,400 |
| Tennessee State | 49,857,400 | 3.86% | 32,907,900 | 31,431,300 | 30,155,100 |
| Tennessee Tech | 63,158,300 | 4.90% | 41,687,000 | 39,816,400 | 38,199,800 |
| University of Memphis | 152,078,500 | 11.79% | 100,377,900 | 95,873,800 | 91,981,100 |
| Subtotal | \$540,739,400 | 41.92% | \$356,909,600 | \$340,894,500 | \$327,053,500 |
| Community Colleges | | | | | |
| Chattanooga | \$43,504,900 | 3.37% | \$28,715,000 | \$27,426,500 | \$26,312,900 |
| Cleveland | 14,462,600 | 1.12% | 9,545,900 | 9,117,600 | 8,747,400 |
| Columbia | 20,786,000 | 1.61% | 13,719,600 | 13,103,900 | 12,572,000 |
| Dyersburg | 12,778,400 | 0.99% | 8,434,300 | 8,055,800 | 7,728,700 |
| Jackson | 18,383,900 | 1.43% | 12,134,100 | 11,589,700 | 11,119,100 |
| Motlow | 17,451,400 | 1.35% | 11,518,600 | 11,001,700 | 10,555,000 |
| Nashville | 26,361,300 | 2.04% | 17,399,500 | 16,618,800 | 15,944,000 |
| Northeast | 23,784,300 | 1.84% | 15,698,600 | 14,994,200 | 14,385,400 |
| Pellissippi | 40,574,700 | 3.15% | 26,780,900 | 25,579,200 | 24,540,600 |
| Roane | 28,397,300 | 2.20% | 18,743,400 | 17,902,300 | 17,175,500 |
| Southwest | 38,808,900 | 3.01% | 25,615,400 | 24,466,000 | 23,472,700 |
| Volunteer | 27,675,800 | 2.15% | 18,267,100 | 17,447,400 | 16,739,000 |
| Walters | 32,527,900 | 2.52% | 21,469,800 | 20,506,300 | 19,673,800 |
| Community College Subtotal | \$345,497,400 | 26.78% | \$228,042,200 | \$217,809,400 | \$208,966,100 |
| UT Universities | | | | | |
| UT Chattanooga | \$67,879,200 | 5.26% | \$44,802,900 | \$42,792,600 | \$41,054,900 |
| UT Knoxville | 292,304,400 | 22.66% | 192,932,700 | 184,275,300 | 176,793,500 |
| UT Martin | 43,605,000 | 3.38% | 28,781,100 | 27,489,600 | 26,373,500 |
| Subtotal | \$403,788,600 | 31.30% | \$266,516,700 | \$254,557,500 | \$244,221,900 |
| Total Colleges and Universities | \$1,290,025,400 | 100.00% | \$851,468,500 | \$813,261,300 | \$780,241,500 |
| TN Colleges of Applied Technology | \$90,496,500 | NA | \$59,743,900 | \$57,051,100 | \$54,734,900 |
| Total Academic Formula Units | \$1,380,521,900 | 100.00% | \$911,212,400 | \$870,312,400 | \$834,976,400 |

ATTACHMENT V

Changes in Formula Outcomes

Community Colleges

| Total Outcomes | 2015-16 | 2016-17 | Change | |
|--|---------|---------|----------|--------|
| Students Accumulating 12 hrs | 24,207 | 23,485 | (722) | -3.0% |
| Students Accumulating 24 hrs | 18,732 | 17,907 | (826) | -4.4% |
| Students Accumulating 36 hrs | 15,675 | 14,907 | (768) | -4.9% |
| Dual Enrollment | 14,207 | 15,635 | 1,428 | 10.1% |
| Associates | 9,283 | 9,306 | 23 | 0.3% |
| Certificates 1-2 Year | 792 | 781 | (11) | -1.4% |
| Certificates <1 Year | 2,508 | 2,583 | 75 | 3.0% |
| Job Placements | 4,232 | 4,404 | 171 | 4.0% |
| Student Transfers | 6,290 | 6,120 | (170) | -2.7% |
| Workforce Training (Contact Hours) | 786,646 | 704,207 | (82,439) | -10.5% |
| Awards per 100 FTE | 17.98 | 19.17 | 1.19 | 6.6% |
| Adult Focus Population | | | | |
| Students Accumulating 12 hrs | 6,236 | 5,213 | (1,023) | -16.4% |
| Students Accumulating 24 hrs | 6,224 | 5,296 | (929) | -14.9% |
| Students Accumulating 36 hrs | 6,074 | 5,209 | (865) | -14.2% |
| Associates | 5,211 | 5,044 | (167) | -3.2% |
| Certificates 1-2 Year | 527 | 512 | (14) | -2.7% |
| Certificates <1 Year | 1,610 | 1,595 | (15) | -0.9% |
| Low-Income Focus Population | | | | |
| Students Accumulating 12 hrs | 15,441 | 13,583 | (1,857) | -12.0% |
| Students Accumulating 24 hrs | 12,677 | 11,384 | (1,294) | -10.2% |
| Students Accumulating 36 hrs | 10,879 | 9,812 | (1,067) | -9.8% |
| Associates | 6,437 | 6,316 | (121) | -1.9% |
| Certificates 1-2 Year | 477 | 484 | 7 | 1.5% |
| Certificates <1 Year | 1,466 | 1,490 | 24 | 1.6% |
| Academically Underprepared Focus Population | | | | |
| Students Accumulating 12 hrs | 15,747 | 14,591 | (1,156) | -7.3% |
| Students Accumulating 24 hrs | 12,942 | 11,850 | (1,092) | -8.4% |
| Students Accumulating 36 hrs | 10,803 | 9,871 | (933) | -8.6% |
| Associates | 6,003 | 5,933 | (70) | -1.2% |
| Certificates 1-2 Year | 468 | 458 | (10) | -2.1% |
| Certificates <1 Year | 1,339 | 1,376 | 37 | 2.8% |
| One Focus Population Only | | | | |
| Students Accumulating 12 hrs | 7,460 | 7,558 | 98 | 1.3% |
| Students Accumulating 24 hrs | 5,370 | 5,523 | 153 | 2.9% |
| Students Accumulating 36 hrs | 4,333 | 4,391 | 58 | 1.3% |
| Associates | 2,436 | 2,496 | 60 | 2.4% |
| Certificates 1-2 Year | 239 | 230 | (9) | -3.9% |
| Certificates <1 Year | 833 | 881 | 48 | 5.7% |
| Two Focus Populations Only | | | | |
| Students Accumulating 12 hrs | 9,279 | 8,410 | (869) | -9.4% |
| Students Accumulating 24 hrs | 7,248 | 6,657 | (591) | -8.1% |
| Students Accumulating 36 hrs | 5,857 | 5,412 | (445) | -7.6% |
| Associates | 3,268 | 3,196 | (72) | -2.2% |
| Certificates 1-2 Year | 292 | 292 | 1 | 0.2% |
| Certificates <1 Year | 923 | 925 | 2 | 0.3% |
| All Three Focus Populations | | | | |
| Students Accumulating 12 hrs | 3,802 | 3,003 | (799) | -21.0% |
| Students Accumulating 24 hrs | 3,993 | 3,231 | (762) | -19.1% |
| Students Accumulating 36 hrs | 3,903 | 3,226 | (677) | -17.4% |
| Associates | 2,893 | 2,802 | (91) | -3.1% |
| Certificates 1-2 Year | 216 | 213 | (3) | -1.4% |
| Certificates <1 Year | 579 | 577 | (2) | -0.3% |

ATTACHMENT V

Changes in Formula Outcomes

Universities

| Total Outcomes | 2015-16 | 2016-17 | Change | |
|------------------------------------|----------------|----------------|----------------|--------|
| Students Accumulating 30 hrs | 17,590 | 17,727 | 137 | 0.8% |
| Students Accumulating 60 hrs | 18,135 | 18,211 | 75 | 0.4% |
| Students Accumulating 90 hrs | 19,893 | 20,008 | 115 | 0.6% |
| Bachelors and Associates | 20,923 | 21,244 | 321 | 1.5% |
| Masters / Ed Specialists | 5,908 | 5,767 | (141) | -2.4% |
| Doctoral / Law Degree | 1,100 | 1,107 | 6 | 0.6% |
| Research and Service | \$302,289,973 | \$286,636,087 | (\$15,653,886) | -5.2% |
| Degrees per 100 FTE | 20.37 | 20.99 | 0.62 | 3.0% |
| Six-Year Graduation Rate | 54.9% | 54.6% | (0.00) | -0.5% |
| Adult Focus Population | | | | |
| Students Accumulating 30 hrs | 1,078 | 967 | (111) | -10.3% |
| Students Accumulating 60 hrs | 1,978 | 1,846 | (132) | -6.7% |
| Students Accumulating 90 hrs | 3,821 | 3,692 | (129) | -3.4% |
| Bachelors and Associates | 7,316 | 7,343 | 27 | 0.4% |
| Low-Income Focus Population | | | | |
| Students Accumulating 30 hrs | 8,650 | 7,987 | (664) | -7.7% |
| Students Accumulating 60 hrs | 9,302 | 8,859 | (443) | -4.8% |
| Students Accumulating 90 hrs | 10,683 | 10,461 | (221) | -2.1% |
| Bachelors and Associates | 10,702 | 11,113 | 411 | 3.8% |
| One Focus Population Only | | | | |
| Students Accumulating 30 hrs | 8,109 | 7,670 | (438) | -5.4% |
| Students Accumulating 60 hrs | 8,179 | 7,942 | (237) | -2.9% |
| Students Accumulating 90 hrs | 8,562 | 8,458 | (104) | -1.2% |
| Bachelors and Associates | 7,937 | 8,203 | 266 | 3.4% |
| Two Focus Populations Only | | | | |
| Students Accumulating 30 hrs | 810 | 642 | (168) | -20.8% |
| Students Accumulating 60 hrs | 1,551 | 1,382 | (169) | -10.9% |
| Students Accumulating 90 hrs | 2,971 | 2,848 | (123) | -4.2% |
| Bachelors and Associates | 5,041 | 5,127 | 86 | 1.7% |

ATTACHMENT VI

2016-17 Total Formula Revenue Analysis

| Academic Formula Units | State Appropriation Recommendation ¹ | Tuition Revenue ² | Out-of-State Tuition Revenue ² | Total Revenue | Total Formula Revenue Need | Difference (Short) | Percent Funded |
|-------------------------------------|---|------------------------------|---|------------------------|----------------------------|-----------------------|----------------|
| TBR Universities | | | | | | | |
| Austin Peay | \$39,558,900 | \$60,270,900 | \$3,630,200 | \$103,460,000 | \$110,855,500 | (\$7,395,500) | 93.3% |
| East Tennessee | 53,633,900 | 93,041,000 | 18,455,500 | 165,130,400 | 159,472,800 | 5,657,600 | 103.5% |
| Middle Tennessee | 88,744,000 | 145,695,700 | 18,338,000 | 252,777,700 | 249,550,000 | 3,227,700 | 101.3% |
| Tennessee State | 32,907,900 | 54,424,400 | 25,258,900 | 112,591,200 | 101,331,200 | 11,260,000 | 111.1% |
| Tennessee Tech | 41,687,000 | 77,431,300 | 17,873,300 | 136,991,600 | 119,610,000 | 17,381,600 | 114.5% |
| University of Memphis | 100,377,900 | 151,997,200 | 7,856,300 | 260,231,400 | 290,858,900 | (30,627,500) | 89.5% |
| Subtotal | \$356,909,600 | \$582,860,500 | \$91,412,200 | \$1,031,182,300 | \$1,031,678,400 | (\$496,100) | 100.0% |
| Community Colleges | | | | | | | |
| Chattanooga | \$28,715,000 | \$30,288,700 | \$811,600 | \$59,815,300 | \$66,474,600 | (\$6,659,300) | 90.0% |
| Cleveland | 9,545,900 | 10,272,500 | 338,800 | 20,157,200 | 21,765,100 | (1,607,900) | 92.6% |
| Columbia | 13,719,600 | 14,775,500 | 488,400 | 28,983,500 | 31,331,900 | (2,348,400) | 92.5% |
| Dyersburg | 8,434,300 | 8,776,300 | 88,900 | 17,299,500 | 19,237,200 | (1,937,700) | 89.9% |
| Jackson | 12,134,100 | 13,821,500 | 87,600 | 26,043,200 | 27,662,900 | (1,619,700) | 94.1% |
| Motlow | 11,518,600 | 14,445,200 | 402,500 | 26,366,300 | 26,315,200 | 51,100 | 100.2% |
| Nashville | 17,399,500 | 28,382,300 | 1,081,800 | 46,863,600 | 39,879,900 | 6,983,700 | 117.5% |
| Northeast | 15,698,600 | 21,635,500 | 58,600 | 37,392,700 | 35,688,500 | 1,704,200 | 104.8% |
| Pellissippi | 26,780,900 | 31,561,800 | 2,991,700 | 61,334,400 | 61,369,200 | (34,800) | 99.9% |
| Roane | 18,743,400 | 17,979,300 | 429,500 | 37,152,200 | 42,827,900 | (5,675,700) | 86.7% |
| Southwest | 25,615,400 | 31,039,400 | 2,786,900 | 59,441,700 | 58,445,600 | 996,100 | 101.7% |
| Volunteer | 18,267,100 | 26,537,300 | 1,052,100 | 45,856,500 | 41,864,400 | 3,992,100 | 109.5% |
| Walters | 21,469,800 | 20,522,600 | 451,200 | 42,443,600 | 48,967,700 | (6,524,100) | 86.7% |
| Community College Subtotal | \$228,042,200 | \$270,037,900 | \$11,069,600 | \$509,149,700 | \$521,830,100 | (\$12,680,400) | 97.6% |
| UT Universities | | | | | | | |
| UT Chattanooga | \$44,802,900 | \$75,824,100 | \$6,756,000 | \$127,383,000 | \$126,742,000 | \$641,000 | 100.5% |
| UT Knoxville | 192,932,700 | 272,971,100 | 41,442,600 | 507,346,400 | 551,051,200 | (43,704,800) | 92.1% |
| UT Martin | 28,781,100 | 49,550,300 | 5,012,700 | 83,344,100 | 81,537,200 | 1,806,900 | 102.2% |
| Subtotal | \$266,516,700 | \$398,345,500 | \$53,211,300 | \$718,073,500 | \$759,330,400 | (\$41,256,900) | 94.6% |
| TN Colleges of Applied Technology | \$59,743,900 | \$30,928,900 | \$0 | \$90,672,800 | \$112,791,000 | (\$22,118,200) | 80.4% |
| Total Academic Formula Units | \$911,212,400 | \$1,282,172,800 | \$155,693,100 | \$2,349,078,300 | \$2,425,629,900 | (\$76,551,600) | 96.8% |

1 - Recurring; accounts for recommended \$40.9M in additional funding for formula units.

2 - Assumes 3% tuition increases, 0% enrollment increases at Universities, and 3% enrollment increases at Community Colleges and TN Colleges of Applied Technology in 2016-17.

Appendix A

Tennessee Higher Education Commission

2015-2020 Outcomes-Based Funding Formula Overview

Introduction

Immediately following the passage of the Complete College Tennessee Act of 2010 (CCTA) — a law which in part stipulates that higher education institutions be funded based on outcomes rather than enrollment — the Tennessee Higher Education Commission (THEC) convened a Formula Review Committee (FRC) consisting of institutional, system and governmental stakeholders to provide counsel on the creation of an outcomes-based funding formula. THEC also solicited advice and feedback from all university and community college presidents and chancellors. Through this process THEC produced a formula that funds institutions based on metrics that measure success as well as weights that reflect institutions' priorities and missions.

Since 2010, THEC has convened the FRC annually to review the strengths and weaknesses of the formula, with plans to implement any structural changes after the first five-year cycle. That five-year cycle came to an end with the distribution of FY 2015-16 appropriations in November 2014. Beginning in February 2015, the 2015-2020 FRC (see membership in Appendix A) proposed and reviewed changes to the current model. THEC also requested frequent feedback and advice from all institutions' presidents and chancellors, and discussed all proposed changes from these meetings with the Statutory Formula Review Committee, a formal committee charged with reviewing and recommending changes to the formula (see Appendix B).

THEC staff presented the basic framework and structure of the proposed 2015-2020 Outcomes-Based Funding Formula model to commissioners at the July 2015 Quarterly Commission Meeting. Since the approval by the Commission at the July meeting, all components of the 2015-2020 formula have been finalized. The finalized components are detailed below and are summarized in Appendices C and D.

Outcomes

The outcomes for both sectors remain largely intact. Modifications include several definitional changes and two outcome removals.

Community College Sector

In the 2010-2015 model, only academic and technical short-term certificates (those requiring fewer than 24 semester credit hours) that represented the highest award earned at the time of a student's stop-out were counted. In the 2015-2020 model, *all* technical certificates will be counted, whether

awarded to students who then stopped out or who continued taking classes at any institution. Short-term certificates identified as academic in nature will not be counted as part of the short-term certificate metric as they are awarded to students who intend to transfer — a measurement of success that is its own outcome.

Members of the FRC expressed an interest in removing non-degree-seeking students, such as dual enrollment students, from the full-time enrollment metric used in the Awards per 100 FTE outcome. Due to improvements to the THEC Student Information System the 2015-2020 model will only count degree-seeking undergraduate students in the Awards per 100 FTE outcome.

Finally, in an effort to better capture a community college's success in remediating students, the Remedial and Development Success outcome will be replaced with an Academically Underprepared focus population. In the 2010-2015 model, a student who enrolled in a remedial or developmental course and then completed at least one college-level course during any of the following three academic years was considered successfully remediated and counted as an outcome. Today community colleges engage in learning development for underprepared students in methods that occur outside of a remedial course (e.g. SAILS, or Seamless Alignment and Integrated Learning Support, offered to high school students by community colleges throughout the state). To recognize these innovative interventions, the 2015-2020 model will instead reward community colleges with an applied premium when academically underprepared students attain different progression metrics or earn an award.

University Sector

THEC identified the Transfers Out outcome from the university sector as an outcome that did not necessarily represent an accurate measurement of success at universities. Because of this, the outcome will be removed from the university model for 2015-2020.

To encourage on-time completion at the university sector, the 24-, 48- and 72-credit hour progression metrics will change to 30-, 60- and 90-credit hour progression metrics. These progression points better represent the number of hours students must earn within an academic year to complete a bachelor's degree in four years.

Finally, as in the community college sector, the university sector's Degrees per 100 FTE outcome will be refined within the FTE metric to recognize only degree-seeking students.

Focus Populations & Premiums

The 2010-2015 model applied a premium of 40 percent to an institution's progression metrics and awards (certificates, associates and bachelors) whenever a low-income student or an adult persisted or completed. These two populations of students were recognized as "subpopulations." In the 2015-2020 model, these groups of students will instead be referred to as "focus populations," to highlight the significance of their success to completion initiatives across Tennessee.

As discussed above, an additional focus population will be added to the community college sector: Academically Underprepared. A student is identified as academically underprepared if s/he meets one of three criteria: the community college identifies the student as requiring remediation; a student scores an 18 or below on the ACT Composite; or a student scores an 18 or below on the ACT Reading or Mathematics component, or a 17 or below on the ACT Writing component.

Discussion ensued within the FRC and during the Quarterly Commission meeting as to whether universities should also be rewarded for success with academically underprepared students. After in-depth discussion with all stakeholders, THEC decided to study the issue further and will not include academically underprepared as a focus population for universities at this time.

Finally, the FRC recommended to THEC that the 40 percent premium level be increased based on feedback from campus officials throughout the 2010-2015 cycle who believed a higher premium level would be more appropriate. The 2015-2020 model will employ *elevated* and *graduated* premium levels: students who qualify for one focus population will garner an 80 percent premium; students who qualify for two will garner a 100 percent premium; and students who qualify for three — at community colleges only — will garner a 120 percent premium.

Weights

CCTA stipulates that outcomes must be weighted to reflect mission differentiation. During the formula review process, college presidents and chancellors were asked to prioritize the 2015-2020 outcomes and to provide narratives describing how the priorities reflect their institutions' missions. The University of Tennessee and Tennessee Board of Regents systems also reviewed their respective institutions' responses to verify and validate the campuses' priorities.

Weights at universities are based on a combination of the prioritized outcomes and on Carnegie classification. In the community college sector weights are largely based on institutional mission. Officials from TBR recommended that weights for certain outcomes be prioritized and standardized across the community college sector to reflect the needs of statewide completion initiatives, including Drive to 55 and CCTA: Associate degrees are weighted at 22.5 percent; progression metrics sum to 15 percent for all community colleges; and Long-term and Short-term certificates sum to 20 percent, with differentiation between the two certificate types based on institutional priority and historical performance. See Appendix E for each institution's weight structure.

Removal of Salary Monetization and Out-of-State Tuition

In the 2010-2015 model, each institution's total weighted outcomes were monetized using a salary multiplier based on institutional peer data collected by the Southern Regional Education Board. Members of the FRC proposed removing the multiplier since it introduced unwanted volatility from other states' salary policies and therefore shifted state funding based on changes to the SREB median faculty salary rather than outcome production. The 2015-2020 model will no longer rely on a salary multiplier to monetize the outcomes.

The 2010-2015 model also deducted out-of-state tuition from each institution based on the number of full-time equivalent students identified by the state as paying out-of-state tuition. Members of the FRC suggested that the deduction discouraged institutions from enrolling out-of-state students — students who as degree completers would contribute to the state economy as well as the Drive to 55 initiative. The 2015-2020 model therefore excludes the out-of-state tuition deduction.

Scales

In addition to serving the purpose of comparing outcomes of varying magnitudes (e.g. Research and Services in the millions to Doctoral/Law Degrees in the dozens), the 2010-2015 scales were used in part to help calibrate the new outcomes-based funding formula to the old enrollment-based funding formula. This decision required the use of estimated values for scales.

With the reworking of the underlying structure of the 2015-2020 model to allow for the removal of salary monetization, the model can now be calibrated without the use of scales and mathematically-derived scales can be implemented.

The 2015-2020 model uses an historic data set (a ten-year history for most outcomes) to determine the average standard deviations of all outcomes across each sector. These averages were used in determining the scales. Most outcomes use the exact mathematically-derived scales while a few are altered to provide parity between the sectors or to reflect observed and anticipated volatility.

The process used to analyze and review changes to the outcomes model allowed all stakeholders to play a significant role in creating the 2015-2020 model. This model does not differ greatly from the 2010-2015 model, but more effectively rewards institutions for outcome success while reflecting the input from these stakeholders.

Appendix B
2016-17 Non-formula Units Strategic Initiatives

| System Priority | System | Institution | Project Name | Total Cost | Project Description |
|-----------------|--------|---|---|-------------|---|
| 1 | TBR | ETSU College of Medicine | Pediatric and Children's Services | \$583,600 | The Mountain States Health System has initiated an increased presence for the Children's Hospital in Johnson City and they have requested the College of Medicine to collaborate with them by expansion of services. These services enhance the College of Medicine education program and the training of residents. This collaboration has resulted in a significant investment by the hospital system and requires the College of Medicine to match their funding. The end result is significant improvement in training at a lower cost than if fully supported by the College of Medicine. Project will fund six faculty or staff members. |
| 2 | TBR | TSU Institute of Agricultural and Environmental Research | Required Federal Match | \$1,039,000 | This request is for an increase in state funding to fully match available federal funds (minimum 1:1 match) that are apart of TSU's land grant designation and mission. These funds are federally required to be used to create new knowledge, share that new scientific knowledge with the general public, and foster workforce development in the areas of: (1) food security; (2) environmental sustainability; (3) renewable energy; (4) food safety; and (5) human health and nutrition/obesity. These federal and state funds have improved Tennessee State University's capacity to meet Drive to 55 by providing talented faculty who in turn attract bright students to agriculture and related disciplines. With match funding, TSU will be able to continue to teach students the high-tech skills needed in such areas as biotechnology, geo-spatial sciences, remote sensing, and others. Importantly, these funds will continue to help minority students be educated in these high demand STEM areas. In the area of extension services, TSU has been able to increase its presence from 11 counties in 2008 to 50 counties in 2015. In collaboration with the University of Tennessee, and with the aid of this state investment, the goal is to expand into all 95 counties. |
| 1 | UT | UT-System | Business Intelligence System | \$500,000 | The University of Tennessee is currently developing a strategy for a comprehensive Business Intelligence system. It will standardize access to data in multiple information systems at all UT campuses and institutes (such as human resources, finance, student records, research, financial aid, advancement, and facilities) and incorporate tools for data extraction, analysis, and visualization. Accurate, actionable and timely data is vital for good stewardship and purposeful use of resources. This is more true than ever for the University of Tennessee as it works to reinvent its business model and explores every possible way to be efficient, effective and entrepreneurial. We estimate that annual recurring costs for licensing/subscription fees, maintenance, and periodic enhancements could exceed \$1 million. The University requests partial funding of \$500,000 recurring to support its ongoing effort to become a data-driven organization. |
| 2 | UT | UT Institute of Agriculture and UT College of Veterinary Medicine | Governor's Rural Challenge: Advancing the Agricultural Economy | \$3,853,500 | This initiative expands the UT Institute of Agriculture's (UTIA) ability to assist with the implementation of the Governor's Rural Challenge to advance rural Tennessee's economy. The Governor's Rural Challenge is a 10-year strategic plan that emphasizes opportunities to increase agricultural income and agribusiness investment through practical, affordable and actionable steps to boost rural economic activity. This initiative also supports the work of the Governor's Rural Task Force, providing valuable research, service and education to rural communities which depend on agriculture and natural resources as a primary industry. The funds will support the additional faculty and staff that achieve specific goals and actions recommended by the Task Force: to expand marketing opportunities for Tennessee producers and encourage new production systems and agribusiness. |
| * | TBR | TBR-System | Workforce Development Assistant Vice Chancellor | \$200,000 | Recurring funding is requested to create a position that serves as the Tennessee Board of Regents workforce development "single point of contact." This position would coordinate the efforts of various state agencies and TBR institutions, including TN Colleges of Applied Technology, community colleges and universities, in responding to the needs of the State in its economic development activities. This position would also support the work of the Middle Tennessee skills panel and the Labor Education Alignment Program (LEAP). |

Appendix C

Legislative Initiatives Included in Funding Formula

This appendix presents legislative initiatives that historically have been distributed through the funding formula. Projects identified for distribution outside the funding formula or those appropriated to non-formula units are excluded.

| | Initiative | Funding |
|---------------------------|--|---------------------|
| TBR Universities | | |
| Middle Tennessee | Small Business Development Center | \$ 270,800 |
| | Center for Dyslexic Studies | 218,700 |
| Tennessee State | Cooperative Agriculture | \$ 50,000 |
| | Center on Aging | 37,000 |
| | Upward Bound | 31,800 |
| | Intracampus Transportation | 75,500 |
| | Academically-Talented Student Scholarships | 832,000 |
| Tennessee Tech | Horticultural Research | \$ 92,300 |
| | Joe L. Evins Center | 608,600 |
| University of Memphis | Seismic Safety Commission | \$ 65,000 |
| Subtotal | | \$ 2,281,700 |
| Community Colleges | | |
| Columbia | Collegiate Center | \$ 72,700 |
| Roane | Oak Ridge Campus Operations | \$ 150,000 |
| Subtotal | | \$ 222,700 |
| UT Universities | | |
| UT Martin | Ripley Center | \$ 310,000 |
| Subtotal | | \$ 310,000 |
| Total Funding | | \$ 2,814,400 |