

DATE: July 20, 2016

SUBJECT: Formula Review Committee

ACTION RECOMMENDED: Information

Each year, THEC convenes two formula review committees to consider changes to the outcomes-based funding formula. The Advisory Formula Review Committee (FRC) acts as a working group, engaging its wide membership in deep discussion of the funding formula. The discussions from this working committee advise the Statutory FRC, an entity whose membership is determined in statute. The Statutory FRC met on July 6, 2016, to review the outcomes-based funding formula and discuss the recommendations made by the working group for the FY2017-18 implementation of the formula. The meeting began with an overview of the outcomes-based formula, changes implemented during the five-year review in 2015, and the performance of the revised formula in the first year.

The Statutory FRC primarily focused on whether the formula should implement the *academically underprepared* (AU) focus population in the university sector. During the 2015 review, the Advisory and Statutory FRCs recommended, and the Commission officially approved, the creation of an AU focus population in the community college sector. The Commission, however, advised that further research was needed before introducing the same focus population to the university sector.

After discussion and guidance from THEC staff, the Statutory FRC decided not to recommend the implementation of an AU focus population at universities at this time. The committee agreed that, should the university formula ever include an AU focus population, additional criteria should be applied, including applying the premium only to bachelor degrees or only to first-time, full-time freshmen. These criteria would limit instances where universities are rewarded for progressing students who were successfully remediated at the community colleges.

The committee also discussed how the FOCUS Act might impact the formula. Specifically, committee members inquired about the impact of the FOCUS Act on the capital process in FY2017-18 and future years. THEC staff also identified other areas of potential influence, including where institutions must collaborate to achieve state goals. The Commission staff reiterated that they continue to research these issues and plan on discussing them in future gatherings with members of the committee.

In conclusion, the Statutory FRC recommended no changes to the formula for the FY2017-18 cycle. Commission staff concur and will continue to research and analyze future changes as they relate to the FOCUS Act implementation.