

DATE: April 15, 2004

SUBJECT: Status Report on the Development of a New College and University Funding Formula

ACTION RECOMMENDED: Information

BACKGROUND INFORMATION: Considerations for revision to the Tennessee funding formula for colleges and universities are continuing and progress is being made on several fronts. Dennis Jones of NCHEMS has proposed new peer groups that have been reviewed by the Peer sub-committee of the Formula Review Committee (FRC). The proposed peers are from the SREB states and represent Mr. Jones' best attempt at identifying the most appropriate and similar regional institutions for each Tennessee public institution.

THEC staff has been working on a variety of new funding models that incorporate alterations and characteristics identified from input from the FRC, THEC staff, and other parties of interest. The new funding mechanism will also link directly to the new Master Plan for higher education, which will be under development throughout the next 12 to 18 months. Prototypes will simplify the funding and fee structure and shift focus toward 1) access at the two-year colleges, 2) retention and graduation, and 3) alter the distribution methodology and incorporate other identified functions, all in various combinations.

The FRC will continue to meet and advise on the major functional changes for the new funding mechanism. Once that task is complete, THEC staff will develop details and models that incorporate the functional and philosophical directions advocated by the FRC. The FRC will review and provide input on a new funding mechanism that will be brought to the Commission for approval in 2005.