

DATE: July 22, 2021

SUBJECT: Outcomes-Based Funding Formula Update

ACTION RECOMMENDED: Approval

BACKGROUND INFORMATION

Per §49-7-202(g), the Commission is statutorily required to establish and annually convene a review committee to aid in the development or revision of the Outcomes-Based Funding (OBF) formula. After consulting the Formula Review Committee (FRC),¹ THEC staff then make formal recommendations to amend or revise the formula to the Commission, which votes on all recommendations. In practice, although the FRC convenes annually, most substantive changes to the formula are only considered for implementation every five years, to ensure consistency in formula knowledge and understanding. Currently, THEC staff are convening the FRC for the five-year review with plans to make formal recommendations to the Commission in November 2021—to be implemented in the formula used to distribute appropriations for the FY24 appropriation cycle. On occasion, however, THEC staff will recommend changes to the formula outside of the five-year review period.

The FRC held its first convening on July 8, 2021, and—after staff presentation—generally agreed to two immediate changes to affect the formula to be used to distribute appropriations for FY23. This change will better ensure the Commission meets its statutory mandate to “ensure the fair and equitable distribution and use of public funds.”

THEC staff recommend only counting university-conferred associate degrees if the recipient “stops-out” from the awarding university for at least one year. This narrower definition better captures the initial intent of recognizing a few select university associate degree programs serving students in unique circumstances in the funding formula. THEC staff also recommend resetting the value of a university-conferred associate degree to equal that of the community college-conferred associate degree. Due to a mechanical decision, university-conferred associate degrees are worth the same as bachelor’s degrees in the 2015-2021 formula.

¹ See appendix for committee membership as prescribe in statute (§49-7-202(g)).

UNIVERSITY-CONFERRED ASSOCIATE DEGREES

Recommendation: Implement stop-out provision for university-conferred associate degrees.

At its November 2020 Fall Convening, the Commission identified substantial growth in the non-technical associate degrees (Associate Degree of Liberal Arts) awarded at Austin Peay State University (APSU)—rising from 378 in 2018-19 to 1,038 in 2019-20, a 175 percent increase. APSU has conferred this type of degree since the late 1970s to better serve transient, military-affiliated students enrolled at Fort Campbell as the degree is “ideal for students who are attempting to fulfill core requirements for any four-year degree.”²

While most state universities historically conferred associate degrees, only APSU and Tennessee State University (TSU) continue to do so. The 2000-2005 THEC Plan of Action recommended all pre-baccalaureate degrees in the university sector—other than those in “allied health, nursing, and [those] currently offered at the Fort Campbell facility”³—be phased out by 2005. Both APSU and TSU offer technical associate degrees that are intended to be terminal in nature; only APSU has a degree intended to serve as a transfer degree.

While the original intent for including the Liberal Arts associate degree program at APSU was to recognize the university’s military affiliation, 70 percent of all associate degrees conferred in 2019-20 went to non-military affiliated students based on APSU provided data analysis. The substantial growth in associate degrees largely reflects APSU’s strategy to promote persistence for all students on the way to attaining a bachelor’s degree. Per conversations with APSU, of all students who declare for an associate degree upon enrolling, 42 percent identify it as the terminal degree. The remaining 58 percent intend from the time of enrollment to continue at APSU and attain a bachelor’s degree. As discussed below, these initial student intentions are mirrored in the actual activities of students after completing the associate degree.

APSU has successfully utilized a tool at its disposal to help students gain traction in their pursuit of a bachelor’s degree. However, THEC is charged, per §49-7-202(f), to develop and utilize a formula model “to ensure the fair and equitable distribution... of public funds...” to all institutions. As this degree, per THEC policy, is not conferred at other universities, THEC staff propose limiting university-conferred associate degrees counted in the formula to unique circumstances for which they were originally intended.

² APSU. (n.d.) Why Study Liberal Arts at APSU? Retrieved from: <https://www.apsu.edu/programs/undergraduate/liberal-arts.php>.

³ A Plan of Action for Tennessee Higher Education: A Revision of the 2000-05 Master Plan (2002).

THEC staff are recommending for immediate implementation that university-conferred associate degree only be counted when it is the highest degree awarded at student departure. In practical terms, this means the formula would only recognize associate degree recipients from APSU or TSU if they “stop-out”—or do not re-enroll at the institution—for one full academic year following degree conferral.

For example, if a student from TSU received an associate degree in Spring 2021, the student would only be counted in the formula as an associate degree outcome if she does not re-enroll at the university in Summer 2021, Fall 2021, or Spring 2022. This recommendation, therefore, will necessitate a one-year lag of this outcome measure. However, once detected as a stop-out, the formula would recognize the outcome for three cycles. In this example, the university would be rewarded for the associate degree in the FY24, FY25, and FY26 formulas.

Under this definitional change, the most recent year captured for university associate degrees in FY22 would be those conferred in 2018-19. Of the 406 degrees conferred across all three of APSU’s associate degree programs, 152 (37.4 percent) would have counted as stop-outs under this new definition in the 2021-22 funding formula. At TSU, 39 of the 41 (95.1 percent) degrees conferred would have counted.

Additionally, early analysis based on Summer and Fall 2020 enrollment suggests that a similar proportion (371 of the 1,059 degrees, or 35.0 percent) of APSU associate degree programs awarded in 2019-20 would count under the proposed change. At TSU, all associate degrees conferred in 2019-20 (nine in total) would count.⁴

THEC staff recommend immediate implementation of this definitional change.

Recommendation: Match university associate degree value to community college sector.

In the current 2015-21 OBF model, scales are used to make values of different magnitudes comparable prior to conversion to outcome points. Scales in both sectors are mathematically derived and centered on the value of a bachelor’s degree, which is set at one. Due to the mechanics of the 2015-2021 formula, both bachelor’s and associate degrees in the university sector have a scale of one. In the community college sector however, associate degrees have a scale of 1.5. Essentially, an associate degree at a community college is worth two-thirds of what the same degree is worth at a university.

Though associate degrees are not as prevalent in the university sector as they are in the community college sector, these awards are a component of the portfolio of awards

⁴ Data are preliminary and subject to change.

produced in each and should be worth the same in both sectors. Currently, they are not. As an example, in the 2015-2021 formula, an associate degree awarded through a reverse associate partnership between a community college and university would be exposed to a different scale in each sector. Since the requirements of associate awards are consistent across both sectors, THEC staff are recommending that these degrees be treated equally during the scaling process of the OBF formula.

In the interest of creating simplicity and consistency in the OBF formula, THEC staff recommend changing the university associate degree scale to match that of the community college associate degree in the 2021-25 OBF model.

FORMULA REVIEW COMMITTEE FEEDBACK

Following staff presentation to the FRC, President Michael Licari of Austin Peay State University spoke to the value of the associate degrees to his institution's unique student population. In other conversations with President Licari and additional institutional representatives, APSU expressed concern with how the "stop-out" definitional change would affect their ability to meet parts of their mission. The FRC generally agreed both changes to the university associate degree outcome should be implemented immediately.

Appendix: Formula Review Committee Membership per §49-7-202(g)

Name	Institution	Title
Emily House	Tennessee Higher Education Commission	Executive Director
Randy Boyd	University of Tennessee	President
Flora Tydings	Tennessee Board of Regents	Chancellor
Michael Licari	Austin Peay State University	President
Brian Noland	East Tennessee State University	President
Sidney McPhee	Middle Tennessee State University	President
Glenda Baskin Glover	Tennessee State University	President
Phil Oldham	Tennessee Technological University	President
David Rudd	University of Memphis	President
Butch Eley	Department of Finance and Administration	Commissioner
Jason Mumpower	Comptroller	Comptroller
Senator Brian Kelsey	Senate	Chair, Senate Education
Senator Bo Watson	Senate	Chair, Senate Finance, Ways & Means
Representative Mark White	House of Representatives	Chair, House Education
Representative Patsy Hazlewood	House of Representatives	Chair, House Finance, Ways & Means
Peter Muller	Office of Legislative Budget Analysis	House Budget Analysis Director
Catherine Haire	Office of Legislative Budget Analysis	Senate Budget Analysis Director