TENNESSEE HIGHER EDUCATION COMMISSION

REGULAR CALENDER ITEM: II.

MEETING DATE: May 19, 2022

SUBJECT: 2020-2025 Outcomes-Based Funding Formula Recommendations

ITEM TYPE: Action

ACTION RECOMMENDATION: 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), 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, ensuring consistency in formula knowledge and understanding. For the most recent five-year review process, THEC staff convened the FRC in July and September 2021 (membership for both the FRC and working group found in Appendix A). In November 2021, THEC staff provided an overview of the current deliberations with the FRC to the Commission. Informed by these discussions with the FRC and Commission, THEC staff presented proposed changes to the Senate and House Finance, Ways and Means Committees and the Senate and House Education Committees during the 2022 legislative session for review and recommendation.

SUMMARY OF 2020-2025 OUTCOMES-BASED FUNDING FORMULA CHANGES

Below is a summary of the topics discussed during the five-year formula review, focusing on changes for immediate implementation in the 2023-2024 appropriation request cycle. A summary of changes discussed but not recommended for implementation as part of the 2020-2025 funding formula is also provided. Additional information on these changes can be found in the attached document, as well as the minutes from both the July and September 2021 FRC meetings which informed these changes in Appendix B and C, respectively. Feedback from these committee presentations were generally positive, with comments from legislators on the connection of high-need academic programs and workforce needs, the continued focus on student completion, and institutional behavior on fixed costs.

Recommended Changes to Outcome Metrics for the 2020-2025 Formula

Community College Model — Community colleges would continue to be measured by the same suite of outcomes included in the 2015-2020 OBF formula. THEC staff recommend one definitional change to the **workforce training/contact hours** metric to better align this metric with state workforce needs. This definitional change would **remove secondary activities** (i.e., the training provided by certified trainers who completed their certification at the reporting community college) from the contact hours report.

University Model — Outcomes measured in the 2020-2025 university model remain unchanged from those included in the final 2015-2020 model. In July 2021, two changes to the 2015-2020 OBF formula were approved by the Commission for immediate implementation with the 2022-2023 appropriation request: a definitional change to only count associate degrees that are the highest award at student departure and a scaling change to align the associate degrees awarded in the university sector with those awarded in the community college sector.

Recommended Changes to Focus Populations for the 2020-2025 Formula

Categories in the Community College and University Models — As in the 2015-2020 model, premiums would continue to be applied to progression and undergraduate completion metrics for students who qualify as low-income (ever eligible for the Pell grant), adult (25 years or older), or—in the community college sector only—academically underprepared (scoring an 18 or below on the ACT or identified for learning support coursework). THEC staff recommend the implementation of a new **workforce investment premium** for student completing an undergraduate award in a high-need academic program—defined as STEM and health care majors. THEC staff are also recommending a data source refinement to **include out-of-state low-income students**. This action would align residency treatment in all focus population categories.

Premium Levels in the Community College and University Models — As in the 2015-2020 model, focus population premium levels would continue to be applied in an *elevated* and *graduated* manner to an institution's progression and undergraduate award metrics. The first focus population would garner an 80 percent premium, the second an additional 20 percent, and the third an additional 20 percent. The fourth (in the community college sector only) would garner another 20 percent.

Recommended Changes to Fixed Costs for the 2020-2025 Formula

THEC staff thoroughly analyzed and discussed with our institutional and governmental partners potential changes to the **fixed costs component** of the funding formula. Currently, institutions benefit in the formula calculation from increasing square footage and suffer from renovating or reducing space. While THEC initially advocated for the complete removal—over time—of the influence of fixed costs on the formula, several institutional and governmental partners expressed concern about the effect this immediate change would have on institutions.

Considering this feedback, THEC staff recommend **streamlining fixed costs**—focusing on square footage and equipment while eliminating utilities, rent and the premium for older space—and **reducing the overall influence** of fixed costs on the formula from 22 percent to 15 percent. A placement of 15 percent on fixed costs along with the 5.45 percent on Quality Assurance Funding would ensure that outcomes influence a greater share (80 percent) of the appropriation request.

Changes Not Recommended for the 2020-2025 Formula

Not all discussion during the several months-long formula review process resulted in recommended changes moving forward for further action. Of those items not moving forward, the discussion of changes to the **university graduation rate** received the most attention. In response to feedback received from institutional partners during the agenda setting-process, THEC staff investigated options for universities concerned about their ability to continue to grow the six-year graduation rate. In response, THEC staff proposed the movement to an on-time—or four-year—graduation rate. Several stakeholders expressed concern with movement to an **on-time graduation rate** at this time. Considering this, THEC staff are not recommending movement to an on-time graduation rate in the 2020-2025 formula.

Representatives of the Tennessee Board of Regents (TBR) expressed interest in adding a **community college graduation rate metric** in the new OBF formula. However, TBR requested that since not all community college expressed interest in adding this metric to the formula that institutions be permitted to “opt-in” to measuring the graduation rate. Since this à la carte outcome metric selection would represent a fundamental change to formula mechanics and add a layer of complexity potentially limiting the ability of institutions to fully understand the formula, THEC staff are not recommending adding a graduation rate metric to the community college sector in the 2020-2025 formula. However, THEC staff are interested in continuing the conversation to this success metric at the sector level in the future.

RECOMMENDED ACTION

Based on discussions with the Formula Review Committee, feedback received from legislative, institution, government and other stakeholders, THEC staff recommend the changes to the 2020-2025 outcomes-based funding formula summarized above be approved for immediate implementation for the 2023-2024 appropriation request cycle. Any approved changes will continue to be reviewed annually as outlined in statute.

Tennessee Higher Education Commission
2020-2025 Outcomes-Based Funding Formula Review Process

Introduction

In late 2019, as part of the second extensive five-year review of the Outcomes-Based Funding (OBF) formula, THEC began identifying any structural changes to the funding formula for implementation in 2020. THEC postposed this process in April 2020 to allow institution and government representatives to respond to the pandemic. The five-year review process restarted in March 2021, with monthly working group meetings through June, and meetings in July and September with the Formula Review Committee (FRC) members (see membership for both the FRC and working group in Appendix A). THEC staff updated the Commission in November 2021 on proposed changes, which were also presented for review and recommendation to the House and Senate Finance, Ways and Means committees, the Senate Education committee, and the House Education Administration committee during the 2022 legislative session.

This document provides an overview of the recommended changes to the 2020-2025 formula as discussed during the above-described process. Changes approved by the Commission will be implemented immediately to inform the 2023-2024 appropriation request cycle.

Recommended Changes for the 2020-2025 Formula

Outcome Metrics

The outcomes measured in both the community college and university sectors remain largely the same compared to the 2015-2020 model. THEC staff are recommending one definitional change to the workforce training/contact hours metric included in the community college sector to better align this metric with state workforce needs. THEC staff are recommending no changes to the university outcomes.

Workforce Training/Contact Hours

The workforce training outcome reports non-credit activities in which community colleges partner with local businesses, industry, and community stakeholders to provide training and upskilling for local community members. While these activities do not result in credits toward degree completion, they do increase occupational, technical, and/or soft skills in the workforce. As the only remaining fully self-reported outcome, THEC staff work with the Tennessee Board of Regents (TBR) and community college staff to annually review the activities and programs reported as part of this outcome for accuracy, consistency, and fidelity of the workforce training metric. During recent review, THEC staff identified two types of reported activities that necessitated further discussion during the 2020-2025 review process. The first resulted in a recommended change and the second did not.

Activities Provided by Community College-trained Certified Trainers — Several community colleges provide training to individuals that result in that individual receiving certified trainer status (e.g., an OSHA Authorized Trainer). These trainers then provide the training for which they received certification to others as a service. During this review process, THEC learned that some community colleges were reporting not only the hours of training they provided to individuals to become certified trainers, but also the secondary hours those trainers then provided to others. Considering historical understanding and previous discussions of the intention of the workforce training metric, THEC staff questioned the inclusion of the training provided by these certified trainers in the workforce training outcome.

After extensive conversations with TBR and several community colleges' staff, THEC concluded that reporting of secondary activities do not align with the intention of the current workforce training metric due to the activities not being the primary focus of the college's community outreach. However, reporting of primary activities—including the community college-trained certified trainers identified above—remain appropriate. TBR representatives asserted they believe that both primary and secondary activities meet the current definition. THEC staff did not concur. Therefore, **THEC staff recommend the exclusion of secondary contact hours provided by authorized trainers from the workforce training metric.**

Third-Party Online Education Providers — Community colleges often partner with third-party online education providers to provide non-credit opportunities to local community members. As part of these partnerships, the third-party company provides the instructional staff and materials while the community college provides advertising, fee collection, and monitoring of student progress. Due to this responsibility split between the colleges and third-party providers, THEC staff questioned whether these contact hours continued to meet the intention of the metric: rewarding institution's success in providing non-crediting bearing, workforce learning opportunities for community members.

During discussions at the September 2021 FRC meeting, TBR provided extensive feedback addressing the concern about these third-party provided non-credit activities. TBR asserted that these partnerships represent a cost-effective way for colleges to offer extensive course options. By utilizing an economy of scale afforded through partnerships with third-party vendors, community colleges can meet the needs of local community members and businesses even if enrollment in an individual course is low. Based on this additional information, these activities are in alignment with the intention of the workforce training metric and, therefore, **THEC staff recommend that previously approved contact hours provided through partnerships with third-party online education providers continue to be reported in the workforce training metric.**

Focus Population Categories and Premium Levels

The 2015-2020 model applies *elevated* and *graduated* focus population premium levels to an institution's progression metrics and undergraduate awards. These premiums apply to adult, low-income or—in the community college sector only—academically underprepared students. A student qualifying for one focus population garners an 80 percent premium, a student qualifying for two populations garners a 100 percent premium, while a student qualifying for all three categories garners a 120 percent premium.

<u>Focus Population Categories — Workforce Investment Premium (WIP)</u>

To better meet the needs of Tennessee's current and future economic needs, higher education must be intentional in preparing its graduates for high-demand jobs. Based on these economic realities, institutions and government stakeholders have continuously expressed interest in further aligning OBF with workforce demands by recognizing high-cost degrees in the formula. Specifically, the Governor's office inquired about adding a metric that recognizes degrees leading to careers in high-need fields in the formula. In response, **THEC staff recommend an additional focus population category recognizing undergraduate awards in high-need workforce fields**.

In 2020, THEC staff identified a list of high-demand occupations using long-term occupation projection data from Jobs4TN.gov and Key Industry Clusters identified by the Tennessee Department of Economic and Community Development (ECD). The occupations captured within ECD's Key Cluster analysis overlapped with just over two-thirds of the occupations identified in the top 10 and just under 45 percent of the top 22 occupations projected by Jobs4TN.gov. Using these two sources, THEC staff developed a crosswalk between the occupation codes and instructional programs to connect high-demand occupations with high-need academic programs. Below is a list of instructional programs by Classifications of Instructional Programs (CIP) proposed for initial inclusion in the workforce investment premium definition:

CIP Code	Program Title
01	Agriculture, Agriculture Operations, and Related Sciences
03	Natural Resources and Conservation
11	Computer and Information Sciences and Support Services
14	Engineering
15	Engineering Technologies/Technicians
26	Biological and Biomedical Sciences
27	Mathematics and Statistics
40	Physical Sciences
51	Health Professions and Related Clinical Sciences

Eligible awards would include short-term and long-term community college certificates, associate degrees, and bachelor's degrees coded in alignment with the above. THEC staff also recommend including Tennessee Transfer Pathways (TTPs) degrees in an area of emphasis that corresponds to the CIPs above. While TTPs do not have CIP codes that align with the proposed high-need fields definition, they do prepare students to transfer into university programs that do.

Working in conjunction with the focus population categories included in the 2015-2020 outcomes formula, the implementation of a workforce investment premium would add an additional level to the graduated premium system applied to undergraduate awards, resulting in a maximum graduated premium of 120 percent for university students and 140 percent for community college students.

About 25 percent of associate degrees and 50 percent of certificates at community colleges would have qualified for the workforce investment premium in 2019-2020. An estimated 30 percent of bachelor's degrees would have qualified in the university sector.

Fixed Costs

Fixed costs have long been a part of the higher education funding recommendation, pre-dating the use of the OBF formula. The fixed cost component recognizes an institution's operational and maintenance costs, including footprint, equipment replacement, rent, and utilities. The fixed costs component applies a cost value for the physical footprint of the institution by measuring education and general purpose (E&G) square footage, placing a premium on buildings which have not undergone major renovation in twenty years or more, and may, therefore, require additional investment for maintenance. For each of these measures, industry standard rates and operating inflation factors are built into the calculation to ensure that changes in costs are reflected in the formula.

In the 2015-2020 model, fixed costs are converted into points and—in combination with outcomes points and Quality Assurance Funding (QAF) points—determines the point total for each formula unit. Outcomes points are summed for all institutions and multiplied by the fixed cost constant of 21.8 percent, a value derived from the ratio of total fixed costs and monetized outcomes in the 2010-2015 model. Fixed costs points increase or decrease based on available outcomes points and are distributed to institutions based on their share of total fixed cost dollars. This annual calculation is sensitive to changes in square footage—including new buildings, demolitions, renovations, or off-line decisions.

Further, the current method of calculating fixed costs may incentivize conflicting behaviors with other THEC policies. The most recent Capital Review Process encouraged institutions to increase efficiency by reducing the amount of unneeded space on campus, investing in renovation of existing space and maximizing space utilization. Conversely, the current fixed cost component rewards institutions for increasing their E&G square footage and provides a premium for nonrenovated space. While not an outcome enumerated in the outcomes-based formula founding statute, fixed costs are a highly influential part of the model, accounting for nearly one-fifth of the points awarded each year—the second most influential formula component.

Focusing specifically on aligning operating funding and capital policies, THEC staff initially recommended the full removal of fixed costs from the 2020-2025 formula. However, after extensive conversation with FRC members and additional stakeholders, THEC staff recognized that institutional reliance on the fixed costs component would require a more nuanced approach. With that in mind, THEC staff presented an array of options to reduce but not eliminate the influence of fixed costs to both the FRC and the Commission. Based on the feedback received, **THEC staff recommend streamlining the fixed cost metric to focus only on square footage and equipment replacement while also reducing the fixed cost constant to 15 percent.** A placement of 15 percent on fixed costs along with the 5.45 percent on Quality Assurance Funding would ensure that outcomes influence a greater share (80 percent) of the appropriation request. This recommendation will reduce the influence of fixed costs on the overall formula while also allowing institutions to immediately receive funding for new buildings <u>and</u> not receive a reduction in funding after renovating older buildings.

Technical Considerations for the 2020-2025 Formula

Low-Income Focus Population Category

During the 2015-2020 five-year cycle, THEC staff learned that the low-income focus population category did not include out-of-state students due to a data limitation. THEC relies on the FAST system to determine Pell-eligibility status. This system is limited to federal aid applications completed by Tennessee residents, narrowing the low-income focus population category to in-state students. The OBF formula does not differentiate based on residency for any other metric.

THEC staff worked closely with institutional research offices to identify a high-fidelity method to collect out-of-state Pell-eligible student information. Based on information provided by THEC staff and considering current THEC policy and feedback from various FRC stakeholders, **THEC staff recommend expanding the data collection process to include out-of-state students in the low-**

income focus population category. This recommendation will align this focus population with all other metrics with regards to residency.

Focus Population Premium Levels

To better understand the effects of the focus population premium levels, THEC staff analyzed external research and performed internal analyses, looking specifically at changes in graduation rates for Pell-eligible and non-Pell eligible students. External research conducted by Kelchen (2017) suggests the focus population premiums over the course of both the 2010-2015 and 2015-2020 models have sufficiently disincentivized institutions from enrolling a more advantaged student body.

Along with this external research, THEC's internal analysis found that graduation rates for both Pell-eligible and never Pell-eligible students have increased at community colleges and universities over the last fifteen years, though the gaps between these two populations have not consistently narrowed over time. This suggests that the OBF formula has not overvalued the focus population premium levels. However, due to additional research limitations, THEC staff are unable to determine if premium levels have been undervalued. Due to these findings and limitations, **THEC staff recommend maintaining the current focus population premium levels** in the 2020-2025 funding formula.

Doctoral Degree Outcome Scaling

To maintain simplicity in the outcomes formula and ensure awards essential to the state maintain their appropriate value, THEC staff analyzed the appropriateness of applying the same scale to both doctoral and first-professional degrees, even though the time required to complete these different types of degrees differs. The current doctoral degree metric includes Doctor of Philosophy (PhD) degrees, Doctor in Veterinary Medicine (DVM) degrees, Juris Doctor (JD) law degrees, and general doctoral degrees.

THEC staff hypothesized that if institutions have been overinvesting in non-PhD doctoral programs to take advantage of the favorable scaling, analysis should show substantial growth in these highly structured, tuition-dependent, less time intensive non-PhD awards. Analysis showed that this was not the case, with the production of non-PhD degrees increasing 15 percent and PhD degrees increasing 60 percent over the last decade. Based on this analysis, **THEC staff recommend maintaining the current methodology for scaling doctoral awards in the formula.** This recommendation seeks to ensure funds continue to be allocated based on institutional growth in doctoral degree programs.

Changes Not Recommended for the 2020-2025 Formula

THEC staff facilitated discussion over several months detailing potential changes to the outcomes-based funding formula. Not all discussions resulted in recommended changes due to stakeholder feedback. The topics garnering the most attention are detailed below.

On-Time University Graduation Rate

During the agenda setting process for the five-year formula review process, THEC received feedback from several universities expressing concern about the ability to continue to grow the graduation rate metric. As a possible solution to this concern, several stakeholders suggested the development of a benchmark metric, which would judge an institution's success based on the academic characteristics of the students included in the graduation rate cohort. THEC staff analysis determined that a viable benchmark measure currently does not exist, and the development of a valid and reliable metric could not be completed within the review cycle. Additionally, movement to a benchmark metric would constitute a fundamental change to how success is measured in the formula. Due to these factors, **THEC staff do not recommend movement to a benchmark measure.**

However, in recognition of the concern about limited growth opportunities within the current six-year graduation rate, THEC staff investigated movement to a four-year—or on-time—graduation rate. During FRC discussions, several institutional representatives expressed concern about the effects of moving to an on-time completion metric on institutions serving higher proportions of Pell-eligible and minority students. Several institutions asked that, due to the complexities of serving these student populations, THEC wait to implement this change to the graduation rate metric. Considering this feedback, **THEC staff are not recommending a change to the university graduation rate for the 2020-2025 formula.**

Community College Graduation Rate

During a meeting of the formula review working group, representatives from TBR indicated that some community colleges had expressed interest in adding a graduation rate metric to the 2020-2025 funding formula. These representatives indicated that not all colleges were in favor of adding this metric as an outcome and requested that individual institutions be allowed to opt into the addition of a graduation rate metric. THEC staff asserted that implementing an outcome on an à la carte basis does not align with the current formula framework and would represent a fundamental change to formula mechanics. Therefore, **THEC staff are not recommending adding a graduation rate metric to the community college sector in the 2020-2025 formula**. THEC staff are interested in continuing the conversation should TBR indicate an interest in adding graduation rate as an outcome at the sector level.

Model Volatility

Stakeholders involved in the formula review process requested a discussion of the historical model volatility. THEC staff led a discussion of the mechanics of the current formula that limit year-to-year volatility of funding, including the use of a three-year average, variation of outcomes metrics across systems, and the inclusion of fixed costs. Stakeholders discussed a change to the consistent use of a three-year average for outcomes, a fundamental change to the mechanics of the formula model. This suggested change would allow institutions to choose between a three-year average and a single year of outcome data to allow institutions to feel increases sooner while continuing to extend the time it takes to experience fully any declines. **THEC staff are not recommending movement away from consistent use of the three-year average in the 2020-2025 formula.**

THEC staff also presented information on volatility across sectors, focusing on the possible implementation of separate funding pools for community colleges and universities. THEC staff assert that establishing separate pools is not in alignment with the statutory requirement that appropriations distributed through the outcome formula freely flow to more productive institutions. Therefore, **THEC staff are not recommending implementation of separate funding pools by sector in the 2020-2025 formula.**

Appendix A

2020-2025 THEC Formula Review Committee

Name	Institution	Title
Randy Boyd	University of Tennessee	President
Butch Eley	Department of Finance and Administration	Commissioner
Glenda Baskin Glover	Tennessee State University	President
Catherine Haire	Legislative Budget Office	Senate Budget Analysis Director
Rep. Patsy Hazlewood	TN House of Representatives	Chair, House Finance, Ways and Means Committee
Jessica Himes	Legislative Budget Office	House Budget Analysis Director (beginning July 2021)
Emily House	TN Higher Education Commission	Executive Director
Sen. Brian Kelsey	TN Senate	Chair, Senate Education Committee
Michael Licari	Austin Peay State University	President
Sidney McPhee	Middle Tennessee State University	President
Peter Muller	Legislative Budget Office	House Budget Analysis Director (ending June 2021)
Jason Mumpower	Comptroller's Office	Comptroller
Brian Noland	East Tennessee State University	President
Phil Oldham	Tennessee Technological University	President
M. David Rudd	University of Memphis	President
Flora Tydings	Tennessee Board of Regents	Chancellor
Sen. Bo Watson	TN Senate	Chair, Senate Finance, Way and Means Committee
Rep. Mark White	TN House of Representatives	Chair, House Education Administration Committee

Appendix A (continued)

2020-2025 THEC Formula Working Group

Name	Institution	Title
Patrick Boggs	Legislative Education/Finance Chairs	Research Analyst for House Ed Administration Committee
Lori Bruce	Tennessee Technological University	Provost and Vice President for Academic Affairs
David Butler	Middle Tennessee State University	Vice Provost for Research and Dean of Graduate Studies
Chris Cimino	University of Tennessee, Knoxville	Sr. Vice Chancellor of Finance and Administration
Crystal L. Collins	THEC Staff	Sr. Director of Fiscal Policy
Lynne Crosby	Austin Peay State University	Sr. Vice Provost and Assoc. Vice President of Academic Affairs
Bruce Davis	Legislative Budget Office	Budget Analyst in the Office of Legislative Budget Analysis
Russ Deaton	Tennessee Board of Regents	Executive Vice Chancellor for Policy and Strategy
Steven Gentile	THEC Staff	Chief Policy Officer
Danny Gibbs	Tennessee Board of Regents	Vice Chancellor of Business and Finance
Jerry Hale	University of Tennessee at Chattanooga	Provost and Sr. Vice Chancellor for Academic Affairs
Tracy Hall	Southwest Tennessee Community College	President
Michael Hoff	East Tennessee State University	Assoc. Vice President of Planning and Decision Support
Raaj Kurapati	University of Memphis	Chief Financial Officer
Ron Loewen	University of Tennessee System	Asst. Vice President for Budget and Planning
Michael Maren	Legislative Education/Finance Chairs	Research Analyst for Senate Education Committee
Petra McPhearson	University of Tennessee at Martin	Sr. Vice Chancellor for Finance and Administration
Tony Niknejad	Governor’s Office	Policy Director
Laurence Pendleton	Tennessee State University	General Counsel
Lauren Spires	Comptroller’s Office	Higher Education Resource Officer (HERO)
Greg Turner	Department of Finance and Administration	Coordinator of Education Budget
Russell VanZomeren	THEC Staff	Director of Fiscal Policy

Appendix B

Tennessee Higher Education Commission
2021-2025 Formula Review Committee
July 8, 2021 Meeting Minutes

On July 8, 2021, the 2021-2025 Formula Review Committee (FRC) convened for its first meeting to review the current outcomes-based funding formula. The meeting began with a determination of necessity to allow for a quorum to be constituted using members participating in the meeting remotely. A motion of determination was made by THEC Executive Director Emily House and was supported unanimously by committee members in attendance.

Dr. House then welcomed committee members and offered her appreciation for the work completed by the working group over the previous 5 months. Dr. House also recognized the feedback provided by committee members, specifically that the review process felt rushed. In response, THEC will extend the review process through next year for most recommended changes.

Chief Policy Officer Dr. Steven Gentile then provided an overview of the charge and responsibilities of the statutory working group, as well as reviewed a timeline for the formula review process. Changes recommended for immediate implementation will be presented to the Commission at the summer meeting later in July, while other recommended changes would be held for submission in November 2021 with implementation for the 2023-24 funding formula cycle.

A summary of the discussion is below.

Review of 2015-2021 Outcomes-Based Funding Formula

- Senior Director of Fiscal Policy Crystal Collins provided an overview of the mechanics of the 2015-2021 outcomes-based funding formula. This included discussions of the four major parts of the formula: outcomes, focus populations, weights/scales, and fixed costs.
- Ms. Collins also provided an overview of production increases at the universities and community colleges, focusing on undergraduate degree production over the last decade and a half, as well as a discussion of five-year changes in all outcome metrics.

Discussion of Proposed Immediate Revisions to the Formula

- Dr. Gentile introduced the next discussion topic, focusing on the need to ensure a fair and equitable opportunity for success for all institutions within the formula. Dr. Gentile identified an outcome where THEC staff believe the opportunity for success is not evenly applied within the university sector and that the value applied by the formula to this outcome differs across sectors.
- **Associate Degrees in the University Sector:** Discussion of the rescaling of associate degrees in the university sector, and the implementation of a definition change what university-conferred associate degrees are included in the formula.
  - Currently, only two universities are approved to provide associate degrees: Austin Peay State University and Tennessee State University. APSU is approved to award three associate degrees and TSU is approved to award one. Most universities awarded associate degrees at one point, until the 2005 THEC Plan of Action recommended that universities limit these degree offerings to those in allied health, nursing, or to military-affiliated students at APSU.
  - Dr. Gentile detailed a recent change at APSU to use the associate degree in liberal arts as a retention tool for students pursuing a bachelor's degree, resulting in a year-to-year increase of 175%, from 378 to 1,038. The ability to use this degree as a milestone award for students is not available to any other university.
  - Ms. Collins then provided an overview of THEC staff discussions, conversations that occurred over several meetings with working group members, and with each committee member in preparation for the July 8 meeting.
  - Ms. Collins identified a discrepancy between the scaling in the university and community college sectors for the associate degree. Due to mechanics of the current formula, associate degrees awarded in the university sector receive the same scale as bachelor's degrees (scale = 1) while those awarded in the community college sector receive a different scale (scale = 1.5), resulting in associate degrees at community colleges being worth two-thirds of what the same degree is worth in the university sector.
  - Ms. Collins then presented the recommended definitional change to which university-awarded associate degrees are counted in the outcomes-based funding formula. Differences between technical and non-technical associate degrees were discussed, including the terminal nature of the technical associate and the designation of liberal arts associate degrees as either terminal or transfer degrees.
  - Statistical information on the associate degree in liberal arts offered at APSU was presented, including the number of students who completed this degree and remained enrolled and those who completed the degree and left—or stopped out— from APSU.

- Based on the analysis completed by THEC staff and considering current THEC policy and feedback from various stakeholders—including members of the working group and members of the formula review committee, Ms. Collins presented the following **recommended changes for university associate degrees**:
    - *To address the scaling inequity for associate degrees in the university sector, THEC staff recommend implementing the same scale at universities as is implemented at the community colleges.*
    - *To address the inequity in opportunity to succeed in the associate degree metric in the university sector, THEC staff recommend implementing a definitional change that limits the inclusion of university-conferred associate degrees to those earned by students who do not re-enroll at the awarding institution at any time in the following academic year. This change will require that associate degree in the university sector be lagged an academic year.*
- President Licari from Austin Peay State University provided some additional context for the associate degree awarding activities and the mission at APSU, including stating that nearly 40% of incoming freshman indicate an associate degree as their degree of choice. Additionally, President Licari pointed to the need for associate degrees for underserved students (Pell-eligible, students of color, adult students, etc.) and the need for the associate in liberal arts for the military-affiliated students APSU serves.
    - Dr. Gentile thanked President Licari for his comments and perspective.
- President Oldham from Tennessee Tech University provided general agreement with the recommended changes. He then asked a question about how the implementation of a lagged metric, leading to the counting of the previously counted data, in the formula.
    - THEC staff discussed precedent for implementing a lag for a previously included metric.
- President Noland from East Tennessee State University asked if the increase in associate degrees in liberal arts at APSU was a recent phenomenon.
    - Dr. Gentile responded in the affirmative.
- Dr. Noland then asked if, under the current formula, a university with an associate degree program would be rewarded in the formula for both the associate and bachelor's degree should a student complete both.
    - Dr. Gentile responded in the affirmative.
- Finally, President Noland asked if the recommended definitional change would allow an institution to capture a student's success but would only prevent the institution from capturing that student's success twice.
    - Dr. Gentile responded in the affirmative.

- No further comments were provided by the formula review committee related to these two recommended changes.

Discussion of Proposed Five-Year Revisions to the Formula

- Dr. Gentile introduced the next series of proposed changes for implementation beginning in the 2023-2024 funding formula.
- **Workforce Investment Premium:** Discussion of the inclusion of a focus population recognizing undergraduate awards in high need fields.
  - Ms. Collins gave an overview of the process for determining how to recognize degrees in high need fields in the funding formula. Using a previously approved definition of high need fields included in the quality assurance funding program, THEC fiscal staff analyzed the overlap between these fields and the long-term job projections released by Jobs4TN and the ECD Indicators report.
  - Ms. Collins then discussed an issue with the classification of associate degrees at the community colleges discovered during the operationalization process. Nearly two-thirds of all associate degree programs at community colleges are identified as university parallel degrees. Due to how the proposed definition for the new focus population premium would be operationalized, these degrees could not qualify even if the student completed a degree in an area of emphasis (e.g., Engineering or Mathematics) that would trigger the premium otherwise.
  - To remedy this issue, THEC staff recommend counting Tennessee Transfer Pathway university parallel associate degrees completed in an area of emphasis that correlate to a qualifying high need field.
  - Under the proposed workforce investment premium definition, about one-quarter of all associate degrees, one-third of all bachelor's degrees and over half of community college certificates currently awarded would qualify for this new focus population.
  - Based on the analysis completed by THEC staff and considering current THEC policy and feedback from various stakeholders—including members of the working group and members of the formula review committee, Ms. Collins presented the following **recommended change to the focus populations**:
    - *Implement Workforce Investment Premium that recognizes completion of bachelor's and associate degrees at universities, and associate degrees and long- and short-term certificates at community colleges in majors*

aligned with high-need academic programs. THEC staff recommend treating this new focus population premium in the same mechanical manner as the current focus populations.

- President Glover from Tennessee State University began the discussion by asking if THEC staff had considered the inclusion of business or information systems majors for inclusion in the high-need fields definition.
  - Ms. Collins indicated that THEC had elected to promote simplicity for institutions by using an approved definition for high need fields.
  - Ms. Collins also stated it is THEC fiscal staff's intention to revisit the definition of high-need fields at the next five-year review and should business—or any other major—be indicated as high need, a discussion of those majors would occur.
- Vice President of Academic Affairs and Student Success Dr. Linda Martin, speaking as the designee for University of Tennessee President Randy Boyd, asked if there was consideration for areas outside of STEM or regional needs to identify high-need fields. Additionally, Dr. Martin asked if graduate degrees were considered for inclusion in this new premium.
  - Ms. Collins indicated that simplicity for the implementation of a new measure was the focus and that after a period allowing institutions to respond to the metric, changes to what majors qualify could be discussed.
  - Ms. Collins then discussed the THEC staff decision to focus on undergraduate degrees initially, with the hope that this focus population premium will increase partnerships, through the inclusion of Tennessee Transfer Pathways, between community colleges and universities. Additionally, current focus populations are only applied to undergraduate degrees and certificates.
- Dr. Gentile then asked if any other formula review committee members who thought that the workforce investment premium should include graduate degrees. No other committee members provided comments on this topic.
- Peter Muller, House Budget Analysis Director, asked for further clarification on if this new focus population would be grouped together with existing focus populations. Specifically, Mr. Muller is concerned that if these premiums are mixed, a degree meeting the workforce investment premium definition would be "worth less" if that student already qualified for an existing premium.

        - Ms. Collins stated that the current THEC recommendation would be to group all focus population premiums together.
    - Ms. Collins then asked if the committee concurred with this recommendation or if they would prefer that demographic (e.g., low-income, adult, academically underprepared) and non-demographic (e.g., majoring in a high need field) based premiums be separated.
    - President Oldham stated that setting the premium at a flat level and not graduating the premium levels as students qualified for multiple focus populations was how the focus populations were treated in the 2010-2015 formula.
        - Ms. Collins indicated that this was true but that the question here was whether a non-demographic based premium should be on its own and not part of the stackable premiums.
        - Mr. Muller stated that he believed that the premium based on the type of degree awarded should be treated the same regardless of the demographics of the student, so that a degree in a high-need field would garner the same premium for an institution if that student was low-income or not.
        - President Licari expressed agreement with Mr. Muller's point.
    - Dr. Gentile asked for any further comment about the recommended inclusion of a workforce investment premium in the funding formula.
    - No further comments were provided by the formula review committee related to this recommended change.

- **Graduation Rate Metric:** Discussion of the possibility of moving from six-year to four-year graduation rate.
    - Dr. Gentile introduced the next topic for discussion, movement from a six- year graduation rate to a four-year graduation rate. Institutions have indicated to THEC staff growing concern that growth opportunities for the six-year rate are plateauing.
    - Institutions also suggested moving this rate metric to a benchmark, where success would be measured on an institution's ability to meet a set graduation rate based expected success informed by student demographics.
    - Dr. Gentile indicated this is not how outcomes are currently measured in the outcomes-based funding formula, which promotes productivity and increases in efficiencies.
    - However, THEC staff did investigate how to address concerns of possible stagnant growth in the six-year graduation rate within the current architecture of the model. This led to the proposed policy change to move from a six- to four-year graduation rate.

- Director of Fiscal Policy Russell VanZomeren started by briefly discussing the work completed by THEC fiscal policy staff concerning the creation of a benchmark graduation rate metric and then began the discussion on the possible formula effects of moving to an on-time graduation rate.
- Mr. VanZomeren presented current six-year graduation rates by institution for first-time, full-time freshmen, transitioned to a presentation of the four- year graduation rate, and then finally compared the two measures to identify opportunities for increased growth.
- Mr. VanZomeren then discussed the growth in these rates over time, illustrating that while the average six-year graduation rate has grown over the last decade, the average four-year rate has grown even more.
- Modeling of the current formula shows that had a four-year graduation rate been implemented in 2015, cumulative funding would have been higher for seven of the nine universities.
- Mr. VanZomeren concluded his presentation by presenting additional information on the policy framework for this recommended change including how this change would affect students, the state, and institutions.
- Based on the analysis completed by THEC staff and considering current THEC policy and feedback from various stakeholders—including members of the working group and members of the formula review committee, Mr. VanZomeren presented the following **proposed change to the graduation rate metric**:
    - *Transition the graduation rate metric from a measurement of 150% time to on-time graduation.*
- President Glover stated she had some concerns that this change would have a negative effect on poor and minority students asserting that these students delay graduation due to lack of resources and the need to work to support themselves. President Glover stated that institutions who serve more of these types of students would potentially be negatively affected by this outcome change.
- President Sidney McPhee from Middle Tennessee State University reiterated President Glover's concerns, especially concerning the needs of rural and working students. President McPhee also expressed concern that movement to a four-year graduation rate would force institutions to increase entrance standards, limiting attendance to those students who can complete on-time.

- THEC fiscal staff studied the rate at which full-time students drop to part- time status and found that on average about one-quarter of full-time students drop to part-time status at some point during their college attendance. This phenomenon would not account completely for the current on-time graduation rates.
- Dr. Martin asserted that there exist other metrics in the formula already to recognize low-income students and reward institutions for outcomes as soon as the outcome is produced.
- President Noland asked about the applicability across sectors asking if we would also reset the community college sector to on-time completion.
  - Dr. Gentile indicated that currently the funding formula does not measure graduation rates for the community colleges.
- President Licari asked if THEC staff had looked at graduation rates by institution by type of student. President McPhee supported this request.
  - Dr. Gentile indicated that THEC will investigate this specific data request and bring an analysis to the next formula review committee meeting.

- **Fixed Costs:** Introduction of the recommended removal of or change to the influence of fixed costs on the outcomes-based funding formula
  - Dr. Gentile introduced the concern with the inclusion of fixed costs in the funding formula, which currently encourages growth in space and maintaining more expensive non-renovated square footage. These incentives contradict current THEC capital policy as well as the core tenets of THEC's strategic financial plan, both of which focus on efficient use of space and promoting renovations.
  - Dr. Gentile briefly mentioned three possible solutions to this fixed cost concern: the removal of fixed costs completely from the formula; the reduction of the influence of fixed costs on the formula; or the streamlining of the fixed costs calculation to better align with other THEC policies.
  - Dr. Gentile indicated that this would be the main topic of conversation in the next convening of this committee.

General Discussion

- Dr. Gentile opened the floor to general discussion to allow for committee members to identify topics of concern that THEC staff had not identified.
- Dr. Martin suggested investigating predictive modeling for graduation rates based on the entering characteristics of students.

    - Dr. House indicated THEC staff would discuss this further with Dr. Martin before the next meeting.
- No further comments were provided by the formula review committee members.

- **Low-Income Focus Population:** discussion of the addition of a secondary data source to allow for the inclusion of out-of-state students in the low-income focus population.
    - Dr. Gentile provided an overview of the current method for measuring the low- income focus population. Due to the data source, the low-income focus population only includes in-state Pell-eligible students. The exclusion of out-of-state students from this focus population was not a policy decision and THEC staff have been working with institutional data representatives to devise a high-fidelity method to collect out-of-state low-income student information.
    - Based on the analysis completed by THEC staff and considering current THEC policy and feedback from various stakeholders—including members of the working group and members of the formula review committee, Dr. Gentile presented the following **proposed change to the low-income focus population premium.**
        - *Expand data collection process to include out-of-state students in the low-income focus population premium to align this premium with all others.*
    - President Licari indicated full support for this proposed change.
    - No further comments were provided by the formula review committee members related to this proposed change.

Adjourn

- With no further discussion, Dr. Emily House adjourned the meeting, indicating that committee members would be contacted shortly with information on the next scheduled meeting.

Next Statutory Formula Review Committee Meeting

Wednesday, September 1 at 1:30 PM Central

Statutory Formula Review Committee - July Meeting Attendance

Name	Institution	Title	Attended	Designee
Emily House	Tennessee Higher Education Commission	Executive Director	Yes	
Randy Boyd	University of Tennessee	President	Designee	Dr. Linda Martin
Flora Tydings	Tennessee Board of Regents	Chancellor	Yes	
Michael Licari	Austin Peay State University	President	Yes	
Brian Noland	East Tennessee State University	President	Yes	
Sidney McPhee	Middle Tennessee State University	President	Yes	
Glenda Baskin Glover	Tennessee State University	President	Yes	
Phil Oldham	Tennessee Technological University	President	Yes	
David Rudd	University of Memphis	President	No	
Butch Eley	Department of Finance and Administration	Commissioner	Yes	
Jason Mumpower	Comptroller	Comptroller	Yes	Lauren Spires
Senator Brian Kelsey	Senate	Chair, Senate Education	Designee	Michael Maren
Senator Bo Watson	Senate	Chair, Senate Finance, Ways & Means	No	
Representative Mark White	House of Representatives	Chair, House Education Administration	No	
Representative Patsy Hazlewood	House of Representatives	Chair, House Finance, Ways & Means	No	
Peter Muller	Office of Legislative Budget Analysis	House Budget Analysis Director (through July)	Yes	
Catherine Haire	Office of Legislative Budget Analysis	Senate Budget Analysis Director	Yes	

Appendix C

Tennessee Higher Education Commission
2021-2025 Formula Review Committee
September 1, 2021 Meeting Minutes

On September 1, 2021, the 2021-2025 Formula Review Committee (FRC) convened for its second meeting to review the current outcomes-based funding formula. The meeting began with roll call and a determination of necessity to allow for a quorum to be constituted using members participating in the meeting remotely. A motion of determination was made by Greg Turner and seconded by Dr. Brian Noland. The motion was supported unanimously by committee members in attendance.

Dr. Steven Gentile, Chief Policy Officer, gave an overview of the topics to be covered during the meeting as well as a recap of items that were settled during the last meeting. These items included changes to the scaling and counting of associate degrees in the university sector. Dr. Gentile noted that the FRC changes related to university associate degrees were presented to and approved by the Tennessee Higher Education Commission at the July 2021 meeting, and would be immediately implemented in the FY23 appropriation cycle. Other topics reviewed included the workforce investment premium, inclusion of out-of-state low-income students in the low-income premium, and potential changes to the graduation rate calculation. Dr. Gentile reminded the group that any changes on these or other items would be implemented in the FY24 appropriation cycle.

A summary of the discussion is below.

Discussion of Proposed Five-Year Revisions to the Formula

- **Graduation Rate Metric:** Continued discussion of the possibility of moving from a six-year to four-year graduation rate.
    - Dr. Gentile began by furth addressing potential changes to the graduation rate metric. He acknowledged during the previous meeting a couple committee members had expressed concern about how the on-time completion metric would affect institutions with larger shares of Pell-eligible or minority students.
    - After noting that the THEC fiscal team would be responding to the questions raised in the previous meeting about graduation rate, Executive Director Dr. Emily House stated that THEC **does not intend to move forward with a recommendation to move to a four-year graduation rate within the formula at this time.**

- Further, Dr. House noted that this is just the beginning of this conversation around efficiencies in completion, and that THEC plans to ensure this is a key component of the THEC Master Plan and Strategic Financial Plan conversations.
- Director of Fiscal Policy Russell VanZomeren then presented extensive analysis completed in response to questions about graduation rates raised by institutional representatives on the committee.
- Mr. VanZomeren provided graduation rates for the most recent cohort available, acknowledging the unique student bodies served by each institution and how that can affect graduation rates.
- Mr. VanZomeren noted the concerns expressed by institutions serving greater proportions of Pell and Minority students and how those institutions would be able to succeed with a four-year rate within the formula. In the most recent cohort, one-fourth of Pell and one-half of non-Pell students graduated on time from universities.
- Graduation rate growth over the past six years by sector and Pell status was then presented. Mr. VanZomeren noted that the growth for both Pell and Non-Pell students has been higher for completion in four years compared to six years. This data indicates that had THEC used a four-year graduation rate in the most recent formula model, it would not have uniquely hurt Pell eligible students or the institutions who serve higher proportions of those students.
- Mr. VanZomeren then transitioned to discussing potential effects of transitioning to a four-year graduation rate on institutions serving high proportions of minority students. The analysis presented showed that growth in four-year graduation rates for minority students meets or exceeds growth in the six-year rate.
- Mr. VanZomeren commended the universities for their work in improving graduation rates at both the four and six-year levels before transitioning to highlight where growth areas may still exist as universities look to the future.
- The discussion concluded with Dr. House again reiterating that THEC would not recommend a change to the graduation rate metric in the formula at this time. Dr. Gentile noted that THEC will examine other policies and practices outside of the formula that can be leveraged to improve on-time completion.
- President Glover from Tennessee State University asked that the slides presented be made available to committee members.

        - THEC committed to doing so and these slides can be found on the THEC website here.
    - President Oldham from Tennessee Tech University suggested that one of the large drivers of four-year graduation is the number of credit hours students enter college with and asked if THEC had looked at those trends and, if so, could demographic considerations to be made related to a graduation rate change.
        - Dr. House said THEC has looked into this some and continues to have discussions around dual enrollment but can continue to look into this.
        - Dr. Gentile noted that making sure that a broader swath of students has access to dual enrollment is also key.
    - President Oldham added that dual enrollment often being remote adds a level of difficulty and encouraged THEC to make sure students have access to dual enrollment courses embedded in the local high schools.
    - Vice Chancellor of Business and Finance Danny Gibbs, speaking as the designee for Tennessee Board of Regents Chancellor Dr. Flora Tydings, noted that TBR would be open to the inclusion of a graduation rate within the community college sector.
        - THEC Senior Director of Fiscal Policy Crystal Collins said THEC would be open to adding this as a sector level outcome for the community colleges and welcomed further conversation on this matter.

- **Fixed Costs:** Discussion of the recommended removal of—or change to—the influence of fixed costs on the outcomes-based funding formula.
    - Dr. Gentile began with an overview of fixed costs within the formula, noting that fixed costs account for about 22 percent of funding within the formula. He then reviewed what items are currently included in the fixed costs calculation included in the funding formula.
    - Dr. Gentile noted that fixed costs are calculated annually, and are sensitive to new buildings, renovations, demolitions, and buildings being taken offline. Additionally, the fixed costs calculation is the most time intensive part of the formula for both THEC and institutional staff.
    - Fixed costs are not listed as an outcome in statute, but because fixed costs influence funding, institutions are incentivized to grow this portion of the formula similar to outcomes. Since the beginning of the formula, fixed costs account for the third greatest influence on funding, only trailing associate and bachelor's degrees. The inclusion of fixed costs in a growth model

disincentivizes reducing the campus footprint, counter to the overall capital outlay process.

- Dr. Gentile then presented three options for discussion:
  - streamline fixed costs to focus solely on the Education & General (E&G) space footprint and equipment inventory;
  - move the current fixed costs measure to a 3-year average; or
  - gradually reduce, but not remove, over several years the influence of fixed costs on the formula.
- President Oldham asked if there had been modeling done to show how these changes would move money.
  - Dr. Gentile said THEC fiscal staff had modeled the effects of two of the three options: focusing on the E&G footprint and reducing the overall influence of fixed costs on the formula. Dr. Gentile noted these models had been shared out to committee and working group members but that THEC would be happy to provide them again.
- President Oldham acknowledged that the changes seem reasonable, though without modeling it would be tough to know for sure.
- Dr. Gentile noted he understood this concern and cautioned that any modeling THEC shared out would only indicate how money would have moved in the past, not necessarily what would happen going forward. He also noted the volatility-limiting and reduction scenarios give more influence to outcomes in the formula.
- Chief Financial Officer David Miller, speaking as the designee for University of Tennessee President Randy Boyd, asked if the modeling could include analysis as to whether the removal of fixed costs would result in decreasing in appropriations overall.
  - Ms. Collins responded that the modeling THEC had completed operated on a "no new money" assumption, such that new money would not mute any cumulative effects. She acknowledged THEC could make a model looking at FY 21-22 and see what the removal of fixed costs would've done to the overall recommendation.
- Vice Chancellor Gibbs stated that the original wisdom of including fixed costs within the formula was to recognize the significant operating costs associated with bringing new buildings online. Mr. Gibbs expressed gratitude that THEC is no longer considering removing fixed costs altogether and said that several of TBR's institutions believe it is important to keep fixed costs within the formula.

- Mr. Gibbs did agree that it may make sense to limit fixed costs to E&G, however, he did express concern that the plan to switch to the three-year average would dilute one of the primary benefits of fixed costs being in the formula—creating a revenue stream that can help cover the costs of bringing a new building online. Finally, Mr. Gibbs noted that any movement towards increasing the impact of outcomes on the formula would be detrimental to the community colleges over the next few years because of pandemic-related enrollment declines.
  - Dr. Gentile thanked Vice Chancellor Gibbs for his remarks.
- No further comments were provided by the formula review committee members related to this proposed change.

- **Workforce Training:** Discussion of the recommended change to remove third-party activities and those independently provided by trainers who received training at the reporting community college.
  - THEC Senior Director of Fiscal Policy Crystal Collins began the discussion by defining workforce training as non-credit contact hours activities in which community colleges partner with local businesses, and industry and community partners to provide training and upskilling for local community members.
  - Ms. Collins enumerated the many changes to the workforce training since the funding formula was established and stated that that this metric is the only remaining self-reported outcome in the formula. Due to the nature of the data, an extensive review of the metric definition occurs every year to ensure accuracy, consistency, and fidelity to the intention of the metric
  - During these reviews, THEC staff identified two types of activities reported that require further discussion to determine if they meet the original intention of the metric.
  - THEC staff expressed concerns with some activities offered through partnerships with third-party online education providers, like Ed2Go, where the activity reported does not utilize instructional materials or instructor from the reporting community college.
  - In most cases, the community college's main roles involve advertising, fee collecting, and monitory student progress. Ms. Collins notes that THEC staff believe that workforce training hours where the reporting institution is not involved in the developing of course material or in providing the instruction should no longer influence the distribution of the funding formula.

- Ms. Collins then presented concerns with institutions reporting instructional activities provided by individuals who received training from the institution reporting the contact hours. She provided an example related to OSHA certification, stating that under the current definition, institutions are reporting not only the training they provide to individual to become certified trainers, but also all the trainings those trainers then go out and provide in the greater community.
- THEC believes that the primary activity described above (the providing of training to create certified trainers) <u>does align</u> with the intention of the workforce training metric, however the secondary activity (the training provided by those certified trainers who received their instruction at the reporting institution) <u>does not</u> and should no longer influence funding distribution in the formula.
- Based on analysis completed by THEC staff and considering current THEC policy and feedback from various stakeholders—including members of the working group and members of the formula review committee, Ms. Collins presented the following **recommended changes to the workforce training metric:**
    - *Exclude activities provided by the third-party vendor Ed2Go and further, exclude activities independently provided by trainers who received their training from the reporting community college.*
- Vice Chancellor Gibbs thanked THEC for their work here and asked to share comments on the issues, starting with the removal of activities provided by third-party online education providers. Mr. Gibbs noted that Ed2Go represents a cost-effective way for colleges to offer extensive course options. However, the enrollment in any given course is low enough such that it would be cost prohibitive for the colleges to offer the courses on their own.
- Mr. Gibbs stated that removal of these course from the workforce training metric would indicate to their campuses that their efforts to provide these courses to students at a lower cost than they could offer themselves would indicate that their work was not being valued. He concluded by reading testimonials from institutions on the need for Ed2Go courses.
    - Ms. Collins thanked Vice Chancellor Gibbs and the institutions for their comments, before acknowledging that THEC understands this proposed change would push institutions to reevaluate which courses they offer through Ed2Go. Ms. Collins stated that THEC's intention with this recommended change is to focus how the state's finite funds

        - are distributed to institutions through the funding formula, but that it is not THEC's intention to bar institutions from continuing to partner with Ed2Go if they chose.
    - Mr. Gibbs asked if someone will be looking further into workforce training over the next few years.
        - Ms. Collins said yes, that THEC intends to look into identifying a better way to reward institution and community partnerships in the funding formula with an eye towards the next five-year review.
    - Mr. Gibbs asked that THEC consider delaying the removal of Ed2Go training until this deeper review of workforce development partnerships is completed.
    - Additionally, Vice Chancellor Gibbs commented on the removal of activities provided by institutionally certified trainers, focusing on the OSHA activities reported by Volunteer State. He indicated that while Volunteer does have a unique model for providing OSHA trainings and capturing activities by those trainers, that TBR believes this model operates within the current rules of the workforce training metric. Mr. Gibbs further recognized that Volunteer State's success is skewing the metric for other community colleges.
    - Mr. Gibbs provided several alternatives to THEC's recommendation, including scaling these hours differently, weighting them differently, or counting them as a separate workforce training metric.
        - Ms. Collins thanked Vice Chancellor Gibbs for his remarks and asked if there are any other comments from other committee members.
    - No further comments were provided by the formula review committee members related to this proposed change.

General Discussion

- Dr. Gentile noted that THEC has no further recommendations for the day, before opening the floor to any final comments.
- No further comments were provided by the formula review committee members.

Adjourn

- Dr. Gentile indicated that THEC staff would take these discussions into consideration when developing the recommended changes to be presented to the Commission at the November 2021 meeting.
- With no further discussion, Dr. Emily House thanked committee members for attending and adjourned the meeting.

Statutory Formula Review Committee - September Meeting Attendance

Name	Institution	Title	Attended	Designee
Emily House	Tennessee Higher Education Commission	Executive Director	Yes	
Randy Boyd	University of Tennessee	President	Designee	David Miller
Flora Tydings	Tennessee Board of Regents	Chancellor	Designee	Danny Gibbs
Michael Licari	Austin Peay State University	President	Yes	
Brian Noland	East Tennessee State University	President	Yes	
Sidney McPhee	Middle Tennessee State University	President	No	
Glenda Baskin Glover	Tennessee State University	President	Yes	
Phil Oldham	Tennessee Technological University	President	No	
David Rudd	University of Memphis	President	No	
Butch Eley	Department of Finance and Administration	Commissioner	Designee	Greg Turner
Jason Mumpower	Comptroller	Comptroller	Designee	Lauren Spires
Senator Brian Kelsey	Senate	Chair, Senate Education	Designee	Michael Maren
Senator Bo Watson	Senate	Chair, Senate Finance, Ways & Means	Designee	John Kerr
Representative Mark White	House of Representatives	Chair, House Education Administration	No	
Representative Patsy Hazlewood	House of Representatives	Chair, House Finance, Ways & Means	No	
Jessica Himes	Office of Legislative Budget Analysis	House Budget Analysis Director (beginning in July)	No	
Catherine Haire	Office of Legislative Budget Analysis	Senate Budget Analysis Director	No	