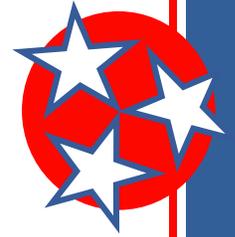


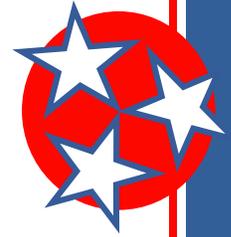
*A Review of the Tennessee
Funding Formula*

Formula Review Committee



- A review of the funding formula began in 2002.
- THEC convened a committee to recommend changes to the funding formula.
- The Formula Review Committee consists of governing board and institutional representatives, and state government representatives.
- FRC debated and developed the guiding principles and formula design themes that would inform development of a new model.

Formula Review Committee



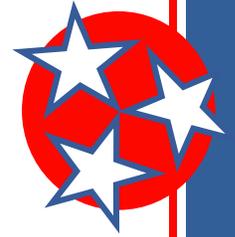
- October 15, 2004 – Joint Master Plan and Formula Review Committee Meeting.
- FRC received guidance from national experts from SHEEO and NCHEMS on “Linking the Public Agenda with Fiscal Policy”
- Technical Advisory Committee began development of the new model in January.
- New model will be used for the FY 2006-07 budget recommendation process.

Funding Formula Review



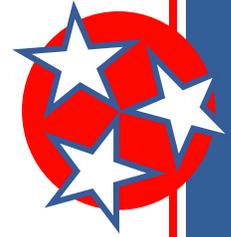
- In 2004 the General Assembly passed TCA 49-7-202 which called upon THEC to *“Develop policies and formulae or guidelines for fair and equitable distribution and use of public funds among the state's institutions of higher learning that is consistent with and furthers the goals of the statewide master plan, taking into account enrollment projections, recognizing institutional differences as well as similarities in function, service, academic programs, and levels of instruction. Additionally, such policies and formulae or guidelines shall also support and enhance regional collaboration and student access through financial aid, while being mindful of the funding capacity of the state. The commission shall review and revise the current formulae and provide the senate and house education committees with a report on progress made during each session of the 104th General Assembly. The formulae shall be utilized to determine the higher education appropriations recommendation no later than the 2006-2007 fiscal year.”*

New Formula Considerations



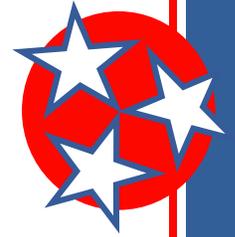
- Links with 2005-10 Tennessee Master Plan
- New unique institutional peer sets
- Enhanced focus on student retention
- Simplicity
- Focus on institutional distinction and mission
- Emphasis on total need
- Revised student fee policy; transitioning to a Cost Sharing Policy

Master Plan & Funding Formula Links

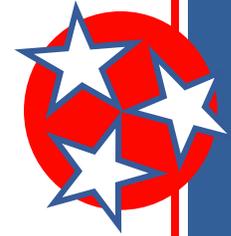


Master Plan	Formula Features
Access	Increased enrollment produces greater recommendation. Focus on adult enrollment of students age 25 and up at community colleges.
Quality	Enhancement of the performance funding calculation. Increased focus on student retention. Emphasis on mission distinction in programmatic offerings and research.
Preparation	Performance Funding program. Increased focus on student retention.
Affordability	Revised Cost Sharing policy between the state and the student.

New Formula Components



- New, unique peer sets for each university.
- New peer set for the community colleges.
- Focus on adult enrollment of students age 25 and up at community colleges.
- Research calculation determined by Carnegie classification and Doctoral degree production.
- Enrollment base calculation using a three-year moving average of actual fall enrollments.



Revised Formula Components

- Out of state tuition deduction that avoids the incentives and disincentives for enrolling out of state students.
- Focus on student retention at universities.
- Revised cost sharing policy that no longer uses ratios, but uses a percent of the total need.
- Adjusted performance funding calculation.

