

# DRAFT OUTCOMES-BASED FORMULA OVERVIEW

Guiding components to be included in formula:

- Rewards progression
- Rewards awards conferred
- Outcomes are counts rather than rates
- Target populations will be incentivized
- Priorities can be determined at sector level
- Strategic initiatives can be determined at the sector level

In addition to including the above components, some general principles were applied when creating this model:

- This formula would replace the two current formulas in their entirety. The draft would be revenue-neutral, effectively creating a base for each institution. New funds would then be earned (or lost) based on outcomes.
- Calculations are made using data points from individual institutions, but would be calculated at the sector level
  - Technical Colleges
  - State & Two Colleges
  - Regional & State Universities
  - Research Universities
- The authority of the Chancellor and Commissioner to allocate funds would not be changed.

Variables in formula:

- Weights
- Scales
- Sector priorities
- Funding multiplier
- Incentive bonus amount

How these fit together:

- Formula weights for progression increase and a school earns more as a student progresses. Progression weights do not have a data source; they are steps from 0 to 1. A natural ramp-up is built into this segment.
- The completion weights were determined using census data and the economic impact to the state (increased tax revenue from higher salaries). At face value, higher level degrees earn a school higher dollar amounts. Again, the formula weights provide a natural ramp-up, and completion will make up the majority of the award.
- At face value the awards will earn the same, but the final value of the awards can change as sector priority rankings are adjusted. Sector priority rankings are intended to focus the different sectors on particular outcomes.
- Like the Tennessee model, scales are used to find balance between the current allocations between each sector and the formula output.
- Completion is weighted more than progression. These values can be adjusted by sector using sector priorities.
- The incentive bonus amount was set at .1 in the draft model. A Pell or adult student would earn 10% more than the total in the "Funding per Outcome" column. A student who is both would earn 20% more than this total.
- A funding multiplier is still to be determined. Tennessee uses SREB salary data as their funding multiplier. Options that our working group is considering include SREB salary data, actual average salary data, economic value of outcomes, and a calculated average cost to educate a student.