

DATE: July 24, 2008

SUBJECT: Update on the Performance Funding Program

ACTION RECOMMENDED: Information

BACKGROUND INFORMATION: At the April 2005 meeting, the Commission approved the Performance Funding standards for the 2005-10 cycle. Since 1979, the performance funding program has addressed public policy concerns regarding the need to strengthen Tennessee’s public higher education system and make institutions more competitive in the region. The performance funding program is designed to stimulate institutional improvement and student learning as institutions carry out their respective missions. The third year (2007-08) of the cycle has ended with institutional reporting on their performance in August 2008. Performance from academic year 2007-08 will be used in the FY 2009-10 funding formula allocation.

The performance funding program is an incentive opportunity for institutions to earn resources above and beyond formula-based appropriations. Institutions can earn up to 5.45 percent of their state operating appropriations. The program is based upon a point scale from 0 to 100. These performance funding dollars are made available to the college’s general funds to be used for institutional priorities at the discretion of the institution. Table 1 provides the performance funding points and dollars earned for the first two years of the 2005-10 cycle. These point allocations were utilized in the FY 2007-08 and FY 2008-09 budget cycles.

As in previous cycles, the program is focused on indicators related to student, program and institutional indicators. Overall, the 2005-10 performance funding program measures 17 indicators. These indicators are broadly defined within the following five standards:

- 1) Student Learning Environment and Outcomes
- 2) Student Satisfaction
- 3) Student Persistence
- 4) State Master Plan Priorities
- 5) Assessment Outcomes

New features of the 2005-10 performance funding cycle include:

- Serves as the assessment piece for our state-wide master plan, *Creating Partnerships for a Better Tennessee*;
- Capitalizes on availability of national benchmarking tools (e.g., student engagement surveys, instructional cost studies and retention/persistence rates);

- Recognizes the regional accreditation process in using performance funding data and other assessment tools for student learning and institutional improvement;
- Encourages institutional focus on outcomes rather than processes;
- Uses institutional formula peer sets to benchmark retention and persistence rates;
- Continues to stress transfer student success; and
- Continues to emphasize employer feedback.

The Performance Funding Program has been a hallmark of assessment and planning in which Tennessee has engaged in for close to three decades. What are some of the benefits of Tennessee's long history of assessment and planning? One major benefit has been the establishment of an assessment infrastructure on campuses. This has rewarded institutions in more ways than simply getting performance funding dollars. Another benefit is that each institution determines where best to place performance funding dollars to improve the quality of their institution.

The Performance Funding program is redesigned periodically. This keeps it responsive to changing environments, but provides for meaningful evaluations of student performance, academic programs and other institutional indicators over time. Beginning in January 2009, the Commission staff along with staff from the Tennessee Board of Regent and the University of Tennessee system will begin the collaborative process of planning for the 2010-2015 performance funding cycle. At the April 2010 Commission meeting, the new standards will be presented for your approval.

Table 1
2005-10 Performance Funding Cycle

Institution	2005-06		2006-07	
	Points	Dollars	Points	Dollars
Austin Peay	92.0	2,062,644	88.0	2,090,831
East Tennessee	96.0	3,449,743	94.5	3,574,670
Middle Tennessee	93.5	5,840,792	94.5	6,399,078
Tennessee State	83.5	1,840,694	76.0	1,829,097
Tennessee Tech	96.0	2,649,399	96.0	2,869,068
Univ of Memphis	89.0	6,577,483	86.0	6,675,369
TBR - Universities		22,420,755		23,438,113
UT Chattanooga	94.0	2,477,426	95.0	2,715,398
UT Knoxville	93.5	10,890,356	92.5	11,352,986
UT Martin	94.0	1,804,040	87.5	1,773,494
UT System		15,171,822		15,841,878
Chattanooga	88.0	1,259,817	90.0	1,350,950
Cleveland	94.0	586,944	93.0	605,349
Columbia	97.0	828,170	90.0	817,616
Dyersburg	94.0	459,200	89.0	468,898
Jackson	93.0	730,821	83.0	688,702
Motlow	93.0	638,651	95.0	711,942
Nashville	94.0	1,010,797	96.0	1,083,572
Northeast	93.0	828,755	92.0	918,096
Pelissippi	89.0	1,220,103	93.0	1,375,918
Roane	93.0	1,074,729	94.0	1,133,510
Southwest	79.0	1,713,278	80.0	1,809,092
Volunteer	89.5	1,084,081	90.0	1,136,804
Walters	94.0	1,133,834	97.0	1,268,732
TBR - Community Colleges		12,569,180		13,369,181
Grand Total		50,161,757		52,649,172