Current Formula

- Current “Formula for Excellence” in place since 1982
- Appropriation Formula to Calculate “Lump-Sum”
- Agreement Between Executive and Legislative Branches
- Formula Variables (Semester Credit Hours, Square Footage, and Fringe Benefits)
- Formula Decline (Inflation, Missing Components, Reductions)
- Formula Mathematical State Fund Shortfall = $1.2 Billion
- State Funds – Tuition ratio: once 75% - 25% (now ~50% - 50%)
- Formula Revision Overdue

“Creating A More Educated Georgia”
Other States

- Enrollment-based formula has been the traditional method of funding education in most states
- Most states are now exploring or implementing outcomes-based/performance-based formula
- Reasons cited:
  - Ongoing budget reductions
  - Improve quality – progression and completion
  - Economic development need for more graduates
  - Measure return on investment
  - Legislative expectations

“Creating A More Educated Georgia”
A growing number of states are shifting to some form of performance-based funding, recognizing the importance of linking the dollars to student success. Tennessee uses an all-in approach.
Frequent Measures

- Degrees Awarded/Credentials Earned
- Progression (Checkpoints)
- Course Completion
- Remediation Completion
- Graduation Rates
- Transfers
- Research Funding
- Remedial Student Credentials
- Low-Income Student Credentials (Pell)
- STEM/Critical Fields Credentials
- Non-traditional Student Credentials (Age 25+)

“Creating A More Educated Georgia”
Funding Commission

• Demonstrated need for formula review
• Governor established the Higher Education Funding Commission by Executive Order – October 2011
• Review of University System and TCSG
• Higher Education Funding Commission charge:
  • Incentivize Outcomes Rather Than Enrollment
  • Link Funding to Complete College Georgia (CCG) objectives
  • Establish Framework for an Outcomes-Based Formula
• Seven Commission Meetings
• Final Report – December 12, 2012

“Creating A More Educated Georgia”
Considerations

• Complete College Georgia
• Focus on Quality: Increase Educational Quality While Increasing Completion and Attainment
• Respect for Institutional Mission and Minimize Mission Creep
• Formula Simplicity
• Alignment Degree Production to Workforce Development

“Creating A More Educated Georgia”
Recommendations

- Higher Education Funding Commission recommended an outcomes-based funding formula (Tennessee model)
- Commission established a Framework – not the details of new formula
  - Rewards Progression, Degrees and Certificates Conferred
  - Incentivizes Target Populations (Low-Income, Adult Learner)
  - Allows for incentives based on sector and state priorities (i.e. STEM initiatives, etc.)
  - Addresses fixed costs such as M&O as a separate calculation
  - Uses SREB average salary as multiplier plus factor to addresses increases in health insurance and fringe benefits

“Creating A More Educated Georgia”
Future Study

- Add First-Generation Students as an Incentivized Population
- Methods of Funding Dual-Credit Programs to Ensure Students “Move On When Ready”
- Separate Study/Formula: Medical Education Funding
Activity Since Commission Report

• Engage CBO’s to Develop Detailed Formula:
  – Discuss Commission Recommendations
  – Finalize Measures and Definitions
  – Verify Data Availability/Capture
  – Develop Model (Test to Balance to Appropriation)
  – Identify Potential Issues and Problems

• Engage with OPB and House/Senate Budget Offices
• Work with Governor on Adequate Funding Base
• Present to Board and Presidents (And Others)
• Finalize Model By Spring 2014 (FY 2016 Budget Request)

“Creating A More Educated Georgia”
Performance Funding Formula
“Ground Rules”

- Performance Funding Begins – FY 2016
- Performance Generates Earnings – Except Fixed Costs
- Final FY 2015 Formula Converted to Performance
- Conversion – Likely Zero Sum/Near Zero Sum $$
- Work During 2014 Session to Ensure Adequate Base
- State Funds Only Formula (No Tuition Policy)
- New Formula a Request Formula – Still Provides for Appropriation and Lump Sum
- Institutional Allocations Determined by the Board
- Performance/Formula Will Factor in Allocation
Measures

• Progression/Retention Measured at 15, 30, 60 and 90 Hours (Approximately 40% to 50%)

• Completion/Degrees Conferred (50% to 60%):
  – Certificates, Associates, Bachelor’s, Master’s, Specialist
  – Learning Support Completion
  – Transfers Out (Primarily Access Institutions)

• Potential Bonus Measures (Future Study):
  – Strategic Initiatives
  – Critical Fields
  – Pass Rates

“Creating A More Educated Georgia”
Special Weighting

• Provide Additional 10% Weighting

• Special Populations:
  – Low-Income (Pell As Proxy)
  – Non-Traditional (Age 25 or Over)

• First Generation Learners (Future Study)
Components
(Independent of Performance)

• Maintenance and Operations
  – Square Footage
  – Rate Per Sq. Foot (Maintenance, Utilities, Physical Plant)

• Fringes Benefits
  – Health
  – Retirement: TRS, ORP and Retirees

• Research?

• Medical Education Funding

“Creating A More Educated Georgia”
Organization

• Organization By Sector:
  – Research Institutions
  – Comprehensive Universities
  – State Universities
  – State Colleges Balanced Bachelor/Associate
  – State Colleges Associate Dominant

• Unique Weighting By Sector

• Sector Priorities Vary by Progression/Completion Measure

“Creating A More Educated Georgia”
Data and Formula Elements

Outcomes Data (Three-Year Moving Average)  
×

Formula Weight (Data Points Conversion)  
×

Sector Priority  
×

SREB Average Salary By Sector  
=

Funding Per Measure

“Creating A More Educated Georgia”
Formula Continued

Sum of Funding Per Measure
  +
Fringe Benefits (Health/Retirement)
  +
Maintenance and Operations
  +
Research
  =
Total Formula Earnings

“Creating A More Educated Georgia”
<table>
<thead>
<tr>
<th></th>
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<td>285 275 230</td>
<td>106 109 88</td>
<td>118 101 76</td>
<td>2,136 2,078 2,229</td>
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<td>GRU - Medical</td>
<td>285 275 230</td>
<td>106 109 88</td>
<td>118 101 76</td>
<td>2,136 2,078 2,229</td>
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<td>Research Universities</td>
<td>12,241 12,627 13,335</td>
<td>3,685 4,038 4,742</td>
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<td>Regional Regional &amp; Comprehensive Universities</td>
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<td>4,492 4,598 4,919</td>
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<td>2,136 2,078 2,229</td>
<td>4,286 2,664 2,881</td>
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<td>1,083 1,209 1,309</td>
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<td>2,486 2,664 2,881</td>
<td>1,515 1,749 1,985</td>
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<td>2,493 2,684 2,906</td>
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<td>1,083 1,209 1,309</td>
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<tr>
<td>Balanced Bachelor's &amp; Associate State Colleges</td>
<td>773 890 1,223</td>
<td>394 489 693</td>
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<td>Associate Dominant State Colleges</td>
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<td>0 0 0</td>
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<td>0 0 0</td>
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<td>Total</td>
<td>28,590.00 29,768.00 31,595.00</td>
<td>11,020.00 12,201.00 14,037.00</td>
<td>7,826.00 7,931.00 8,556.00</td>
<td>12,734 3,814 2,570</td>
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3-Year Average

<table>
<thead>
<tr>
<th>Institution</th>
<th>All Students</th>
<th>Students with Pell at Any Time in College</th>
<th>Adult Learners (25+)</th>
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<tbody>
<tr>
<td>GRU - Medical</td>
<td>263</td>
<td>101</td>
<td>98</td>
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<td>Research Universities</td>
<td>12,734</td>
<td>4,155</td>
<td>2,148</td>
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<td>Regional Regional &amp; Comprehensive Universities</td>
<td>8,678</td>
<td>3,814</td>
<td>2,570</td>
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<td>Balanced Bachelor's &amp; Master's State Universities</td>
<td>4,670</td>
<td>2,074</td>
<td>1,552</td>
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<td>Bachelor's Dominant State Total</td>
<td>2,677</td>
<td>1,750</td>
<td>1,209</td>
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<td>Balanced Bachelor's &amp; Associate State Colleges</td>
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<td>525</td>
<td>536</td>
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<tr>
<td>Associate Dominant State Colleges</td>
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<td>0</td>
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<tr>
<td>Total</td>
<td>0 0 29,984</td>
<td>0 0 12,419</td>
<td>0 0 8,104</td>
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</table>

Example reflects 3-year moving average and provides additional weights for Pell and Adult Learner credentials (10% bonus for each).
### Sector: Research Universities

<table>
<thead>
<tr>
<th>Data</th>
<th>Formula Weight</th>
<th>Weighted Points</th>
<th>Sector Priority</th>
<th>Total Points</th>
<th>SREB Salary Multiplier</th>
<th>Funding Amount</th>
<th>Funding per Outcome</th>
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</thead>
<tbody>
<tr>
<td>Students Accumulating 15 Hours</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>$ 86,699</td>
<td>-</td>
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<tr>
<td>Students Accumulating 30 Hours</td>
<td>12,699</td>
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<td>4,762.13</td>
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<td>238.11</td>
<td>$ 86,699</td>
<td>$ 20,643,574</td>
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<td>Students Accumulating 60 Hours</td>
<td>15,625</td>
<td>0.38</td>
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<td>585.94</td>
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<td>$ 50,800,195</td>
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<tr>
<td>Students Accumulating 90 Hours</td>
<td>36,139</td>
<td>0.38</td>
<td>13,552.13</td>
<td>15.0%</td>
<td>2,032.82</td>
<td>$ 86,699</td>
<td>$ 176,243,353</td>
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<td>Students Successfully Completing Remedial Courses</td>
<td>2</td>
<td>0.10</td>
<td>0.20</td>
<td>0.0%</td>
<td>-</td>
<td>$ 86,699</td>
<td>-</td>
</tr>
<tr>
<td><strong>Progression Total</strong></td>
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<td>30.0%</td>
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<td>Students that earn a Certificate</td>
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<td>11.25</td>
<td>2.0%</td>
<td>0.23</td>
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<td>$ 19,507</td>
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<td>Students that earn an Associate's Degree</td>
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<td>-</td>
<td>0.0%</td>
<td>-</td>
<td>$ 86,699</td>
<td>-</td>
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<tr>
<td>Students that earn a Bachelor's Degree</td>
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<td>0.24</td>
<td>3,140.78</td>
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<td>Students that earn a Master's/Ed Specialist Degree</td>
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<td>Students that earn a Doctoral/Professional Degree</td>
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<td>1,145.40</td>
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<td>Students - Transfer Out</td>
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<td>0.15</td>
<td>1.80</td>
<td>0.0%</td>
<td>-</td>
<td>$ 86,699</td>
<td>-</td>
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<td><strong>Awards Total</strong></td>
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<td>70%</td>
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<td><strong>Fringe Benefits</strong></td>
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<td></td>
<td></td>
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<td><strong>Research</strong></td>
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<td>Research Funding</td>
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<td>To Be Determined</td>
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<tr>
<td><strong>Maintenance and Operations</strong></td>
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<tr>
<td>Plant Operations Funding Rate</td>
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<td>M&amp;O Funding Rate</td>
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<td>Resident Instruction Square Footage</td>
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<td>$ 166,805,906</td>
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<td>Percent Funded By State</td>
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<td>Maintenance and Operations Funded By State</td>
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<td><strong>Fringe Benefits</strong></td>
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<td>Outcomes Funding</td>
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<tr>
<td>TOTAL FY13 STATE FUNDS REQUEST</td>
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<td></td>
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<td>$ 659,000,789</td>
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<td>FY 2013 Original Allocation</td>
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<td></td>
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<td>$ 659,000,029</td>
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## Sector: State Colleges Associate Dominant

<table>
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<th></th>
<th>Data</th>
<th>Formula Weight</th>
<th>Weighted Points</th>
<th>Sector Priority</th>
<th>Total Points</th>
<th>SREB Salary Multiplier</th>
<th>Funding Amount</th>
<th>Funding per Outcome</th>
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<tr>
<td>Students Accumulating 15 Hours</td>
<td>12,337</td>
<td>0.18</td>
<td>2,220.66</td>
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<td>111.03</td>
<td>$ 53,354</td>
<td>$ 5,924,055</td>
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<td>Students Accumulating 30 Hours</td>
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<td>301.57</td>
<td>$ 53,354</td>
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<td>Students Accumulating 60 Hours</td>
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<td>673.85</td>
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<td>$ 35,952,486</td>
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<td>Students Accumulating 90 Hours</td>
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<td>32.35</td>
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<td>$ 1,726,109</td>
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<td>693.60</td>
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<td>Progress Total</td>
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<td></td>
<td></td>
<td>50.0%</td>
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<tr>
<td>Students that earn a Certificate</td>
<td>530</td>
<td>0.13</td>
<td>68.90</td>
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<td>6.89</td>
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<td>Students that earn an Associate’s Degree</td>
<td>3,727</td>
<td>0.18</td>
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<td>201.26</td>
<td>$ 53,354</td>
<td>$ 10,737,919</td>
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<td>Students that earn a Bachelor's Degree</td>
<td>-</td>
<td>1.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 53,354</td>
<td>-</td>
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<tr>
<td>Students that earn a Master's/Ed Specialist Degree</td>
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<td>1.00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ 53,354</td>
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<tr>
<td>Students that earn a Doctoral/Professional Degree</td>
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<td>-</td>
<td>-</td>
<td>$ 53,354</td>
<td>-</td>
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<tr>
<td>Students - Transfer Out</td>
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<td>50.0%</td>
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<td></td>
</tr>
</tbody>
</table>

### Fringe Benefits

- Health Insurance and Retirement: 11,663,530

### Research

- Research Funding: N/A

### Maintenance and Operations

- Plant Operations Funding Rate: $5,1782
- Utilities Funding Rate: $2,1340
- M&O Funding Rate: $7,31
- Resident Instruction Square Footage: 3,345,604
- Maintenance and Operations Funding: $24,463,726
- Percent Funded By State: 75%

### Maintenance and Operations Funded By State

- 18,347,794

### Fringe Benefits

- Outcomes Funding: $68,042,623
- Fringe Benefits: $11,663,530
- Maintenance and Operations Funded By State: $18,347,794
- Research Funding: -

### TOTAL FY13 STATE FUNDS REQUEST

- $98,053,947

### FY 2013 Original Allocation

- $98,047,520
“How Much Will I Get?”

- Approximately the Same Amount as in FY 2015?
- Conversion – Near Zero Sum $$
- FY 2016 Request Based on Rollup of Performance
- Allocation in FY 2016 – Likely Stable
- Performance Must Become A Factor!
- Phase-In of 3 years?? (Both Earnings and Disparities)
- Compete Against Self (Prior Performance)
- Compete Within System (Given Limited State Resources)
- State Fund Only Formula (Not Tuition)
- Allocation By Board

“Creating A More Educated Georgia”
• Outcomes model linked directly to Complete College Georgia
• Outcomes are counts rather than rates and does not depend on an initial cohort
• Includes any outcome achieved by any student at any time (part time, returning students, transfers, etc.)
• No imposed targets or pre-determined goals
• Formula not prescriptive in how to achieve success and excellence
• Each institution’s calculation is independent of other institutions
• Should provide for more stable funding vs. enrollment

“Creating A More Educated Georgia”
Bachelor's Degree Six-Year Graduation Rates
First-Time Full-Time Freshman

System Wide Percentage

Fall Cohort


46.44% 46.52% 48.33% 48.93% 50.44% 53.84% 55.11% 56.10% 56.73% 57.79% 58.97% 59.19% 59.51% 60.47%
University System
Awards/Degrees Conferred

<table>
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<th>Year</th>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
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</tbody>
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Bachelor's Degree One-Year Retention Rates
First-Time Full-Time Freshman

System Wide Percentage

Fall Cohort


74.00% 76.00% 78.00% 80.00% 82.00% 84.00% 86.00% 88.00%

79.65% 79.88% 80.23% 80.99% 82.32% 83.01% 83.44% 85.07% 85.13% 85.59% 85.76% 86.24% 86.13% 86.01% 85.92% 84.61%
Next Steps

• Continue to work with the Governor, Office of Planning and Budget, General Assembly, House Budget Office, and Senate Budget Office
• Model and Finalize Formula
• Regular Updates with Presidents, Provosts, Chief Budget Officers, and Others
• Board Briefing Once Final
• Possible Training Workshops

“Creating A More Educated Georgia”
Board of Regents
University System of Georgia

Funding Formula Revision
Performance Funding
March 18, 2014

“Creating A More Educated Georgia”