THECB Legislative Agenda



Outcomes-Based Formula Funding

Promoting Student Success

Presentation to the House Appropriations Committee
Subcommittee on Education
February 24, 2011

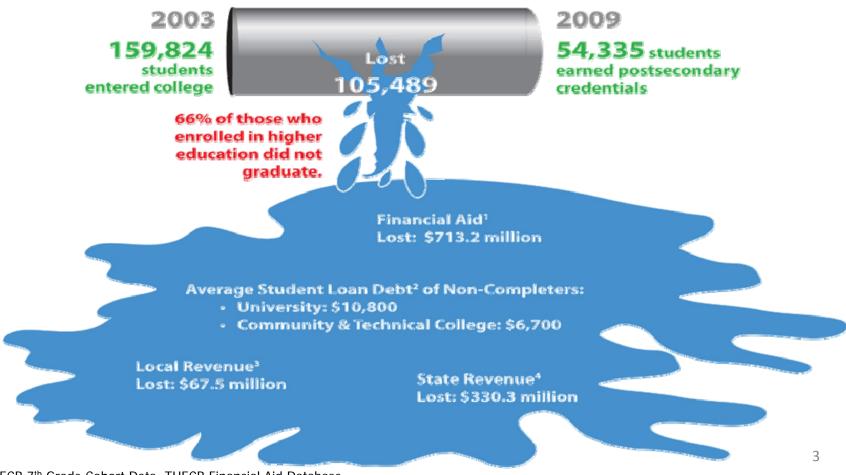
The Challenge

Closing the Gaps set a goal of awarding 210,000 undergraduate degrees and certificates annually by 2015.



Texas has increased annual degree production since 2000...

...but too many students are falling through the cracks at too high a cost.



Source: THECB 7th Grade Cohort Data, THECB Financial Aid Database,

We must greatly increase degree production by 2015

- ➤ Texas must add 46,000 degrees and credentials to our annual output by 2015 to meet the *Closing the Gaps* goal.
- ➤ Texas institutions must increase productivity in a more cost-effective way <u>without</u> sacrificing academic quality.
- ➤ This legislative session will set higher education policy and funding through Fiscal Year 2013.
- This will be the last chance to <u>decisively impact</u> student success before 2015, and place Texas on a trajectory for economic and educational competitiveness for decades to come.

The Current Formula only rewards enrollment growth

- ➤ Institutions report number of students enrolled in classes on the 12th Class Day, only data used to run formulas.
- Institutions can **only** increase their formula funding by increasing the number of students enrolled in classes.
- Incentive is to prioritize programs and initiatives that promote enrollment over those that promote success and completion.

The Strategy

Texas must align funding for higher education with BOTH state goals for students:

- ✓ increasing student access
- ✓ increasing student success



The Legislature uses formulas to allocate funding

Legislature decides the total amount to fund in the formula accounts.

Using enrollment data, LBB runs formulas to divide this total among the institutions. Each institution is appropriated its "slice" of the formula funding.

- Institution A Institution B
- Institution C Institution D

Two factors affect how much funding an institution will get:

- ➤ The total made available to the formula by the Legislature.
 - ➤ The bigger the "pie", the bigger everybody's "slice."
- > The institution's enrollment relative to other institutions.
 - ➤ The bigger your enrollments, the bigger your slice.
 - For a institution's slice to grow, someone else has to shrink.



Outcomes-Based Funding:

Universities – Funding on Degrees Awarded

- ✓ Fund 10% of base undergraduate hours on measures of bachelor degrees awarded.
- ✓ Continue to fund 100% of graduate hours and 90% of undergraduate hours on enrollment data.
- ✓ Implement in the second year of the biennium (FY13)



Outcomes-Based Funding for Universities Metrics and Formula

Bachelor Degrees—Total (x 1)

Total number of degrees awarded

Bachelors in Critical Fields (x 2)

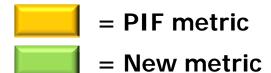
Total number of degrees award in STEM, nursing, allied health and math/science teacher certs

Bachelors to At-Risk (x 1)

Total number of degrees awarded to students who meet one of five federal at-risk criteria

Predicted Grad Rate (x 1)

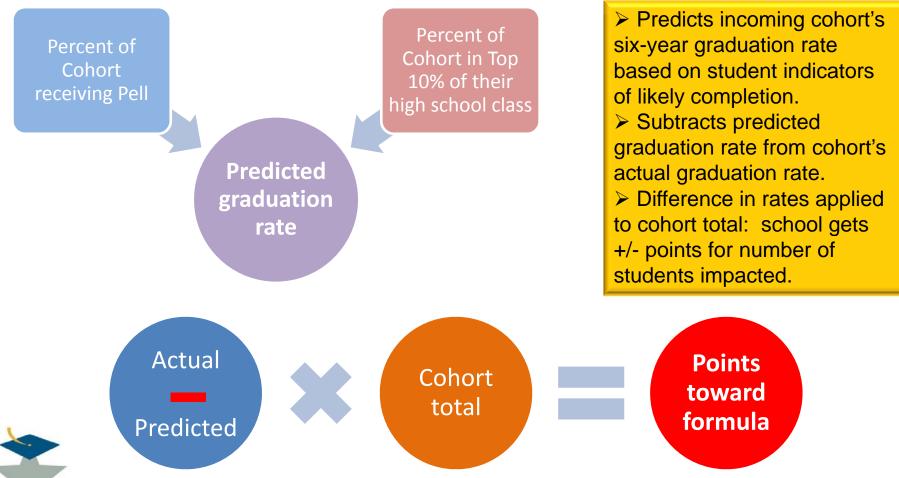
Cohort 6-year graduation rate accounting for academic preparedness and financial need of a university's entering freshman class.





Half of outcomes-based funding allocated based on biennium-to-biennium **increases** in these factors. Half allocated based on three-year **averages** of these factors.

Predicted graduation rate based on six-year performance of student cohorts



Variability in funding between the biennia is a fact of **any** formula funding model

| School | 2010/2011 allocation (estimated) | 2012/13 HB1 allocation under <u>current</u> formula | % diff from 2010/2011 | 2012/13 HB1 allocation under outcomes formula | % diff from 2010/2011 |
|--------------|--|---|-----------------------------|---|-----------------------------|
| UT-Arlington | \$174,467,798 | \$180,897,285 | 3.7% | \$182,801,219 | 4.8% |
| TAMU | \$460,633,508 | \$416,219,270 | -9.6% | \$412,201,526 | -10.5% |
| UH | \$256,842,027 | \$245,154,702 | -4.6% | \$244,578,172 | -4.8% |
| UT-Tyler | \$36,199,099 | \$32,480,138 | -10.3% | \$33,719,374 | -6.9% |

Variability (measured as the standard deviation of the percent difference between funding in the current biennium and under HB 1) is nearly identical for both models.

Outcomes-Based Funding:

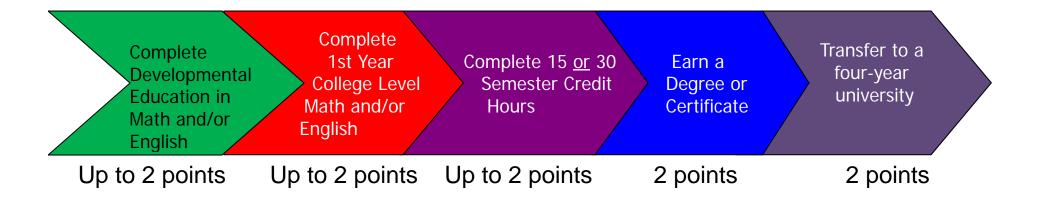
Community & Technical Colleges — Milestones

- ✓ Fund 10% of base funding on student achievement of specific milestones (Momentum Points).
- ✓ Continue to **fund 90% of base funding** on enrollment data.
- ✓ Implement in the second year of the biennium (FY13).



Momentum Points

Funding student progression towards success



Each year, institutions would receive points for all the milestones completed by their students during that year.



Proposals evolved to reflect institutional and legislative feedback

University funding

- ✓ Changed to degrees instead of completed hours based on concern we were funding "throughputs."
- ✓ Added predicted graduation rate to address school concern about differences in preparedness among incoming classes.
- ✓ Implementing in second year of biennium

CTC funding

- ✓ Adopted milestones to better reflect the unique mission of community and technical colleges.
- ✓ Added a full year cohort to calculation to account for enrollment trends.
- ✓ Included dual credit students in milestones
- ✓ Implementing in second year of biennium