OUTCOMES-BASED FUNDING

Models developed by institutions for institutions

TEXAS HIGHER EDUCATION COORDINATING BOARD

January 2013

The outcomes-based funding metrics and formula were developed by leaders from public universities and community colleges. The models will allocate 10% of state formula funding appropriations on a pro-rated basis according to a 3-year average of points accumulated by each institution via various outcome metrics. For the 2014-2015 biennium, the formula will use data from FY10, FY11, and FY12 to determine the outcomes funding allocations.

UNIVERSITY MODEL: INCREASING DEGREES

The university outcomes-based funding model utilizes seven (7) distinct student outcome metrics developed and approved by officials representing a diverse cross section of public universities from throughout the state. The model is designed to encourage practices that improve completion of baccalaureate degrees.

University Outcomes Calculation

Metric	Description	University Points Calculation
Total Undergraduate Degrees	This metric would encourage university efforts to increase all undergraduate degrees awarded, regardless of field or student circumstance.	Total annual Bachelor's degrees awarded
Time-to-Degree	This metric would encourage timely graduation to minimize additional costs to the state and the student.	Total annual Bachelor's degrees awarded x University's 6-year Graduation Rate
Non-Traditional Students	This metric advantages universities that have success in graduating part-time and transfer students, a particularly important student population at regional universities.	Total annual Bachelor's degrees awarded x 100 ÷ Total University FTSE
Cost-to-Degree	This metric ensures that universities are not deterred from offering more resource intensive programs of study such as engineering and science.	Total annual Bachelor's degrees awarded x GAA Cost Matrix Rates
Critical Workforce Needs	This metric encourages universities to graduate students in fields with high demand and of particular importance to the state economy.	Total annual Bachelor's degrees awarded in critical workforce fields x 2.0
At-Risk Students	This metric, which aligns with the federal definition, recognizes the importance of this growing segment of the student population, and the additional support universities must provide to help them achieve their degrees.	Total annual Bachelor's degrees awarded to students meeting federal at-risk criteria
Persistence	This metric rewards universities for keeping students on a steady path to complete their degrees.	Total students completing 30 hours + Total students completing 60 hours + Total students completing 90 hours

COMMUNITY COLLEGE MODEL: STUDENT SUCCESS POINTS

The community college model for outcomes-based funding reflects a consensus among all 50 community college districts in Texas to fund outcomes based on a series of student success points. The metrics were developed to account for the unique mission of sector and to encourage community colleges to support students as they progress toward a workforce certificate, degree, or transfer to a university.

"The community college model reflects a consensus among all 50 community college districts in Texas. Each metric is representative of the unique mission community colleges fulfill in helping students achieve college readiness, earn valuable education and skill training, and ultimately complete a workforce certificate or degree

Community College Outcomes Calculation

Metric	Description	Community College Calculation
Developmental Education	This metric recognizes a critical function of this sector of higher education by rewarding community colleges that help students achieve college readiness by completing developmental education in math and English.	Students completing dev ed in math + Students completing dev ed in writing (÷ 2) + Students completing dev ed in reading (÷ 2)
Gateway Courses	This metric rewards community colleges for helping students pass a critical milestone on the path toward a credential or transfer--completing a first college-level math or English course.	Students completing first college-level math + Students completing first college-level reading intensive course (÷ 2) + Students completing first college-level writing intensive course (÷ 2)
College Credit Attainment	This metric places emphasis on the efficient progress toward a credential or transfer by rewarding community colleges that facilitate student persistence.	Students completing 15th college credit + Students completing 30th college credit
Credentials Awarded	This metric rewards community colleges for helping students complete a postsecondary program to include the core curriculum, a certificate, or an Associate's degree. Additional weight is provided to completions in fields with high demand and of particular importance to the state and regional economy.	Students receiving a credential (x 2) + Students receiving a credential in critical workforce field (x 2.25)
Transfers to a General Academic Institution	This metric recognizes the growing role of community colleges in providing an academic foundation for students interested in pursuing a degree at a university	Students transferring to GAI after having completed 15 hours of coursework (x 2)

In December 2012, Georgia became the 16th state to implement, or begin the transition toward, outcomes-based funding for higher education. Another 13 states are engaged in formal analysis or discussions about such a policy change. Some states use models allocating as little as 5% toward student outcomes. Tennessee is now funding 100% based on outcomes.

TEXAS STATE TECHNICAL COLLEGE MODEL: VALUE ADDED TO THE STATE ECONOMY

As directed by the Legislature, staff from the Coordinating Board, Texas State Technical Colleges, Legislative Budget Board, and the Ray Marshall Center at The University of Texas at Austin's Lyndon B. Johnson School of Public Affairs developed a methodology to allocate formula funding among Texas State Technical Colleges based on the additional direct and indirect economic value provided to the state economy by their students.

"The Texas Higher Education Coordinating Board shall work with the Texas State Technical College System, the Legislative Budget Board and other relevant agencies to develop a new Administration & Instruction funding formula to be implemented for the 2014-15 biennium for the Texas State Technical Colleges. The formula shall reward job placement and graduate earnings projections, not time in training or contact hours."

-Rider 42

(HB 1, 82nd Legislature)

TSTC Methodology Components

- The model includes the cohort of TSTC graduates (either associate's degree or certificate), transfers, and leavers (students who were not found in Texas higher education for two years following the last time they were enrolled in the TSTC) from 2005 and 2006.
- The cohorts were matched with UI wage records for employment and wage information for five years after the students graduated from or left the TSTC to establish annual wages for each student. Direct value-added was defined as the incremental income between a student's annual wage and a base wage representing a full-time employee earning minimum wage. Indirect value-added was defined as incremental income multiplied by 1.5, an economic multiplier derived from a U.S. Bureau of Economic Analysis study. Total direct and indirect value-added was determined for each group of students by campus across five years.
- Values-added were reduced by half, based on the assumption that the benefits would equally accrue to the state and TSTCS and therefore only half of the added value should be included in the formula calculations.
- Values-added by campus were divided into the total TSTC value-added to define each institution's proportional share of overall formula funding.

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