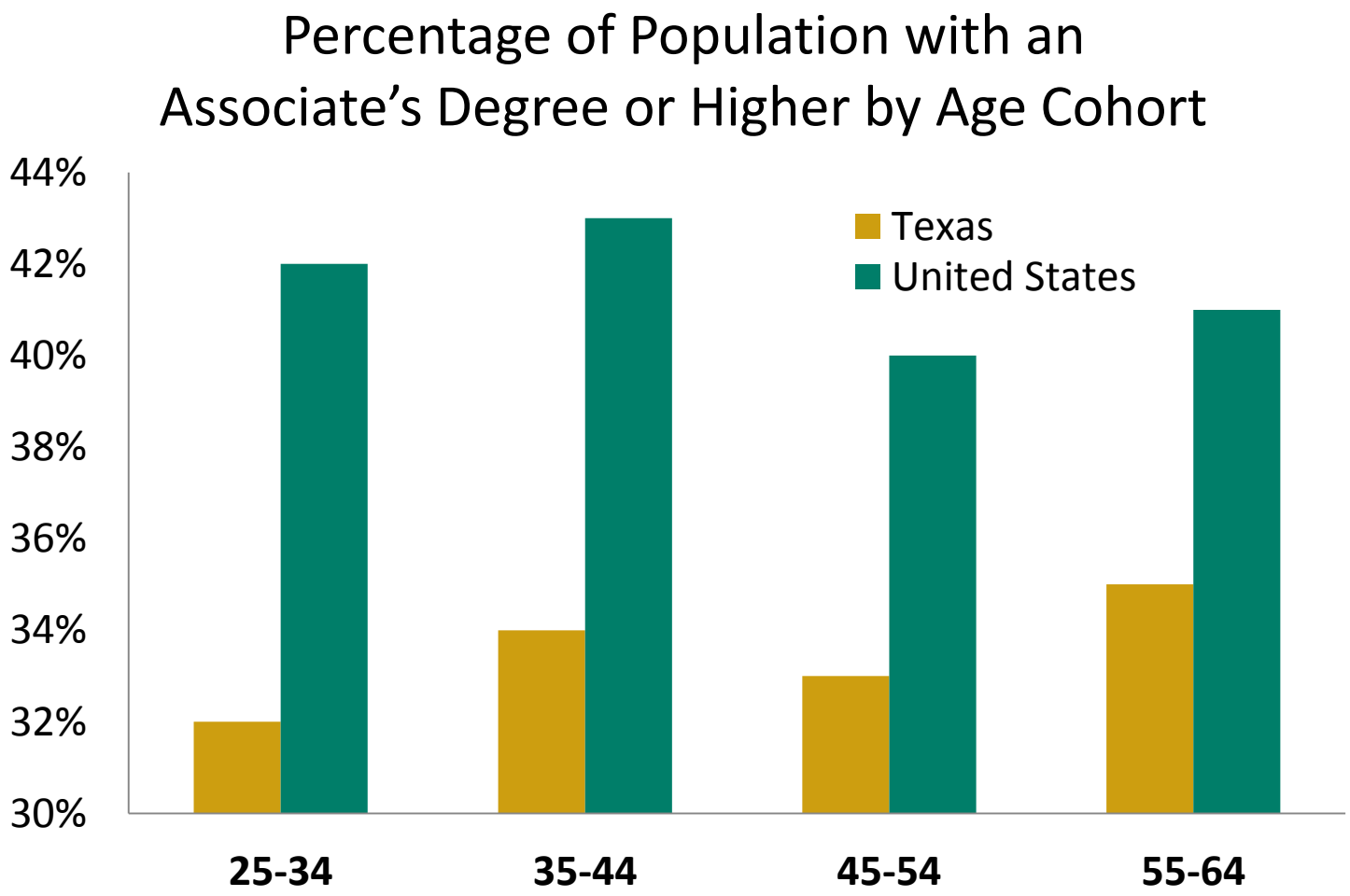
Outcomes-based funding for higher education in Texas

A proposal to better align higher education funding with state education and workforce priorities

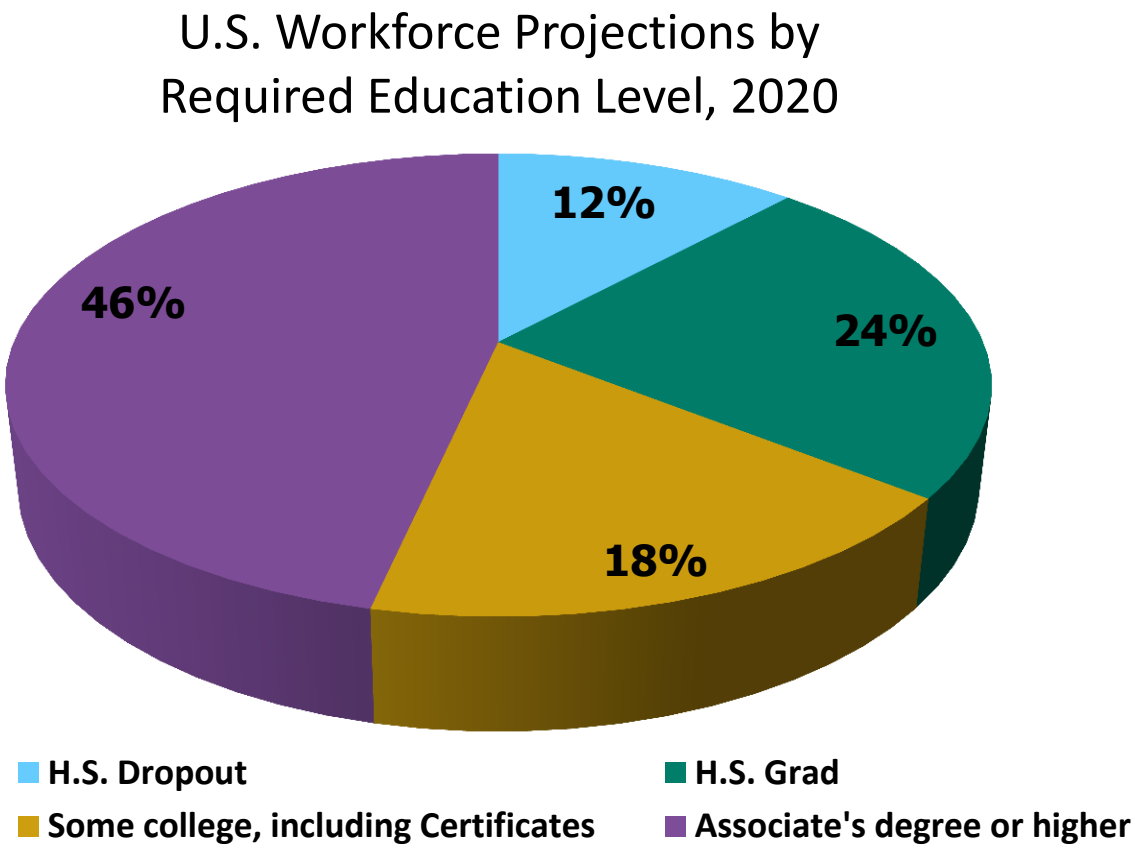
TEXAS HIGHER EDUCATION COORDINATING BOARD

Despite increases in enrollments and completions, Texas lags in educational attainment



Source: OECD, Education at a Glance 2012; American Community Survey, 2010

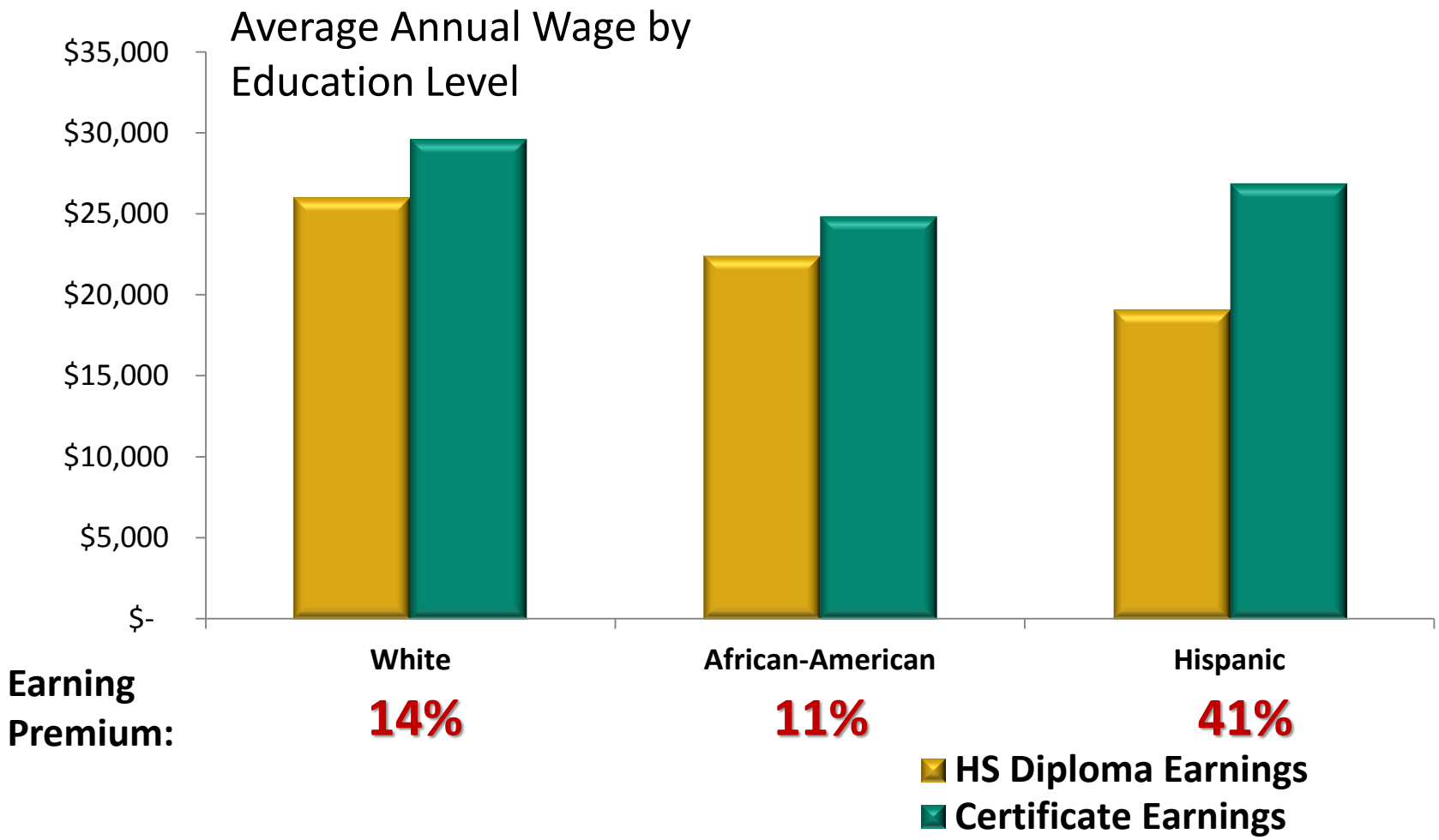
Our future workforce demands even more postsecondary trained and educated workers



In 1973, only 28% of all U.S. jobs required postsecondary education/skills. By 2020, **65% of the jobs** will require this level of education

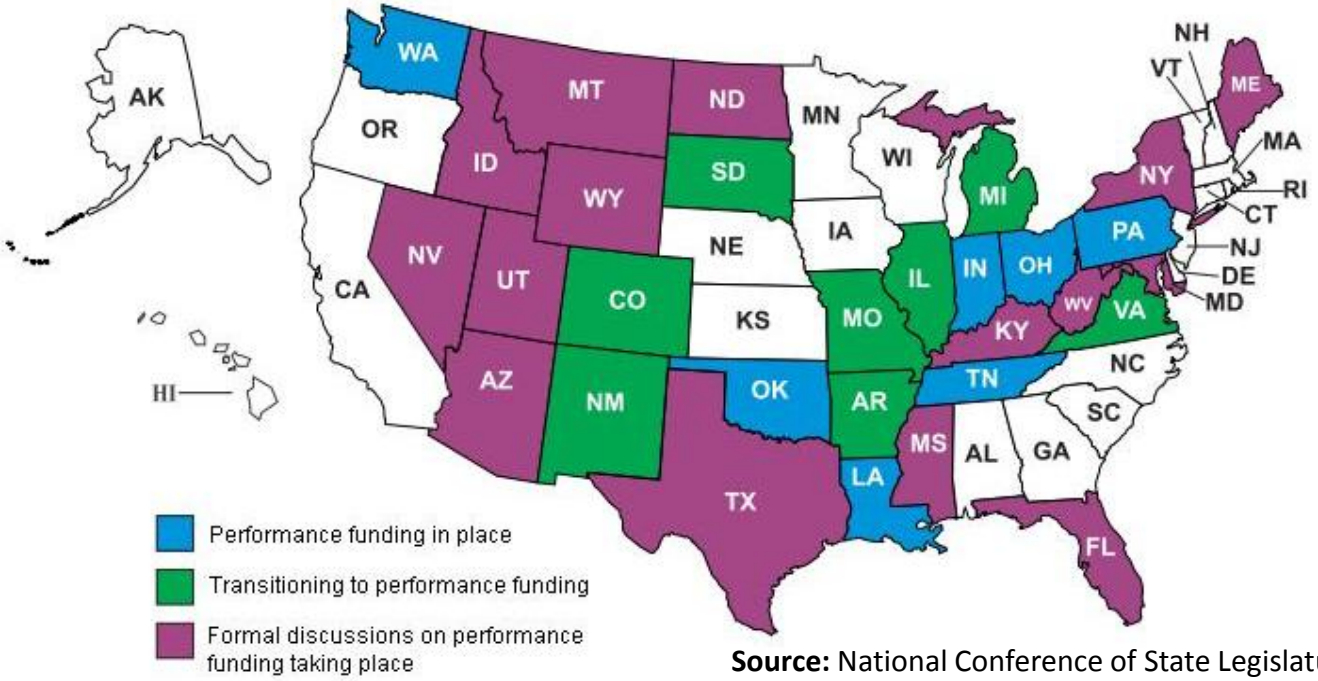
Source: Georgetown University, *Center on Education and the Workforce; data in charts rounded.*

Even postsecondary workforce certificates are critical linchpins between high school and good employment



Source: Georgetown University, *Center on Education and the Workforce.*

Creating financial incentive to increase postsecondary credentials is gaining steam



Source: National Conference of State Legislatures

Outcomes-based funding models for higher education recognize the need to increase both student enrollments and success in higher education. The competition to draw high-skill, high-wage jobs is fierce, and those states that increase postsecondary completers will retain an edge.

The Coordinating Board is recommending increased funding for all sectors of higher education

Formula Funding by Sector

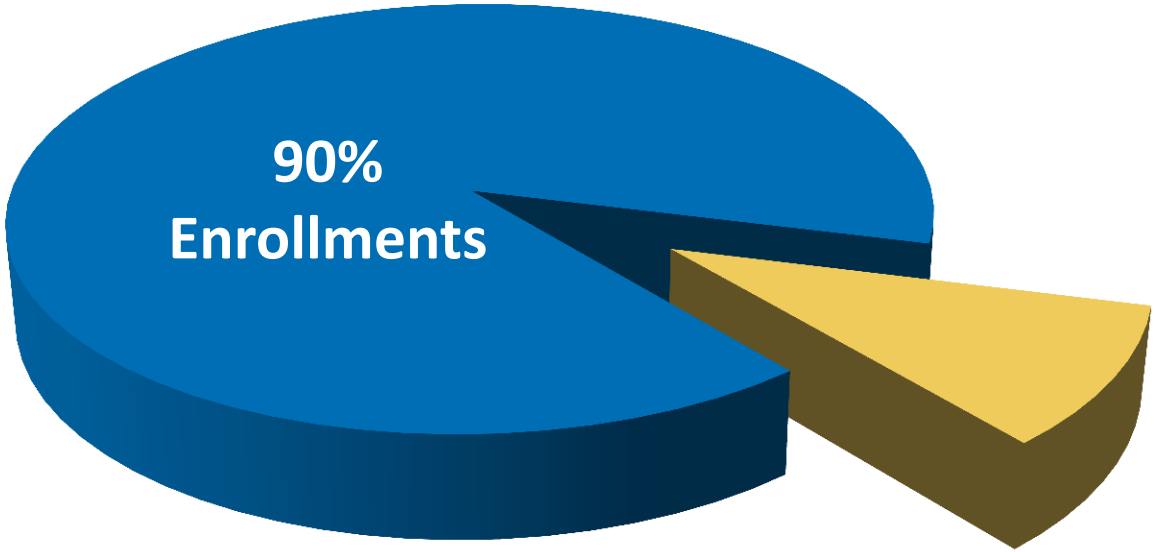
Sector	FY 2012-13 Appropriated	FY 2014-15 Recommended	Percent Increase
Health-Related Institutions †	$1,535 M	$1,641.5 M	6.9%
Community Colleges*	$ 1,736.7 M	$1,970.9 M	13.5%
General Academic Institutions†	$4,224.6 M	$4,476.7 M	6.0%
Lamar State Colleges †	$37.5 M	$41.6 M	10.9%
Texas State Technical Colleges †	$107.7 M	$115.4 M	7.1%
Total Formula Funding	**$7,641.5 M**	**$8,246.2 M**	**7.9%**

* General Revenue †All Funds

The Coordinating Board's LAR includes **$160 million** in exceptional item requests for critical programs, including:

- ✓ **$106M** to increase TEXAS Grant awards
- ✓ **$26M** to expand medical residency opportunities
- ✓ **$14M** for physician and teacher loan repayment programs
- ✓ **$8M** for the Norman Hackerman Advanced Research Program

In Texas, representatives from universities and community colleges **collaborated** to develop outcomes-based models



Share of university and community college funding allocation under outcomes-based funding model

10% of undergraduate institutional funding will be allocated on 3-year rolling average of postsecondary completions or other measureable student outcome metrics

Models were developed under Legislative directive through a formal consultative process among institutions of higher education and THECB.

University leaders identified, and THECB endorsed, 7 student outcomes to use for university funding

Critical Workforce Needs (Double Weight)
Degrees awarded in fields identified as critical workforce needs.

Total Undergraduate Degrees
Total Bachelor's Degrees awarded at the institution

Non-Traditional Student
Bachelor's Degrees awarded per 100 full time student equivalents (FTSE)

Persistence
Students who complete their 30th, 60th, or 90th hour at the institution.

At-Risk Student
Degrees awarded to students who meet federal criteria for being at high risk of dropping out.

Time-to-Degree
Bachelor's Degrees awarded times the institution's six-year graduation rate

Cost-to-Degree
Bachelor's Degrees awarded adjusted for instructional costs

Community college leaders and the THECB reached consensus on a variety of student success metrics

Developmental Education

Completion of development education in math and English **(1 point for math; .5 points each for reading and writing)**

Gateway Course

Completion of first college level math or English course.

(1 point each)

College Credit Attainment

Completion of first 15 college credits and first 30 college credits.

(1 point each)

Credentials Awarded*

Completion of an associate degree, certificate , or bachelor's degree (where offered.)

(2 points each; 2.25 for STEM credentials)

Transfer to a General Academic Institution

Transfer to a general academic institution after having completed 15 hours of coursework.

(2 points)

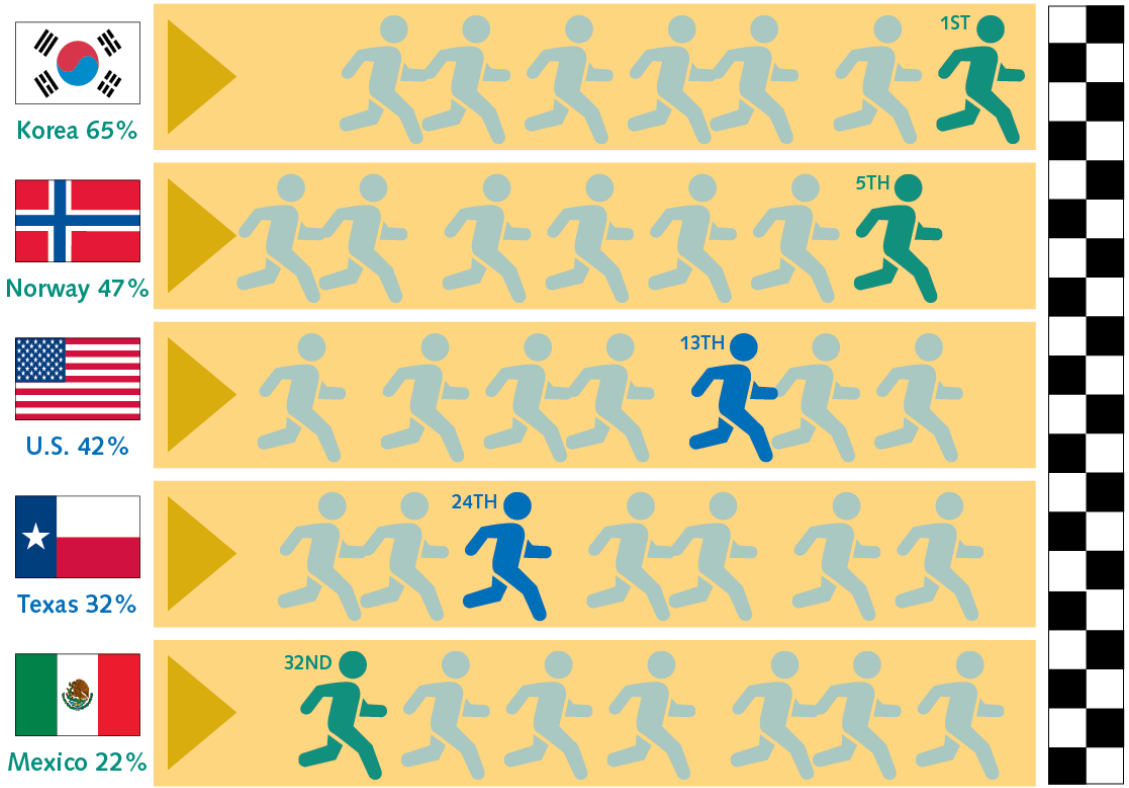
Adult Basic Education and English as a Second Language

Successful completion of an ABE or ESL sequence.

(Implementation pending new data collection)

*Students completing common core will be counted in this category

Outcomes-based funding will accelerate Texas' progress toward national and international leadership



Today, Texas **ranks 24th in educational attainment** among the youngest generation of workers in the world's most competitive economies.

Source: OECD, *Education at a Glace*, 2012. Educational attainment measured by population of 25-34 year olds with associate's degree or higher