



Outcomes-Based Formula Funding

- Texas needs to increase BOTH student access to higher education AND student success in earning academic credentials to maintain economic competitiveness and provide a higher quality of life for Texas families. **The current state funding formulas reward only access.**
- Including student success measures in the formulas will further spur institutions to be innovative in developing and strengthening support services such as counseling, tutoring, and degree planning, which have a demonstrated impact in helping students achieve their educational goals.
- Outcomes-based funding would show that higher education is an accountable, efficient and innovative steward of public funds. Texas would take a key national leadership role in reinventing higher education in ways that meet the specific needs of students and the state's economy.

In the second year of the biennium, 10% of formula funding for universities and community and technical colleges would be allocated based on specific measures of student success:

- Community and technical colleges will be measured on student completion of specific academic and career readiness milestones.
- Universities will be measured based on Bachelor's degrees awarded, with bonuses for graduating at-risk students and degrees in fields of critical economic importance to Texas.

Myth: The Coordinating Board is recommending outcomes-based methodology only if the Legislature appropriates a certain level of funding.

Fact: The Coordinating Board recommends adoption of this proposal at any level of statewide formula funding. As institutions face tough budget decisions, outcomes-based funding will ensure they preserve those programs that prove most effective in helping their students succeed.

Myth: Institutions will "game the system" by graduating unprepared students or only accepting those students most likely to graduate.

Fact: Texas institutions have worked hard to increase their reputation for rigor: compromising their standards would endanger their standing with accrediting agencies, prospective students and the Legislature. And with 90% of their funding still based on enrollments, artificially constraining enrollment would be self-defeating.

Proposal Summary

	Universities	Community/ Tech. Colleges
% Funding on Enrollments	90%*	90%
% Funding on Outcomes	10%	10%
Outcomes Metric	Number & type of Bachelor's degrees awarded	Student completion of educational milestones
Protect at-risk students?	Points for degrees awarded to at-risk students	Points for Dev. Ed. completion in math and English
Special Emphasis	Critical Field Degrees (STEM, nursing)	Gaining college readiness; transfers to university

*Undergrad only; graduate programs funded 100% on enrollments

Myth: The outcomes-based model will introduce competition among institutions for formula funding.

Fact: Institutions **already compete** for funding. Any formula must use some performance measurement to allocate limited funding among institutions. The only current performance factor is enrollment. Institutions must increase enrollments at the same rate as their peers simply to maintain their share of funding. Outcomes-based funding would provide institutions with measures in addition to enrollments that they could focus on to increase their allocation.

For more information, visit [http://www.thecb.state.tx.us/THECB Recommendations 82nd Legislature](http://www.thecb.state.tx.us/THECB_Recommendations_82nd_Legislature), or contact John.Wyatt@thecb.state.tx.us/512-427-6586.