Myth #2:

The outcomes-based funding methodology **will result in funding reductions** for Texas higher education institutions.

Fact:

Formula funding for higher education is affected by two variables: 1) total appropriation provided by the Legislature; and 2) a year to year change in enrollments relative to peers. This **dynamic does not change** under the outcomes-based methodology. The only difference is that the proposal **offers institutions two ways to secure funding**—enrollments (90%) and outcomes (10%), rather than simply enrollments (100%).

Texas Higher Education Coordinating Board

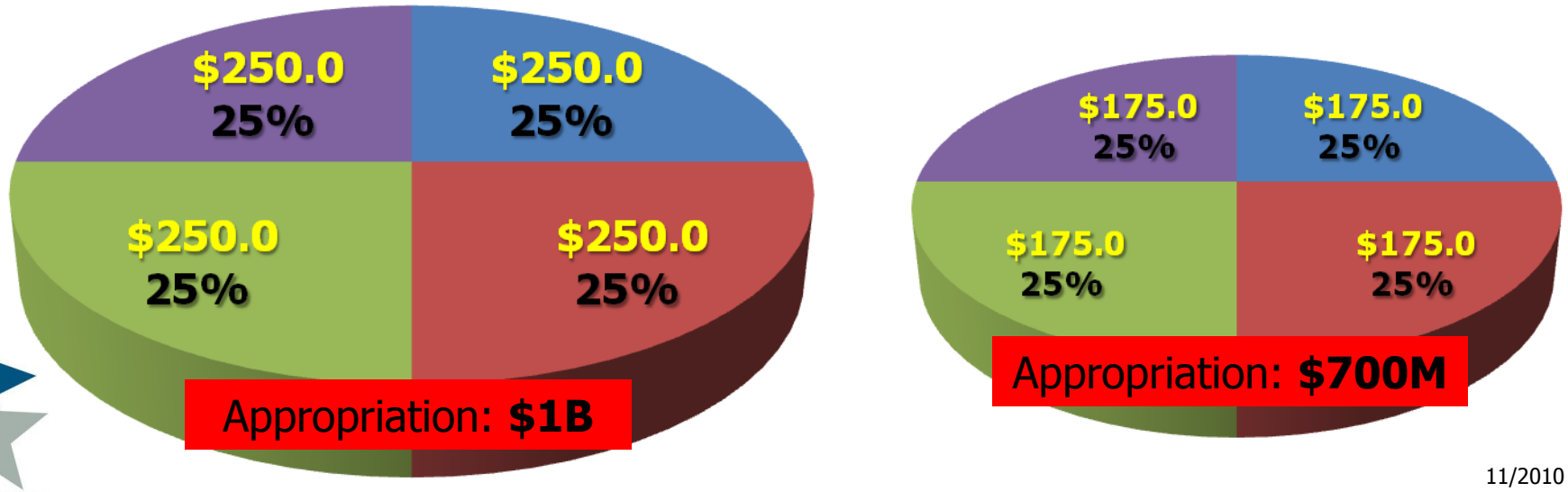
THECB Legislative Agenda: Outcomes-Based Funding

Myth #2:

The outcomes-based funding methodology **will result in funding reductions** for Texas higher education institutions.

Variable #1: A change in total appropriations results in a change in total dollars for institutions

Example: Total appropriations reduced by 30%
Results: All allocation shares reduced by 30%



Texas Higher Education Coordinating Board

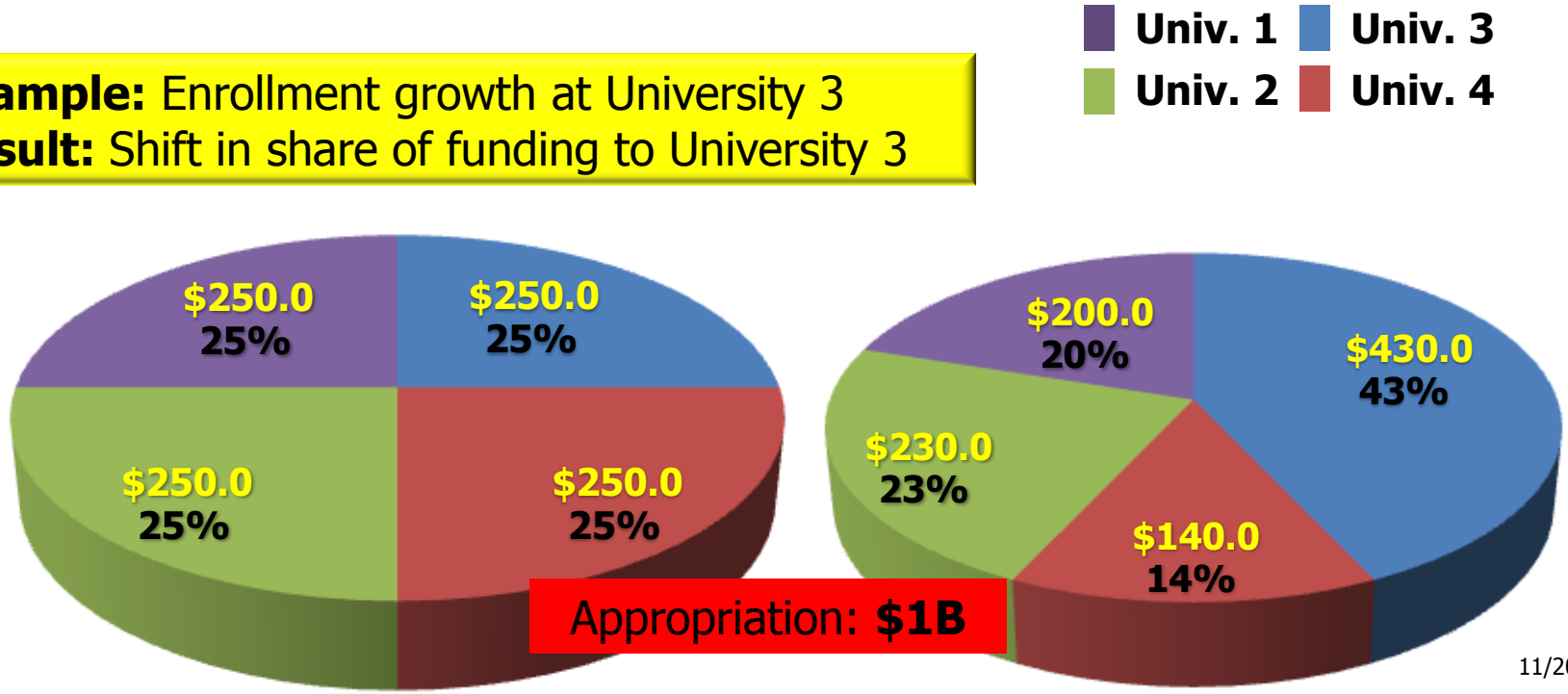
THECB Legislative Agenda: Outcomes-Based Funding

Myth #2:

The outcomes-based funding methodology **will result in funding reductions** for Texas higher education institutions.

Variable #2: A change in institutional performance (enrollments, outcomes, or both) relative to peers results in change in share of funding.

Example: Enrollment growth at University 3
Result: Shift in share of funding to University 3



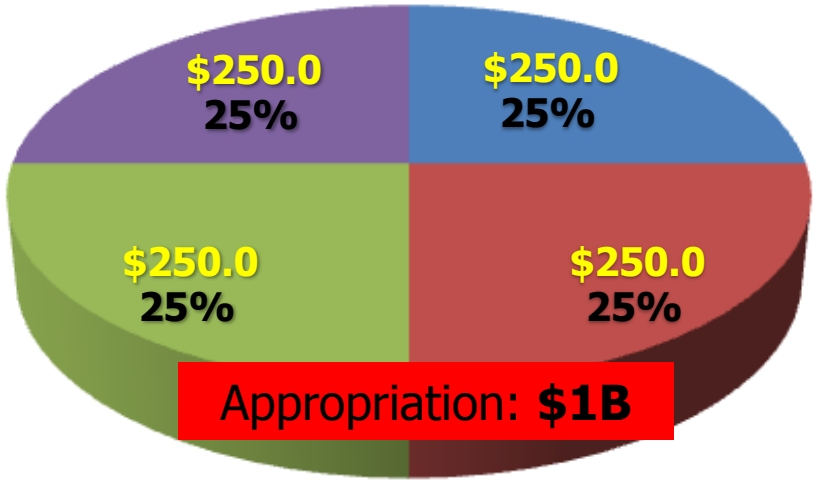
Texas Higher Education Coordinating Board

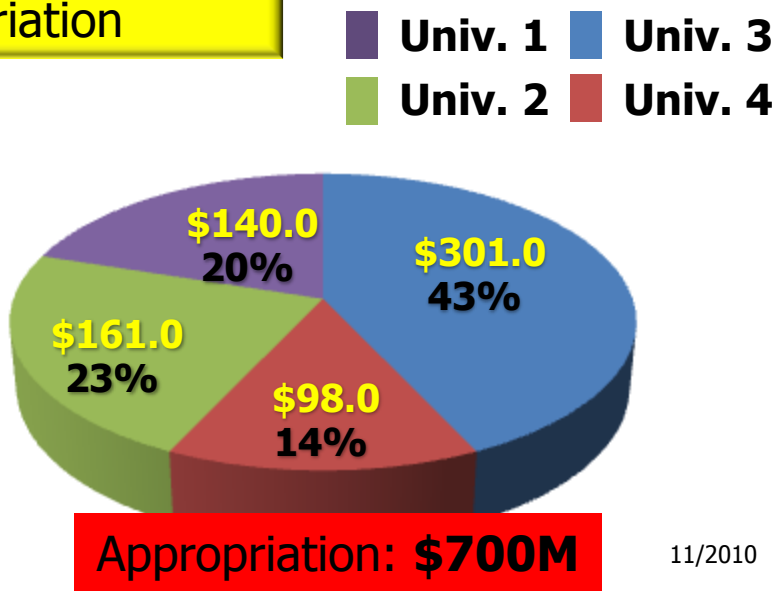
THECB Legislative Agenda: Outcomes-Based Funding

Myth #2:
The outcomes-based funding methodology **will result in funding reductions** for Texas higher education institutions.

Variable #1 and #2: A change in total appropriations *and* a change in relative performance

Example: 30% reduction in appropriations and enrollment growth at University 3
Result: Increase in total dollars and allocation share to University 3 despite reduction in total appropriation





Texas Higher Education Coordinating Board

11/2010

Myth #2:

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Conclusion: Any change in institutional funding is the result of total appropriations funneled into the formulas and/or a change in performance of an institution relative to other institutions. Institutions have no control over appropriations. However, **institutions have direct control over performance**. If no changes are made to methodology, some will win and others lose based on enrollment trends. Outcomes-based funding, on the other hand, offers two ways for institutions to control their performance—enrollments and degrees.

Texas Higher Education Coordinating Board