THECB Quarterly Board Meeting

Outcomes-Based Formula Funding

Promoting Student Success

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Texas Higher Education Coordinating Board

The Challenge

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

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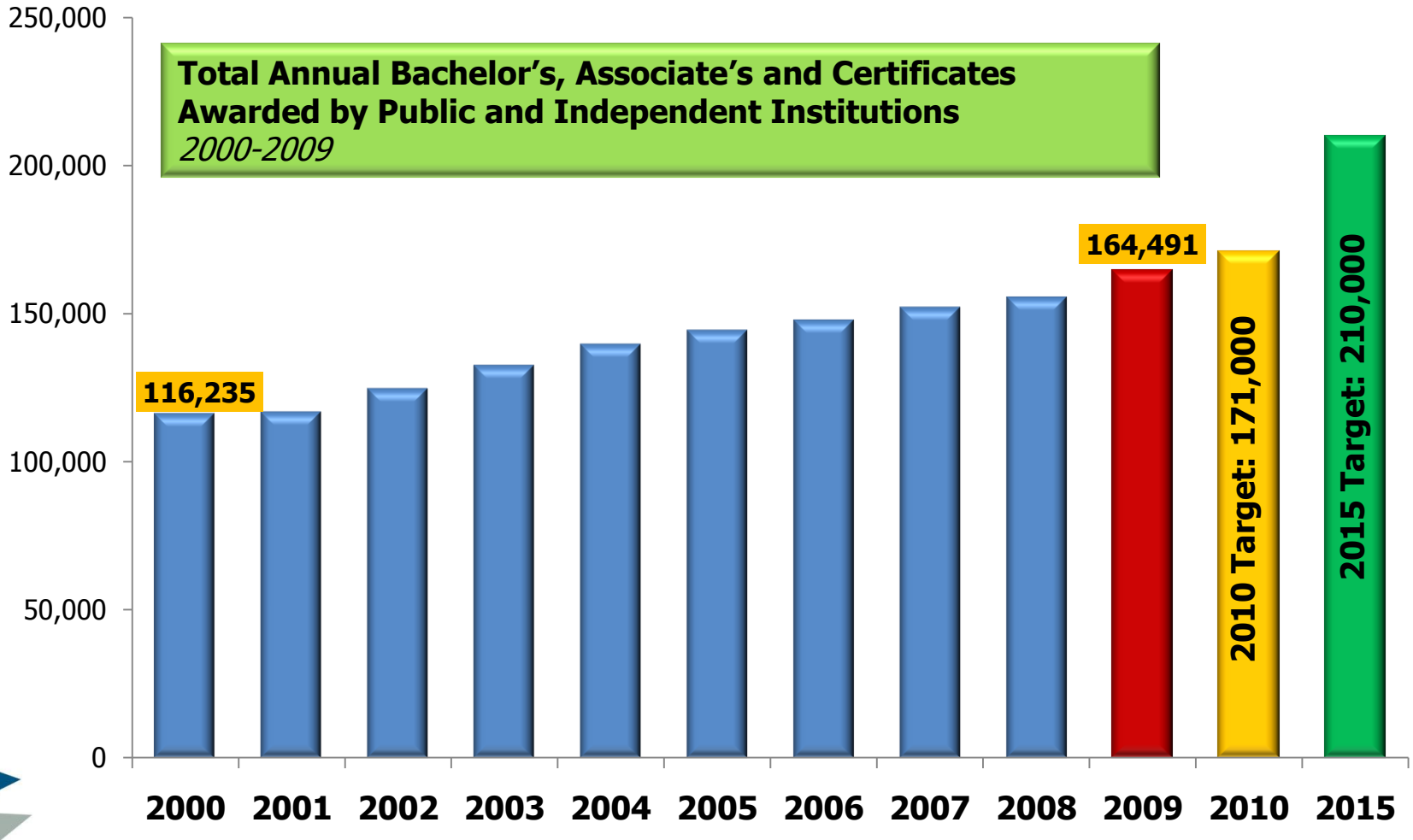
While Texas has made progress on **Success** goals. . .



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We must greatly increase degree production by 2015

- Texas must award an additional 46,000 degrees and credentials annually by 2015 to meet the *Closing the Gaps* goal.
- 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.

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The Strategy

Texas must align funding for higher education with state goals:

- ✓ increasing student success
- ✓ responding to the economic development needs of the state

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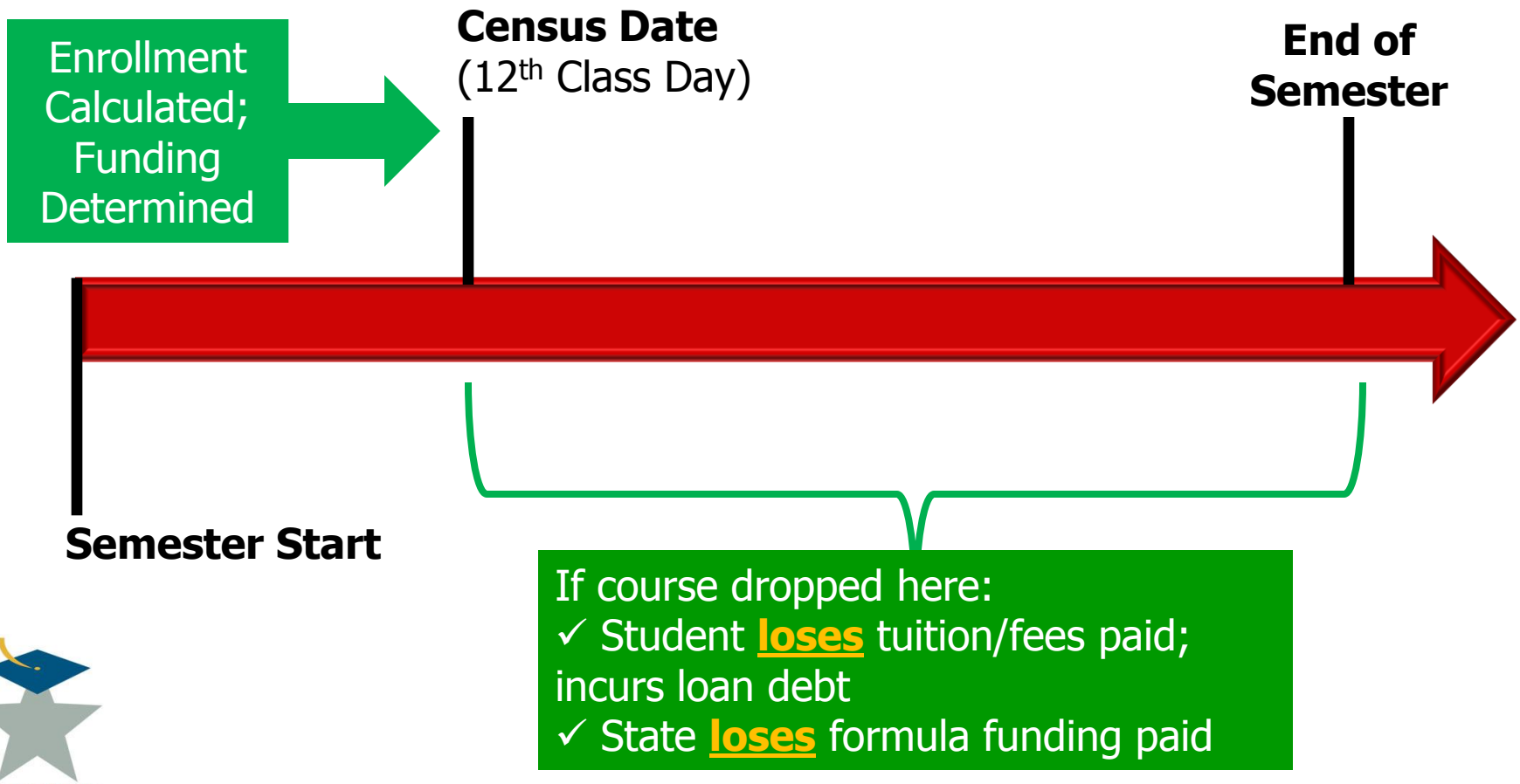
The Current Formula Model:

Based on enrollments on the 12th Class Day



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Current funding formula incents increases in enrollment

- Institutions can **only** increase their formula funding by increasing attempted hours.
- Programs and initiatives that promote enrollment are likely to take precedence over those that promote success and completion.
- Institutions that are nearing enrollment capacity have no additional metrics with which to increase their share of funding.

Outcomes-Based Funding:

Universities – Funding on Degrees Awarded

✓ Fund **10% of base undergraduate hours** on measures of bachelors' degrees awarded.

✓ Formula and metrics are similar to existing statutory requirements of the Performance Incentive Fund (PIF).

✓ Implement in the second year of the biennium (FY13)

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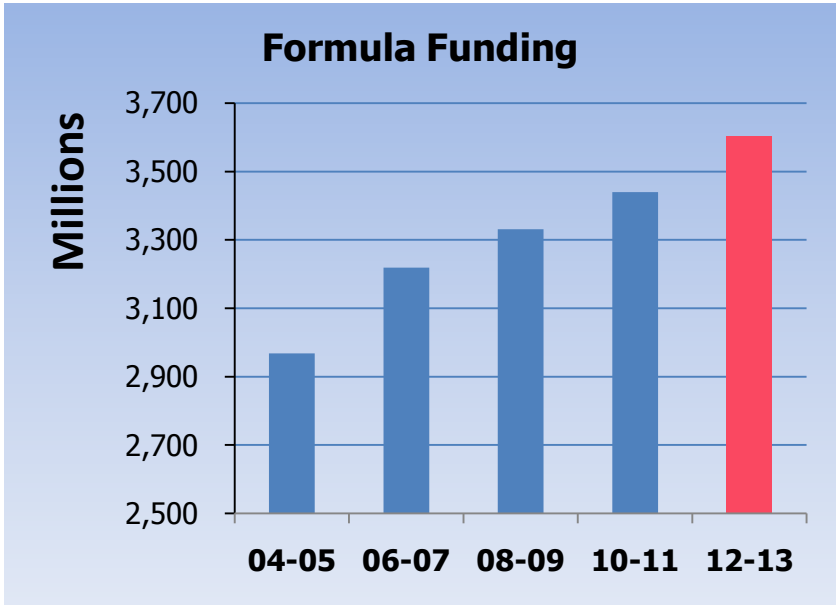
The Board continues to advocate for increased funding for universities

For FY12/13, the Coordinating Board recommends base funding with a **4.5% ($162.4 M) increase** for projected enrollment growth.

Under the Board's proposal

- In FY12, all funding will continue to be allocated on attempted hours;
- In FY13, funding allocated:
  - 100% of graduate based on attempted hours;
  - 90% of undergraduate based on attempted hours;
  - 10% of undergraduate based on outcomes measures.



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.

= PIF metric

= New metric

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.

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How it works in practice. . .

John enters a Texas university as a GED recipient. He graduates with a Bachelor's degree in mechanical engineering. In his graduation year, he earns his school **4 points** toward the outcomes-based formula:

- ✓ **One point** for his Bachelor's degree
- ✓ **One point** for graduating as an at-risk student (GED recipient)
- ✓ **Two points** for earning a Bachelor's degree in a critical field (mechanical engineering).

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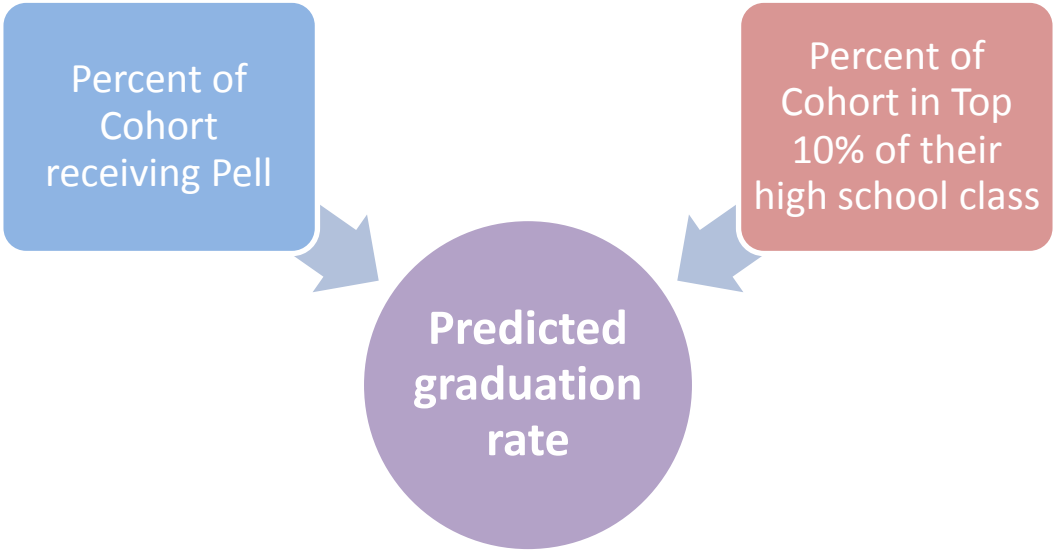
Predicted graduation rate based on six-year performance of student cohorts



- Predicts incoming cohort's six-year graduation rate based on student indicators of likely completion.
- Subtracts predicted graduation rate from cohort's actual graduation rate.
- Difference in rates applied to cohort total: school gets +/- points for number of students impacted.

Cohort includes only first time freshmen entering straight from high school.

Outcomes-Based Funding:

Community & Technical Colleges — Milestones

✓ **Fund 10% of base funding** on student achievement of specific milestones (Momentum Points).

✓ Implement in the second year of the biennium (FY13).

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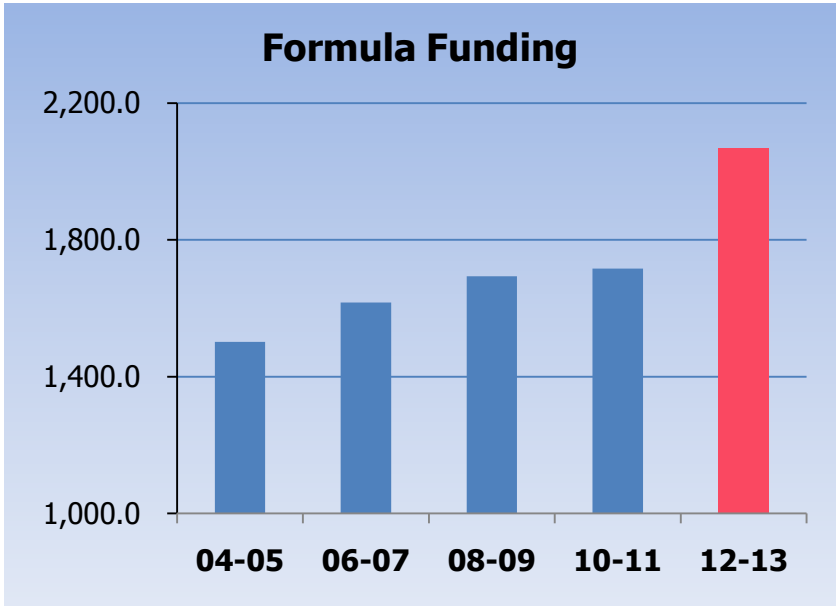
The Board continues to advocate for increased funding for CTCs.

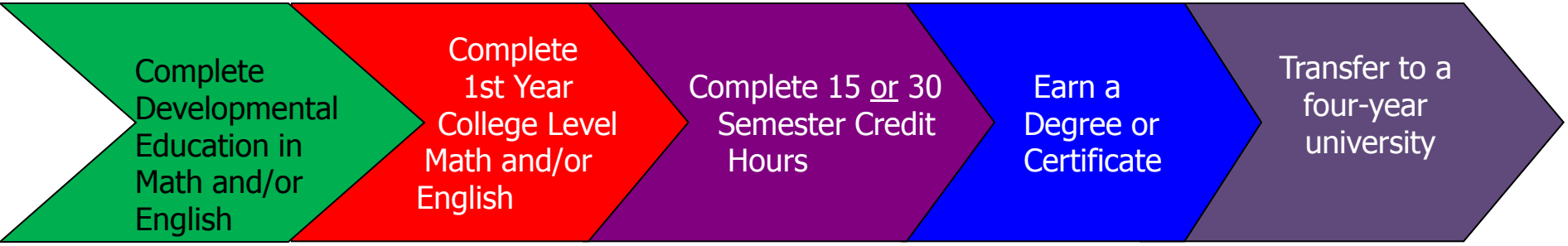
For the coming biennium, the Coordinating Board recommends a level base and a **19% ($353 M) increase** in funding for projected enrollment growth.

Under the board proposal, 100% of formula funding in the first year, and 90% of formula funding in the second year, would continue to be based on attempted hours.



Momentum Points

Funding student progression towards success



Up to 2 points	Up to 2 points	Up to 2 points	2 points	2 points

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

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How it works in practice. . .

Joan enters a Texas community college and completes developmental education in math. She also completes 1st year college math and English courses on her way to earning an Associate's degree. Over the course of her studies, she earns her school **7 points** toward the outcomes-based formula:

- ✓ **One point** for completing developmental math
- ✓ **Two points** for completing 1st year math and English
- ✓ **Two points** for completing 15 and 30 hours.
- ✓ **Two points** for earning her Associate's degree.

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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