

# Higher Education Outcomes-Based Funding

This Act requires the state higher education coordinating board consider certain performance indicators when devising base formula funding recommendations for funding public institutions of higher education. These include degree completion rates and the number of degrees awarded in critical fields. The Act defines critical fields as the fields of engineering, computer science, mathematics, physical science, allied health, nursing, and teaching certification in the field of science or mathematics.

Submitted as:

Texas

[HB 9](#)

Status: Enacted into law in 2011.

## Suggested State Legislation

(Title, enacting clause, etc.)

1           Section 1. [*Short Title.*] This Act shall be cited as “The Higher Education Outcomes-Based  
2 Funding Act.”

3  
4           Section 2. [*Purposes.*]

5           (a) To finance a system of higher education and to secure an equitable distribution of state funds  
6 deemed to be available for higher education, the board shall perform the functions described  
7 in this section. Funding policies shall:

8                   (1) allocate resources efficiently and provide incentives for programs of superior  
9 quality and for institutional diversity;

10                   (2) provide incentives for supporting the five-year master plan developed and revised  
11 under [insert citation]; and

12                   (3) discourage unnecessary duplication of course offerings between institutions and  
13 unnecessary construction on any campus; and

14                   (4) emphasize an alignment with education goals established by the board.

15           (b) A committee under Subsection (b) must be composed of representatives of a cross-section  
16 of institutions representing each of the institutional groupings under the board ’s accountability  
17 system. The commissioner of higher education shall solicit recommendations for the committee ’s  
18 membership from the chancellor of each university system and from the president of each institution  
19 of higher education that is not a component of a university system. The chancellor of a university  
20 system shall recommend to the commissioner at least one institutional representative for each  
21 institutional grouping to which a component of the university system is assigned. The president of an  
22 institution of higher education that is not a component of a university system shall recommend to the  
23 commissioner at least one institutional representative for the institutional grouping to which the  
24 institution is assigned.

25           (c) Formulas for basic funding shall:

26                   (1) reflect the role and mission of each institution;

27                   (2) shall emphasize funding elements that directly support faculty;

28                   (3) and shall reflect both fixed and variable elements of cost; and

29                   (4) incorporate, as the board considers appropriate, goals identified in the board ’s  
30 long-range statewide plan developed under [insert citation].

1 Section 3. [*Student success-based funding recommendations.*]

2 (a) The legislature finds that it is in the state 's highest public interest to evaluate student  
3 achievement at institutions of higher education and to develop higher education funding policy based  
4 on that evaluation. Funding policies that promote postsecondary educational success based on  
5 objective indicators of relative performance, such as degree completion rates, are critical to  
6 maintaining the state's competitiveness in the national and global economy and supporting the  
7 general welfare of this state. Therefore, the purpose of this section is to ensure that institutions of  
8 higher education produce student outcomes that are directly aligned with the state 's education goals  
9 and economic development needs.

10 (b) In this section:

11 (1) "At-risk student" means an undergraduate student of an institution of higher  
12 education:

13 (A) who has been awarded a grant under the federal Pell Grant program; or

14 (B) who, on the date the student initially enrolled in the institution:

15 (i) was 20 years of age or older;

16 (ii) had a score on the Scholastic Assessment Test (SAT) or the  
17 American College Test (ACT) that was less than the national mean score for students  
18 taking that test;

19 (iii) was enrolled as a part-time student; or

20 (iv) had not received a high school diploma but had received a high  
21 school equivalency certificate within the last six years.

22 (2) "Critical field" means a field of study designated as a critical field under  
23 Subsection (b).

24 (b) Except as otherwise provided under Subdivision (2), the fields of engineering, computer  
25 science, mathematics, physical science, allied health, nursing, and teaching certification in the  
26 field of science or mathematics are critical fields. Beginning [insert date], the board, based on the  
27 board 's determination of those fields of study in which the support and development of  
28 postsecondary education programs at the bachelor 's degree level are most critically necessary for  
29 serving the needs of this state, by rule may:

30 (1) designate as a critical field a field of study that is not currently designated by this  
31 subsection or by the board as a critical field; or

32 (2) remove a field of study from the list of fields currently designated by this  
33 subsection or by the board as critical fields.

34 (c) This subsection applies only to a general academic teaching institution other than a public  
35 state college.

36 In devising its funding formulas and making its recommendations to the legislature relating  
37 to institutional appropriations of funds under [insert citation] for institutions to which this subsection  
38 applies, the board, in the manner and to the extent the board considers appropriate and in  
39 consultation with those institutions, shall incorporate the consideration of undergraduate student  
40 success measures achieved during the preceding state fiscal biennium by each of the institutions. At  
41 the time the board makes for incorporating the success measures, to the extent the board considers  
42 appropriate in consultation with those institutions, into the distribution of any incentive funds  
43 available for those institutions, including performance incentive funds under [insert citation]. The  
44 board's recommendations must provide alternative approaches for applying the success measures  
45 and must compare the effects on funding of applying the success measures within the formula for  
46 base funding to applying the success measures as a separate formula. The success measures  
47 considered by the board under this subsection may include:

48 (1) the total number of bachelor 's degrees awarded by the institution;

1 (2) the total number of bachelor's degrees in critical fields awarded by the institution;  
2 (3) the total number of bachelor's degrees awarded by the institution to at-risk  
3 students; and

4 (4) as determined by the board, the six-year graduation rate of undergraduate students  
5 of the institution who initially enrolled in the institution in the fall semester immediately following  
6 their graduation from a public high school in this state as compared to the six-year graduation rate  
7 predicted for those students based on the composition of the institution's student body.

8 (d) Notwithstanding Subsection (c):

9 (1) not more than 10 percent of the total amount of general revenue appropriations of  
10 base funds for undergraduate education recommended by the board for all institutions to which  
11 Subsection (c) applies for a state fiscal biennium may be based on student success measures; and

12 (2) the board's recommendation for base funding for undergraduate education based  
13 on student success measures does not reduce or otherwise affect funding recommendations for  
14 graduate education.

15 (e) This subsection applies only to public junior colleges, public state colleges, and public  
16 technical institutes. In devising its funding formulas and making its recommendations to the  
17 legislature relating to institutional appropriations of incentive funds for institutions to which this  
18 subsection applies, the board, in the manner and to the extent the board considers appropriate and in  
19 consultation with those institutions, shall incorporate the consideration of the undergraduate student  
20 success measures achieved during the preceding state fiscal biennium by each of the institutions. The  
21 success measures considered by the board under this subsection may include:

22 (1) the following academic progress measures achieved by students at the institution:

23 (A) successful completion of:

24 (i) developmental education in mathematics;

25 (ii) developmental education in English;

26 (iii) the first college-level mathematics course with a grade of "C" or  
27 higher;

28 (iv) the first college-level English course with a grade of "C" or higher;  
29 and

30 (v) the first 30 semester credit hours at the institution; and

31 (B) transfer to a four-year college or university after successful completion of  
32 at least 15 semester credit hours at the institution; and

33 (2) the total number of the following awarded by the institution:

34 (A) associate's degrees;

35 (B) bachelor's degrees under [insert citation]; and

36 (C) certificates identified by the board for purposes of this section as effective  
37 measures of student success.

38 (f) Biennially, the board, in consultation with institutions to which Subsections (c) and (e)  
39 apply, shall review the student success measures considered by the board under those subsections.

40 (g) The board shall include in its findings and recommendations to the legislature under  
41 [insert citation]:

42 (1) an evaluation of the effectiveness of the student success measures described by  
43 this section in achieving the purpose of this section during the preceding state fiscal biennium; and

44 (2) any related recommendations the board considers appropriate.

45 (h) The board shall adopt rules for the administration of this section, including rules requiring  
46 each institution of higher education to submit to the board any student data or other information the  
47 board considers necessary for the board to carry out its duties under this section.

48  
49 Section 4. [Reporting requirements.]

- 1  
2 (a) Not later than [insert date], and subsequently not later than [insert date], the board shall  
3 submit to the [legislative research agency/committee of jurisdiction] a written report  
4 reviewing, comparing, and highlighting national and global best practices on:  
5 (1) improving student outcomes, including student retention, graduations, and graduation  
6 rates; and  
7 (2) higher education governance, administration, and transparency.  
8 (b) This section expires [insert date].  
9

10 Section 5. [*Severability.*] Insert severability clause.

11  
12 Section 6. [*Repealer.*] Insert repealer clause.

13  
14 Section 7. [*Effective Date.*] Insert effective date.