

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 21, 2009

TO: Honorable Judith Zaffirini, Chair, Senate Committee on Higher Education

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB3790 by Morrison (Relating to performance incentive funding for public institutions of higher education and to recognition of certain student achievement on degree completion.),
As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB3790, As Engrossed: a negative impact of (\$190,807,025) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$95,414,976)
2011	(\$95,392,049)
2012	(\$95,392,049)
2013	(\$95,392,049)
2014	(\$95,392,049)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2010	(\$95,414,976)
2011	(\$95,392,049)
2012	(\$95,392,049)
2013	(\$95,392,049)
2014	(\$95,392,049)

Fiscal Analysis

The bill provides a mechanism for performance incentive funding for institutions of higher education. It provides separate incentive mechanisms for general academic institutions, public junior colleges or technical institutes, and health institutions, focusing on increasing the number of graduates and, in the case of junior colleges, transfers to general academic institutions. The funding for each initiative would be allocated on a 50/50 split under guidelines established in the bill. The bill also provides incentives for students who perform better than average on licensing and end of degree examinations. The incentive programs would be administered by the Higher Education Coordinating Board. Each incentive program will be discussed separately.

General Academic Teaching Institutions: Using a table of weights with combinations of noncritical/critical fields and not at-risk/at-risk students, institutions qualify for incentive funds in proportion to the increase in the average number of degrees awarded annually in the two most recent fiscal years compared to the two immediately preceding years. Noncritical field/Not at-risk Student is

weighted at 1.0; Critical field/at-risk Student is weighted at 3.0. Statutory critical fields include engineering, computer science, math, physical science, allied health, nursing, and teach certification in science or math.

Junior Colleges: Using a broader range of combinations of weights, junior colleges qualify for incentive funds in proportion to the increase in the average number of student transfers (students completing 30-70 hours with at least a 2.5 GPA) and degrees or certificates awarded annually in the two most recent fiscal years compared to the two immediately preceding years. Weighting points do not apply to a program that the coordinating board determines does not merit performance funding, and do not apply to an international student. Weighting points may not be assigned for both a student's degree/certificate and transfer. Critical fields are essentially the same as for general academics.

Medical and Dental Units: Using weights based on type of degree or certificate, medical and dental units qualify for incentive funds in proportion to the increase in the average number of degrees or certificates awarded, and medical residencies completed, in the two most recent fiscal years compared to the two immediately preceding years.

Under provisions of the bill, an education research center would report to the Higher Education Coordinating Board and the Legislature a written report evaluating the point system assigned to the various incentive programs. The Higher Education Coordinating Board would be required to conduct a study to determine the feasibility of using student achievement data as a criteria for the distribution of incentive funds to the institutions of higher education and report the findings by December 1, 2010.

The Higher Education Coordinating Board would be required to conduct a study on whether bilingual education is critical field under Chapter 61 of the Education Code.

Methodology

Based on an incentive funding model provided by the Higher Education Coordinating Board, \$100 million per year would be distributed to the institutions. Of this amount \$50 million would be awarded based the increase in the average number of degrees awarded annually by each institution in the two most recent fiscal years (2007 and 2008) compared to the preceding fiscal years (2005 and 2006) and \$50 million would be awarded in proportion to the average number of degrees awarded in the three most recent fiscal years (2006, 2007 and 2008). The criteria for the allocation for public universities includes bachelor, masters, doctoral and professional degrees. Degrees issued to students considered at risk as well as degrees in critical fields are given extra weight.

Based on an incentive model for two year community, state, and technical colleges, \$50 million would be distributed annually with a similar allocation as mentioned above. This amount includes workforce certificates level one and two, associate degrees and transfer students with at least 30 semester credit hours at the college before transferring to a university in the state. Certificates and degrees issued to students considered at risk as well as those credentials in critical fields are given extra weight.

Based on an incentive model for health-related institutions, \$25 million would be distributed annually with a similar allocation as mentioned above. The allocation to the health related institutions includes bachelor, masters, doctoral and professional degrees and certificates with greater than 30 semester credit hours

In fiscal year 2009, the Higher Education Coordinating Board was appropriated \$100 million in incentive funding with 80% or \$80 million going to general academic teaching institutions based on degrees awarded with increased weights for critical fields and at-risk students and 20% or \$20 million going to top ten percent scholarships. For purposes of this fiscal note, it is assumed this allocation would continue in the same amounts and same percentages for fiscal year 2010 and subsequent years thereby reducing the costs by \$80 million per year. It should be noted that the number of top ten percent scholarships would increase in the 2010-11 biennium as new cohorts of students become eligible for the program and renewal students receive funding. The estimated amount to cover these students is \$54 million for the biennium.

Administrative costs include \$250,000 per year for program criteria evaluation by one of the

Education Research Centers and the Higher Education Coordinating Board hiring two additional staff positions, a program director and a data analyst (2 FTEs) at a cost of \$164,976 in fiscal year 2010, and \$142,049 for fiscal year 2011 and subsequent years.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 781 Higher Education Coordinating Board, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 304 Comptroller of Public Accounts, 769 University of North Texas System Administration

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