

House Bill 9
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SECTION 1. This Act shall be known as the Higher Education Outcomes-Based Funding Act.

SECTION 2. Sections 61.059(a) and (c), Education Code, are amended to read as follows:

- (a) To finance a system of higher education and to secure an equitable distribution of state funds deemed to be available for higher education, the board shall perform the functions described in this section. Funding policies shall:
- (1) allocate resources efficiently and provide incentives for programs of superior quality and for institutional diversity;
 - (2) provide incentives for supporting the five-year master plan developed and revised under Section 61.051; ~~and~~
 - (3) discourage unnecessary duplication of course offerings between institutions and unnecessary construction on any campus; and
 - (4) emphasize an alignment with education goals established by the board.

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SECTION 1. Same as House version.

SECTION 2. Section 61.059, Education Code, is amended by amending Subsections (a) and (c) and adding Subsection (b-1) to read as follows:

- (a) To finance a system of higher education and to secure an equitable distribution of state funds deemed to be available for higher education, the board shall perform the functions described in this section. Funding policies shall:
- (1) allocate resources efficiently and provide incentives for programs of superior quality and for institutional diversity;
 - (2) provide incentives for supporting the five-year master plan developed and revised under Section 61.051; ~~and~~
 - (3) discourage unnecessary duplication of course offerings between institutions and unnecessary construction on any campus; and
 - (4) emphasize an alignment with education goals established by the board.
- (b-1) A committee under Subsection (b) must be composed of representatives of a cross-section of institutions representing each of the institutional groupings under the board's accountability system. The commissioner of higher education shall solicit recommendations for the committee's membership from the chancellor of each university system and from the president of each institution of higher education that is not a component of a university system. The chancellor of a university system shall recommend to the commissioner at least one institutional representative for each institutional grouping to which a component of the university system is assigned. The president of an institution of higher education

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- (c) Formulas for **basic** funding shall:
- (1) reflect the role and mission of each institution;
 - (2) ~~[-shall]~~ emphasize funding elements that directly support faculty;
 - (3) ~~[-and shall]~~ reflect both fixed and variable elements of cost; and
 - (4) incorporate, as the board considers appropriate, goals identified in the board's long-range statewide plan developed under Section 61.051.

SECTION 3. Subchapter C, Chapter 61, Education Code, is amended by adding Section 61.0593 to read as follows:

Sec. 61.0593. STUDENT SUCCESS-BASED FUNDING RECOMMENDATIONS. (a) The legislature finds that it is in the state's highest public interest to evaluate student achievement at institutions of higher education and to develop higher education funding policy based on that evaluation. Funding policies that promote postsecondary educational success based on objective indicators of relative performance, such as degree completion rates, are critical to maintaining the state's competitiveness in the national and global economy and supporting the general welfare of this state. Therefore, the purpose of this section is to ensure that institutions of higher education produce student outcomes that are directly aligned with the state's education goals and economic development needs.

(b) In this section:

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- that is not a component of a university system shall recommend to the commissioner at least one institutional representative for the institutional grouping to which the institution is assigned.
- (c) Formulas for funding shall:
- (1) reflect the role and mission of each institution;
 - (2) ~~[-shall]~~ emphasize funding elements that directly support faculty;
 - (3) ~~[-and shall]~~ reflect both fixed and variable elements of cost; and
 - (4) incorporate, as the board considers appropriate, goals identified in the board's long-range statewide plan developed under Section 61.051.

SECTION 3. Subchapter C, Chapter 61, Education Code, is amended by adding Section 61.0593 to read as follows:

Sec. 61.0593. STUDENT SUCCESS-BASED FUNDING RECOMMENDATIONS. (a) The legislature finds that it is in the state's highest public interest to evaluate student achievement at institutions of higher education and to develop higher education funding policy based on that evaluation. Funding policies that promote postsecondary educational success based on objective indicators of relative performance, such as degree completion rates, are critical to maintaining the state's competitiveness in the national and global economy and supporting the general welfare of this state. Therefore, the purpose of this section is to ensure that institutions of higher education produce student outcomes that are directly aligned with the state's education goals and economic development needs.

(b) In this section:

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(1) "At-risk student" means an undergraduate student of an institution of higher education:
(A) who has been awarded a grant under the federal Pell Grant program; or
(B) who, on the date the student initially enrolled in the institution:
(i) was 20 years of age or older;
(ii) had a score on the Scholastic Assessment Test (SAT) or the American College Test (ACT) that was less than the national mean score for students taking that test;
(iii) was enrolled as a part-time student; or
(iv) had not received a high school diploma but had received a high school equivalency certificate within the last six years.
(2) "Critical field" means a field of study designated as a critical field under Subsection (c).
(c) Except as otherwise provided under Subdivision (2), the fields of engineering, computer science, mathematics, physical science, allied health, nursing, and teaching certification in the field of science or mathematics are critical fields. Beginning September 1, 2012, the board, based on the board's determination of those fields of study in which the support and development of postsecondary education programs at the bachelor's degree level are most critically necessary for serving the needs of this state, by rule may:
(1) designate as a critical field a field of study that is not currently designated by this subsection or by the board as a critical field; or
(2) remove a field of study from the list of fields currently designated by this subsection or by the board as critical fields.
(d) This subsection applies only to a general academic teaching institution other than a public state college. In devising its base funding formulas and making its

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(1) "At-risk student" means an undergraduate student of an institution of higher education:
(A) who has been awarded a grant under the federal Pell Grant program; or
(B) who, on the date the student initially enrolled in the institution:
(i) was 20 years of age or older;
(ii) had a score on the Scholastic Assessment Test (SAT) or the American College Test (ACT) that was less than the national mean score for students taking that test;
(iii) was enrolled as a part-time student; or
(iv) had not received a high school diploma but had received a high school equivalency certificate within the last six years.
(2) "Critical field" means a field of study designated as a critical field under Subsection (c).
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(1) designate as a critical field a field of study that is not currently designated by this subsection or by the board as a critical field; or
(2) remove a field of study from the list of fields currently designated by this subsection or by the board as critical fields.
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recommendations to the legislature relating to institutional appropriations of **base** funds under Section 61.059 for institutions to which this subsection applies, the board, in the manner and to the extent the board considers appropriate and in consultation with those institutions, shall incorporate the consideration of undergraduate student success measures achieved during the preceding state fiscal biennium by each of the institutions.

The success measures considered by the board under this subsection must include:

- (1) the total number of bachelor's degrees awarded by the institution;
- (2) the total number of bachelor's degrees in critical fields awarded by the institution;
- (3) the total number of bachelor's degrees awarded by the institution to at-risk students; and
- (4) as determined by the board, the six-year graduation rate of students of the institution who initially enrolled in the institution in the fall semester immediately following their graduation from a public high school in this state as compared to the six-year graduation rate predicted for those students based on the composition of the institution's student body.

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recommendations to the legislature relating to institutional appropriations of funds under Section 61.059 for institutions to which this subsection applies, the board, in the manner and to the extent the board considers appropriate and in consultation with those institutions, shall incorporate the consideration of undergraduate student success measures achieved during the preceding state fiscal biennium by each of the institutions. **At the time the board makes those recommendations, the board shall also make recommendations for incorporating the success measures, to the extent the board considers appropriate in consultation with those institutions, into the distribution of any incentive funds available for those institutions, including performance incentive funds under Subchapter D, Chapter 62. The board's recommendations must provide alternative approaches for applying the success measures and must compare the effects on funding of applying the success measures within the formula for base funding to applying the success measures as a separate formula. The success measures considered by the board under this subsection may include:**

- (1) the total number of bachelor's degrees awarded by the institution;
- (2) the total number of bachelor's degrees in critical fields awarded by the institution;
- (3) the total number of bachelor's degrees awarded by the institution to at-risk students; and
- (4) as determined by the board, the six-year graduation rate of **undergraduate** students of the institution who initially enrolled in the institution in the fall semester immediately following their graduation from a public high school in this state as compared to the six-year graduation rate predicted for those students based on the composition of the institution's student

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

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

(A) successful completion of:

(i) developmental education in mathematics;

(ii) developmental education in English;

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

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

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body.

(e) Notwithstanding Subsection (d):

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

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

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

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

(A) successful completion of:

(i) developmental education in mathematics;

(ii) developmental education in English;

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

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

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(v) the first 30 semester credit hours at the institution; and
(B) transfer to a four-year college or university after successful completion of at least 15 semester credit hours at the institution; and
(2) the total number of the following awarded by the institution:
(A) associate's degrees;
(B) bachelor's degrees under Section 130.0012; and
(C) certificates identified by the board for purposes of this section as effective measures of student success.

(f) The board shall include in its findings and recommendations to the legislature under Section 61.059:
(1) an evaluation of the effectiveness of the student success measures described by this section in achieving the purpose of this section during the preceeding state fiscal biennium; and
(2) any related recommendations the board considers appropriate.
(g) The board shall adopt rules for the administration of this section, including rules requiring each institution of higher education to submit to the board any student data or other information the board considers necessary for the board to carry out its duties under this section.

SECTION 4. Subchapter C, Chapter 61, Education Code, is amended by adding Section 61.0905 to read as follows:
Sec. 61.0905. REPORTS TO JOINT OVERSIGHT COMMITTEE. (a) Not later than each September 15, the

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(v) the first 30 semester credit hours at the institution; and
(B) transfer to a four-year college or university after successful completion of at least 15 semester credit hours at the institution; and
(2) the total number of the following awarded by the institution:
(A) associate's degrees;
(B) bachelor's degrees under Section 130.0012; and
(C) certificates identified by the board for purposes of this section as effective measures of student success.

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

(h) The board shall include in its findings and recommendations to the legislature under Section 61.059:
(1) an evaluation of the effectiveness of the student success measures described by this section in achieving the purpose of this section during the preceding state fiscal biennium; and
(2) any related recommendations the board considers appropriate.
(i) The board shall adopt rules for the administration of this section, including rules requiring each institution of higher education to submit to the board any student data or other information the board considers necessary for the board to carry out its duties under this section. [FA1]

SECTION 4. Subchapter C, Chapter 61, Education Code, is amended by adding Section 61.0905 to read as follows:
Sec. 61.0905. REPORTS TO JOINT OVERSIGHT COMMITTEE. (a) Not later than September 30, 2011, and

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board shall submit to the Joint Oversight Committee on Higher Education Governance, Excellence, and Transparency a written report reviewing, comparing, and highlighting national and global best practices on:

- (1) improving student outcomes, including student retention, graduations, and graduation rates; and
- (2) higher education governance, administration, and transparency.
- (b) This section expires August 31, 2013.

SECTION 5. This Act takes effect September 1, 2011.

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subsequently not later than July 1, 2012, the board shall submit to the Joint Oversight Committee on Higher Education Governance, Excellence, and Transparency a written report reviewing, comparing, and highlighting national and global best practices on:

- (1) improving student outcomes, including student retention, graduations, and graduation rates; and
- (2) higher education governance, administration, and transparency.
- (b) This section expires August 31, 2013.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2011.

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