Student Outcome Measures in Institutional Funding

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The overarching goal of the state’s 2015 – 2030 strategic plan for higher education, 60x30TX, aims to increase the percentage of 25- to 34-year-olds in Texas who hold a certificate or degree.

To meet its primary goal under 60x30TX, by 2030, at least 550,000 students in that year will complete a certificate, associate, bachelor’s, or master’s from an institution of higher education in Texas.

To achieve the goals of 60x30TX, more emphasis must be placed on the effective use of state, institutional, and student resources not only to graduate students but to do so efficiently.
State law requires that institutions’ funding policy be based on ‘student achievement’

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.

- Texas Education Code, Section 61.0593 (a)
Enrollment and Degrees Awarded at General Academic Institutions continue to grow

Total Enrollment

2015  619,284
1994  406,466

Undergraduate

Fall 1994  314,326
Fall 2015  488,408

Graduate

Fall 1994  92,140
Fall 2015  130,876

Degrees awarded

Fall 1994  73,898
Fall 2015  138,448
GAI graduation rates have increased since 2000
Graduation rates still lag behind many states

• Using Coordinating Board data which tracks graduation at the same or another Texas public institution, the 6-year graduation rate in 2015 at all public universities was 59.3% but just 52.1% when UT and A&M aren’t included.

• Based on national data showing graduation from the same institution, Texas’s 6-year graduation rate of 53% at 4-year institutions ranks below the national average of 59.8% and that of 31 other states.

• Students who rely on Pell Grants to help pay for higher education graduate at even lower levels. In FY 2015, 47.9% of those receiving Pell graduated in 6 years.

• In FY 2015, the 3-year rate for students graduating from a public 2-year college or transferring to a 4-year institution was 26.6%. The 4-year rate was 31.8%.

Sources: Integrated Postsecondary Education Data System (IPEDS) and the Texas Higher Education Coordinating Board
The proportion of ‘at risk’ students receiving degrees at public universities continues to increase.
The genesis of the outcomes funding recommendation

• The Legislature appropriated $80 million for FY 2009 to the Board to establish a Higher Education Performance Incentive Fund to improve “teaching and educational excellence.” Funding ended in 2011.

• In 2010, the Board recommended an outcomes-based funding formula for public universities designating 10% of the baseline funding for degrees awarded and other factors.

• According to the National Conference of State Legislatures, 26 states employed some performance based funding for public four-year institutions as of July 2015.
The Coordinating Board recommends formula funding that rewards performance

- Board formula funding recommendations for the 2018-2019 biennium cover enrollment growth and the cost of inflation and **make a significant additional investment in student success points, outcomes based funding and graduate medical education.**

- Investing in outcomes sends a powerful message to institutions that results matter. Ultimately, student outcomes drive success and achieve 60x30TX goals.
The GAI Formula Advisory Committee developed a **Graduation Bonus program** to reward institutions for completions.

The Board recommended the 85th Legislature adopt a lower funding level, providing **$150 million for the biennium**, based on institutions’ three-year average:

- **$500 for each not “at risk” student** awarded a bachelor’s degree
- **$1,000 for each “at risk” student** awarded a bachelor’s degree

An “at risk” student would be defined as any student who is eligible to receive a Pell Grant or whose SAT or ACT score was below average.

The Bonus **directly impacts the 60x30TX** goal to produce more graduates.

The Board recommends outcomes-based funding be institutionalized and that the Legislature determine whether it be **inside or outside the formula**.
Outcomes funding model principles

• Create incentives for institutional behavior.
• Get agreement on goals.
• Include all public institutions.
• Reward success in serving underrepresented populations.
• Reward degree completion.
• Limit the categories of outcomes to be rewarded.
• Use metrics that are unambiguous and difficult to game.
• Reward continuous improvement.
Community College Success Points - Increasing student completions to meet 60x30TX goals requires additional resources for advising, tutoring, and software.

- First funded by the 83rd Legislature.
- Formula linked to completions, transfers, etc.

Returned Value Formula – Ties funding for the Texas State Technical College System to success in job placement and earnings.

- First funded by the 83rd Legislature.
• The recommended level of $222.3 million for success points at our 2-year public colleges would provide $215 per point.

• Success point funding ties resources to results. Improvements increase when colleges understand that success is valued and will be rewarded.

• Any additional funds beyond the 2016-2017 base year funding, growth, and inflation should be used to incentivize student success efforts.
Why Texas will succeed with outcomes funding at GAIs

• The Coordinating Board delivers the most sophisticated higher education data in the nation.

• Agency resources inform policy decisions, monitor changes, indicate possible improvements and allow replication of successful models.

• The simplicity of the Graduation Bonus prioritizes the overarching goal of 60x30TX; emphasizing persistence and focusing resources on success.

• The Bonus incentivizes universities’ internal success in tutoring, mentoring and developmental education.

• The Bonus carries the additional formula funding benefits of increasing retention and transfer completion.