

BILL ANALYSIS

Senate Research Center
86R2683 KSD-D

S.B. 1162
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Higher Education
3/18/2019
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Success-based funding is a policy that has been implemented in states across the country. The policy uses a formula to allocate state funding to public colleges and universities based on student outcomes.

S.B. 1162 allows public higher education institutions to earn scaled points based on the following metrics:

- total number of undergraduate degrees earned;
- total number of undergraduate degrees earned adjusted by the institution's six-year graduation rate; or three-year graduation rate if the institution only offers upper-division courses;
- total number of undergraduate degrees divided by the number of full-time undergraduate students enrolled in the fall semester; the quotient of which is multiplied by 100;
- six-year graduation rate, or three-year rate if only upper division courses are offered of at-risk students; and
- retention rates in several categories.

As proposed, S.B. 1162 amends current law relating to student success-based funding for certain public institutions of higher education.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Higher Education Coordinating Board in SECTION 2 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 61.0593, Education Code, by amending Subsections (d), (e), and (h) and adding Subsections (d-1), (d-2), (d-3), (d-4), and (d-5), as follows:

(d) Deletes existing text requiring the Texas Higher Education Coordinating Board (THECB) to incorporate the consideration of certain success measures in making recommendations to the legislature regarding funding for general academic teaching institutions other than public state colleges. Requires THECB, in devising its funding formulas and making its recommendations to the legislature relating to institutional appropriations of funds under Section 61.059 (Appropriations) for institutions to which this subsection applies, in consultation with those institutions, rather than in the manner and to the extent THECB considers appropriate and in consultation with those institutions, to prescribe a formula for distributing funds to the institutions in proportion to the number of scaled points earned by each of the institutions according to the following performance metrics:

(1) the total number of undergraduate, rather than bachelor's, degrees awarded by the institution;

(2) the total number of undergraduate degrees, rather than bachelor's degrees in critical fields, award by the institution, adjusted by the institution's:

(A) six-year graduation rate; or

(B) three-year graduation rate, if the institution offers only upper-division courses;

(3) the total number of undergraduate degrees awarded by the institution divided by the number of full-time undergraduate student equivalents enrolled in the fall semester, as reported in THECB's higher education accountability system, the quotient of which is multiplied by 100, rather than the total number of bachelor's degrees awarded to at-risk students;

(4) the six-year graduation rate, or three-year graduation rate if the institution offers only upper-division courses, of at-risk students;

(5) retention rates of undergraduate students at the institution having successfully completed at least 25 percent of the student's degree requirements or having earned at least 30 credit hours toward a 120-credit-hour degree, including hours earned toward the degree at another institution before transferring to the institution;

(6) retention rates of undergraduate students at the institution having successfully completed at least 50 percent of the student's degree requirements or having earned at least 60 credit hours toward a 120-credit-hour degree, including hours earned toward the degree at another institution before transferring to the institution; and

(7) retention rates of undergraduate students at the institution having successfully completed at least 75 percent of the student's degree requirements or having earned at least 90 credit hours toward a 120-credit-hour degree, including hours earned toward the degree at another institution before transferring to the institution, rather than, as determined by THECB, 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 body.

(d-1) Requires THECB, in devising the formula under Subsection (d), to:

(1) determine the appropriate scale for each metric; and

(2) compute each metric using the average of the applicable variables for the three most recent academic years for which the information is available, as determined on the January 1 preceding the state fiscal biennium for which the metric is computed.

(d-2) Authorizes points, in the formula prescribed under Subsection (d), to be assigned only for an institution's outcome on a metric and not based on the institution's increase in performance on the metric.

(d-3) Requires THECB, in computing an institution's graduation rate under Subsection (d), to include each first-time, full-time, undergraduate degree-seeking student who

enrolled in at least 12 semester credit hours in the student's first fall semester at the institution and who graduated from the institution or from any other institution of higher education or private or independent institution of higher education.

(d-4) Requires THECB recommendations under Subsection (d) to provide alternative approaches for applying the performance metrics described by that subsection and to compare the effects on funding of applying the performance metrics within the formula for base funding to applying the performance metrics as a separate formula.

(d-5) Requires THECB, at the time THECB makes its recommendations under Subsection (d) for institutions to which that subsection applies, to also make recommendations for incorporating the performance metrics described by that subsection, to the extent THECB 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.

(e) Provides that, notwithstanding Subsection (d):

(1) not more than 20, rather than not more than 10, percent of the total amount of general revenue appropriations of base funds for undergraduate education recommended by THECB for all institutions to which Subsection (d) applies for a state fiscal biennium is authorized to be based on student success measures; and

(2) THECB's recommendation for base funding for undergraduate education based on performance metrics, rather than student success measures, does not reduce or otherwise affect funding recommendations for graduate education.

(h) Requires THECB to include in its findings and recommendations to the legislature under Section 61.059:

(1) an evaluation of the effectiveness of the performance metrics and 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.

SECTION 2. Requires THECB to adopt rules for the administration of Section 61.0593, Education Code, as amended by this Act, not later than May 1, 2020.

SECTION 3. Effective date: September 1, 2019.