

SUBJECT: Establishing incentive funding for institutions of higher education

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 8 ayes — Morrison, McCall, F. Brown, Alonzo, Aycock, Giddings, Patrick, Rose

0 nays

1 absent — D. Howard

WITNESSES: For — Steve Banta, Verizon Corporation, Greater Dallas Chamber; Tegwin Pulley, Texas Instruments; (*Registered, but did not testify*: Jeffrey Clark, American Electronics Association; Robert Howden, Texas Association of Manufacturers; Tom Kowalski, Texas Healthcare and Bioscience Institute; Chris Shields, Greater San Antonio Chamber of Commerce; Elizabeth Sjoberg, Texas Hospital Association)

Against — Danita McAnally, Texas Community College Teachers Association; (*Registered, but did not testify*: Ted Melina Raab, Texas Federation of Teachers)

On — Lee Jackson, University of North Texas System; Charles Matthews, Texas State University System; Michael McKinney, Texas A&M University System; Raymund Peredes, Texas Higher Education Coordinating Board; Wayne R. Roberts, Office of the Governor; Robert Shepard, Texas Higher Education Coordinating Board; (*Registered, but did not testify*: Roger P. Miller, for Bill Segura, Chancellor, Texas State Technical College System; David Young, Office of the Governor)

DIGEST: CSHB 3828 would implement a performance incentive funding system and require the Texas Higher Education Coordinating Board (THECB) to distribute appropriated incentive funds based on a point system. It would set forth the different funding patterns by type of institution: general academic teaching institutions; two-year institutions; and health-related institutions.

For general academic teaching institutions other than public state colleges, incentive funding for bachelor's graduates would be based on a matrix of students' major fields plus at-risk factors. At-risk students would be those who:

- were below the national average on SAT and ACT tests;
- were economically disadvantaged;
- were not entering higher education for the first time directly from high school because they were between the ages of 20 and 60;
- did not initially enroll as a full-time student, taking less than 12 hours;
- received a GED instead of a diploma;
- were not a dependent for income tax purposes but may have dependents; or
- were single parents.

The point system would give the highest point value to baccalaureate degrees awarded to at-risk students in critical majors. Critical major fields would include engineering, computer science, math, physical science, allied health, nursing, and teacher certifications in science or math.

Incentive funding for community colleges, public technical colleges, and public state colleges would be based on a matrix of degrees or certificates awarded, and major field plus at-risk factors. At risk students would be those who had a high school GPA of less than 2.5, and:

- were economically disadvantaged;
- were not entering higher education for the first time directly from high school because they are between the ages of 20 and 60;
- did not initially enroll as a full-time student by taking less than 12 hours;
- received a GED instead of a diploma;
- who were not a dependent for income tax purposes, but may have dependents; or
- were single parents.

The point system would give the highest points to associate degrees awarded to at-risk students in critical majors. Critical field majors would include engineering technology, computer science, math, physical science, allied health, and nursing. Points also would be given for students

transferring to a university who completed 30 hours at a two-year school with a GPA of 2.5 before transferring.

Incentive funding for medical and dental units at health-related institutions would be awarded based on the number of points assigned to degrees awarded or a first residency completed.

The bill would require THECB, in consultation with institutions, to adopt additional criteria for awarding or adjusting points based on assessment of the quality of degrees and certificates. The methodology would include minimum standards of quality that a degree or certificate would have to satisfy in order to qualify for an assignment of points. By January 31 of each even-numbered year, the THECB would adopt the methodology to be used and provide it to certain state officials.

The bill would require each institution to report to THECB by September 1 of each year on each student who was awarded a degree or certificate, who completed a first-year residency, or who transferred to a university in the preceding fiscal year and set forth certain information on each student. Each fiscal biennium, the THECB would provide for the evaluation by an education research center of point assignments. The research center would be required to submit to the THECB and the Legislature an evaluation report by November 1 of each even-numbered year.

The THECB would be required to adopt rules to implement the provisions of the bill as soon as practicable after the bill became effective.

The bill would take effect September 1, 2008.

**SUPPORTERS
SAY:**

CSHB 3828 would implement Gov. Perry's proposal for incentive funding for Texas public universities and colleges. The current funding formula is based on the number of semester credit hours being taken by students but does nothing to address quality, and there are few incentives for improving performance. If the bill were enacted, schools would be rewarded for degrees awarded in critical fields and degrees awarded to at-risk students.

Incentive funding would be good for universities because if students graduated and earned degrees or certificates, the institution would get formula funding plus the incentive bonus. If a student did not graduate, institutions still would get formula funding. The higher point assignment for at-risk students would compensate for the fact that they usually require

more resources and have a lower graduation rate. It would be good for the state because the incentive funding would encourage schools to graduate students, not merely enroll them.

The incentive funding would be simple and understandable and directly linked to the goals of Closing the Gaps. It would account for different institutional missions and encourage universities to accept community college transfers.

**OPPONENTS
SAY:**

This bill should not require students transferring to a general academic institution to have a 2.5 GPA in order to transfer. Currently, transfer students are required to have a 2.0, and this requirement could negatively affect academic integrity and create pressure on community college teachers to award higher grades to transfer students in order to get the points that generate the incentive funding. Also, community colleges have a broad mission that responds to the needs of the state by offering economic and workforce training and development and customized training for industry. There usually are no degrees or certificates awarded for this training, and the community colleges would be penalized for this by not receiving incentive funding. There should be some latitude for this by including certificates of completion for continuing education or workforce training as a factor to generate incentive funding.

NOTES:

The original version of the bill had requirements for major field tests and licensing exams scores that would have been a part of the point system. Those were removed in the substitute.

According to the Legislative Budget Board, the bill would cost \$350.3 million per fiscal year starting in fiscal 2009.

The companion bill, SB 1029 by Shapiro, has been left pending in the Senate Subcommittee on Higher Education.