

- SUBJECT:** Establishing incentive funding for institutions of higher education
- COMMITTEE:** Higher Education — committee substitute recommended
- VOTE:** 8 ayes — Branch, Castro, Alonzo, Berman, Cohen, D. Howard, Patrick, Rose  
0 nays  
1 absent — McCall
- WITNESSES:** For — (*Registered, but did not testify:* Bernie Francis, Business Control Systems, LP; Justin Yancy, Governor’s Business Council)  
Against — None
- DIGEST:** CSHB 3790 would implement a performance incentive funding system for higher education institutions and require the Texas Higher Education Coordinating Board (THECB) to distribute appropriated incentive funds based on a point system with a focus on increasing the number of graduates and transfers. The bill would establish separate incentive mechanisms for general academic institutions, public junior colleges or technical institutes, and health institutions. The funding would be allocated based on degrees awarded by the institution, with points added for at-risk students and in critical fields.
- Funding for general academic institutions.** Funding would be based on a matrix of students’ major fields, plus at-risk factors, and assigned points. In each fiscal year, the THECB would distribute incentive funds to institutions as follows: 50 percent 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, using points assigned to each degree; and the remaining 50 percent in proportion to the increase in the average number of degrees awarded annually in the three most recent fiscal years, using the same points.
- At-risk students for general academic institutions would be those who:

- were below the national average on SAT and ACT tests;
- had been awarded a federal Pell grant;
- were 20 years old or older when they enrolled initially;
- did not initially enroll as a full-time student, taking less than 12 hours;
- received a GED instead of a high school diploma;
- were not a dependent for income tax purposes but may have dependents; or
- are a single parent.

The point system would give the highest point value to degrees awarded to at-risk students in critical majors. Critical major fields would include engineering, computer science, mathematics, physical science, allied health, nursing, and teaching certificate in the field of science or mathematics.

**Funding for community colleges, public junior colleges, public technical institutes, and public state colleges.** Funding would be based on a matrix of degrees and certificates awarded, student transfers, major field of study, and at-risk factors. In each fiscal year, the THECB would distribute incentive funds as follows: 50 percent in proportion to the increase in the average number of student transfers that occur each year, plus the average number of degrees or certificates awarded annually in the two most recent fiscal years compared to the two immediately preceding years, using the points assigned to each student transfer, or degree or certificate; and the remaining 50 percent in proportion to the increase in the average number of degrees awarded in the previous three years, using the same points

At-risk students for community, junior, and technical colleges would be those who:

- graduated high school with a GPA lower than 2.5;
- were awarded a federal Pell grant;
- were 20 years or older when they enrolled higher education for the first time;
- initially enrolled in the institution for less than 12 semester credit hours;
- received a GED instead of a high school diploma;

- may not be claimed by any other person as a dependent but may have a dependent; or
- are a single parent.

The point system would give the highest points to associate's degrees awarded to at-risk students in critical majors. Critical field majors would include engineering technology, computer science, mathematics, physical science, allied health, and nursing. Points would not be assigned for any degree or certificate awarded in a program on a topic that the THECB determined did not merit funding or to international students.

Points would be assigned to a transfer student who had completed 30-70 semester credit hours with a GPA of at least 2.5. In the case of a transfer student who earned a certificate or degree, points would go to the category that would merit the highest value.

**Funding for medical and dental institutions.** Funding would be based on a matrix of type of degree or certificates awarded and medical residencies completed. In each fiscal year, the THECB would distribute incentive funds to institutions as follows: 50 percent in proportion to the increase in the average number of degrees and certificates awarded and medical residencies completed annually in the two most recent fiscal years compared to the two immediately preceding years; the remaining 50 percent in proportion to the average number of degrees awarded in the previous three years, using the same points.

The point system would give the highest point value to doctoral degrees following a bachelor's, a medical or dental degree, or a completed medical residency.

Beginning September 1, 2011, the board could add or remove fields of study from the list of critical fields.

**Texas Academic Excellence Award Program.** Each graduate of a higher education institution would earn Texas Academic Excellence Award if the student's score on a licensing exam or end-of-degree exam exceeded the national or statewide average. The institution from which the award recipients graduated would receive funds based on the proportion of the number of degrees awarded to students receiving the award, using the same points system as the incentive funding program.

The bill would require detailed reporting of data, enumerated in the bill, by each institution to the THECB by September 1 of each year. The bill also would require that the THECB have an education research center evaluate the point assignments set forth in the bill. The report would have to be delivered no later than June 1 of each even-numbered year.

The bill would authorize the THECB to adopt any rules necessary to implement the incentive funding program. The provisions relating to licensing exams and end of degree exams would take effect on or after September 2, 1011.

The bill would take effect September 1, 2009.

**SUPPORTERS  
SAY:**

One of the charges of the Select Commission on Higher Education and Global Competiveness, which met last year, was to draft a Texas Compact that reflects a long-range vision and plan to educate Texas to levels comparable to the highest-performing competitive states and nations by 2020. CSHB 3790 would be the first step in accomplishing that goal by rewarding student and institutional outcomes that are aligned with state and regional priorities. Institutions would be encouraged to help more students achieve their college dreams and move them through the higher education pipeline faster, and would save the state money.

According to the commission's report, the single biggest gain toward the goal of a globally-competitive workforce would be achieved by having more students already enrolled in higher education graduate or earn a certificate. Many students who enroll in Texas universities fail to graduate, especially at-risk students. In addition, Texas has critical shortages of degrees in technology, nursing, and allied health, and a shortage of math and science teachers.

Consistent with the task force's recommendations, the bill focuses on increasing the number of certificates, degrees, transfers from two-year institutions to four-year institutions, and residency completion, with bonuses for at-risk students and degrees in critical fields. In order to maximize funding, institutions would have to improve retention of students, shorten the time that it takes students to earn a degree, increase the number of student transfers, and increase counseling to reduce the number of wasted semester credit hours.

OPPONENTS  
SAY:

The bill would require students transferring to a general academic institution to have a 2.5 GPA in order for the institution to receive incentive funding. Currently, transfer students are required to have a 2.0, and this higher GPA requirement could affect negatively academic integrity and create pressure on community college teachers to award higher grades to transfer students in order to get the points that generate incentive funding. As long as a student is accepted as a transfer student, it should not matter whether they have a GPA of 2.5; they should be considered to have made a successful transfer to a four-year school, which is one of the goals of the state's higher education plan.

OTHER  
OPPONENTS  
SAY:

Without funding, the bill would simply establish a framework for an incentive program.

NOTES:

The substitute would change the allocation formula to a 50/50 split based on a comparison of the average increase of degrees awarded for general academic institutions, junior colleges, and medical schools.

According to the LBB, the bill would cost about \$191 million through August 31, 2011, and about \$95 million per year after.

The companion bill, SB 1942 by Shapiro, is pending in the Senate Higher Education Committee.