

1 AN ACT  
2 relating to student success-based funding for and reporting  
3 regarding public institutions of higher education.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

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

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

10 (a) To finance a system of higher education and to secure an  
11 equitable distribution of state funds deemed to be available for  
12 higher education, the board shall perform the functions described  
13 in this section. Funding policies shall:

14 (1) allocate resources efficiently and provide  
15 incentives for programs of superior quality and for institutional  
16 diversity;

17 (2) provide incentives for supporting the five-year  
18 master plan developed and revised under Section 61.051; ~~and~~

19 (3) discourage unnecessary duplication of course  
20 offerings between institutions and unnecessary construction on any  
21 campus; and

22 (4) emphasize an alignment with education goals  
23 established by the board.

24 (b-1) A committee under Subsection (b) must be composed of

1 representatives of a cross-section of institutions representing  
2 each of the institutional groupings under the board's  
3 accountability system. The commissioner of higher education shall  
4 solicit recommendations for the committee's membership from the  
5 chancellor of each university system and from the president of each  
6 institution of higher education that is not a component of a  
7 university system. The chancellor of a university system shall  
8 recommend to the commissioner at least one institutional  
9 representative for each institutional grouping to which a component  
10 of the university system is assigned. The president of an  
11 institution of higher education that is not a component of a  
12 university system shall recommend to the commissioner at least one  
13 institutional representative for the institutional grouping to  
14 which the institution is assigned.

15 (c) Formulas for basic funding shall:

- 16 (1) reflect the role and mission of each institution;  
17 (2) [~~shall~~] emphasize funding elements that directly  
18 support faculty;  
19 (3) [~~and shall~~] reflect both fixed and variable  
20 elements of cost; and  
21 (4) incorporate, as the board considers appropriate,  
22 goals identified in the board's long-range statewide plan developed  
23 under Section 61.051.

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

26 Sec. 61.0593. STUDENT SUCCESS-BASED FUNDING  
27 RECOMMENDATIONS. (a) The legislature finds that it is in the

1 state's highest public interest to evaluate student achievement at  
2 institutions of higher education and to develop higher education  
3 funding policy based on that evaluation. Funding policies that  
4 promote postsecondary educational success based on objective  
5 indicators of relative performance, such as degree completion  
6 rates, are critical to maintaining the state's competitiveness in  
7 the national and global economy and supporting the general welfare  
8 of this state. Therefore, the purpose of this section is to ensure  
9 that institutions of higher education produce student outcomes that  
10 are directly aligned with the state's education goals and economic  
11 development needs.

12 (b) In this section:

13 (1) "At-risk student" means an undergraduate student  
14 of an institution of higher education:

15 (A) who has been awarded a grant under the  
16 federal Pell Grant program; or

17 (B) who, on the date the student initially  
18 enrolled in the institution:

19 (i) was 20 years of age or older;

20 (ii) had a score on the Scholastic  
21 Assessment Test (SAT) or the American College Test (ACT) that was  
22 less than the national mean score for students taking that test;

23 (iii) was enrolled as a part-time student;

24 or

25 (iv) had not received a high school diploma  
26 but had received a high school equivalency certificate within the  
27 last six years.

1           (2) "Critical field" means a field of study designated  
2 as a critical field under Subsection (c).

3           (c) Except as otherwise provided under Subdivision (2), the  
4 fields of engineering, computer science, mathematics, physical  
5 science, allied health, nursing, and teaching certification in the  
6 field of science or mathematics are critical fields. Beginning  
7 September 1, 2012, the board, based on the board's determination of  
8 those fields of study in which the support and development of  
9 postsecondary education programs at the bachelor's degree level are  
10 most critically necessary for serving the needs of this state, by  
11 rule may:

12           (1) designate as a critical field a field of study that  
13 is not currently designated by this subsection or by the board as a  
14 critical field; or

15           (2) remove a field of study from the list of fields  
16 currently designated by this subsection or by the board as critical  
17 fields.

18           (d) This subsection applies only to a general academic  
19 teaching institution other than a public state college. In  
20 devising its funding formulas and making its recommendations to the  
21 legislature relating to institutional appropriations of funds  
22 under Section 61.059 for institutions to which this subsection  
23 applies, the board, in the manner and to the extent the board  
24 considers appropriate and in consultation with those institutions,  
25 shall incorporate the consideration of undergraduate student  
26 success measures achieved during the preceding state fiscal  
27 biennium by each of the institutions. At the time the board makes

1 those recommendations, the board shall also make recommendations  
2 for incorporating the success measures, to the extent the board  
3 considers appropriate in consultation with those institutions,  
4 into the distribution of any incentive funds available for those  
5 institutions, including performance incentive funds under  
6 Subchapter D, Chapter 62. The board's recommendations must provide  
7 alternative approaches for applying the success measures and must  
8 compare the effects on funding of applying the success measures  
9 within the formula for base funding to applying the success  
10 measures as a separate formula. The success measures considered by  
11 the board under this subsection may include:

12 (1) the total number of bachelor's degrees awarded by  
13 the institution;

14 (2) the total number of bachelor's degrees in critical  
15 fields awarded by the institution;

16 (3) the total number of bachelor's degrees awarded by  
17 the institution to at-risk students; and

18 (4) as determined by the board, the six-year  
19 graduation rate of undergraduate students of the institution who  
20 initially enrolled in the institution in the fall semester  
21 immediately following their graduation from a public high school in  
22 this state as compared to the six-year graduation rate predicted  
23 for those students based on the composition of the institution's  
24 student body.

25 (e) Notwithstanding Subsection (d):

26 (1) not more than 10 percent of the total amount of  
27 general revenue appropriations of base funds for undergraduate

1 education recommended by the board for all institutions to which  
2 Subsection (d) applies for a state fiscal biennium may be based on  
3 student success measures; and

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

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

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

21 (A) successful completion of:

22 (i) developmental education in  
23 mathematics;

24 (ii) developmental education in English;

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

27 (iv) the first college-level English course

1 with a grade of "C" or higher; and

2 (v) the first 30 semester credit hours at  
3 the institution; and

4 (B) transfer to a four-year college or university  
5 after successful completion of at least 15 semester credit hours at  
6 the institution; and

7 (2) the total number of the following awarded by the  
8 institution:

9 (A) associate's degrees;

10 (B) bachelor's degrees under Section 130.0012;

11 and

12 (C) certificates identified by the board for  
13 purposes of this section as effective measures of student success.

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

18 (h) The board shall include in its findings and  
19 recommendations to the legislature under Section 61.059:

20 (1) an evaluation of the effectiveness of the student  
21 success measures described by this section in achieving the purpose  
22 of this section during the preceding state fiscal biennium; and

23 (2) any related recommendations the board considers  
24 appropriate.

25 (i) The board shall adopt rules for the administration of  
26 this section, including rules requiring each institution of higher  
27 education to submit to the board any student data or other

1 information the board considers necessary for the board to carry  
2 out its duties under this section.

3 SECTION 4. Subchapter C, Chapter 61, Education Code, is  
4 amended by adding Section 61.0905 to read as follows:

5 Sec. 61.0905. REPORTS TO JOINT OVERSIGHT COMMITTEE. (a)  
6 Not later than September 30, 2011, and subsequently not later than  
7 July 1, 2012, the board shall submit to the Joint Oversight  
8 Committee on Higher Education Governance, Excellence, and  
9 Transparency a written report reviewing, comparing, and  
10 highlighting national and global best practices on:

11 (1) improving student outcomes, including student  
12 retention, graduations, and graduation rates; and

13 (2) higher education governance, administration, and  
14 transparency.

15 (b) This section expires August 31, 2013.

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



David Newkumst

President of the Senate

Joe Straus  
Speaker of the House

I certify that H.B. No. 9 was passed by the House on May 13, 2011, by the following vote: Yeas 118, Nays 22, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 9 on May 27, 2011, by the following vote: Yeas 127, Nays 14, 2 present, not voting.

Robert Honey  
Chief Clerk of the House

I certify that H.B. No. 9 was passed by the Senate, with amendments, on May 24, 2011, by the following vote: Yeas 30, Nays 0.

Patsy Gau  
Secretary of the Senate

APPROVED: 17 JUN '11

Date

Rick Perry  
Governor

FILED IN THE OFFICE OF THE  
SECRETARY OF STATE  
4:00 pm O'CLOCK

JUN 17 2011

Debra Ralston  
Secretary of State