

## **BILL ANALYSIS**

C.S.H.B. 1241  
By: Giddings  
Higher Education  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties suggest that, to meet the goal of improving graduation rates at general academic teaching institutions, the legislature should incentivize institutions to focus more on student outcomes rather than student enrollment. C.S.H.B. 1241 seeks to create that incentive by revising the student success-based funding for general academic teaching institutions other than public state colleges.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 1241 amends the Education Code to change the method by which the Texas Higher Education Coordinating Board devises its funding formulas and makes recommendations to the legislature relating to institutional appropriations of funds for general academic teaching institutions other than public state colleges from incorporating the consideration of certain undergraduate student success measures achieved during the preceding state fiscal biennium by each of the institutions to prescribing a formula for allocating funds to the institutions in proportion to the number of weighted points earned by each of the institutions according to the total number of bachelor's degrees awarded by the institution to not at-risk students and to at-risk students, with those degrees weighted at 1.0 and 2.0, respectively. The bill requires the coordinating board to compute the points using the average number of applicable degrees awarded for the three most recent academic years for which that information is available.

C.S.H.B. 1241 changes the definition of "at-risk student" from an undergraduate student of an institution of higher education who has been awarded a federal Pell grant or who, on the date the student initially enrolled in the institution was 20 years of age or older, had a score on the Scholastic Assessment Test (SAT) or the American College Test (ACT) that was less than the national mean score for students taking that test, was enrolled as a part-time student, or had not received a high school diploma but had received a high school equivalency certificate within the last six years to an undergraduate student of an institution of higher education who has previously received a federal Pell grant or met the Expected Family Contribution criterion for a Pell grant or whose score on the SAT or the ACT, excluding the optional essay test, is less than the national mean of students' scores on the applicable test.

C.S.H.B. 1241 removes and repeals provisions relating to success measures consisting of the

total number of bachelor's degrees in certain critical fields awarded by the institution and 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 Texas as compared to the six-year graduation rate predicted for those students based on the composition of the institution's student body. The bill also repeals the provision limiting to 10 percent the proportion of the coordinating board's recommended total amount of general revenue appropriations of base funds for undergraduate education that may be based on student success measures and establishing that the coordinating board's recommendation for base funding for undergraduate education based on student success measures does not reduce or otherwise affect funding recommendations for graduate education.

C.S.H.B. 1241 requires the coordinating board to adopt rules for the administration of provisions relating to the coordinating board's student success-based funding recommendations, as amended by the bill, not later than May 1, 2018.

C.S.H.B. 1241 repeals Sections 61.0593(b)(2), (c), and (e), Education Code.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2017.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 1241 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### INTRODUCED

No equivalent provision.

SECTION 1. Subchapter D, Chapter 62, Education Code, is amended to read as follows:

#### **SUBCHAPTER D. OUTCOMES-BASED FUNDING FOR GENERAL ACADEMIC**

#### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 61.0593(a), Education Code, is amended to read as follows:

(a) 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 the number of degrees awarded [~~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.

SECTION 2. Section 61.0593(b)(1), Education Code, is amended to read as follows:

TEACHING INSTITUTIONS  
[PERFORMANCE INCENTIVE  
FUNDING]

Sec. 62.071. DEFINITIONS. In this subchapter:

(1) "At-risk student" means an undergraduate student of an eligible institution:

(A) whose score on the SAT [~~Scholastic Assessment Test (SAT)~~] or ACT [~~the American College Test (ACT)~~] is less than the national mean score of students' scores on that test;

(B) who has been awarded a grant under the federal Pell Grant program;

(C) who was 20 years of age or older on the date the student initially enrolled in the institution;

(D) who is enrolled as a part-time student; or

(E) who did not receive a high school diploma but received a high school equivalency certificate [~~within the last six years~~].

(2) [~~"Critical field" means:~~

~~[(A) the field of engineering, computer science, mathematics, physical science, allied health, nursing, or teacher certification in a field of science or mathematics; and~~

~~[(B) any other field of study identified as a critical field by the coordinating board in "Closing the Gaps," the state's master plan for higher education.~~

~~[(3) "Eligible institution" means a general academic teaching institution other than a public state college.~~

~~[(4) "General academic teaching institution" has [and "public state college" have] the meaning [meanings] assigned by Section 61.003.~~

Sec. 62.072. BIENNIAL DISTRIBUTION OF FUNDS BASED ON DEGREES AWARDED. (a) Except as provided by Subsection (b) or Section 62.073, for each state fiscal biennium, the coordinating board shall distribute from any funds appropriated

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

(A) who has previously received [~~been awarded~~] a grant under the federal Pell Grant program or met the Expected Family Contribution (EFC) criterion for a grant under that program; or

(B) whose [~~who, on the date the student initially enrolled in the institution:~~

~~[(i) was 20 years of age or older;~~

~~[(ii) had a] score on the SAT [~~Scholastic Assessment Test (SAT)~~] or the ACT, excluding the optional essay test, is [~~American College Test (ACT) that was] less than the national mean of students' scores on the applicable [score for students taking that] test[;~~~~

~~[(iii) was enrolled as a part time student; or~~

~~[(iv) had not received a high school diploma but had received a high school equivalency certificate within the last six years].~~

*(Section 61.0593(b)(2) repealed in SECTION 4.)*

No equivalent provision.

to the coordinating board by the legislature for the purposes of this subchapter, and any other funds made available for the purposes of this subchapter, to each general academic teaching institution an amount based on the average number of bachelor's degrees in the categories described by this subsection awarded by the institution annually in the three most recent academic years for which that information is available, as determined on the January 1 preceding the biennium. The amount distributed to each institution in a biennium is:

(1) \$500 for each bachelor's degree awarded to a student who is not an at-risk student; and

(2) \$1,000 for each bachelor's degree awarded to an at-risk student.

(b) If the total amount of funds required to be distributed to general academic teaching institutions under Subsection (a) for a state fiscal biennium is more than the total amount of funds available for distribution under this subchapter for that biennium, the amount allocated under Subsection (a) to each institution shall be reduced proportionately so that the total amount to be distributed to all institutions equals the total amount of available funds.

~~[FUNDING. (a) For each state fiscal year, the coordinating board shall distribute any performance incentive funds appropriated by the legislature for purposes of this subchapter, and any other funds made available for the purposes of this subchapter, to eligible institutions as follows:~~

~~[(1) 50 percent to be distributed among eligible institutions in proportion to the increase, if any, in the average number of degrees awarded annually by each institution in the two most recent fiscal years from the average number of degrees awarded annually by that institution in the two fiscal years immediately preceding those fiscal years, using the weights assigned to each degree under the table prescribed by Subsection (b); and~~

~~[(2) the remaining 50 percent to be distributed among eligible institutions in proportion to the average number of degrees awarded annually by each institution in the three most recent fiscal years, using the weights assigned to each degree under the table prescribed by Subsection (b).]~~

~~[(b) A number of points is assigned for each~~

~~degree awarded by an eligible institution according to the following table:~~

~~[POINTS~~

~~[Noncritical Field/Not At Risk Student1.0~~

~~[Noncritical Field/At Risk Student2.0~~

~~[Critical Field/Not At Risk Student2.0~~

~~[Critical Field/At Risk Student3.0]~~

Sec. 62.073. DISTRIBUTION OF FUNDS CONTINGENT ON FULL FUNDING OF BASE FORMULA FUNDING. Funds may be distributed under this subchapter for a state fiscal biennium only if the instruction and operations formula for all general academic teaching institutions for undergraduate education under Section 61.059 is funded by appropriation for that biennium at a level, per weighted semester credit hour, that is equal to or greater than the level, per weighted semester credit hour, at which that formula was funded by appropriation for all general academic teaching institutions in the preceding state fiscal biennium, as that level is adjusted for inflation.

No equivalent provision.

No equivalent provision.

SECTION 3. Section 61.0593, Education Code, is amended by amending Subsection (d) and adding Subsections (d-1), (d-2), and (d-3) to read as follows:

(d) This subsection applies only to a general academic teaching institution other than a public state college. In devising its funding formulas and making its recommendations to the legislature relating to institutional appropriations of funds under Section 61.059 for institutions to which this subsection applies, the board, in the manner and to the extent the board considers appropriate and in consultation with those institutions, shall prescribe a formula for allocating funds to the institutions in proportion to the number of weighted points earned by each of the institutions according to the following success measures [~~incorporate the consideration of undergraduate student success measures achieved during the preceding state fiscal biennium by each of the institutions. At the time the board makes those recommendations, the board shall also make recommendations for incorporating the success measures, to the extent the board 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. The board's recommendations must provide alternative approaches for applying the success measures and must compare the effects on funding of applying the success measures within the formula for base funding to applying the success measures as a separate formula. The success measures considered by the board under this subsection may include]:~~

~~(1) the total number of bachelor's degrees awarded by the institution to not at-risk students; and~~

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

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

~~[(4) as determined by the board, 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) In the formula prescribed under Subsection (d), the board shall:~~

~~(1) compute points for each success measure using the average number of degrees awarded for the three most recent academic years for which the information is available; and~~

~~(2) assign the following weights to each degree awarded by an institution to which that subsection applies:~~

~~(A) 1.0, for a not at-risk student; and~~

~~(B) 2.0, for an at-risk student.~~

~~(d-2) The board's recommendations under Subsection (d) must provide and compare the alternative approaches of applying the success measures described by that subsection within the formula for base funding and applying the success measures described by that subsection outside the formula for base funding.~~

~~(d-3) At the time the board makes its recommendations under Subsection (d) for institutions to which that subsection applies, the board shall also make recommendations for incorporating the success measures~~

described by that subsection, to the extent the board 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.

No equivalent provision.

Sec. 62.074. RULES. The coordinating board shall adopt rules for the administration of this subchapter, including any rules the coordinating board considers necessary regarding the submission to the coordinating board by general academic teaching [eligible] institutions of any [student] data required for the coordinating board to carry out its duties under this subchapter.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2017.

SECTION 4. Sections 61.0593(b)(2), (c), and (e), Education Code, are repealed.

SECTION 5. The Texas Higher Education Coordinating Board shall adopt rules for the administration of Section 61.0593, Education Code, as amended by this Act, not later than May 1, 2018.

SECTION 6. Same as introduced version.