

**Texas Higher
Education**
COORDINATING BOARD

UNIVERSITY PERFORMANCE BASED FUNDING REPORT

July 2026



Legislative Charge

The General Appropriations Act for the 2026-27 biennium (the GAA, or budget) directed the Texas Higher Education Coordinating Board (THECB) to conduct a study on performance-based funding for General Academic Institutions (GAI) with the intention to remove institutional enhancements at the end of fiscal year 2027.

The budget required that the study examine:

- Comprehensive formula funding levels for general academic institutions
- Student success indicators including performance data metrics
- Support needed for regional institutions in delivering high-quality education
- The cost to maintain stable funding for all institutions in future biennia



Executive Committee Overview

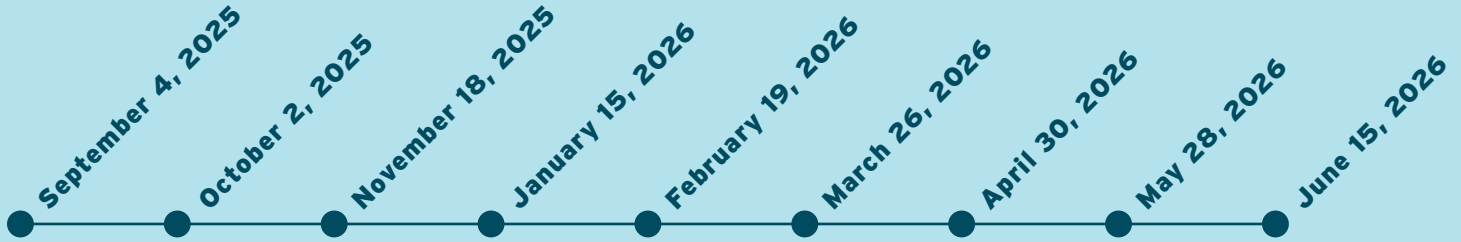
The GAA directed THECB to form an Executive Committee (the Committee) composed of individuals appointed from each higher education system with a general academic institution and Texas Southern University, with the Commissioner of Higher Education issuing a call for appointments from each Chancellor and the President of Texas Southern University, with a maximum number of 21

Committee members. The budget also authorized THECB to consult, in coordination with the Executive Committee, employer or industry representatives, and other stakeholders from across the state to provide expert information to support the study.

Appendix A lists the members of the Committee, following the process prescribed in the budget.

Executive Committee Meetings

The Committee met nine times, from Fall 2025 through Spring 2026 to contribute to and consult on the study:



All meetings were held in-person at THECB offices, except for the November 18th and January 15th meetings which were held virtually. In advance of each meeting, THECB distributed an agenda and supplemental materials to the Committee. Starting with the January 2026 meeting, the supplemental materials included a consensus document outlining areas of agreement and areas for further discussion. THECB also recorded and distributed meeting notes to the Committee in a timely fashion after each meeting.

PROJECT TIMELINE OVERVIEW

AUG 2025-SEPT 2025

- Executive Committee Kick-off (Mtg #1)
- Problem Statement, Goals & Timeline
- Expectations, & Processes
- Phase 1: Data Discovery

OCT 2025

- Executive Committee Meeting #2
- Continuation of Phase 1: Data Discovery
- Formation of Work Groups

NOV 2025-JAN 2026

- Executive Committee Meeting #3 & #4
- Initiation of Phase 2: Metrics
- Work Group Meetings & Collaboration
- Stakeholder Listening Sessions

FEB 2026

- Executive Committee Meeting #5
- Continuation of Phase 2: Metrics
- Initiation of Phase 3: Modeling
- Work Group Meetings & Collaboration

MAR 2026-APR 2026

- Executive Committee Meeting #6 & #7
- Continuation of Phase 3: Modeling
- Initiation of Phase 4: Funding Runs
- Work Group Meetings & Collaboration

MAY 2026-JUN 2026

- Executive Committee Meeting #8 & #9
- Continuation & Completion of Phase 4 - Funding Runs

JUL 2026

- Board Meeting to Adopt Report (July 22, 2026)
- Report due to Legislature (July 31, 2026)

Committee Workgroups

To assist in the study and development of a performance-based funding model, the Committee established four workgroups.

Those workgroups were organized around themes of attainment, affordability, post collegiate outcomes, and progression/persistence. Workgroup membership is included in Appendix A. Each group met as frequently as needed between the Committee meetings to develop recommendations on how to advance their assigned themes in a performance-based funding model. In the spring, the Committee established two additional workgroups focusing on model mechanics and student weights. THECB staff supported the workgroup discussions by providing data runs and data documentation. Each Committee meeting agenda included a section for workgroups to report on progress, field questions, and foster discussion.

Stakeholder Engagement

To gather feedback from other stakeholders, THECB staff conducted three listening sessions on January 12, 13, and 20, 2026. The following stakeholders attended these sessions:

- Commit Partnership
- Dallas Chamber of Commerce
- Ed Trust
- Educate Texas at Communities Foundation of Texas
- Philanthropy Advocates
- Texas Association of Community Colleges
- Texas Business Leadership Council
- Texas Public Policy Foundation
- Texas 2036
- Young Invincibles

THECB also held two discussions with presidents of GAIs. In all of these meetings, THECB staff briefly described the process and topics discussed by the Committee, fielded questions, and sought input.

THECB staff and Committee members also met with legislative staff throughout the process to provide updates on the Committee's work and receive input to ensure continued alignment with legislative priorities and vision.

Development of the Recommendations



Landscape Analysis

The Committee studied national and state-specific practices in performance-based funding to inform its recommendations. In the September through November meetings, the Committee examined broad categories of funding allocation models, including base plus, enrollment, weighted enrollment, and outcomes-based funding, as well as the frequency of adoption nationwide. The landscape analysis covered common metrics incorporated in funding models, common populations for student weights, and approaches to mission differentiation. The landscape analysis also explored the mechanics of other state models, offering the advantages and disadvantages of different methods like share of outcomes, relative growth, and target-based approaches.

The Committee examined broad categories of funding allocation models as well as the frequency of adoption nationwide.

The landscape analysis looked closely at outcomes-based funding for General Academic Institutions in five states: Florida, Tennessee, Ohio, Oregon, and Colorado. The Committee studied their allocation approaches, performance funding as a percentage of total appropriations, how missions were differentiated, and which metrics were incorporated.

The state profiles explored the following questions:

1 Have these states' formulas led to greater investment?

2 How has attainment changed over time?

3 How have the formulas impacted the distribution of state dollars to institutions over time?

4 How has performance on the metrics changed over time?

5 What updates have states made to their models? Why?

6 How have these states made the case that their models have been effective?

7 Have there been any unintended consequences?

The full landscape analysis is included in [Appendix B](#).



Guiding Principles and Framework

Ahead of the first Committee meeting in September, THECB surveyed Committee members about their support for different factors to include in a performance-based funding model, including levels of awards, progression thresholds, student success, and consideration of specific student groups. THECB presented the survey results at the September meeting. At the October meeting, the Committee identified four “constructs” that would create the framework for the performance-based funding model and became the basis for the four workgroups: attainment, affordability, post-collegiate outcomes, and progression/persistence.

At the September meeting, Commissioner Rosser also provided three principles to guide the Committee’s work. The principles suggest that a performance-based funding model should pursue what is best for Texas students, what is best for the state (communities, employers, the economy), and what is the best and most appropriate way to reward institutions’ contributions to the first two priorities. The Committee also discussed two other principles to guide its work. First, the formula should advance the goals of *Building a Talent Strong Texas*. Second, the formula should work for all types of institutions, allowing each to succeed in their mission.

Recommended Model

The Committee supports a model that includes student success metrics related to attainment of a credential of value and progression and persistence. The Committee recommends a rate-based approach with the average three-year production of weighted counts of student success metrics multiplied by an assigned dollar rate.

Attainment of a Credential of Value

This metric counts the number of credentials of value awarded by an institution. The calculation to determine a credential

of value for bachelor’s degrees is based on a cost-benefit, or return on investment, analysis. It measures whether a typical student on average earns enough within 10 years after graduation to pay for the cost of their education and surpass the earnings of a typical high school graduate. All bachelor’s degrees awarded by Texas public institutions exceed this threshold. THECB is refining the methodology for the credential of value calculation for master’s and doctoral degrees and anticipates future iterations of this Performance-Based Funding (PBF) model would include that refined calculation. The initial version of the model developed by the Committee assumes that all master’s and doctoral degrees meet the threshold.

For bachelor’s degrees the Committee recommends that credentials of value awarded in high demand fields receive an additional funding rate 25 percent higher than a base credential of value. High demand fields are defined as degrees awarded in the Classification of Instructional Programs (CIP) codes aligned with the top ten occupations, requiring a bachelor’s degree or higher, in highest demand across the state based on the total statewide number of new jobs projected over the next 10 years by the US Bureau of Labor Statistics, which are published by the Texas Workforce Commission. Additionally, degrees awarded in the CIP codes aligned with the top five occupations from each of the 12 Texas Comptroller regions that are not included in the statewide top ten occupations would be included as high demand for institutions in each of those regions.

Finally, in recognizing the importance of ensuring that all critical regional workforce needs are accounted for in this model, especially for regional universities, the Committee recommends including a mechanism for universities to identify an additional field to be counted as high demand that are critical for the employers in the regions they serve even if they do not fall within the parameters listed above, in alignment with the Community College Finance model.

Determining high demand fields needed to satisfy current job openings and unfilled needs of Texas employers and to identify fields and credentials needed to drive the Texas economy forward in the future, is complex. It is anticipated that, as the granularity and specificity of data collected by the state improves in the future and as emerging fields such as artificial intelligence impact the workforce, the determination of high demand fields to use in the model must be further refined to guard against unintended consequences. Specifically, the Committee recommends future improvements identifying students who have taken teacher certification requirements but earned a degree in another field (as they are not able to be consistently counted now) so institutions are appropriately funded for producing more teachers for the Texas workforce. It will also be important in future refinements to consider bachelor's degree pathways that may not be aligned with a high demand field on their own but are aligned with and fulfill the coursework required for admission into high demand graduate degrees (ex. Biochemistry for medical school). Additionally, future iterations should include a process to determine high demand fields for graduate degrees.

Reducing excess semester credit hours is important to ensure students are paying tuition and fees for classes that count toward their degree.

As part of attainment, the Committee also recognizes the importance of institutions that prepare students for successful degree completion and attainment of credentials of value at other institutions. Therefore, for students who attend multiple institutions prior to graduation, the Committee recommends that a university where a student completed 24 or more semester credit hours prior to transferring receive funding at a rate of 0.25 of the base bachelor's rate when that student graduates with a credential of value.

Additionally, credentials of value awarded efficiently at the bachelor's level receive an additional weight in the model. Efficiency is defined and calculated as a bachelor's degree completed successfully between 100-120 percent of the semester credit hours required for the degree. Reducing excess semester credit hours is important to ensure students are paying tuition and fees for classes that count toward their degree and not expending both state and personal resources on excess hours. The Committee recommends that the rates associated with the efficiency metric should range between 10 percent and 40 percent depending on the number of excess hours taken. Current available data for this metric is constrained, in particular with respect to transfer students, narrowing the number of degrees eligible to



IT IS IMPORTANT TO ENSURE ALL CRITICAL REGIONAL WORKFORCE NEEDS ARE ACCOUNTED FOR IN THIS MODEL,
ESPECIALLY FOR REGIONAL UNIVERSITIES.

receive an efficiency weight. Additionally, institutions advise students in choosing courses that are applicable to their degree; however, students may choose to change majors or may take hours that are not applicable to their chosen major prior to arriving at an institution. Institutions are unable to control or influence all of these course taking decisions. Therefore, the Committee recommends future refinement to data collection in order to improve this part of the model in future years or future considerations on the best metrics to effectively measure the efficiency in which students are receiving a degree.

Doctoral degrees are critical to the goals of Building a Talent Strong Texas and to ensuring a robust faculty pipeline, particularly including critical fields like nursing and other healthcare and STEM fields.

The Committee also recognized the importance of awarding graduate degrees, both to address highly skilled workforce needs and to recognize the importance of graduate degrees to institutions' educational and research missions. Median wages for graduates from Texas public universities are higher for graduates with master's and doctoral degrees relative to graduates with bachelor's degrees. Doctoral degrees are critical to the goals of Building a Talent Strong Texas and to ensuring a robust faculty pipeline, particularly including critical fields like nursing and other healthcare and STEM fields. The plan specifically calls for an increase of annual production of doctoral degrees to 7,500 by 2030 (an increase from 4,495 in 2024). The Committee recommends that the rate for those degrees should be set to be at least as high as the cumulative funding associated with the maximum attainment, progression, and persistence rates for a completed bachelor's degree. Similarly, recognizing the shorter timeframe required for attainment compared to doctoral degrees, the Committee recommends master's degrees receive funding at a rate of 110 percent of the base bachelor's credential of value rate.

The Committee recommends that funding provided for attainment metrics should total approximately 60 percent of the funding in the model.

Progression and Persistence

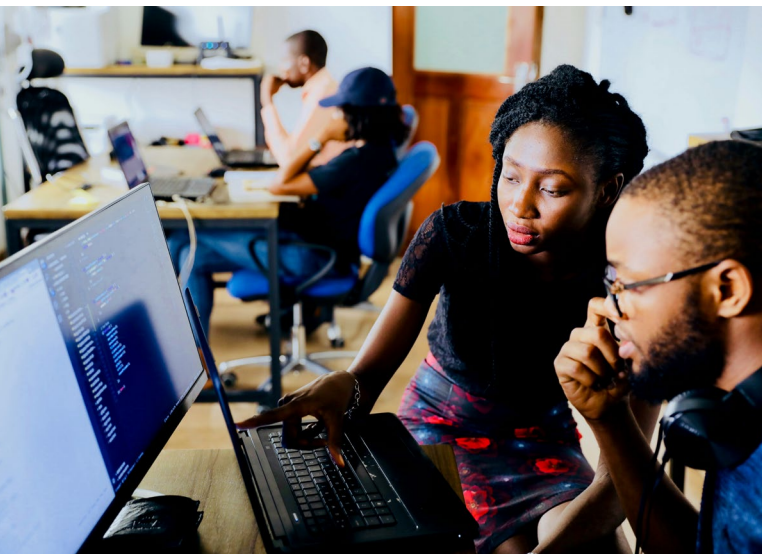
In addition to degree attainment, the Committee recognized the importance of incentivizing and rewarding institutions for student

success achievements along the way. The Committee identified value in including both the progression and persistence metrics. These metrics reward varied student pathways and patterns - including both metrics ensures institutions with different missions and populations can succeed in the model. Including only persistence without progression would reward perpetual enrollment, but including only progression could disadvantage institutions that serve many part time students who take longer to reach those milestones. Therefore, the Committee recommends including both progression and persistence as performance indicators in the model. The Committee recommends that the progression and persistence metrics should total approximately 40 percent of the funding in the model. In the initial implementation of PBF, institutions will be able to have a more immediate impact on these metrics to improve student success.

The progression metric counts the achievement of milestone credit hours thresholds - 30, 60, and 90 semester credit hours, the typical annual production of credits for a student enrolled full-time. Part-time students still generate funding on this metric, as institutions receive funding in the year a student passes the specific milestone. Student progression through semester credit hour milestones is critical to support consistent progress to degree completion. Students



who are able to achieve each 30-semester credit hour milestone are statistically more likely to complete a bachelor's degree, thereby increasing student success. Due to the increased institutional resources invested in student success during their first 30 semester credit hours, the Committee recommends that the rate for the 30-semester credit hour metric be the highest of these three, with the 60 and 90 thresholds being progressively reduced by approximately 10 percent.



The Committee also recognized the importance of rewarding persistence, especially for students who may face challenges that make it more difficult to take full time semester credit hour loads or continue their education at all. The persistence metric counts the number of students who stay enrolled at a Texas institution of higher education from fall semester to fall semester. However, in order to protect against unintended incentives for students to take longer to receive a degree, the Committee recommends that the persistence rate should be no more than 25 percent of the total funding rates associated with the three progression metrics.

The Committee also recognized the importance of rewarding persistence, especially for students who may face challenges that make it more difficult to take full time semester loads.

Student Weights

The Committee recommends applying three student characteristic weights to certain performance metrics to ensure these students have robust access to higher education and so that the model incentivizes their success. The Committee spent considerable time analyzing outcome and achievement gaps for the selected student groups. The recommendations were informed by that gap analysis and state strategic priorities.

1 Adult Learners and Stop Outs

A combined group that includes both adult learners defined as students who were 25 years or older in that fiscal year of interest and stop outs defined as students who had a gap of 3 consecutive long semester enrollment breaks during the preceding nine years.

2 Economically Disadvantaged

Defined as students who received federal Pell grants in the current year or four prior years.

3 Academically Disadvantaged

Defined as students who were not TSI (Texas Success Initiative) met or exempt in math, reading, or writing.

The Committee recommends the adult learner/stop out weight and academically disadvantaged weight apply to the attainment, progression, and persistence metrics and that economically disadvantaged weight apply to the progression and persistence metrics. This recommendation is based on the analysis of outcome and achievement gaps, which showed smaller gaps for economically disadvantaged, and the high share of students that qualify as economically disadvantaged (approximately 50 percent in 2024-25).

The Committee generally supported weighting adult learners, stop outs, and academically disadvantaged students at higher rates than economically disadvantaged and adding weights together for the limited number of students that fall into more than one category. However, one system did not agree on these points and provided an alternative proposal to weigh all three characteristics equally and apply the weight only once to students who are in more than one category.

2 Implementation



The Committee recommends that performance-based funding be an additional factor in the comprehensive funding model for universities and, like in other states, complement the existing formula funding and not replace the current formulas.

This is, in part, because the new PBF model would not incorporate the relative cost of instruction for different programs or funding for fixed costs that are considered within those base funding formulas. For example, under a model that rewards for the attainment of a credential of value, a bachelor's degree in a lower cost program would receive the same funding as one in a more costly program. This could result in a disincentive to offer higher cost programs that are essential in the state.

By investing first in the base formulas and adding a performance-based funding formula on top, the state can create a balanced system of financing universities that recognizes student needs, state priorities, and the institutional cost drivers to achieve those first two. This approach draws on best practices that were identified through the landscape analysis. The Committee also supports the recommendations of the Formula Advisory Committee as approved by the Texas Higher Education Coordinating Board in April 2026 and recommends performance-based funding be in addition to these funding recommendations. The Committee also recommended a rate-based model where rates are maintained over time to provide sustainability of the model for both the institutions and the Legislature. A rate-based model allows institutions to compete with themselves over time when the rates are maintained.



**TEXAS STUDENTS
WHO QUALIFY AS
ECONOMICALLY
DISADVANTAGED**

IN 2024-25



The state can create a balanced system of financing universities that recognizes student needs, state priorities, and institutional cost drivers.

Additionally, because more than half of Texas higher education students are economically disadvantaged, continued and increased access to financial aid funding is key to successful outcomes for students statewide. The Committee supports continued and increased funding for need based student financial aid programs like TEXAS Grants to support access for economically disadvantaged students.

3

Institutional Enhancement



In addition to performance-based funding, the Committee was directed to examine Institutional Enhancement (IE) funding for GAIs.

IE funding has been appropriated over time to universities for a variety of purposes. IE supports the core education mission of institutions and is generally used for faculty salaries, student support services, and other programs that help to retain and graduate students. The amount of funding each university receives through IE does not correlate to institution size, mission, or overall appropriations. The biennial amount of IE funding universities receive per student headcount varies from \$56 per student to \$5,734 per student. The share that IE makes up of an institution's total General Revenue (less capital funding) also varies significantly from less than 1 percent to more than 25 percent. Many institutions rely on IE funding as a crucial part of base appropriations from the state.

Given the inherent difference between how PBF would be distributed and how IE has historically been appropriated, there is no clear recommendation that would fully eliminate IE funding through the performance-based funding model that would not cause financial hardship for a majority of universities. If all IE funding was immediately and fully eliminated and put through a performance-based funding model, many institutions would realize funding decreases. Careful consideration of the treatment of IE and performance-based funding must be taken to ensure all institutions may compete for funding and maintain fiscal stability.

Many institutions rely on Institutional Enhancement funding as a crucial part of base appropriations from the state.

If changes to IE are considered by the Legislature, the Committee suggests the Legislature could evaluate the following concepts, in part or whole, as a part of those deliberations:

1 IE Buy-In Percentage

The share of an institution's earned performance-based funding that is contributed back from its existing IE. A similar concept has been utilized by the 82nd, 83rd, 86th, and 87th Legislatures.

2 Buy-In Cap

A maximum any single institution can contribute from IE through the buy-in.

3 PBF Base

A minimum amount of funding that every institution receives to improve sustainability in the funding model over time. A similar concept exists in CRU funding, the Higher Education Fund, and the HRI Research Enhancement formula.

The application of these concepts will change based on the level of funding allocated to the performance-based funding model.

4 Conclusion



The Texas Higher Education Coordinating Board extends its gratitude to the members of the Executive Committee, whose sustained engagement and expertise were essential to the development of this report.

THECB also thanks the presidents of general academic institutions who participated in listening sessions, the stakeholder and advisory groups who offered perspective from across the state's business, philanthropic, and advocacy communities, and legislative staff whose ongoing input helped ensure this work remained aligned with the priorities of the Legislature.

The recommendations in this report represent a strong foundation for implementing a performance-based funding model that is equitable, fiscally responsible, and designed to advance the goals of Building a Talent Strong Texas. The Committee's work reflects broad consensus on the core elements of the model and a shared commitment to a formula that works for all institutions, including regional universities.

The Committee also affirms that performance-based funding is one component of a balanced system of university finance. Continued investment in the Instruction and Operations and Infrastructure formulas, alongside robust need-based financial aid programs, will be essential to ensuring that economically disadvantaged students have access to the opportunities this model is designed to reward.

The Committee's work reflects a shared commitment to a formula that works for all institutions

THECB recognizes that translating this framework into appropriations involves the complex legislative budget process. THECB is committed to being a resource and partner as the Legislature considers how best to implement a performance-based funding system that serves Texas students, institutions, and the state's long-term economic goals.



PERFORMANCE-BASED FUNDING IS ONE COMPONENT OF A BALANCED SYSTEM
OF UNIVERSITY FINANCE.

Appendix

Appendix A

Executive Committee Members for the Interim Study on Performance-Based Funding for General Academic Institutions

COMMITTEE MEMBER	TITLE	INSTITUTION/SYSTEM
Susan Brown	<i>Asst VP for Strategic Analysis & Institutional Reporting</i>	The University of Texas Rio Grande Valley
Dr. Morgan Carter	<i>Assistant Vice President of Institutional Data & Analytic</i>	Tarleton State University
Diane Z. Chase	<i>Senior Vice Chancellor for Academic Affair</i>	University of Houston System
Dr. Marlena Creusere	<i>Executive Director, Institutional Research & Analysis</i>	The University of Texas System
Emily Deardorff	<i>Assistant Vice Chancellor for Government Relations</i>	University of North Texas System
Lauri Deviney	<i>Deputy Vice Chancellor for Government Relations</i>	Texas A&M University System
Clayton Gibson	<i>Vice President for Finance and Administration and CFO</i>	The University of North Texas
Dr. Carl Goodman	<i>Provost and Senior Vice President for Academic Affairs</i>	Texas Southern University
Daniel Harper	<i>Vice Chancellor & CFO</i>	Texas State University System
Jeff Hinton	<i>CFO & Executive VP for Finance & Administration</i>	Texas A&M University-Texarkana
Dr. Derek Horton	<i>Deputy Chief Financial Officer, Office of Budget & Planning</i>	The University of Texas System
Emily Cormier	<i>Assistant Vice Chancellor for State Relations</i>	Texas Tech University System
James Palmer	<i>Provost and Senior Vice President for Academic Affair</i>	Texas A&M University Kingsville
Joe Pettibon	<i>Senior Vice President for Strategy & Business Services</i>	Texas A&M University
Dr. Beth Reissenweber	<i>Vice Provost Academic Resource Management</i>	Texas Woman's University
Tami Rice	<i>Director of System Data</i>	Texas State University
Noel Sloan	<i>CFO and Senior VP of Administration & Finance</i>	Texas Tech University
Brian T. Smith	<i>Senior Vice President and Chief Financial Officer</i>	The University of Texas at Austin
Jason Smith	<i>Vice Chancellor/VP, Governmental & Community Relations</i>	University of Houston System
Dr. Heather Thielemann	<i>Sr Vice President for Strategic Enrollment & Innovation</i>	Sam Houston State University
Dr. John S. Wiebe	<i>Provost and Vice President for Academic Affairs</i>	The University of Texas at El Paso

PBF Workgroup Assignments

ATTAINMENT WORKGROUP	Susan Brown	UTS - Asst VP for Strategic Analysis & Institutional Reporting
	Dr. Morgan Carter	TAMUS - Assistant VP of Institutional Data & Analytics
	Emily Deardorff	UNTS - Asst Vice Chancellor for Government Relations
	Lauri Deviney	TAMUS - Deputy Vice Chancellor for Government Relations
	Beth Reissenweber	TWUS - Chief Budget Officer
	Heather Thielemann	TSUS - Sr VP for Strategic Enrollment & Innovation
AFFORDABILITY WORKGROUP	Diane Chase	UHS - Senior Vice Chancellor for Academic Affairs
	Clayton Gibson	UNTS - Vice President for Finance and Administration
	Jeff Hinton	TAMUS - CFO & Executive VP for Finance & Administration
	Derek Horton	UTS - Associate Vice Chancellor, Office of Budget & Planning
	Tami Rice	TSUS - Director of System Data
POST COLLEGIATE WORKGROUP	James Palmer	TAMUS - Provost and Senior VP for Academic Affairs
	Brian Smith	UTS - Senior VP and Chief Financial Officer
	Jason Smith	UHS - Vice Chancellor/VP, Govt & Community Relations
	Noel Sloan	TTUS - CFO and Senior VP of Administration & Finance
	John Weibe	UTS - Provost and Vice President for Academic Affairs
HIGH DEMAND	Morgan Carter	TAMUS - Assistant VP of Institutional Data & Analytics
	Emily Deardorff	UNTS - Asst Vice Chancellor for Government Relations
	Lauri Deviney	TAMUS - Deputy Vice Chancellor for Government Relations
	Carl Goodman	TSU - Provost and Senior VP for Academic Affairs
	Daniel Harper	TSUS - Vice Chancellor & CFO
	Beth Reissenweber	TWUS - Chief Budget Officer
	Susan Brown	UTS - Asst VP for Strategic Analysis & Institutional Reporting
	Emily Cormier	TTUS - Assistant Vice Chancellor for State Relations
	Heather Thielemann	TSUS - Sr VP for Strategic Enrollment & Innovation
	Marlena Creusere	UTS - Executive Director, Institutional Research & Analysis
	Joe Pettibon	TAMUS - Senior VP for Strategy & Business Services
MODELING	Emily Deardorff	UNTS - Asst Vice Chancellor for Government Relations
	Lauri Deviney	TAMUS - Deputy Vice Chancellor for Government Relations
	Joe Pettibon	TAMUS - Senior VP for Strategy & Business Services
	Susan Brown	UTS - Asst VP for Strategic Analysis & Institutional Reporting
	Emily Cormier	TTUS - Assistant Vice Chancellor for State Relations
	Derek Horton	UTS - Associate Vice Chancellor, Office of Budget & Planning
STUDENT DATA	Marlena Creusere	UTS - Executive Director, Institutional Research & Analysis
	Morgan Carter	TAMUS - Assistant VP of Institutional Data & Analytics
	Joe Curtain	UH - Associate Provost, Institutional Research and Effectiveness

Appendix B

Landscape Analysis

National Landscape Overview of Funding Formula Approaches

Types of State Funding Allocation Models

Funding Approach	Description	Pros	Cons
Base +	Allocation based on prior levels of funding Adjusted based on estimated costs, institutional priorities, or across the board	Institutional fiscal stability	Not responsive to changes in enrollment or other changing conditions or state priorities Past disparities in institutional funding often favor institutions serving better-prepared and better-resourced students
Enrollment	# of students enrolled (FTE is most common) Often limited to in-state students	Directs resources to where the students are	Shifts in enrollment limit stability Limits incentive for student success or timely completion FTE-based funding disadvantages institutions with large part-time populations

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Types of State Funding Allocation Models

Funding Approach	Description	Pros	Cons
Weighted Enrollment	Additional weights for enrolling certain types of students (e.g., low-income, adult) or in certain programs, or levels (CTE, health, graduate).	Student weights incentivize expanded access and provides resources to support success. Course weights account for state strategic economic priorities and higher-cost programs to deliver.	Similar to pure enrollment-driven formula: Sudden enrollment shifts create instability. No incentive for student persistence and completion.
Outcomes-Based Funding	Allocation is based on a school's performance on a set of metrics. Can include metrics on progression, completion, efficiency, and workforce outcomes.	Aligns state investment with state priorities. Creates incentive for institutions to focus on student success.	If not adjusted, OBF can incentivize reduced access for students who are less likely to succeed. Institutions also need the resources to compete on a level playing field for outcomes, which not all may have.

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National Landscape of Funding Formulas

System Funding Model (FY2020)		Four-Year	Two-Year
Traditional	No Formula	16	6
	Base Adjusted Only	12	4
Incentive	Enrollment Only	0	4
	Performance Only	2	3
	Enrollment + Performance	2	5
Hybrid	Base + Enrollment	9	10
	Base + Performance	13	9
	Base + Enrollment + Performance	6	17

InformEd States
HIGHER EDUCATION POLICY INITIATIVE

States and systems have shifted from traditional funding models to hybrid models.

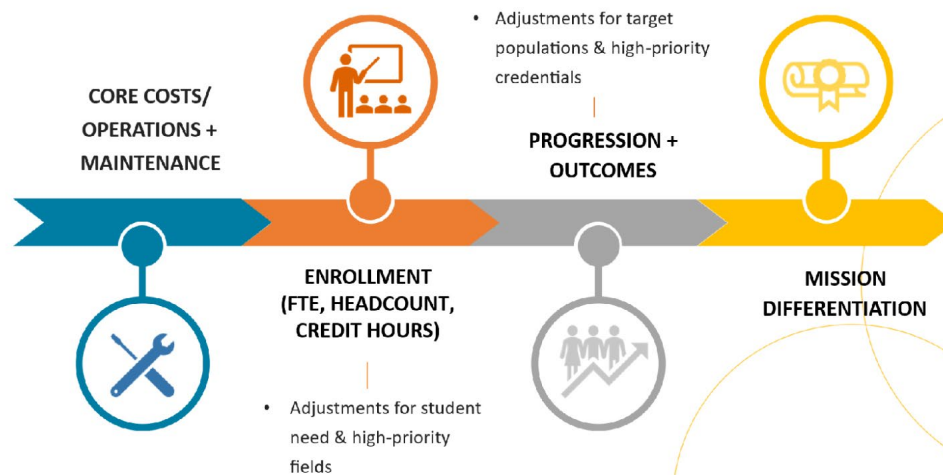
Texas (Current)

2-year – Hybrid

4-year – Hybrid

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A Balanced Framework



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Outcomes-Based Funding: Overview & Common Elements

Common OBF Metrics

Degrees/Certificates

- Counts
- Rates



Workforce

- Job placement
- Wages



Progression

- Retention
- Credit completion



Efficiency

- Costs to operate
- Costs to students



Transfer

- 2yr to 4yr
- 4yr transfer student success



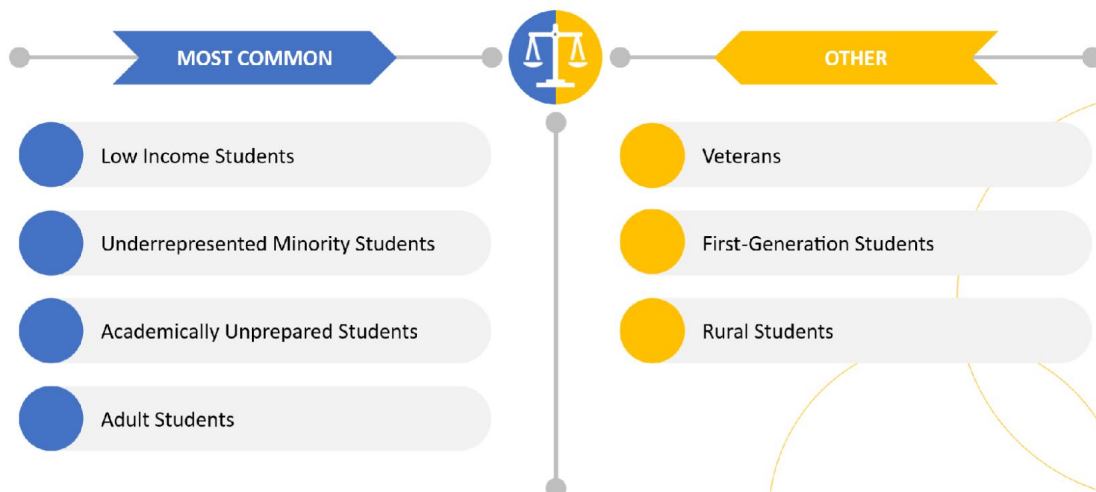
Priority Funding

- Underrepresented students
- High-demand degrees



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Common Target Populations



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Mission Differentiation

- **Differentiated metrics across sectors.** Tennessee's metrics for the two-year sector include job placement and workforce/training contact hours, while the four-year sector has a metric for Research, Service, and Sponsored Programs.
- **Differentiated metric weights.** West Virginia's OBF for both four-year and two-year sectors assigns different weights to each metric based on each institution's mission.
- **Institutional selection of metrics (within or across sectors).** In Wisconsin's two-year OBF, institutions choose seven out of 10 metrics that will determine their allocations relative to the other institutions that chose the same metrics.
- **Research-specific formulas or metrics within a formula.** Texas has three different funds to support university research, with different institutions eligible for each one based on their mission.

Comparison of OBF Metrics (4yr Sector)

	Progression	Completion	Transfer	Workforce	Efficiency	High- Priority Field	Research/ Public Service
Arkansas	✓	✓	✓	*	✓	✓	✓
Kentucky	✓	✓			✓	✓	
Louisiana	✓	✓	✓	✓		✓	✓
Ohio	✓	✓	✓	*		✓	✓
Tennessee	✓	✓		✓	✓	✓	✓

* AR and OH are developing workforce metrics for future allocations.

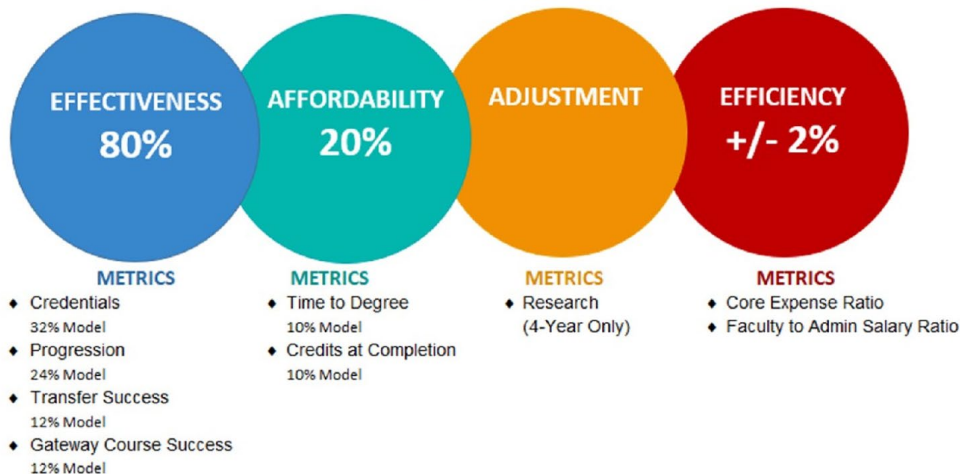
Comparison of Target Populations (4yrs)

	Low-Income	Underrepresented Minority	Adult	Academically Underprepared
Arkansas	✓	✓	✓	✓
Kentucky	✓			
Louisiana	✓	✓	✓	
Ohio	✓	✓	✓	✓
Tennessee	✓		✓	✓

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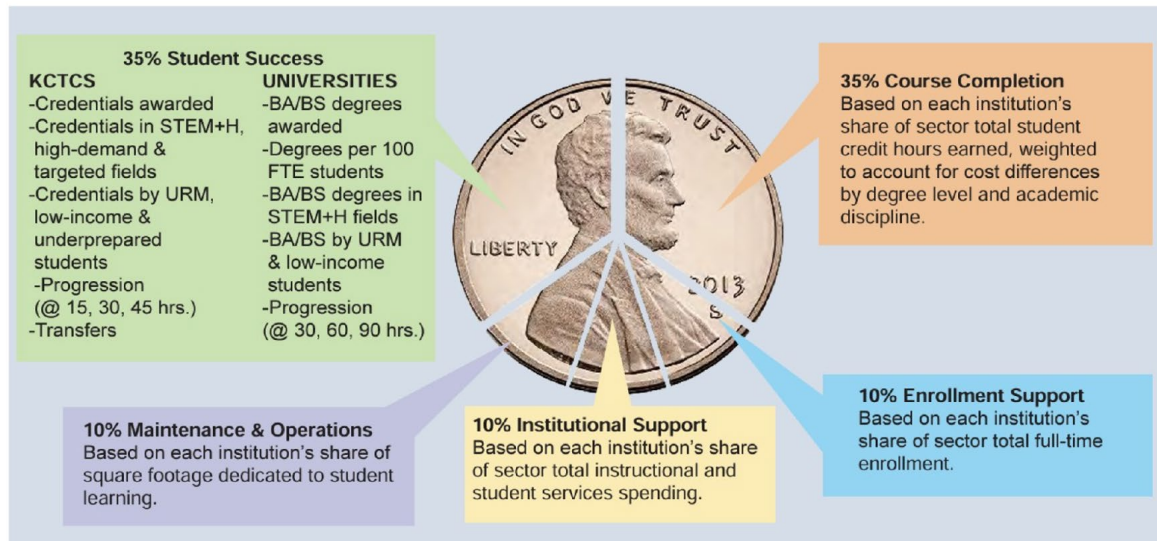
Example: Arkansas

4 Year Universities



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Example: Kentucky



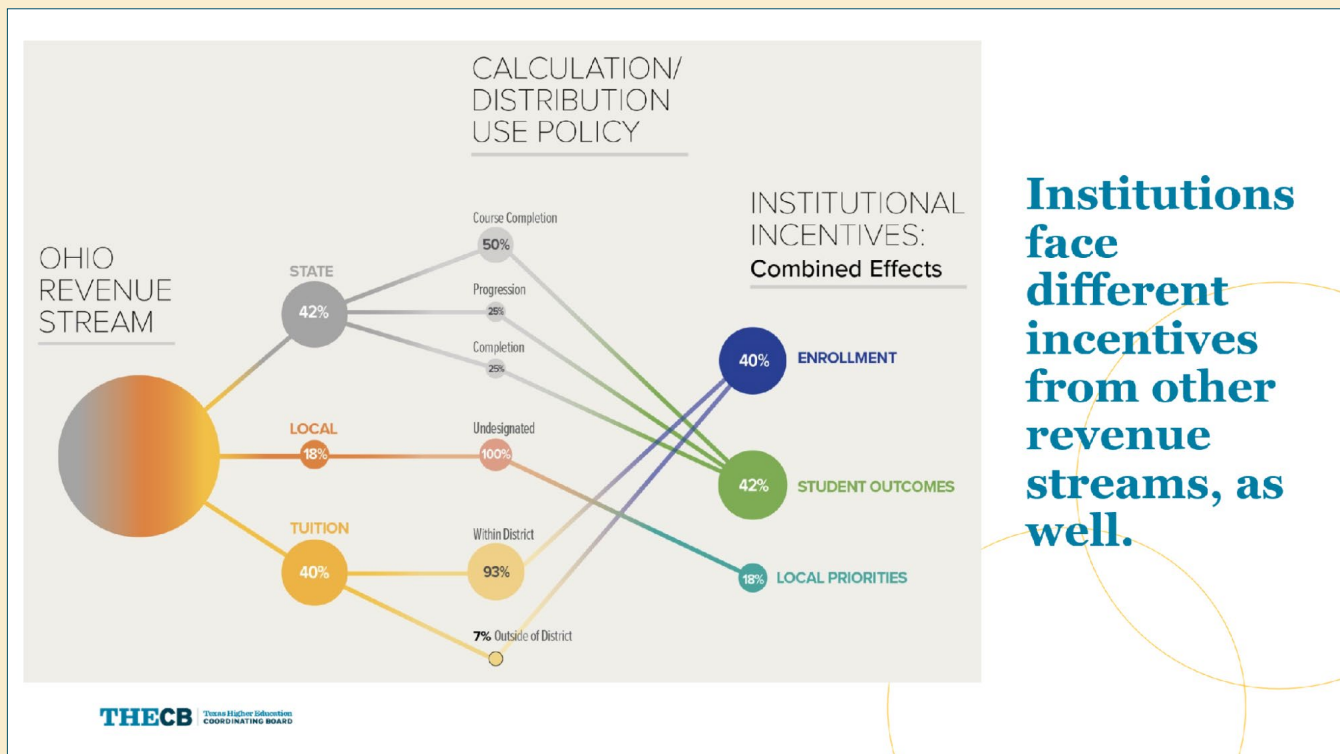
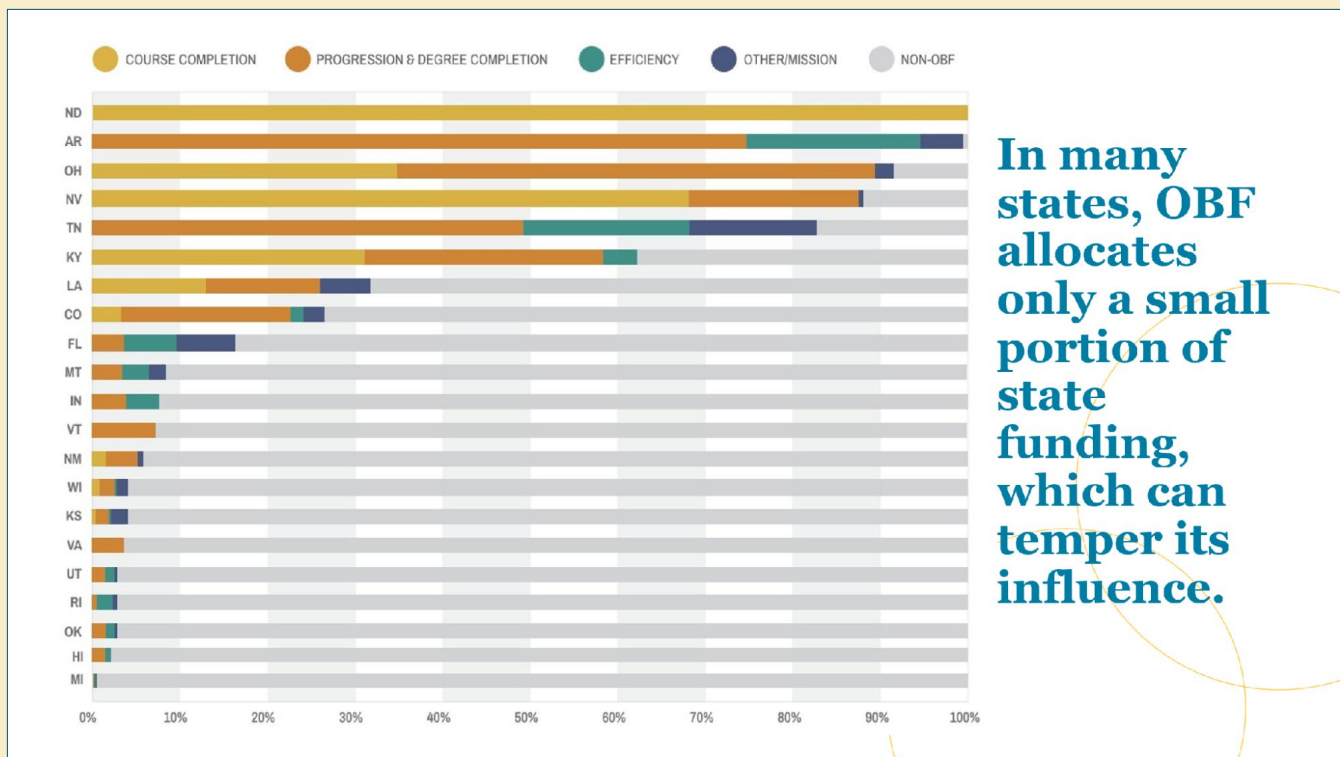
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Outcomes-Based Funding: Implementation

Allocation Approaches

Allocation Approach	Description	Example
Share of Outcomes	Funding is based on each institution's share of the total outcomes generated in the state. Metrics can be scaled and weighted as desired.	Institution A produces 15% of all outcomes, so it receives 15% of the OBF funds.
Relative Growth	Funding is based on how much an institution improves over its own baseline relative to others' improvement.	Institution A improves its outcomes by 10%. Others improve by 0-5%. Institution A receives a larger share of the OBF than it did last year.
Target-Based	Funding is based on whether an institution reaches set targets for its outcomes.	Institution A achieves 90% of its target outcomes; it receives 90% of its designated OBF funding. Institution B achieves 120% of its target; it receives 100% of its funding.

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Conclusion

1. National Landscape

Formulas can account for state goals, student needs, and institutional costs

A balanced approach includes core costs, enrollment, OBF, and mission

About half of states use OBF for their four-year sector

2. Elements of an Outcomes-Based Funding Model

Progression, Completion, Target Population metrics are most common

More states are exploring post-completion outcomes (employment, wages, ROI)

High-priority field, research, low-income, and adult metrics common to example states

3. Implementing an Outcomes-Based Funding Model

Allocation design impacts incentives

Outcomes-based funding is just one source of institutional funding

State Examples: Formula Goals, Metrics & Design

Colorado, Florida, Tennessee and Ohio

State	Allocation Approach	Performance Funding as % of Total Approps.	Mission Differentiation	Metric Types
Florida	Target-Based	21%	Yes - Two alternative metrics used for specialized colleges; One metric is 'Board of Trustees Choice' Measuring improvement for institutions inherently recognizes each institutions' starting point.	Total Awards, Efficiency, Workforce, Cost/Affordability, Priority Fields, Priority Population
Tennessee	Relative Growth	80%	Yes - Weights assigned to each metric vary according to institutional mission. A relative growth model also accepts institutions' current position.	Progression, Total Awards, Efficiency, Research, Priority Fields, Priority Population
Ohio	Share of Outcomes	80%	Yes - Discipline and student weights recognize the cost differential of institutions' program and population mixes. Medical model and doctoral set aides.	Course Completion, Total Awards, Research, Priority Fields, Priority Population
Colorado	Relative Growth	18%	None	Course Completion, Progression, Total Awards, Efficiency, Priority Fields, and Priority Population

State	Priority Populations
Florida	Metric #7 - University Access Rate (Percent of Undergraduates with a Pell Grant) Metric #9b - Six- Year Graduation Rate for Students who are Awarded a Pell Grant in their First Year
Tennessee	Weights for adult and low- income students in progression and awards metrics. 1 Focus Population = 80% = 1.8 Outcomes 2 Focus Populations = 100% = 2 Outcomes 3 Focus Populations = 120% = 2.2 Outcomes 4 Focus Populations = 140% = 2.4 Outcomes
Ohio	Risk factors (academically atrisk, low EFC, adult, race, and firstgeneration) for each student assigned to course completion and degree completion metrics.
Colorado	Metric #2 - Resident first generation UG student headcount Metric #4 - Resident Pelleligible student population share Metric #5 - Resident underrepresented minority student population share

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Florida

Goals: Advance strategic plan, reward excellence & improvement, simplicity, acknowledge unique mission

Created by: Proviso language in the General Appropriations Act directed the Board to allocate performance funds based on certain metrics. In January 2014, Board of Governors adopted the Performance Based Funding Model.

Steps:

- 1) Institutions will be evaluated on either Excellence or Improvement for each metric.
- 2) Ten benchmarks range from low to high. The lowest benchmark receives **one point** while the highest receives **ten points** (max of 100 points) .
- 3) Institutions with the top 3 scores or a score the same or higher as the previous year, are eligible for their proportional amount of the **state's investment**.
- 4) Institutions with 2- straight years of score decline or below 70 points submits a student success plan and may have **state investment** reduced up to 50 percent.



The higher **point** value for Excellence or Improvement on each metric are counted in the university's total score.

State investment appropriated by state budget for performance funding.

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Florida



Points:	10	9	8	7	6	5	4	3	2	1
Metrics:										
1. Percent of Bachelor's Graduates Employed (\$40,000+) and/or Continuing their Education Further 1 Yr after Graduation	80%	77%	74%	71%	68%	65%	62%	59%	56%	53%
2. Median Wages of Bachelor's Graduates Employed Full-time One Year After Graduation	\$43,200	\$40,700	\$38,200	\$35,700	\$33,200	\$30,700	\$28,200	\$25,700	\$23,200	\$20,700
3. Net Tuition & Fees per 120 Credit Hours	\$9,000	\$10,000	\$11,000	\$12,000	\$13,000	\$14,000	\$15,000	\$16,000	\$17,000	\$18,000
4. Four Year Graduation Rate (Full-time FTIC)	65%	62%	59%	56%	53%	50%	47%	44%	41%	38%
5. Academic Progress Rate (2 nd Year Retention with GPA Above 2.0)	90.0%	88.8%	87.5%	86.3%	85%	83.8%	82.5%	81.3%	80.0%	78.8%
6. Bachelor's Degree's Awarded in Areas of Strategic Emphasis	50.0%	47.5%	45.0%	42.5%	40.0%	37.5%	35.0%	32.5%	30%	27.5%
7. University Access Rate (Percent of Undergraduates with a Pell Grant)	42%	38%	34%	30%	26%	22%	18%	14%	10%	6%
8a. Graduate Degrees Awarded in Areas of Strategic Emphasis	60.0%	57.5%	55.0%	52.5%	50.0%	47.5%	45.0%	42.5%	40.0%	37.5%
8b. Percentage of Newly Admitted FTICs with High School GPA of a 4.0 or Higher (NCF only)	70.0%	65.0%	60.0%	55.0%	50.0%	45.0%	40.0%	35.0%	30.0%	25.0%
Improvement Points:	10	9	8	7	6	5	4	3	2	1
Percent Improvement:	5.0%	4.5%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.0%	0.5%

The benchmarks were based on the Board of Governors 2025 System Strategic Plan goals and analysis of relevant data trends, whereas the benchmarks for Improvement were determined after reviewing data trends for each metric.

Tennessee



Goals: Increase education attainment, fair and equitable distribution and use of public funds, address state's economic needs, and improve efficiency by recognizing mission differentiation.

Created by: The Complete College Tennessee Act (2010) requires Tennessee public community colleges and universities to be funded on outcomes like student progression and completion.

Steps:

- 1) Three-year averages are counted, weighted and scaled and compared to previous outcome levels.
- 2) Premiums for focus populations for student progression applied.
- 3) An institution's increase or decrease in outcome production is assessed compared to peers.

Compared to peers: If all institutions experienced net improvement in outcomes, institutions that experienced the greatest growth would increase their share of total funding the most.



Tennessee

Exhibit 14: 2015-20 University weighting structure | by weighted percentages for outcomes

	UTM	APSU	TTU	UTC	MTSU	ETSU	TSU	UM	UTK	Avg.
Students accumulating 30 hours	4.0	3.0	4.0	4.0	3.0	6.0	4.0	3.0	2.0	4%
Students accumulating 60 hours	6.0	4.5	6.0	6.0	4.5	7.5	6.0	4.5	4.0	5%
Students accumulating 90 hours	10.0	7.5	10.0	10.0	7.5	9.0	10.0	7.5	6.5	9%
Bachelor's and associate degrees	30.0	27.5	25.0	25.0	22.5	20.0	22.5	22.5	20.0	24%
Master's/ed specialist degrees	15.0	20.0	15.0	10.0	20.0	15.0	12.5	10.0	10.0	14%
Doctoral/law degrees	0.0	0.0	5.0	5.0	7.5	15.0	7.5	15.0	12.5	8%
Research and service	5.0	10.0	10.0	10.0	10.0	10.0	15.0	10.0	12.5	10%
Degrees per 100 FTE	10.0	17.5	10.0	15.0	10.0	7.5	12.5	10.0	17.5	12%
6-year graduation rate	20.0	10.0	15.0	15.0	15.0	10.0	10.0	17.5	15.0	14%



Outcomes are weighted to align with institutional priorities and mission, totaling 100 percent for each institution.

Example: UT Martin and Austin Peay focus on UG degrees compared to ETSU, TSU, and UTK, and their weights reflect this.

Ohio

Goals: Create systemic incentives through funding to encourage innovation and rewards for increasing positive outcomes and student progress.

Created by: H.B. 59 (130th G.A., FY2014-15)

Steps:

- 1) The State Share of Instruction (SSI) is an allocation formula based on student outcomes.
- 2) Performance-Based Formula Focused on 3 Main Components: Degree Completion (50%), Course Completion (30%), Support for Doctoral and Medical Students (20%).
- 3) Risk factors applied.
- 4) "SSI is a zero-sum game, have to perform- grow enrollment, increase degrees awarded- faster than other institutions to increase funding to your campus."



To determine reimbursement, DHE calculates statewide average modeled costs by subject area and level of instruction through "Resource Analysis." Each course is assigned to a model, based on subject area and level of instruction.

Ohio

Recent Additions Starting in FY 2026, Ohio will allocate \$76.8 million in FY 2026 to public universities based on employment counts and adjusted earnings of programs.

Budget language mandates the use of the U.S. Census Bureau's Post Secondary Employment Outcomes (PSEO).

Wages adjusted by institutions' for Pell enrollment rate and net price.

Wages compared to a high school earnings threshold set at local and state averages.



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Colorado

Goals Increase credentialing, Increase participation of lowincome and URM students, incentivize institutional behavior, accountability to taxpayers, establish predictable metrics.



Created by: House Bill 20-1366 in 2020 regular session

Steps(funding streams):

- 1) Option to add to base funding for progress toward strategic plan goals.
- 2) OBF: Calculate performance funding for each governing board based on the **rate of change** over time on each performance metric.
- 3) The Commission may recommend additional temporary funding to make progress toward the strategic plan goals. (No funding has been recommended through Step 3 since implementation).

Rate of change Average of four years of progress divided by three most recent years of progress.

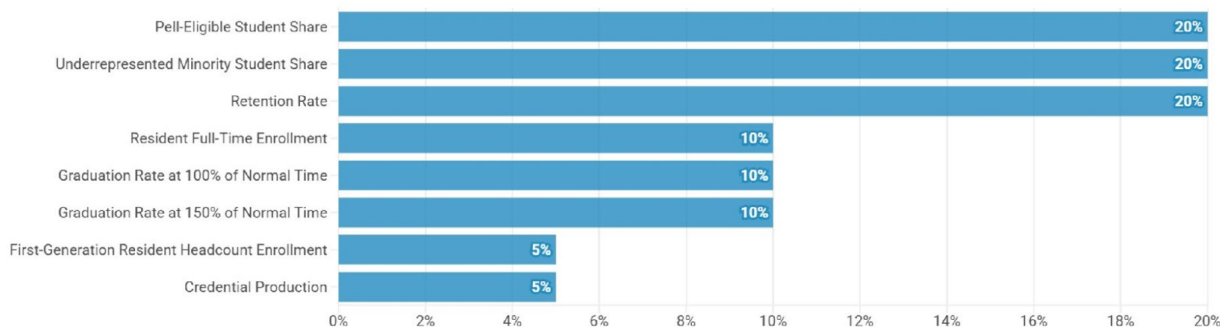
Rate of change then multiplied by that insts.' share of last year's total appropriation.

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Colorado

Performance Funding Inputs

The weight of the 8 components making up the state's performance funding program.



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State Examples: Implementation & Impact

Colorado, Florida, Tennessee and Ohio

Landscape Analysis Outline

- Have these states OBFs led to greater investment?
- How has attainment changed over time?
- How have the formulas impacted the distribution of state \$ to institutions over time?
- How was performance on the OBF metrics changed over time?
- What updates have state made to their models? Why?
- How have these states made the case that their models have been effective?
- Have there been any unintended consequences?

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Have these states OBFs led to greater investment?

Trends in State Appropriations per FTE

	2008	2024
Colorado	\$6,216 (49th)	\$7,467 (45th)
Florida	\$9,454 (40th)	\$10,986 (25th)
Ohio	\$8,897 (44th)	\$7,787 (43rd)
Oregon	\$9,052 (42nd)	\$10,198 (29th)
Tennessee	\$12,334 (21st)	\$13,064 (16th)

HCM analysis of SHEEO SHEF Report
Analysis includes state budget appropriations for operations (not financial aid).

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- Selected states with PBF have increased state investment and national rankings.
- One person's lack of investment may be someone else's efficiency.

Have these states OBFs led to increased attainment?

Trends in Adult Attainment Rates (assoc. +)

	2008	2023
Colorado	45.3% (4th)	55.8% (2nd)
Florida	36.8% (29th)	46.8% (26th)
Ohio	34.9% (35th)	44.2% (33rd)
Oregon	38.6% (22nd)	48.3% (21st)
Tennessee	31.3% (44th)	42.2% (39th)

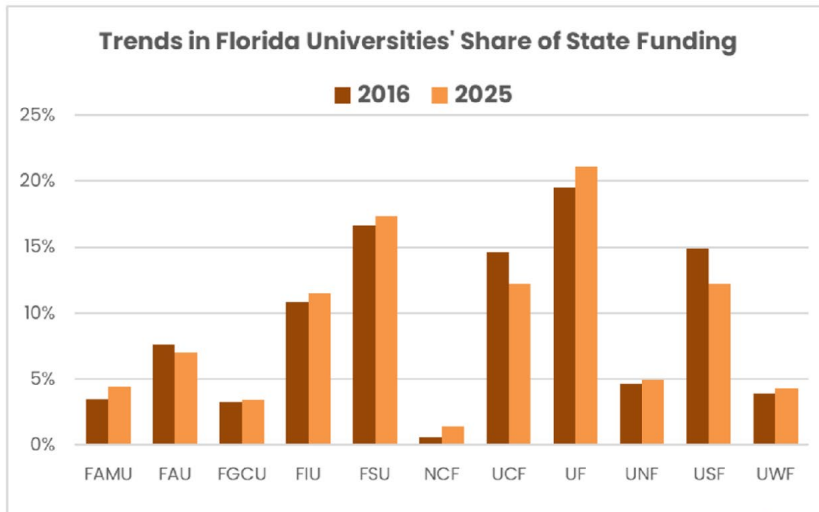
HCM analysis of Lumina Foundation *Stronger Nation* data

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- Selected states with PBF have increased attainment rates and national rankings.
- Attainment rates driven just as much by size of population and interstate migration as it is by degree production.

How have the formulas impacted the distribution of state \$ to institutions over time?

Distribution to Institutions



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Distribution to Institutions

Minimal Impact on Funding Distribution Colorado's formula relies heavily on prior-year base funding and applies performance metrics only marginally, resulting in negligible changes to institutional allocations over time. Even large shifts in credential production or performance yield little impact, limiting the incentive for institutions to align programs with workforce needs or improve outcomes.

Relative Performance Matters Funding changes are determined by how an institution's performance compares to others—even an improvement can lead to decreased funding if peers improve more.



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Distribution to Institutions

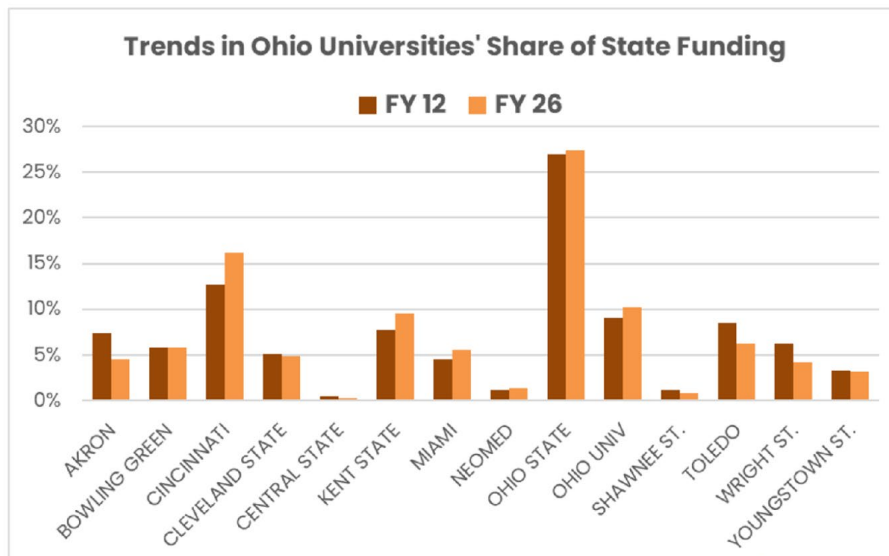
Share of Outcomes Funding



Universities	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Community Colleges	27.30%	27.62%	27.32%	26.76%	26.01%	25.80%
Austin Peay	4.71%	4.98%	5.11%	5.22%	5.11%	5.04%
East Tennessee	6.49%	6.55%	6.61%	6.66%	6.74%	6.67%
Middle Tennessee	9.80%	9.60%	9.60%	9.54%	9.62%	9.57%
Tennessee State	3.81%	3.64%	3.59%	3.64%	3.53%	3.51%
Tennessee Tech	5.28%	5.25%	5.20%	5.20%	5.29%	5.26%
University of Memphis	11.41%	11.36%	11.48%	11.60%	11.73%	11.86%
UT Chattanooga	5.48%	5.45%	5.46%	5.44%	5.49%	5.42%
UT Knoxville	22.57%	22.48%	22.54%	22.79%	23.32%	23.75%
UT Martin	3.14%	3.07%	3.10%	3.15%	3.17%	3.12%

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Distribution to Institutions



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Distribution to Institutions

Key takeaways:

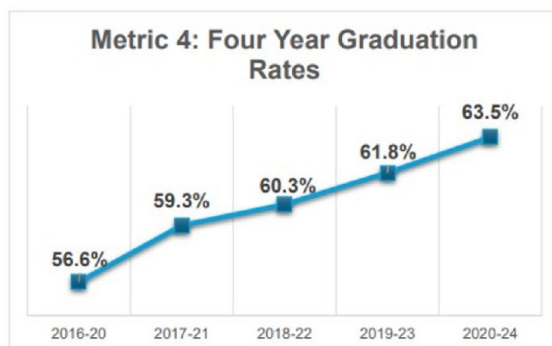
- Two regional institutions have done particularly well in the formula by focusing on success of priority populations (despite overall enrollment declines); made possible by the significant equity weights
- The funding over time has been fairly equal across institutions: regionals have gone up by 6.9%, while the larger institutions have gone up by 7.1%.
- The diversity of the formula metrics has enabled institutions to lean into diverse missions; the STEM weight has helped some, the equity weights others, and the regional support access funding has helped the regionals.

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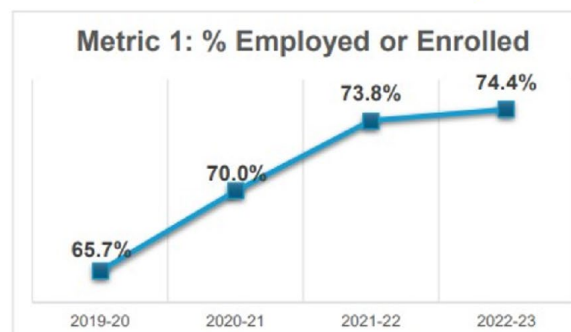


How has performance on the OBF metrics changed over time?

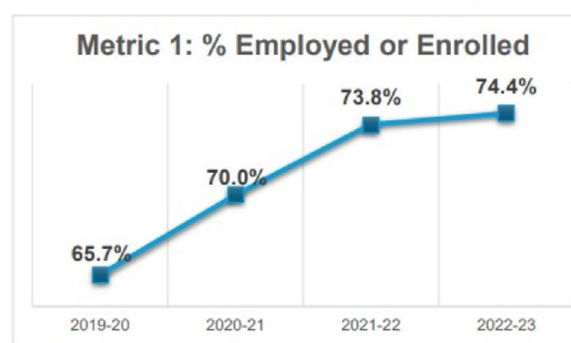
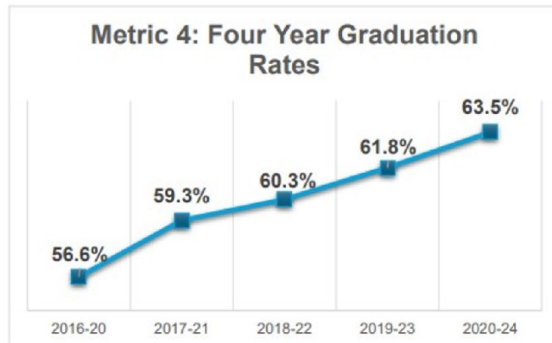
Change in OBF Metrics



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Change in OBF Metrics



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Change in OBF Metrics

Total points by institution (Max score of 100)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
FAMU	65	65	72	70	73	79	69	78	72	83
FAU	84	72	84	86	85	89	71	77	84	76
FGCU	67	66	75	81	88	82	65	72	63	67
FIU	76	68	90	87	88	97	88	94	96	96
FL Poly						83	63	86	74	74
FSU	68	81	86	88	85	88	86	92	89	91
NCF	59	75	75	67	87	64	60	65	71	80
UCF	84	78	77	88	89	87	79	87	85	87
UF	82	95	93	95	90	87	89	90	92	94
UNF	56	58	68	78	83	77	70	77	76	81
USF	79	84	86	92	94	94	87	85	89	89
UWF	57	82	86	94	82	83	78	82	84	91
SUS AVG	71	75	81	84	86	84	75	82	84	84

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Change in OBF Metrics



Metric	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Change 16-17 to 24-25	Change 20-21 to 24-25
Resident FTE	141,033	140,861	140,010	139,896	133,270	127,469	127,184	131,906	136,560	-3.2%	2%
Resident First Gen HC	N/A	N/A	70,163	77,143	70,696	67,188	67,284	69,774	72,413	3.2%	2%
Credential Completion	45,479	46,966	47,789	48,031	47,283	45,962	45,813	45,848	47,593	4.6%	1%
Pell Share of Resident HC	34%	34%	33%	31%	30%	28%	27%	27%	31%	0.85	(3.17)
URM Share of Resident HC	27%	28%	29%	30%	31%	31%	32%	33%	34%	3.13	7.15
Retention Rate	74%	73%	74%	74%	74%	74%	75%	77%	77%	3.73	3.66
Grad Rate - 100% Normal Time	29%	30%	32%	33%	34%	36%	37%	38%	39%	4.30	9.89
Grad Rate - 150% Normal Time	48%	49%	51%	52%	53%	54%	52%	54%	54%	1.86	6.31

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Change in OBF Metrics



University Outcomes Breakdown	One Year Percent Change	Three Year Percent Change
Students Accumulating 30 hours	↑	↑
Students Accumulating 60 hours	↑	↑
Students Accumulating 90 hours	↑	↓
Bachelors and Associate Degrees	↑	↓
Masters/Ed Specialists Degrees	↑	↑
Doctoral/Law Degrees	↑	↑
Research and Service	↑	↑
Degrees per 100 FTE	↓	↓
Six-Year Graduation Rate	↑	↓

Progression metrics rebounding from pandemic dips.

Graduate awards continuing to grow.

Strong investments in research and service.

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Change in OBF Metrics



- Compare 6-year success rates for Ohio private nonprofits and Ohio publics, pre-2012 and post-2012.
 - Private non profit success rates shouldn't be affected by PBF, so they essentially for a control group.
 - Graduation rates at private nonprofit 4-year institutions increased by 3.4% between 2011 and 2018, but graduation rates at 4-year publics increased by 10.2%.
- Examine pre-2012 and post-2012 NSC success rates for all Ohio publics; 2 year and 4 year.
 - The increase from the 2011 cohort to the 2018 cohort for all Ohio publics is 13%, increasing from 49.5% to 62.5%.

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Change in OBF Metrics



More positive than negative:

- Positive movement in the graduation rate and degrees awarded to URM and in priority areas of study.
- When adjusting for changes in enrollment, degrees per 100 FTE has increased 5%.
- But Pell and rural completions have declined, mostly due to enrollment.

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What updates have states made to their models?
Why?

Changes in the models

Summary of PBF Common Metric Changes (benchmark changes not included)

June BOG Meeting	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Allocation Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1 % Enrolled or Employed FT (FL)	•	•									
% Enrolled or Employed FT (US)	-	-	•	•							
% Enrolled/Employed (\$25,000+)	-	-	-	-	•	•	•	•	•	•	•
% Enrolled/Employed (\$30,000+)	-	-	-	-	-	-	-	-	-	-	-
% Enrolled/Employed (\$40,000+)	-	-	-	-	-	-	-	-	-	-	•
2 Median FT Wage in Florida	•	•	•	•							
Median FT Wage in U.S.	-	-	-	-	•	•	•	•	•	•	•
3 Cost of Bachelor's Degree to the Institution	•	•	•	•							
Cost of Bachelor's Degree to the Student	-	-	-	-	•	•	•	•	•	•	•
4 FTIC Grad Rate (6yr)	-	•	•	•	•						
FTIC Grad Rate (4yr)	-	-	-	-	-	•	•	•	•	•	•
5 Academic Progress Rate	-	•	•	•	•	•	•	•	•	•	•
6 % Bachelor's PSE Degrees	-	•	•	•	•	•	•	•	•	•	•
7 Access Rate	-	•	•	•	•	•	•	•	•	•	•
8 % Graduate PSE Degrees	-	•	•	•	•	•	•	•	•	•	•
9 % Excess Hours	-	-	-	-	-	•	•	•			
9a FCS AA Transfer Grad Rate (2yr)	-	-	-	-	-	-	-	-	•	•	
FCS AA Transfer Grad Rate (3yr)	-	-	-	-	-	-	-	-	-	-	•
9b FTIC Pell Grad Rate (6yr)	-	-	-	-	-	-	-	-	•	•	•
# OF CHANGES TO COMMON METRICS	-	5	1	0	3	1	0	0	2	1	2

Notes: Academic Years (AY) reference the summer, fall and spring terms. Fiscal Years (FY) reference Florida's July 1 to June 30 fiscal year. PBF#9 was not a universally common metric until the 2018-19 allocation year. For more information about PBF, see: http://www.flbog.edu/about/budget/performance_funding.php.



Changes in the models

Pandemic Impact Led to Formula Suspension 2020–21, the funding formula was paused to avoid disproportionate cuts during across the-board budget reductions caused by COVID19.



First Generation Data Challenges Early in the formula implementation, first-generation student data lacked consistency, as institutions were just beginning to collect it reliably.

Importance of Data Readiness Wide year-over-year fluctuations in new metrics like first-generation status highlighted the risks of integrating data into funding models before it's consistently and accurately reported.

Changes in the models



- Two review cycles have led to a variety of changes to ensure the formula creates the right incentives.
- Increased focus:
 - Priority populations, high-need degrees, out-of-state students, on-time completion.
- Decreased focus:
 - Fixed costs, non-degree seeking students, transfers from 4yr to 4yr, AAs awarded by 4yrs.

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Change in OBF metrics



- In 2014 course completions replaced completion rates.
- 2018-19: Added first-generation status as an at-risk category
- 2026: The first-ever Ohio post-graduation employment outcomes formula allocates \$100 million in FY 2026 based on employment counts and adjusted earnings. Of the \$100 million, \$76.8 million is allocated to public universities and \$23.2 million is allocated to community colleges.

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Change in OBF metrics

- No changes- Model was first enacted in 2019, going through first review this coming year.



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How have these states made the case that their models have been effective?

Casemaking

Align with strategic plan

Rewarding 'Excellence' and 'Improvement'

- Due to numerous reasons (university age, student demographics, regional location, funding, etc.) university metrics vary. It was important to recognize those universities that have 'Excellence' metrics, but it was also important to recognize those universities who are making improvements from one year to another.



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Casemaking

“In Colorado we are fairly open about the formula being a representation of state goals, and helping to message the importance of those state goals and priorities to institutions and other stakeholders. I think much of the impact has been through us being explicit that these are the things we want to see them improving.”



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Casemaking

- State officials see the formula as a way to drive institutional improvement, but also as a powerful policy lever to increase overall funding.
- Policymakers have continued to invest in the formula at increasing rates - because they see the success: institutions focused on outcomes are getting the increases.
- The hold harmless level has been a successful tool with appropriators - ensuring the total funding level provides an increase to all institutions.



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Casemaking



Aligning state funding with student outcomes and degree attainment The 2012 Funding Commission report explicitly recommends shifting funding away from purely enrollment/credit hour drivers toward “successful course completions and degrees” as the primary basis for state subsidy.

Cost responsiveness and subject/level differentiation The model incorporates “model cost” frameworks: data on instructional cost by subject/level are used to weight completions/degrees differently (e.g., STEM, graduate, doctoral, medical) so that high cost programs are reflected in the subsidy.

Equity, access, workforce alignment and state priorities Goal of promoting access (especially for underrepresented and “at risk” students), improving completion rates, reducing time to degree, and aligning higher education outputs with state workforce and economic needs.

THECB Texas Higher Education Coordinating Board

Casemaking



- State officials believe support from the legislature is due to the formula’s ability to reward performance and protect institutional mission (research and regional access).
 - “Since FY2014, total formula funding has increased by 112% in nominal dollars unadjusted for inflation. Funding has grown annually by an average of 7.1% compared to inflation of 3.2% using CPIU for the western region from May 2014 to May 2025.”
- Two universities have done well in the formula despite the largest enrollment declines because of their success in pursuing state goal aligned behavior: increasing degrees completed, especially by priority populations.

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Unintended Consequences

Unintended Consequences

- Benchmarks for excellence are advantageous to flagships
- Unique calculation of “cost to student” resulted in negative values.
- Many of the metrics are “rates” (e.g., graduation rate, retention rate) rather than “counts”. Because rates depend on both numerator and denominator, institutions can improve their rate by reducing lower-performing students or shrinking the denominator rather than improving overall access or outcomes.



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Unintended Consequences

From CDHE survey of stakeholders, including institutions community members, advocacy organizations, businesses and students:

Respondents generally support the formula goals and metrics but rate the effectiveness fairly low.



5.1

When asked how well the funding formula serves their own institutions, respondents rated the effectiveness as 5.1 out of 10

4.8

When asked how well the funding formula serves the Colorado higher education system, respondents rated the effectiveness as 4.8 out of 10

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Unintended Consequences



- Institutions found ways to award non-terminal credentials to gain points, but the state updated the model to remove those incentives.
- Two Universities that can award AAs
 - Austin Peay- one-time, large increase due to reverse transfer practice; they started awarding AAs to many students once they had enough credits
 - Now THEC checks if the student is continuing on if still enrolled, the AA is not counted.

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Unintended Consequences



- **Completion Rates** Rates can be improved *mathematically* by reducing the denominator—for example, enrolling fewer high-risk students or shrinking cohort sizes, rather than actually improving outcomes.
- **First generation students** Institutions initially had wide year-over-year variation in first-generation student reporting due to inconsistent data collection.

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Unintended Consequences

- The formula has a different impact across institutions, given their variation in how much it contributes to their total revenue. Regionals average 45% of all revenue, while it's as low as 14% for the flagship.
- The increase in funding from the state has not been able to avert broader fiscal challenges for regionals.
- Not an unintended consequence, but informational: There is wide variation in the share of total revenue that the funding model contributes, with regionals averaging 45% and OSU, PSU, and OU averaging 21% (UO is 14%)



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