

Executive Summary

Investing in Student Outcomes: A New Funding Model for Texas Public Universities



Texas thrives when its students succeed. To keep student success at the center of university operations, **this report recommends a new performance-based funding (PBF) model that champions workforce-ready graduates.**

The new PBF model incentivizes innovation, efficiency, and academic excellence. This ensures Texas students are supported, engaged, and empowered to launch meaningful, in-demand careers.

This report represents the combined research, insights, and vision of 21 university leaders across Texas. From August 2025 to July 2026, this committee set out to fulfill the mandate of the Texas Legislature: Develop an effective performance-based funding model that best supports a Talent Strong Texas.

Core Metrics of the Proposed PBF Model

Student Success (Attainment):

Measuring how many students graduate with degrees that lead to successful careers (credentials of value). Attainment accounts for 60% of funding in the proposed model.

Student Progress (Progression & Persistence): Measuring how many students reach academic milestones (e.g., 30, 60, or 90 credit hours) and how many remain enrolled year-over-year. Progression & Persistence accounts for 40% of funding in the proposed model.

Student Weights: The model boosts funding with the aim of closing outcome gaps in certain student populations. This includes adult learners and students who “stopped out” (returning to finish their degree); resource-constrained students (based on Pell Grant eligibility); and students who require additional academic support.

Key Funding Incentives

High-Demand Fields: To help the state economy, universities would receive higher funding rates for degrees that feed high-demand fields.

Efficiency: The model would provide additional funding when students complete their degrees without unnecessary credits, saving time and money.

Implementation Recommendations

Maintain Existing Funding: The Committee recommends that this new PBF model should supplement current base formula funding, not replace it. This ensures universities remain stable and can continue to offer high-cost but essential programs.

“Institutional Enhancement” (IE) Funds: Currently, “Institutional Enhancement” funds vary significantly by school, and immediately eliminating this funding would cause financial hardship for many universities. The Legislature should consider IE as a buy-in for the new formula in order to protect stability.