

# OUTCOMES-BASED FUNDING: COMMISSION RECOMMENDATIONS EXPLAINED

## WHAT IS OUTCOMES-BASED FUNDING?

As part of a comprehensive set of recommendations, the Texas Commission on Public School Finance included a combined \$800 million allotment per year to encourage school districts to further prioritize two critical student outcomes: reading proficiency in 3rd grade (\$400 million) and college, career, and military readiness upon high school graduation (\$400 million).

## WHY THESE OUTCOMES?

These two benchmarks have critical implications for long-term success. After 3rd grade, literacy is crucial to success in every other subject area and grade, and the inability to read by 3rd grade is associated with four times higher rates of high school dropout. Upon high school graduation, too many Texas students require postsecondary remediation, lack an industry certificate, or are ineligible to enlist in the military.

Without substantial improvement, Texas' current results at these benchmarks will pose a significant barrier to achieving the state's ultimate 60x30TX goal. Today, only four in 10 Texas students are literate by 3rd grade, and fewer than three in 10 receive a postsecondary credential. Among low-income Texas students, these outcomes are even more alarming: just three in 10 are literate by 3rd grade, and fewer than two in 10 receive a postsecondary credential.

## HOW WOULD THIS FUNDING WORK?

Beginning in the 2019-20 school year, every district would receive new money based on current student achievement of these two critical outcomes. There is no base proficiency level necessary to access funds.

Wide variations in achievement exist across the state, so every district would receive an amount calculated based on the following recommended weights, designed equitably so low-income students receive significantly greater funding for achieving proficiency than their non-low-income peers:

### 3rd Grade Reading<sup>1</sup>:

\$3,400 per low-income student achieving 3rd grade reading proficiency, or **2.3X**  
\$1,450 per non-low-income student achieving this benchmark.

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1. As measured by "Meets Grade Level" standard (answering at least 76% of questions correctly) on 3rd Grade Reading STAAR exam.

### **College, Career, and Military Readiness:**

\$5,380 per low-income high school senior graduating without the need for postsecondary remediation<sup>2</sup> and either enrolling in a postsecondary institution, achieving an industry-accepted certificate or enlisting in the military college, or **2.7X**

\$2,015 per every non-low-income high school senior graduating achieving this benchmark.

The Commission recommended that outcomes-based funding be established as a weight tied to the Basic Allotment, meaning future proficiency increases would be accompanied by a corresponding growth in funding. For example, if Texas were to meet the Commission's recommended 60% literacy goal by 2030 (currently at 41%), the pool of outcomes-based funding for 3rd grade reading proficiency could more than double to over \$825 million.

### **WILL IT IMPROVE STUDENT OUTCOMES?**

Outcomes-based funding should not be expected to work in isolation, rather in combination with the Commission's comprehensive set of recommendations intended to provide more equitable funding for students who need it most. Most notably, the Commission recommended a 3rd Grade Reading Allotment, in which districts would receive an additional 0.1 weight for every student in grades K-3 who is low-income or an English language learner (a student who is both would receive a 0.2 weight), producing an estimated allotment of \$780 million annually.

This sizable funding stream, combined with new dollars based on current outcomes, is intended to help districts invest strategically in practices that ensure students build strong fundamentals prior to reaching 3rd grade and mitigate any risk of proficiency declining in subsequent years.

Outcomes-based funding should also be viewed within the context of the state's current accountability system, which relies solely on public criticism through A-F ratings and the threat of punitive action to improve student achievement. In contrast, outcomes-based funding intends to incentivize districts to prioritize and accelerate the spread of best practices by adopting strategies already working in similar districts elsewhere in the state.

### **ARE THERE OTHER EXAMPLES?**

Since 2014, Texas Community Colleges have received 10% of their state funding tied to performance-based funding (in contrast, the \$800 million in proposed outcomes-based funding would constitute 1.4% of the state's annual K-12 budget). While initially opposed by the colleges, they have since advocated for its continuation and expansion in every legislative session since its adoption. The Texas Association of Community Colleges credits this system of "Student Success Points" for helping colleges align efforts toward impactful practices.

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2. As measured by ACT (scoring at least 24), SAT (scoring at least 1100), TSIA, or ASVAB.