

# ***Value-Added Accountability Funding***

*- an Innovative Funding Model Launched in Texas*

***Mike Reeser | Chancellor | September 2014***



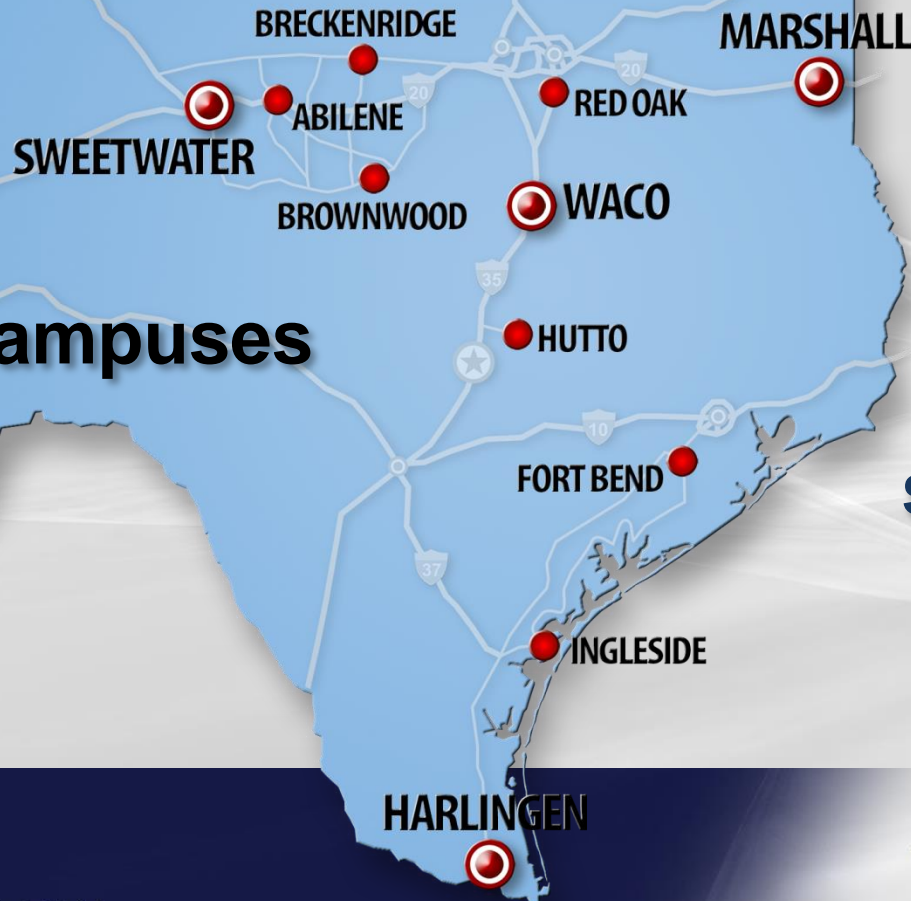
# Quick Facts about TSTC

- **AAS & Certs**
- **High Demand,  
High Tech**
- **Accredited**
- **50 Years Old**
- **100+ Pathways**



# Quick Facts about TSTC

**Eleven Campuses**



**TSTC is not funded on Contact Hours but on a new “Added Value” model that pays only for students placed in well paying jobs in Texas.**



# *The Assumptions Used for Change*

## **Outcomes-Based Funding is Inevitable in Texas**

- All signs show that Texas is headed toward this approach

## **Go First Today or Get Lost in the Stampede Later**

- TSTC is unique; neither a community college nor a university
- Desired outcomes are different, so funding “drivers” should be, too

## **College Practices Are Ripe for Innovation**

- Contact Hour funding provides little incentive for change
- Organizational practices will “organically” follow the money

# *In a Nutshell... The Value-Add Approach to Funding*

- **Student attends TSTC & the TX Higher Ed Coordinating Board (THECB) captures the student enrollment data**
- **Student leaves for work & the TX Workforce Commission (TWC) captures job and salary data from UI database**
- **Salary levels are compared to Minimum Wage to determine the “value added by TSTC”**
- **An economic benefit to Texas is calculated based on the aggregated “value added by TSTC”**
- **TSTC funding is a discounted share of the economic benefit created by TSTC students in the workplace**



## *The Simplified “Formula”...*

**[Average Salaries Earned by Grads] - [Minimum Wages Earnings]  
= “Average Value-Added by TSTC”**

**[Average Value-Added by TSTC] X [No. of Students Placed in Jobs] =  
“Economic Benefit to TX”**

**[Economic Benefit to TX] X [TSTC’s “Share”] = Funding for TSTC**

## Contact Hours



- Rewards teaching activity
  - Encourages prolonged seat-time
  - Aligns with higher ed. tradition
  - Seeks enrollment & retention
  - A cost-recovery payment system
- 

## Value-Add

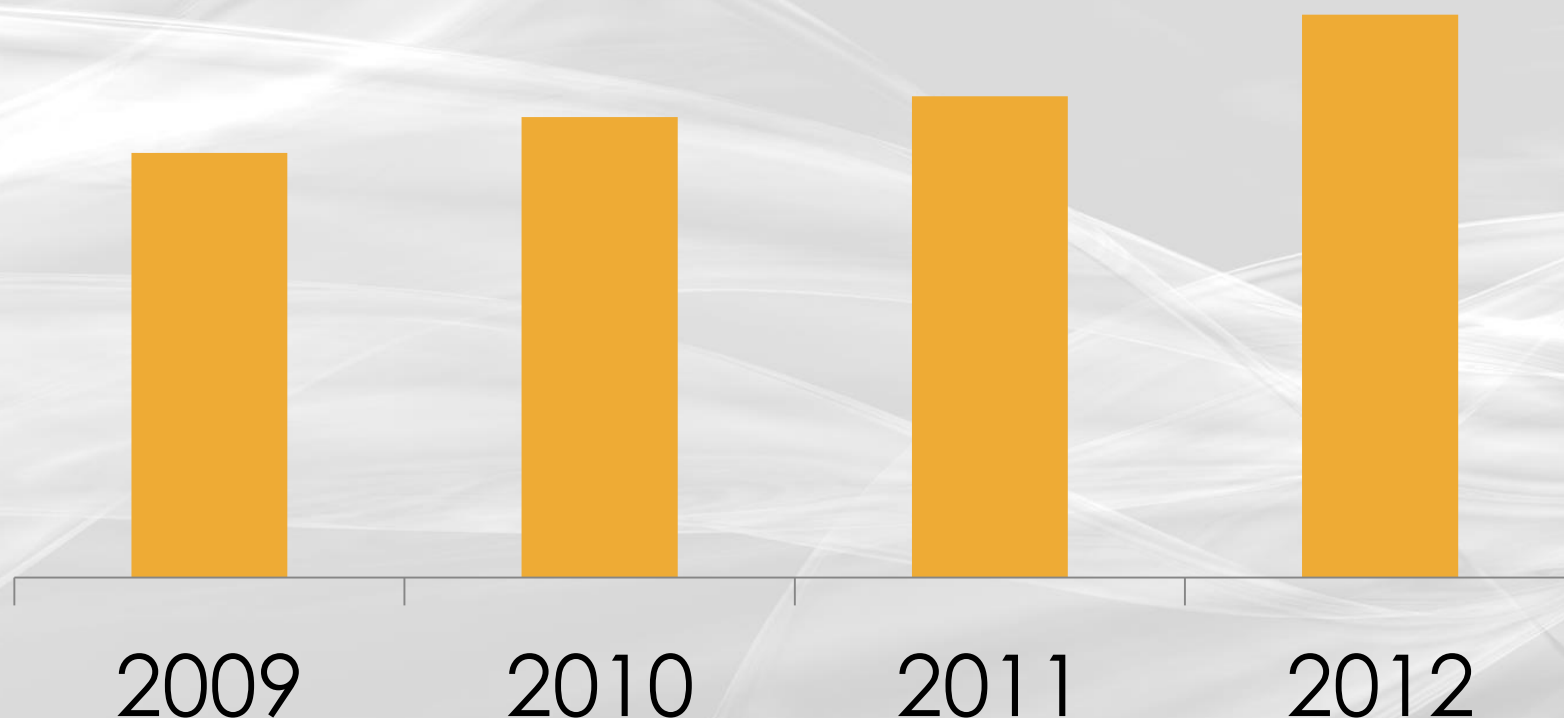


- Rewards employment outcomes
- Encourages operational efficiency
- Allows innovative approaches
- Seeks workforce alignment
- A “straight commission” system



*So, Does it Work?*

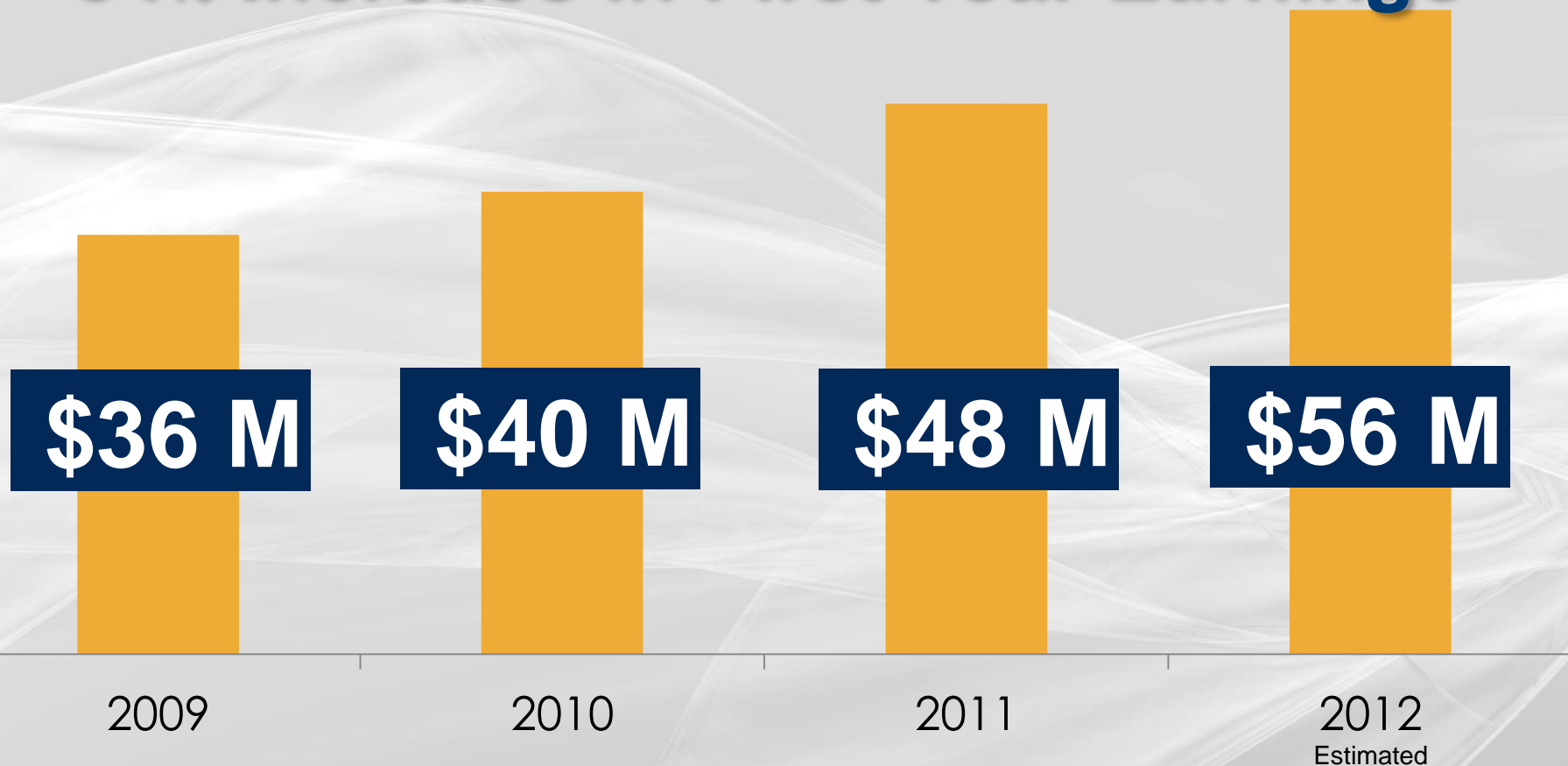
## 32% Increase in Grads





*So, Does it Work?*

## 54% Increase in First Year Earnings



# *Lessons Learned*

- **Pick metrics carefully; they drive organizational behavior**
- **When paying for results, back-off managing processes**
- **Align the funding triggers with the institutional mission**
- **Use the K.I.S.S. principle**
- **Consider trading away precision to get accuracy**
- **Be ready for unintended consequences**
- **Communicate, Communicate, Communicate**

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