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
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”...

\[ \text{[Average Salaries Earned by Grads]} - \text{[Minimum Wages Earnings]} \]
\[ = \text{“Average Value-Added by TSTC”} \]

\[ \text{[Average Value-Added by TSTC]} \times \text{[No. of Students Placed in Jobs]} = \text{“Economic Benefit to TX”} \]

\[ \text{[Economic Benefit to TX]} \times \text{[TSTC’s “Share”]} = \text{Funding for TSTC} \]
- Rewards teaching activity
- Encourages prolonged seat-time
- Aligns with higher ed. tradition
- Seeks enrollment & retention
- A cost-recovery payment system

- Rewards employment outcomes
- Encourages operational efficiency
- Allows innovative approaches
- Seeks workforce alignment
- A “straight commission” system
So, Does it Work?

32% Increase in Grads

- 2009
- 2010
- 2011
- 2012
So, Does it Work?

54% Increase in First Year Earnings

$36 M  $40 M  $48 M  $56 M

2009  2010  2011  2012

Estimated

WWW.TSTC.EDU
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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