

National Summit for Higher Ed Reform

The Return-Value Funding Method

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TSTC Chancellor & CEO

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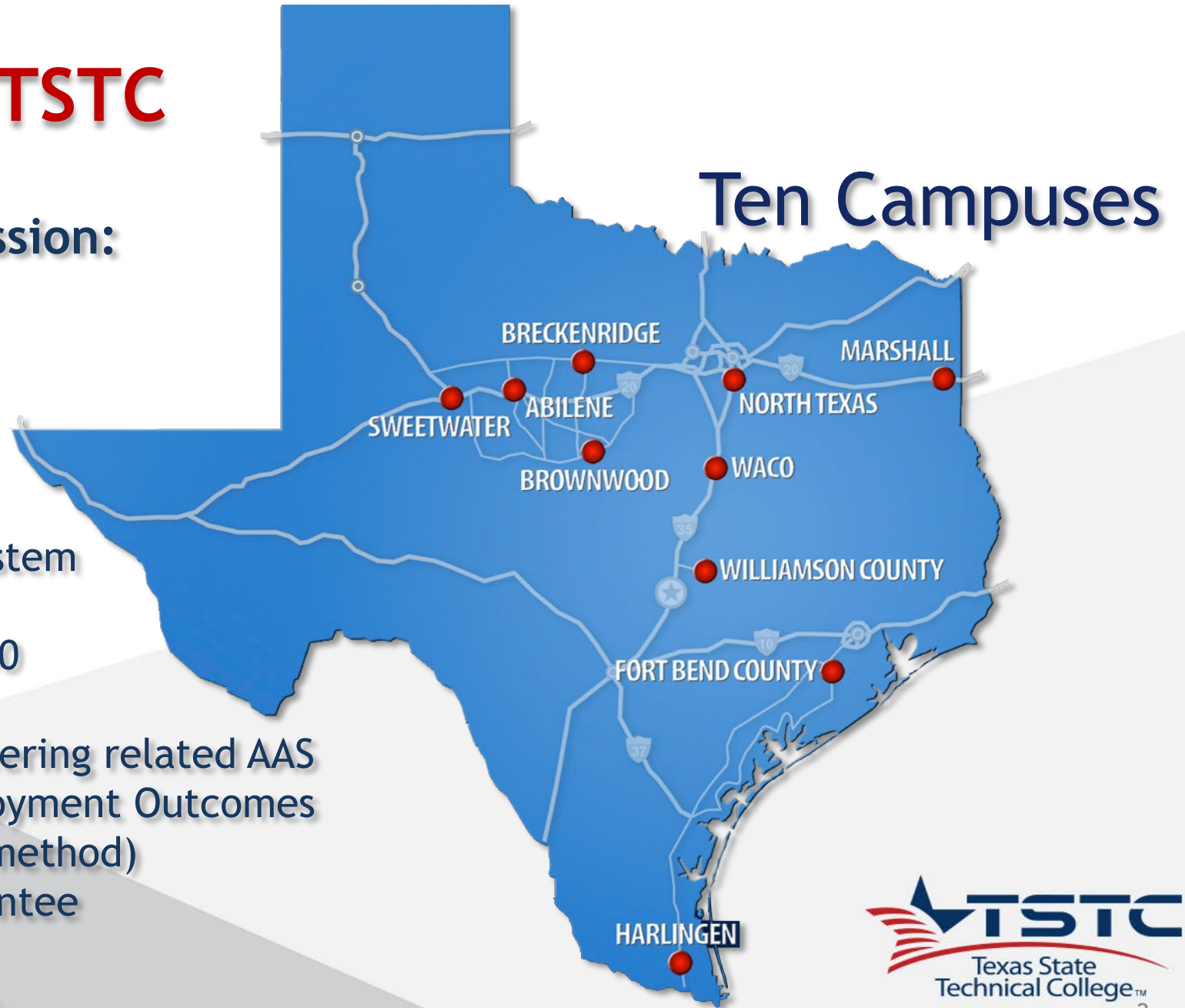


Quick Facts about TSTC

Legislatively-Mandated Mission:
*Economic Development
through
Workforce Education*

- The 2-year technical college system
- SACS-COC Accredited
- Student Headcount about 12,000
- 120 Technical Credentials
- Nation's top producer of Engineering related AAS
- Funded Solely by Student Employment Outcomes (the "returned-value" funding method)
- Home of the Money-Back Guarantee

tstc.edu



Old & New Formula Funding Summary

Previously Used Contact Hour Method

- [Number of Contact hours] X [Funding Rate] = State Funding
- A “headcount” system of cost reimbursement

Today’s TSTC Returned-Value Method

- [Student Job Earnings*] X [Funding Rate] = State Funding

*Student Job Earnings = Aggregate of actual student salaries for five years that exceed Minimum Wage

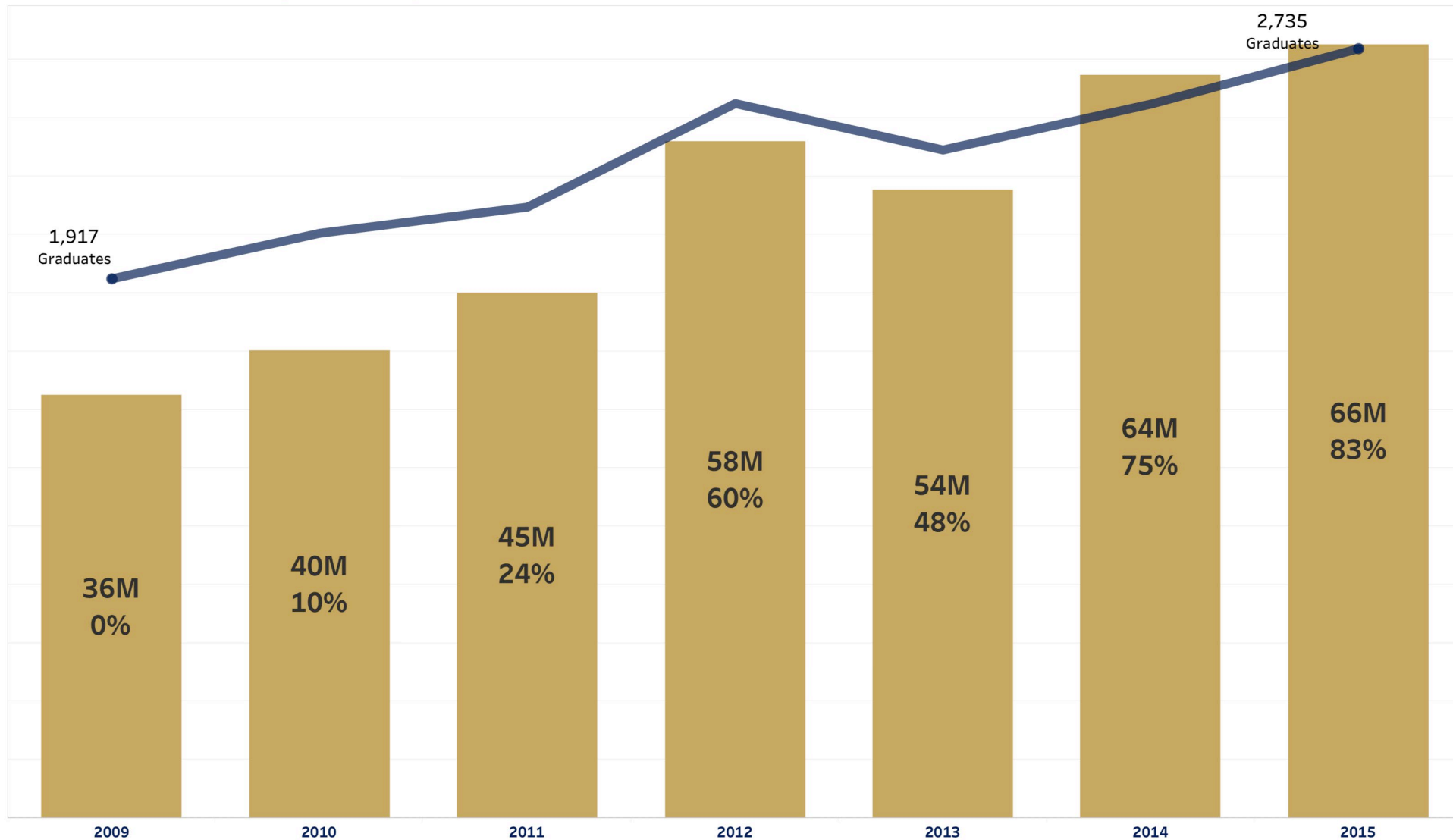
- Solely based on job placements and the size of the student salaries
- Often likened to being “paid on commission” for student employment success

The Advantages of Returned-Value Method

- Texas pays only for proven student employment success
- Texas pays after the results are achieved
- The method is self-funding
- The best-interests of the students become the best-interests of the college and the State
- The method rewards a job-relevant program mix
- The method demands operational efficiency & efficacy
- The agency performance risk is transferred to TSTC

TSTC is Growing the Right Results

Increase over Time of Total Wages Produced by TSTC Graduates in their 1st Year after Graduation



**Graduates
Increased
42 Percent**

**Salaries
Increased
83 Percent**



Data Source: THECB Gainful Employment, TWC UI Wage Records Data Parameters: Years 2009-2015, Full Year Data only

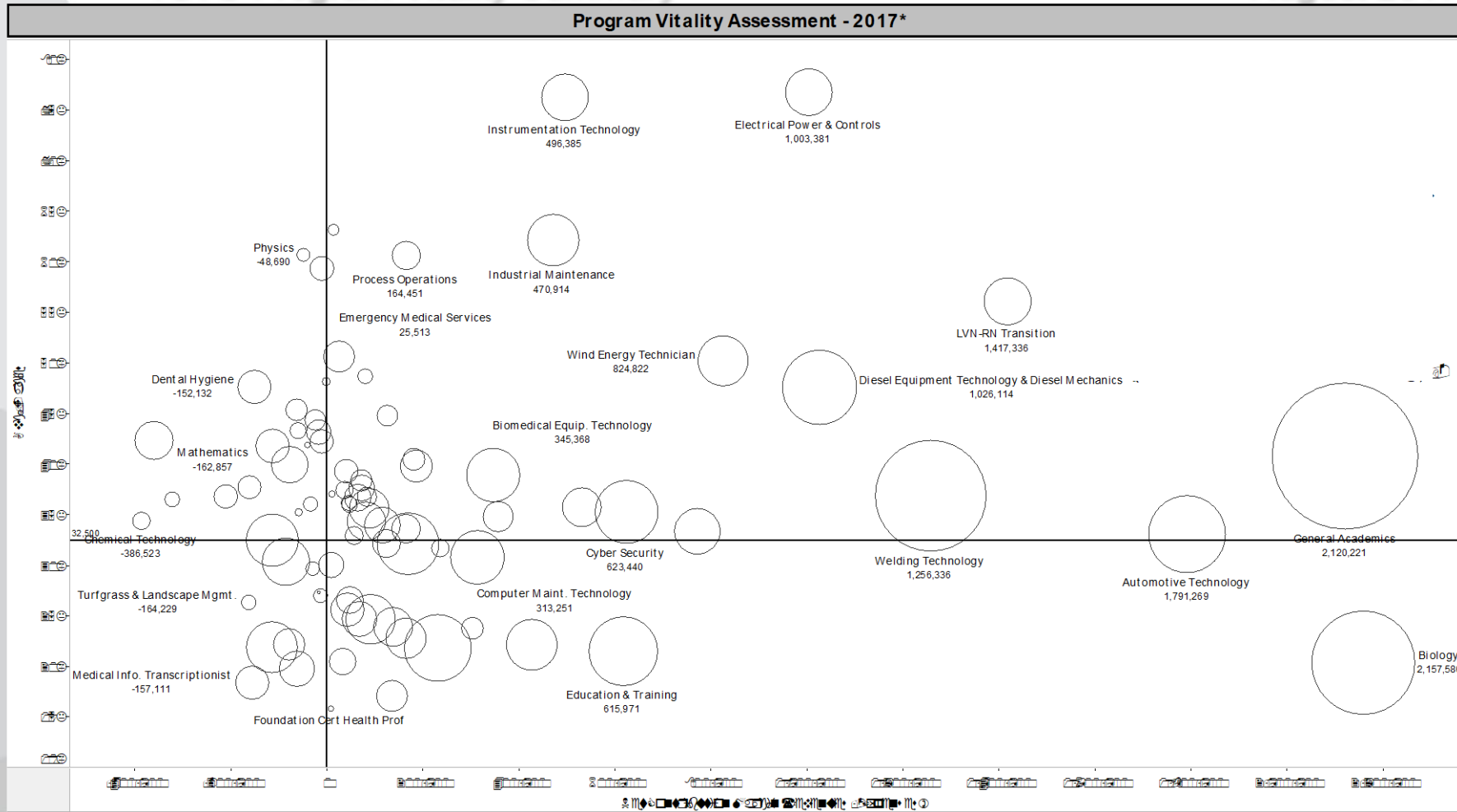
Data Notes: Bars indicate total wages produced by TSTC graduates found working in the State of Texas

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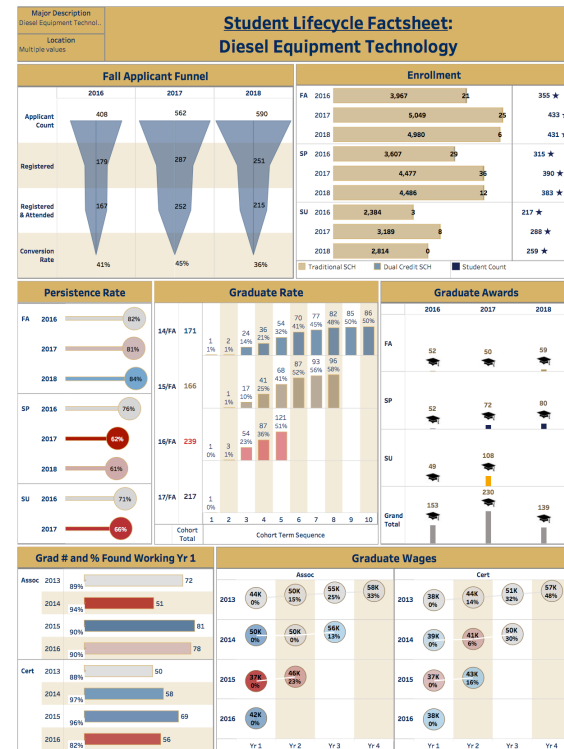
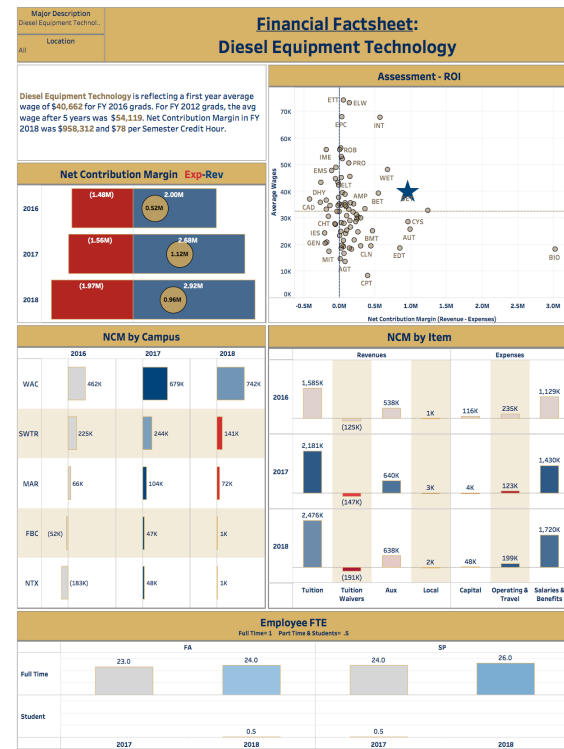
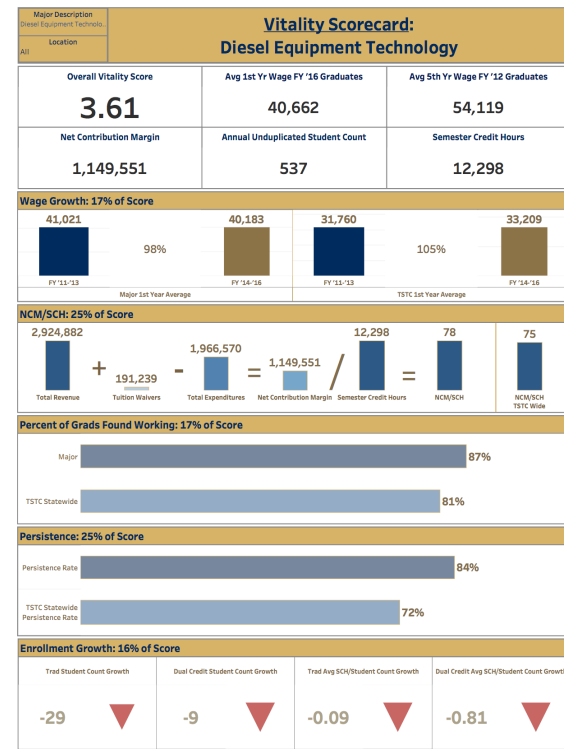
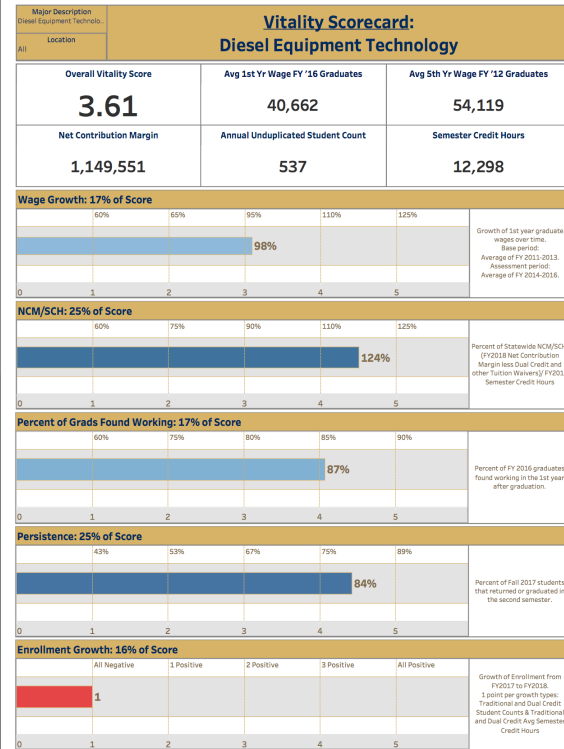
TSTC Uses Scorecards to Monitor Program Success

TSTC Program Vitality Summary

August 2017



TSTC Uses Scorecards to Monitor Year-to-Year Progress



The TSTC Approach to Growing Outcomes

- Design programs with targeted jobs in mind
- Teach skills the employer seeks—no more, no less
- Target the greatest Texas workforce needs first
- Measure the ROI on every program
- Strategically invest in programs based on performance
- Phase out low-performing programs
- Empower faculty to be line-of-business managers
- Help students see the connection between school & work

