



The Return-Value Funding Method

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January 2022



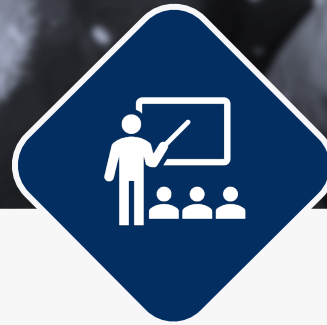
MAIN TOPICS



Introduction



Method
Summary



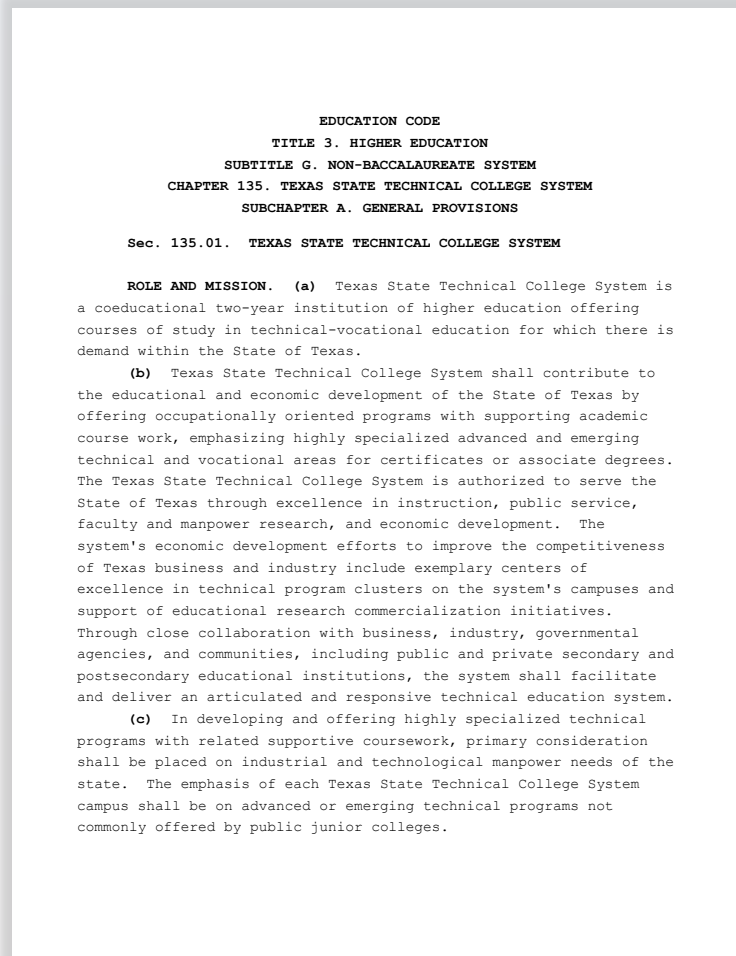
Impact on
the Institution



Lessons
Learned

TSTC's MISSION

“TSTC shall contribute to the educational and economic development of the State...”



“...primary consideration shall be placed on industrial and technological manpower needs of the state.”

***Outcomes funding
fits TSTC because
TSTC's mission is
defined by outcomes***

a measure of
college activity

times

a
funding rate

equals

formula funding
amount

TSTC's old formula funding method

total
contact hours

times

the current
funding rate

equaled

formula funding
amount

TSTC's Return-Value formula method

job earnings of
TSTC students

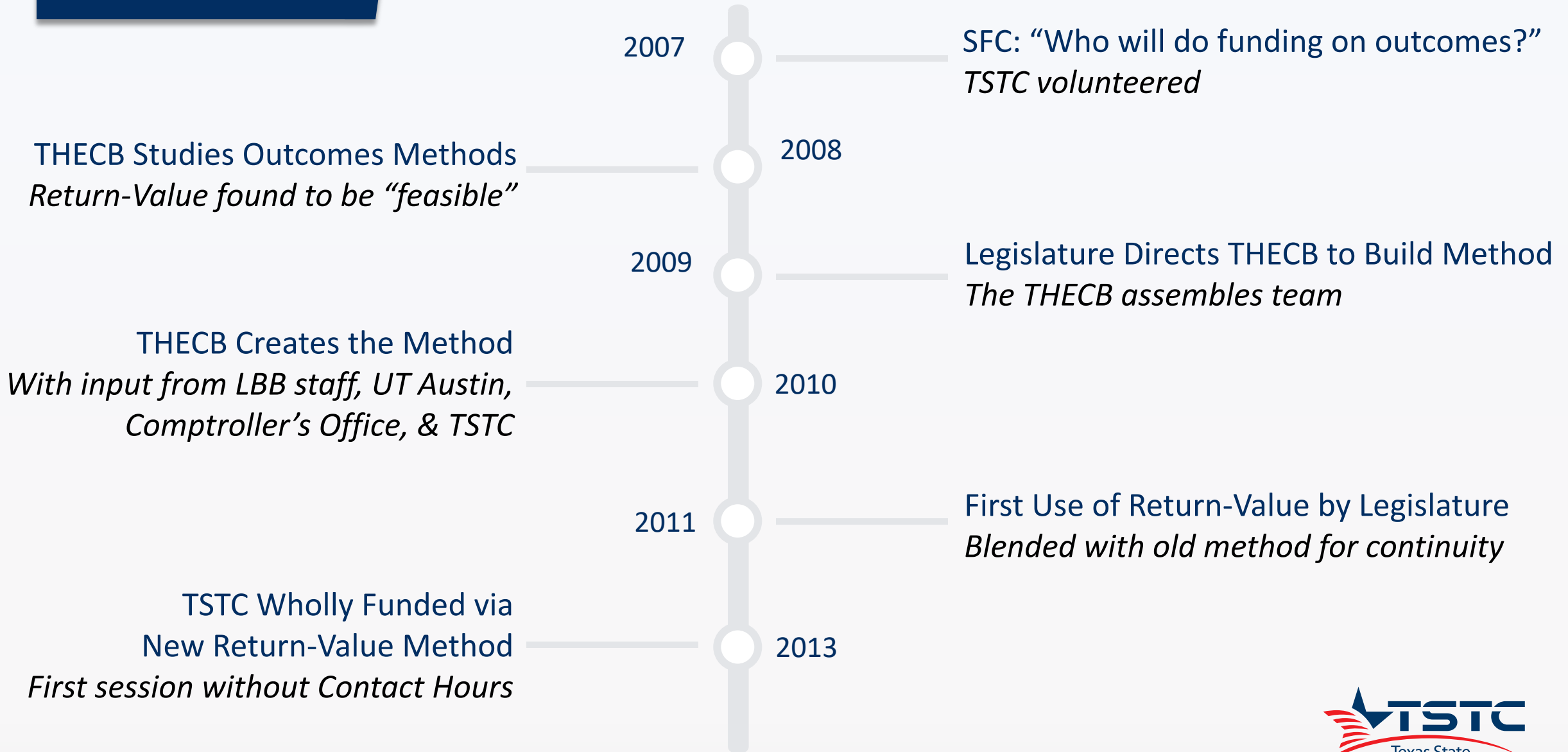
times

a
"commission" rate

equals

formula funding
amount

Timeline



TSTC on Contact Hours

- Rewarded educational activity
- Focused on an “input” variable
- Cost-recovery, progress payment
- State assumes performance risk
- Driven by consumer demand

TSTC on Return-Value

- Rewards final results
- Focuses on “output” variable
- Payment for completed service
- Puts performance risk on TSTC
- Driven by both employer and consumer demand

Impacts of the new formula

After conversion to the new funding formula, virtually ***everything at TSTC began to change*** because an organization will inherently ***focus on its revenue sources.***

Impact of the New Formula



Programs are curated to ensure alignment with employers' needs



Programs that produce poor job outcomes are closed



Employers define the key skills taught so alignment is maximized



Applicants get help selecting the right program for their goals



Many programs offer a money-back guarantee to students



Student loan default rates are very low due to well-paying employment



Methods of delivery are constantly reviewed for efficiency



The length of a program is defined by job needs, not academic tradition

Change is Hard



Waiting on outcomes means the formula has an multi-year lag



Well-paid employment is the primary driver of funding, not enrollment



Staying aligned with a changing workforce requires constant retooling



Suddenly, every program had new imperatives for quality and ROI



Some faculty didn't like the new priorities, so turnover increased



Teacher pay systems must be updated to align with funding



Legacy college activities required rethinking to fit new priorities



Low-value credentials become a drain on college resources

The primary benefit of the Return-Value method is that it requires TSTC to ***accurately align its efforts with the manpower needs of Texas.***

Another benefit of the Return-Value method is that the best-interests of the student, the college, the state, and the taxpayers are now aligned.

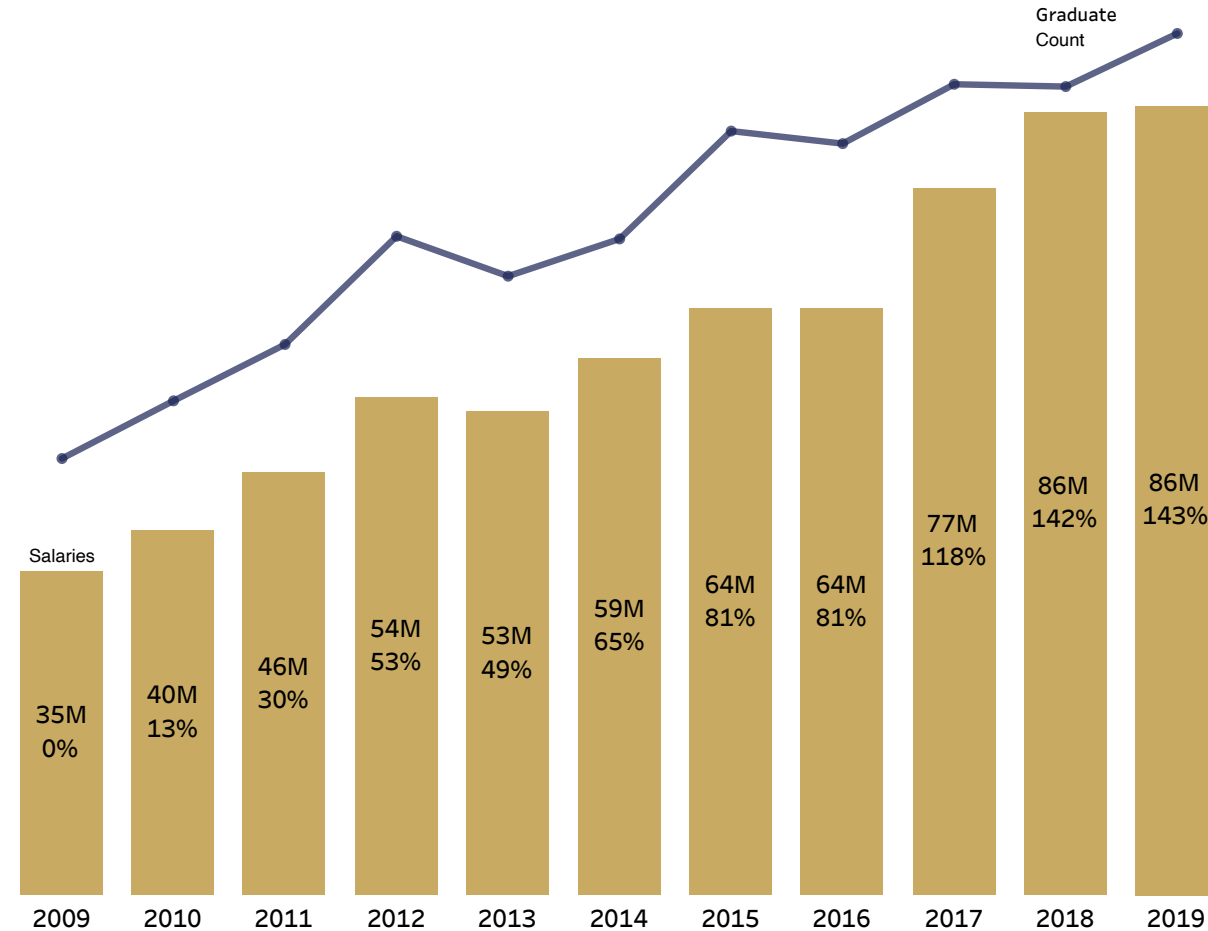
Outcomes-based funding is not merely about money, it's a compelling driver for changing institutional culture.

Lessons Learned

All the many changes have led to far better outcomes

TSTC is Growing the Right Results

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



Graduates
Increased 71
Percent

Salaries
Increased 143
Percent



Data Source: CBM009, CBM00M, TWC UI Wage Records Data Parameters (4 Quarters Only)

Created By: Business Intelligence Date Updated: 10/14/2021 Author: Tina Skidmore, Stephanie Vestal, and Dave Huynh

Closing Key Take-Aways

- Funding drivers provide a **strong incentive**
- So, **align** funding to organizational mission
- **Cultural changes** will surely follow; be ready
- Not all **stakeholders** will embrace the change
- Some **Operations can struggle** as they retool
- Board & leadership **commitment is essential**

The legislature selected the ideal approach for funding TSTC because the ***Return-Value method is perfectly aligned with the mission of the college.***

