

SECURING TEXAS' FUTURE IN THE GLOBAL ECONOMY

Texas faces increasingly well-educated global competitors for high-skill, high-wage jobs. Funding student success in higher education will ensure the global competitiveness of tomorrow's workforce.



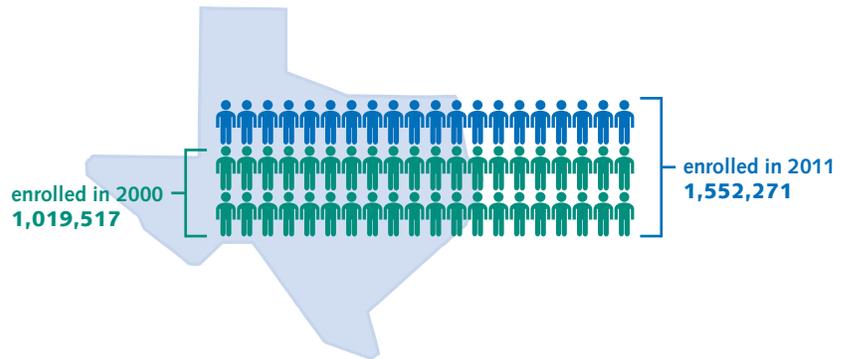
TEXAS HIGHER EDUCATION
COORDINATING BOARD

NOVEMBER 2012

Texas must dramatically expand our educated workforce to attract, retain, and grow future jobs. Today, we focus on achieving parity with leading states such as California, New York, and Massachusetts. Tomorrow, we must compete with international powers like China, Korea, and Germany. Yet our emerging workforce is less educated than previous generations. Extraordinary challenges demand innovative solutions. A funding framework for higher education that emphasizes student outcomes and workforce alignment is the right policy for the right time.

Since 2000, Texas has added almost the equivalent of Wyoming's population to our universities and community colleges and has doubled enrollments for Hispanics and African Americans. In 2011, Texas awarded 186,000 undergraduate credentials — a 61 percent increase over 2000 levels. Postsecondary credentials awarded each year to African Americans and Hispanics is at the highest point in state history.

Texas has increased college enrollments by close to 50 percent in the past 11 years



TEXAS MUST DO BETTER, FASTER

On key measures, Texas is on track to close the education gap with peer states. However, the challenge now shifts to global competitiveness.

The complexity of the future job market and fierce competition with other nations demand that we significantly increase the number of Texans earning a postsecondary credential and accelerate the time from the classroom to the workforce.

By 2020, 65 percent of all U.S. jobs will require postsecondary education or training.¹ A majority of jobs created since the peak of the recession went to those with a college degree.² On average, even workers who attain a workforce certificate (the lowest level of postsecondary credential) earn 20 percent more than workers with only a high school diploma.³ Yet the most compelling reason for improving student outcomes is that Texas is falling further behind key international leaders in educational attainment. Strikingly, only 32 percent of 25–34-year-olds in Texas have an associate's degree or higher — a lower rate of attainment than the preceding generation of adults.⁴ These trends show that our emerging workforce is losing ground. The challenge is simple: Texas must do better, faster.

A FUNDING MODEL DEVELOPED BY INSTITUTIONS FOR INSTITUTIONS

Today, Texas funds institutions based on student enrollments. This creates a strong financial motivation for institutions to recruit students, but it provides no benefit for helping students graduate. Most important, our current funding model fails to promote higher education outcomes that align with future state workforce needs. In response to similar challenges, states across the nation are restructuring their higher education funding systems to emphasize both enrollments and student outcomes.

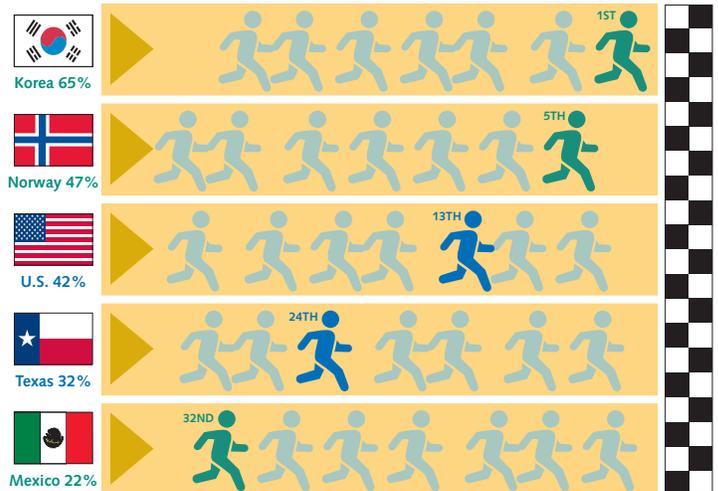
During the 83rd Texas Legislative Session, Texas policymakers will consider funding models developed by university and community college leaders and endorsed by the Texas Higher Education Coordinating Board. The models would allocate 10 percent of funding based on key metrics tailored to measure student success for each sector of higher education. Universities will be credited for their success in helping undergraduates earn degrees, with consideration given to how they serve the diverse student populations of Texas. Community colleges will be measured based on their unique role in promoting academic and career readiness to meet regional and state employment needs. Both models place special emphasis on educating, training, and credentialing students in those fields most critical to the Texas economy.

The purpose of an outcomes-based system is to provide a funding model that rewards institutions for enrolling students and helping them earn postsecondary credentials. Such a system will provide a strong foundation for Texas to become a national and international leader in education and economic competitiveness.

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Texas ranks 24th in educational attainment among the world's most competitive economies

As measured by percentage of 25- to 34-year-olds with an associate degree or higher, 2010



OECD, *Education at a Glance*, 2012; American Community Survey, 2010

In addition to growing enrollments, we must provide institutions with strong incentive to achieve student outcomes aligned with state education and workforce goals:



UNIVERSITIES

- ☀ Increase total degrees awarded in all fields;
- ☀ Expand total degrees awarded in critical workforce fields;
- ☀ Improve degree completion among non-traditional and at-risk student populations;
- ☀ Accelerate time-to-degree for graduates; and
- ☀ Encourage student persistence toward a degree.



COMMUNITY COLLEGES

- ☀ Create opportunities for academically underprepared students to achieve college readiness;
- ☀ Encourage student persistence toward completion of a credential or transfer;
- ☀ Expand and enhance transfers to a university; and
- ☀ Increase total workforce certificates and degrees awarded.

1. Center on Education and the Workforce, "A Decade Behind: Breaking Out of the Low-Skill Trap in the Southern Economy," July 2012.
2. Center on Education and the Workforce, "The College Advantage: Weathering the Economic Storm," August 2012.
3. Center on Education and the Workforce, "Certificates: Gateway to Gainful Employment and College Degrees," June 2012.
4. U.S. Census, American Community Survey, 2010.

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