

Outcomes-Based Funding

The Community & Technical College Model

The Challenge

State governments are facing increasing fiscal constraints in higher education. At the same time, the United States continues to fall further behind in awarding degrees and credentials. For our institutions, the challenge is to increase productivity: to produce more of the outcomes we want within the bounds of limited resources. For Texas students, this means better using our education dollars to help them earn that degree or credential that will open the door to new academic and career opportunities.


Today, **only 30.4 percent** of Texas community and technical college (CTC) students **complete a degree or certificate within six years**. The cost of students who enroll but do not complete a CTC program is significant not only for the state, but also students. The **average loan debt of these students** was **\$6,700**. These students also accounted for **more than \$506 million in lost financial aid** in the form of grants, loans, and other awards subsidized by the state and federal government.

*Students who fail to complete coursework at community and technical colleges cost the state **\$206 million** each biennium.*

Outcomes-Based Funding Model

Currently, community and technical colleges are funded by the state solely based on a snapshot of enrollments on the 12th class day of the semester. So the only factor that counts for institutions in their efforts to secure state formula funding is increasing their student enrollment – a worthy goal in itself. But to truly realize the promise of higher education, students must have both access AND success in achieving their academic and career goals.

The THECB's recommendation gives CTCs the incentive and the ability to positively impact their funding through strong emphasis on retention and degree completion initiatives, as well as enrollments.

- The outcomes-based model allocates **10 percent** of base funding relative to educational milestones (or Momentum Points) met by students; **90 percent** will continue to reflect enrollment trends.
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- CTCs will attain a greater share of formula funding by increasing the number of students that achieve college and career readiness via developmental education, complete meaningful levels of coursework, earn a degree or certificate, or transfer to a university.
 - CTCs will be particularly incented to help at-risk students progress through the education pipeline.

The Results

- The outcomes-based funding model will result in a **better and more productive balance** between student access and success.
- The outcomes-based funding model will result in a **better return on the state's investment** by helping more students navigate the education pipeline at CTCs.
- The outcomes-based funding model will incent Texas CTCs to **focus more intently on the success of at-risk students**, a critical goal for *Closing the Gaps*.