

Outcomes-Based Funding

The Community & Technical College Model

The Challenge

Now, more than ever, productivity in higher education is front and center on the national stage. As state governments face increasing fiscal constraints, the United States continues to fall further behind in higher education credentials. The challenge is to produce better outcomes with limited resources. Texas, like most other states, has much work to do to improve productivity.

Today, only **30.4 percent** of Texas community and technical college (CTC) students graduate with 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 non-completers** for a six-year period 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

Today, CTCs are funded by the state solely on enrollments. The state calculates total enrollments for each community and technical college based on the 12th class day of a regular semester. If students drop coursework after the 12th class day, CTCs retain tuition and fees paid, state formula funding, and state/federal financial aid as applicable. This methodology inherently incents recruitment over retention or completion.

The THECB's recommendation incents CTCs to place greater emphasis on retention and degree completion, rather than enrollments alone.

- The outcomes-based model allocates **10 percent** of base funding relative educational milestones (or Momentum Points) met by students; **90 percent** will continue to reflect enrollment trends.
- CTCs will attain a greater share of formula funding by increasing the number of students that achieve college 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 incite Texas CTCs to **focus more intently on the success of at-risk students**, a critical goal for *Closing the Gaps*.