



CHAPTER SUMMARY

Subsidizing Success, Not Enrollment: The Texas State Technical College Funding Model

/ Michael Bettersworth

Texas State Technical College (TSTC) illustrates the benefits of outcomes-based funding in higher education by tying its state funding to the job placement and earning results of its graduates, improving student outcomes and helping to meet the growing labor market demand for well-trained workers. This incentive has led to increased innovation and enrollments, higher salaries for students after studying at TSTC, and ultimately a boost in state funding for the college.

Challenges

Transitioning to a 100% outcomes-based funding model in 2013 required TSTC to completely rethink its systems, requiring an overhaul of its budgeting process to align funding with student job outcomes, as well as revamped communications to help stakeholders understand the new approach.

At the same time, TSTC needed to adapt its program offerings in response to rapidly evolving technologies like AI to ensure graduates are prepared for the future workforce.

/ At TSTC, we asked a simple question: Why not tie our funding to the one thing that truly matters: whether our students find good-paying jobs?

Opportunities

State appropriations for TSTC are tied to how much more students earn after leaving TSTC, in comparison to full-time minimum-wage workers. This value-added approach shifts the focus from enrollment to real-world results, aligning the college's financial incentives with student employment outcomes.

Workforce Realigned, Vol. II

This is a summary of the full chapter included in Workforce Realigned, Volume II available at workforcerealigned.org/chapters/subsidizing-success-not-enrollment-how-texas-state-technical-college-links-funding-to-job-outcomes/.

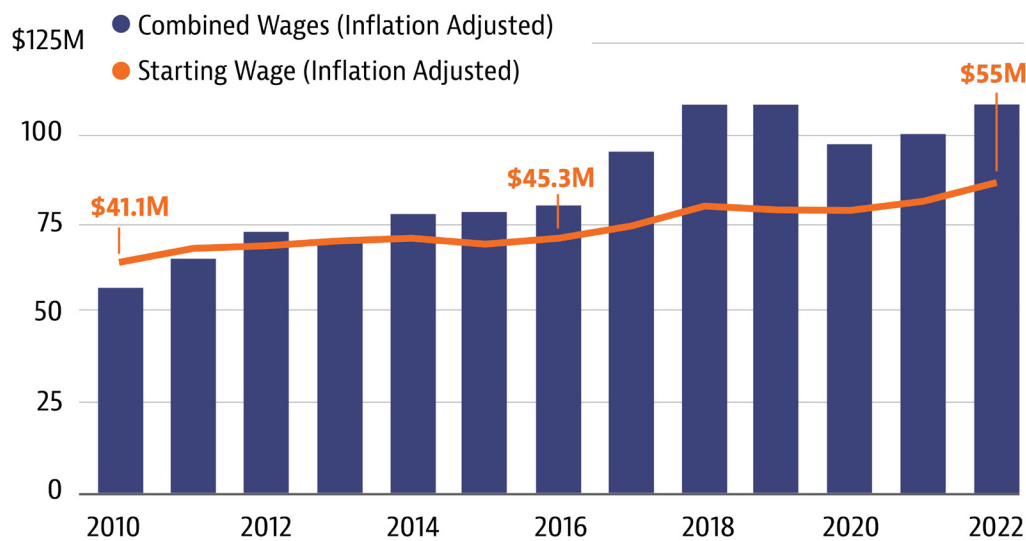


This model has driven major improvements across TSTC, including increased state appropriations that allowed the college to hire top-tier faculty, keep compensation competitive, and invest in high-performing programs.

The institution’s focus on outcomes also led them to phase out underperforming courses and enable a higher share of students to graduate quicker than before. Faculty and staff are rewarded for student success, and TSTC reinforced this accountability by offering unemployed graduates a money-back guarantee.

Enrollment has grown faster than at peer institutions with the new innovations to TSTC curriculum, reflecting a strong demand for this approach.

TSTC GRADUATE STARTING WAGES AND COMBINED COHORT EARNINGS



Source: Texas Workforce Commission, UI Wage Record Data

Findings and Next Steps

- Through this outcomes-based funding model, Texas policymakers gain more efficient use of public funds, while faculty and staff are rewarded for their performance.
- TSTC graduates secure better jobs with higher salaries.
- As the college has received increased funding, it was able to improve faculty pay — and enhanced its reputation across the higher education landscape.

