

Transforming Community College Finance in Texas

VGY Property Tax Institute
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Agenda

1. Texas community colleges- background
2. Overview of the new CC funding model
3. Base Tier in detail
4. Early data on FY24
5. Q&A

Key Takeaways

- 50 CC districts- all have a taxing district but extreme variation between them
- CC formula funding is now 95% performance-based
- Base Tier funding estimates local revenue capacity using avg tuition and a \$.05 M&O rate on prior FY current collections
 - Requires no new reporting or other responsibilities
- New formula boosts colleges with less property wealth; small portion of overall funding but significant for smaller colleges

Who Are Texas Community Colleges?

TX Community Colleges

- 50 CC districts enrolling ~665K students
 - 43% of TX higher ed and majority of undergrads
 - Ranging 1.3K to almost 77K
- Primary revenue sources: State, property tax, tuition/fees
 - Major variation, e.g. taxes are 38% sector-wide but can be <5%
 - May levy an I&S tax and branch campus maintenance tax
- CC taxing districts include ~2/3 of state taxable value
- Varied offerings: high school dual credit, short-term workforce training, certificates, associate degree, bachelor's

The New Funding Model

A Transformational Investment: HB 8 Programs and Funding



STATE FUNDING FOR OUTCOMES

- Transition to a **dynamic, outcomes-based funding model**:
 - Majority of state funding distributed based on performance outcomes
 - Colleges that cannot fund essential operating needs through local revenue can also receive state support
- Creation of a **Community College Standing Advisory Committee**:
 - Provide ongoing consultation to THECB on rules and funding



AFFORDABILITY FOR STUDENTS

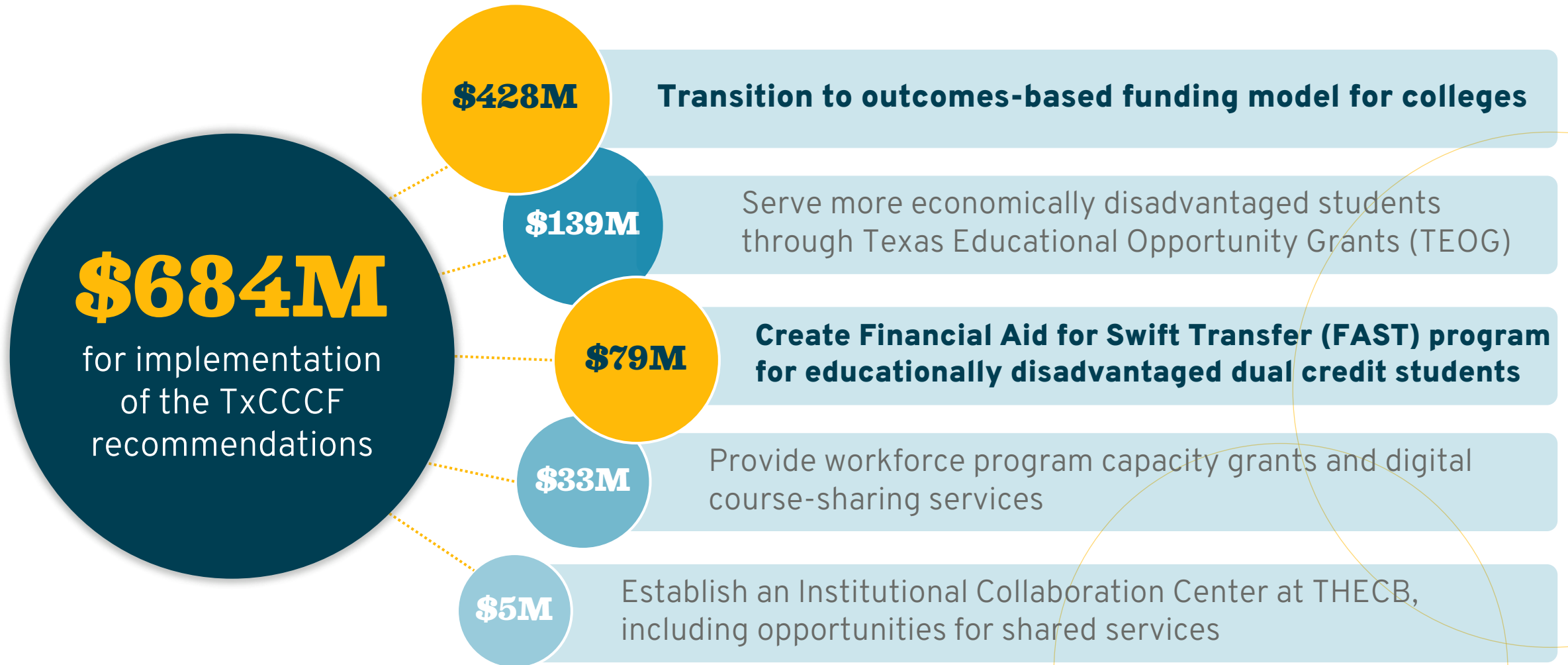
- **FAST**: Support educationally disadvantaged students with free dual credit courses
- **TEOG**: Increase Texas Educational Opportunity Grant program funding
- **Opportunity HS Diploma**: Create program for students to concurrently earn a HS diploma while enrolled in workforce education
- **Texas First**: Expand scholarships to eligible high school students who graduate early
- **Texas Direct**: Codifies associate degree program for completion of transfer pathways between 2- and 4-year institutions in select fields of study



INVESTMENTS IN CAPACITY & DATA

- **Institutional Collaboration Center**: Facilitate efficient and effective operations at colleges through shared procurement, technology, and more
- **Adult Career Education (ACE)**: Provide grants to nonprofits to prepare low-income students to enter high-demand fields
- **Postsecondary Outcomes Data**: Develop online tools providing information on the value of credential programs at colleges and universities
- **TRUE**: Provide funding for workforce education and training programs in high-demand fields

A Transformational Investment: HB 8 by the Numbers



A Transformational Investment: Changes to Community College Financing

PREVIOUS FUNDING MODEL

NEW FUNDING MODEL

1

State funding for colleges was focused on inputs, including student contact hours (78% of previous formula)

PERFORMANCE OUTCOMES will now determine the largest tranche of state funding allocated to colleges

2

Variation in local taxes and revenue made it difficult for some colleges to fund instruction and operational needs

BASE TIER funding ensures that all colleges have a baseline level of funding for instruction and operational needs

3

Colleges received static allocations of state funding each fiscal year based on a predetermined formula

Funding for colleges will be based on a **DYNAMIC MODEL** that accounts for changes against measurable outcomes

New Funding Formula Overview: Tiered State Investments for Colleges

The intent of the new model is that community colleges support most of their foundational instructional needs through local revenue (tuition and property taxes), while the state invests primarily in **incentive funding aligned to state and regional education and workforce needs**



BASE TIER (5%)

Colleges that do not generate enough local revenue to meet basic instruction and operations (I&O) needs are eligible for state funding to meet a baseline level of revenue



PERFORMANCE TIER (95%)

Every college is eligible for state funding based on measurable, student-focused outcomes aligned with the goals of *Building a Talent Strong Texas*

The Nuts and Bolts: Base Tier Funding

Estimate of a college's instruction & operations (I&O) needs based on characteristics of its student body and courses taught



College A



College B



Only colleges that **do not** generate enough local taxes and tuition revenue to meet their I&O needs will receive state funding to make up the difference



College C



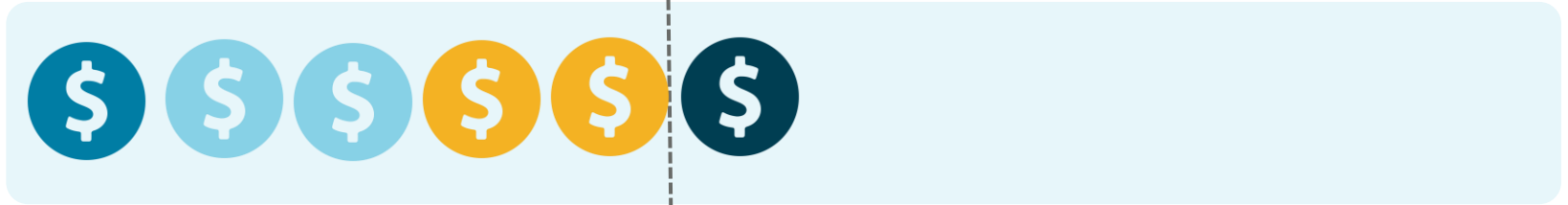
The Nuts and Bolts: Performance Tier Funding



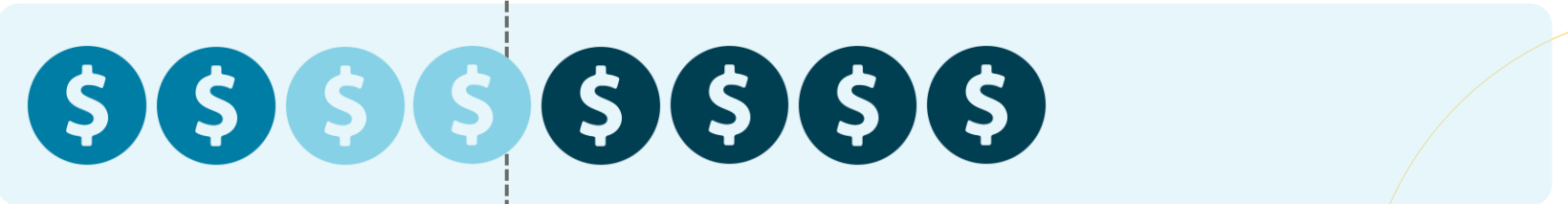
College A



College B



College C



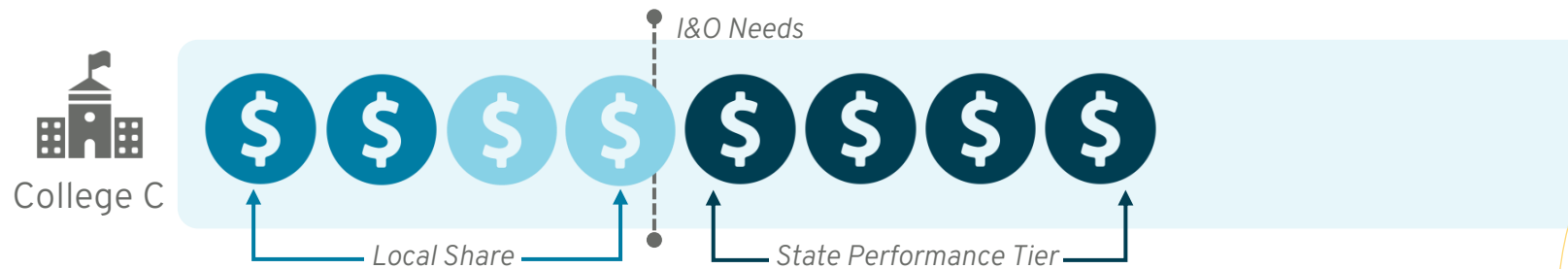
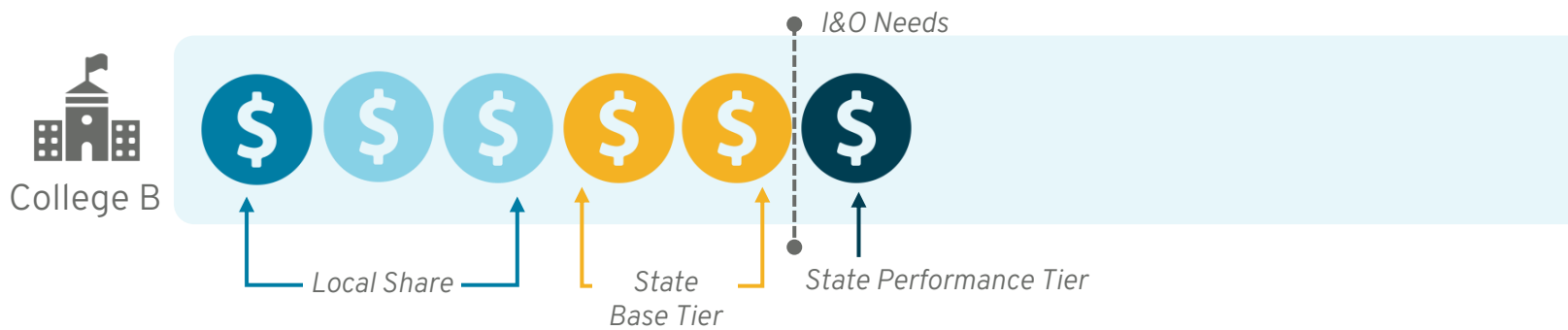
All colleges are eligible for performance funding based on measurable outcomes:

- Credentials of value awarded, with an emphasis on high-demand fields
- Students who earn at least 15 credit hours and **transfer** to (or are co-enrolled in) a 4-year public university
- High school students who earn at least 15 credit hours through **academic and workforce dual credit** programs

All outcomes are weighted by student characteristics:

- Economically disadvantaged
- Academically disadvantaged
- Adult learners (25+ years old)

The Big Picture: Dynamic, Innovative Financing Model

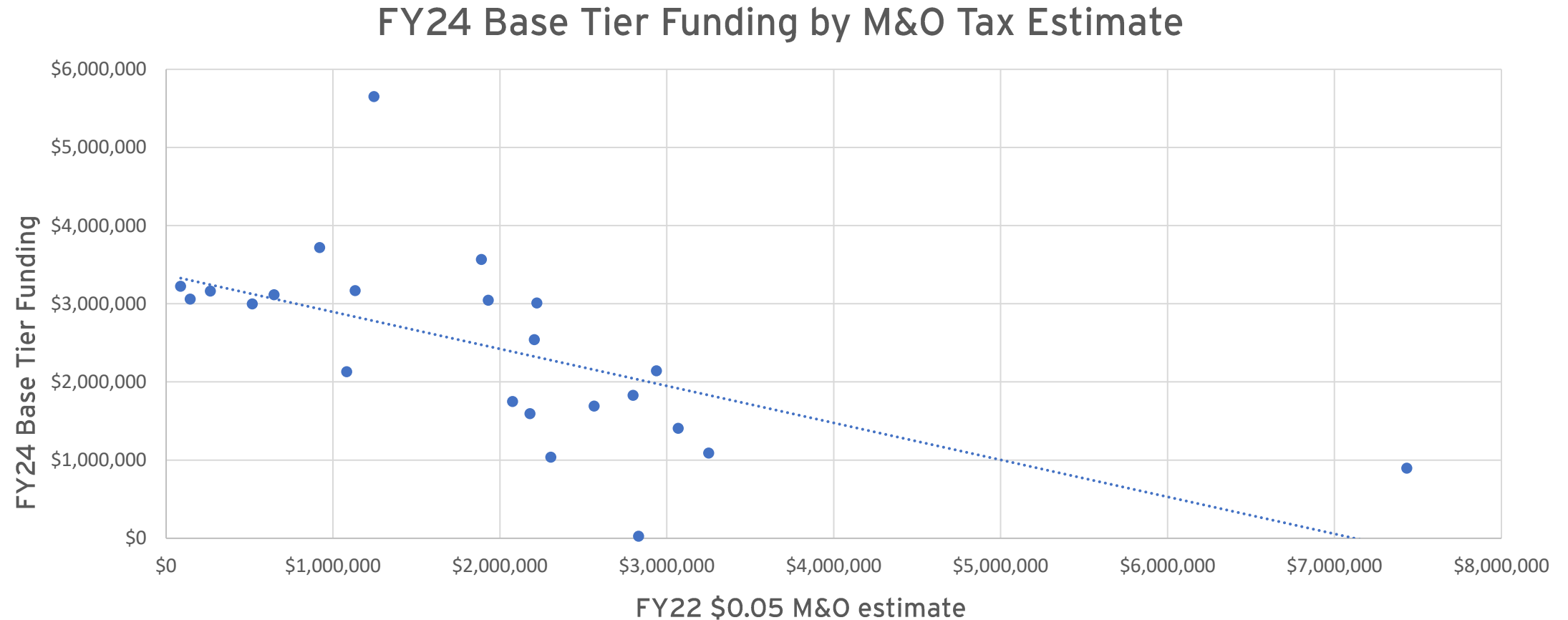


This innovative financing model is among the **first of its kind in the nation**, transforming Texas community college funding from a static allocation system tied to a student's time in the classroom to a **dynamic funding formula** designed to educate and train Texans for the workforce of the future

FY24 Funding at a Glance

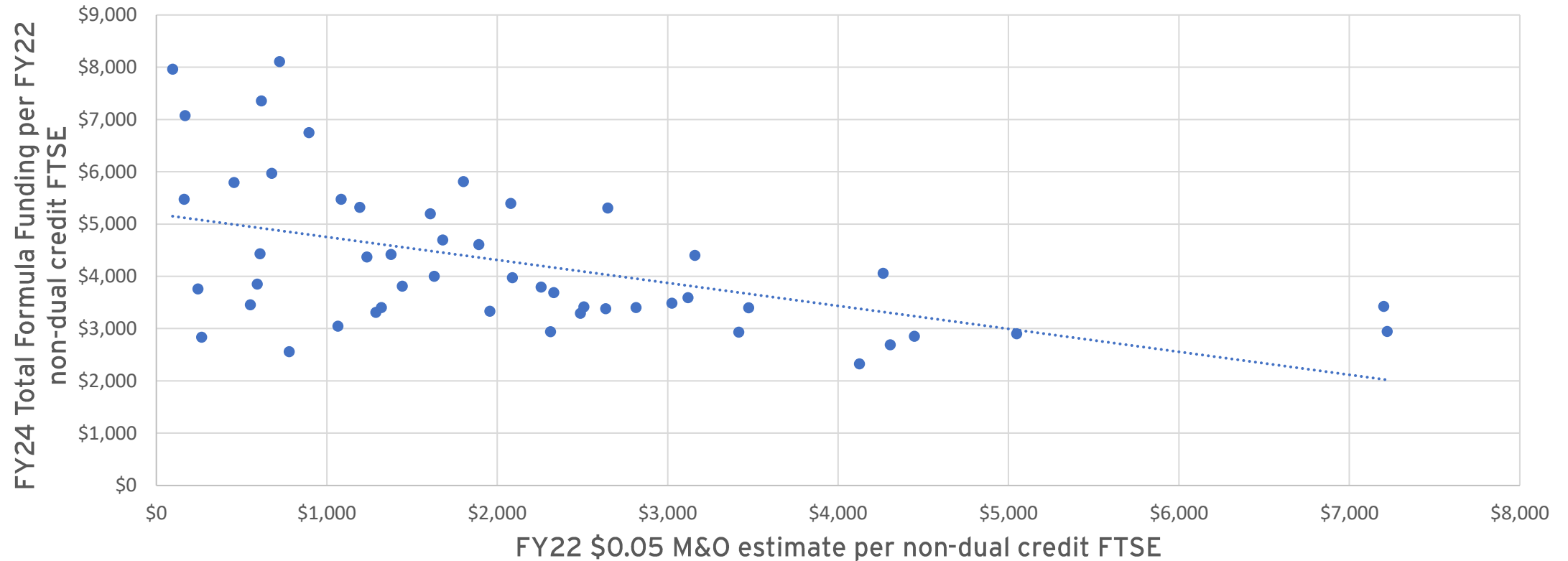
How is formula funding being allocated across different levels of property wealth?

Higher base tier funding among property-poor colleges



Property tax and formula funding: small but significant relationship

FY24 Formula Funding per FTSE by M&O Tax Estimate per FTSE

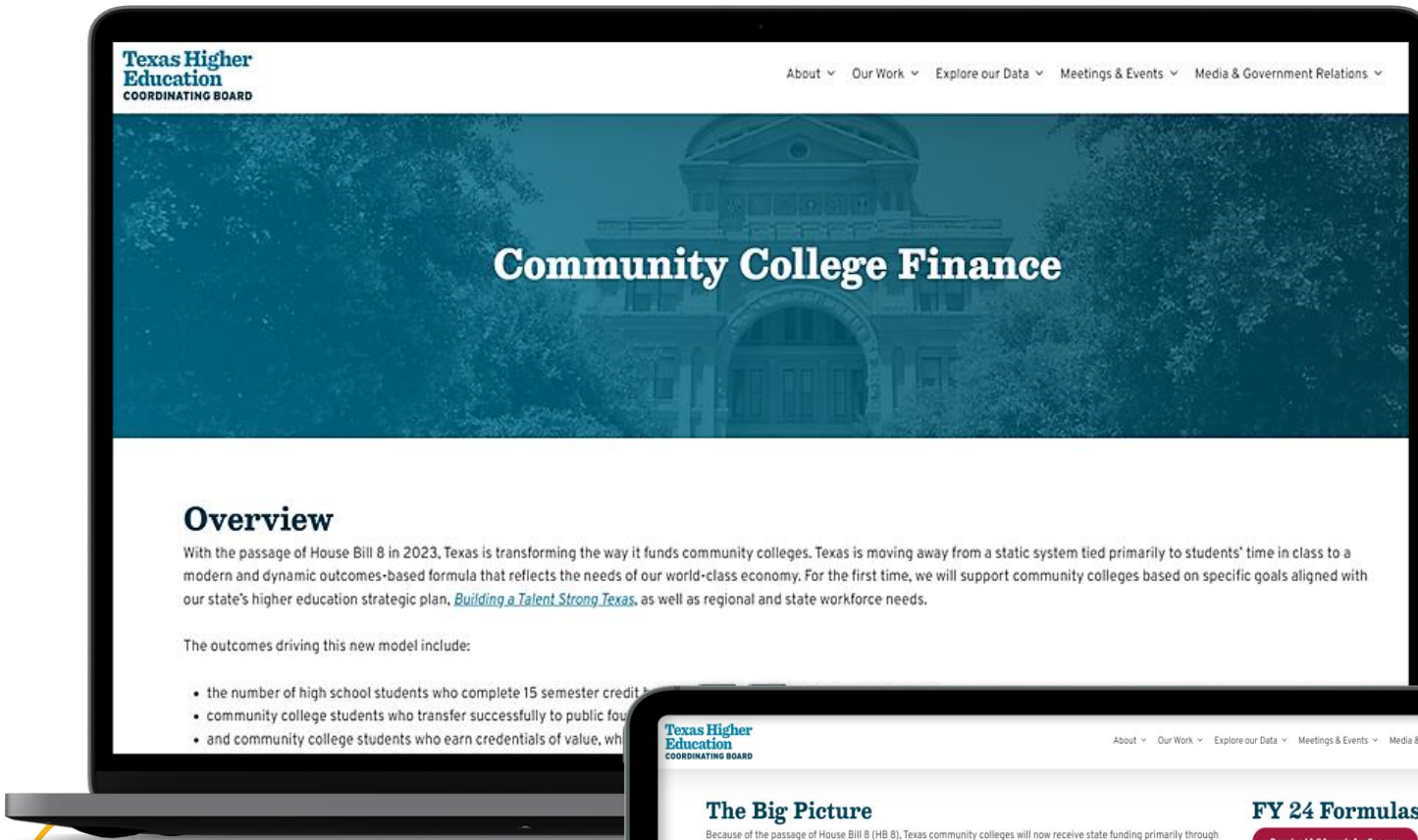


Questions or Comments?

Online Resources

More information about community college finance and HB 8 implementation is available on THECB's website including:

- Formula funding: definitions and calculations
- Draft FY24 formula runs for all community colleges
- Rule-making timeline
- FAQs
- THECB contact information

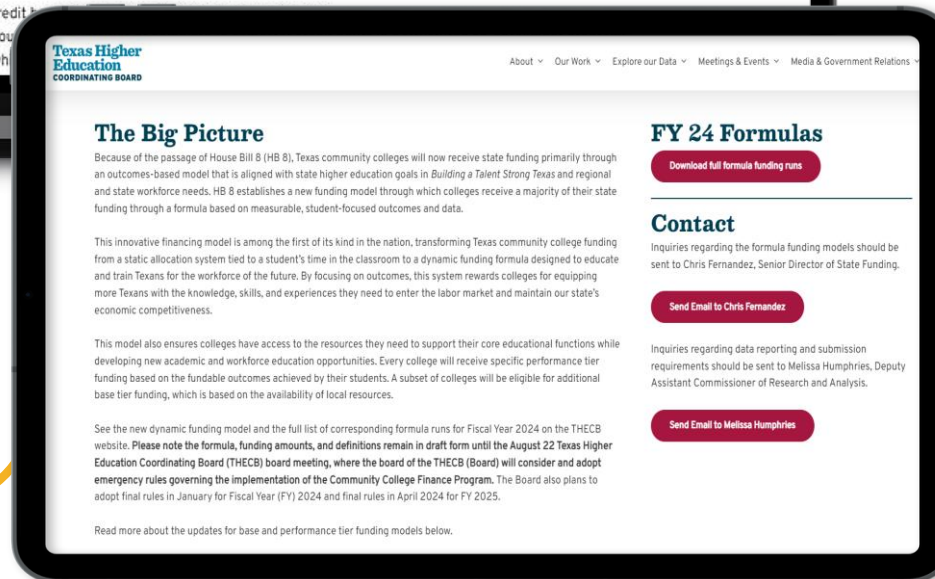


Overview

With the passage of House Bill 8 in 2023, Texas is transforming the way it funds community colleges. Texas is moving away from a static system tied primarily to students' time in class to a modern and dynamic outcomes-based formula that reflects the needs of our world-class economy. For the first time, we will support community colleges based on specific goals aligned with our state's higher education strategic plan, *Building a Talent Strong Texas*, as well as regional and state workforce needs.

The outcomes driving this new model include:

- the number of high school students who complete 15 semester credit hours
- community college students who transfer successfully to public four-year institutions
- and community college students who earn credentials of value, which are recognized by employers



The Big Picture

Because of the passage of House Bill 8 (HB 8), Texas community colleges will now receive state funding primarily through an outcomes-based model that is aligned with state higher education goals in *Building a Talent Strong Texas* and regional and state workforce needs. HB 8 establishes a new funding model through which colleges receive a majority of their state funding through a formula based on measurable, student-focused outcomes and data.

This innovative financing model is among the first of its kind in the nation, transforming Texas community college funding from a static allocation system tied to a student's time in the classroom to a dynamic funding formula designed to educate and train Texans for the workforce of the future. By focusing on outcomes, this system rewards colleges for equipping more Texans with the knowledge, skills, and experiences they need to enter the labor market and maintain our state's economic competitiveness.

This model also ensures colleges have access to the resources they need to support their core educational functions while developing new academic and workforce education opportunities. Every college will receive specific performance tier funding based on the fundable outcomes achieved by their students. A subset of colleges will be eligible for additional base tier funding, which is based on the availability of local resources.

See the new dynamic funding model and the full list of corresponding formula runs for Fiscal Year 2024 on the THECB website. Please note the formula, funding amounts, and definitions remain in draft form until the August 22 Texas Higher Education Coordinating Board (THECB) board meeting, where the board of the THECB (Board) will consider and adopt emergency rules governing the implementation of the Community College Finance Program. The Board also plans to adopt final rules in January for Fiscal Year (FY) 2024 and final rules in April 2024 for FY 2025.

Read more about the updates for base and performance tier funding models below.

FY 24 Formulas

[Download full formula funding runs](#)

Contact

Inquiries regarding the formula funding models should be sent to Chris Fernandez, Senior Director of State Funding.

[Send Email to Chris Fernandez](#)

Inquiries regarding data reporting and submission requirements should be sent to Melissa Humphries, Deputy Assistant Commissioner of Research and Analysis.

[Send Email to Melissa Humphries](#)





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