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## Memorandum

To: Presidents and Chancellors of Public Community Colleges  
Chief Financial Officers of Community Colleges  
Chief Reporting Officials of Community Colleges  
Community and Technical College Liaisons

From: Harrison Keller, Ph.D.

Date: July 14, 2023

Subject: Announcing draft formula funding models for FY 24

Dear colleagues,

Today marks an important milestone for students, employers, and community colleges across Texas, as we share the innovative new funding model and [corresponding formula runs](#) for community colleges for Fiscal Year 2024.

This information is intended to help you and your leadership teams plan for the upcoming academic and fiscal year so you can serve your students and communities most effectively. As you will see, every college is receiving at least as much formula funding as last year – with many receiving significantly more.

This release marks a crucial step toward [transforming community college finance](#) in Texas. Thanks to your collaboration and input over the past two years, we are moving from a static system based primarily on students' time in class to a modern and dynamic outcomes-based formula to support the critical roles community colleges play in driving our economy. For the first time, we will support the colleges based primarily on specific outcome metrics that are aligned with the 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 sequences of dual credit courses; community college students who transfer successfully to four-year universities; and students who earn credentials of value, which offer purpose in the economy, value in the labor market, and meaningful opportunities for good jobs and rewarding careers. Significantly, these outcomes will also be weighted to reflect higher costs of serving students from economically and academically disadvantaged backgrounds and adult learners.

**Please note the formula, funding amounts, and definitions remain in draft form until Aug. 22, when the Higher Education Coordinating Board will consider and adopt emergency rules governing the implementation of House Bill 8.**

We recognize these historic changes to the state's community college finance model will require a major implementation effort on your part. At the Coordinating Board, we appreciate your partnership in advancing these reforms and your commitment to your students and your institutions, and we stand ready to support you each step of the way. We encourage you to [visit our website](#) to stay up to date with the latest information.

As you will see, the new funding model includes several key components, outlined below.

### **Base Tier Funding**

All colleges are ensured a foundational level of funding, or base tier funding, to promote access to quality educational and training opportunities across every region of the state. Districts are guaranteed access to enough revenue to meet their basic instruction and operations (I&O) needs, based on their weighted full-time student equivalent enrollments and the number of contact hours they offer.

Also, I am proud to report that House Bill 8 includes specific support for smaller colleges, including an extra weight in the base tier funding formula when a college has 5,000 or fewer full-time student equivalents.

To achieve these base tier funding levels, the finance model assumes colleges will continue to raise local funds through a combination of tuition and fees and property taxes for maintenance and operations (M&O). Colleges that are unable to generate enough revenue to reach their base tier level of funding through tuition and property taxes will be eligible for base tier state funds. The base tier funding level is based in part on an estimate of what colleges might be able to generate through an M&O tax rate of \$0.05, regardless of the actual tax rate set locally.

### **Performance Tier Funding**

Performance tier funding is at the heart of Texas's innovative new community college finance model. Beginning Sept. 1, 2023, every college is eligible for state funding based predominantly on:

- credentials awarded, including short-term, industry-focused credentials, with an emphasis on credentials awarded that relate to high-demand occupations;
- students who earn at least 15 credit hours and transfer to a public four-year university; and
- high school students who earn at least 15 credits through academic and workforce dual credit programs.

With these historic shifts and unprecedented investments by the Legislature through House Bill 8, more Texans will have opportunities to earn the degrees, certificates, and other credentials that are increasingly essential for well-paying jobs in our global economy.

Employers will be able to hire workers from a more trained and talented workforce who can help Texas's economy continue to grow.

And community colleges across the state will have access to the resources you need to better support high school and college students and to educate and train the workforce of the future.

Thank you for your partnership as we take this historic step forward. I am especially grateful to President William Serrata of El Paso Community College and his colleagues on the standing advisory committee, and to President Ray Martinez and his team at the Texas Association of Community Colleges for their support to achieve this important milestone today. At the Coordinating Board, we are here to assist and support you in the coming weeks, months, and years as we implement House Bill 8 and this groundbreaking new funding model – and work together to build a talent-strong Texas.

Very respectfully,

Harrison Keller, Ph.D.