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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: June 8, 2023

Subject: Important: Community college finance reform - what you need to know.

Dear colleagues,

The Texas Legislature recently passed House Bill 8 (HB 8), the community college finance bill. This bill represents historic reform in the way community colleges are financed, and we appreciate the Legislature's support for these groundbreaking policy changes, especially the leadership of Sen. Creighton and Rep. VanDeaver.

The passage of HB 8 will empower and support community colleges across the state – from the largest urban colleges to small, rural-serving colleges – to educate many more students from all backgrounds so they can earn credentials of value for the Texas workforces of today and tomorrow.

What the Legislation Says

HB 8 transforms the state's funding model for community colleges with a dynamic funding formula aligned with the goals of the state's higher education strategic plan, *Building a Talent Strong Texas*. State funding for community colleges will be primarily based on performance. Metrics in this "Performance Tier" of the system will include:

- the number of credentials awarded, with emphasis on credentials in high-demand occupations,
- the number of students who earn at least 15 credit hours and transfer to four-year universities, and
- the number of high school students who earn at least 15 credits through academic and workforce dual-credit programs.

The state is also ensuring all colleges have access to a foundational level of funding to promote access to quality education and training opportunities across all areas of Texas. This “Base Tier” funding will support colleges whose access to local resources may not be able to meet their core operational needs and will include an adjustment to account for higher costs experienced by smaller institutions. Further, by applying weights to student characteristics in both the Base Tier and the Performance Tier, HB 8 will provide additional funding linked to students who are economically disadvantaged, not college ready, or older adults, thus enabling stronger investments in their success.

Additional Financial Aid for Students

HB 8 includes new support for dual credit students through the Financial Aid for Swift Transfer (FAST) program. The FAST program will enable educationally disadvantaged high school students – those eligible for free and reduced-price lunch – to enroll in dual credit academic or workforce education courses at participating institutions at no cost to the student. Colleges participating in the program agree to limit tuition for these courses to a rate established by the Texas Higher Education Coordinating Board (THECB).

In addition to the FAST program, the Fiscal Year 2024-25 General Appropriations Act (GAA) substantially increases funding for the Texas Educationally Opportunity Grant (TEOG) financial aid program by over 125%. Institutional TEOG allocations will be sent to colleges after the GAA has been signed. The THECB will also work with institutions through negotiated rulemaking to expand the scope of students served by the TEOG program to include students enrolled in short-term workforce education programs.

What This Means for Your Institution

HB 8 will bring big changes for colleges across the state. Throughout, our THECB team is committed to supporting all our community colleges as a resource, partner, and advocate.

We recognize these changes will require a major implementation effort from colleges and from our team at the agency. Even so, the new system better recognizes the scope of the vital roles community colleges play for Texas. The new system will also better support colleges in innovating their programs and pathways to meet student and employer needs.

By mid-July, we will release emergency rules on the allocation of funding in Fiscal Year 2024 and formula funding runs. These rules are being developed in close collaboration with an advisory committee of institutional stakeholders. We encourage you to work with the committee’s members to provide feedback and submit comments. To do so, email Elizabeth Chivers, Senior Director for Strategy and Policy Analysis at TACC, at echivers@tacc.org.

Other Things to Know

- Data reporting requirements will change to help facilitate implementation of the legislation and enable THECB to provide institutions with more timely and useful data.
- You will soon receive a request for additional data on workforce credentials. Data requests related to noncredit workforce credentials will become mandatory, as these credentials will be an important part of the new finance system.
- We are working closely with institutions to develop detailed documentation to help institutional leaders understand the structure of the new funding model and how data will be used in formula calculations.

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What's Next

We will update you via email throughout the summer and fall to help you prepare for the upcoming changes. Please be sure you are following our social media accounts on LinkedIn, Instagram, and Twitter, as we post updates across all those accounts whenever we add or distribute new information.

We're excited to work with you to implement this historic legislation. Thank you for all you do to help build a talent-strong Texas!

Very Respectfully,

Harrison Keller

c: Ray Martinez, Texas Association of Community Colleges