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## Memorandum

To: Chief Financial Officers of Community Colleges  
Chief Reporting Officials of Community Colleges  
Institutional Research Directors of Community Colleges  
Community and Technical College Liaisons

From: Emily Cormier, Assistant Commissioner for Funding

Date: July 14, 2023

Subject: Detailed information on draft FY 24 formula model

Earlier today, we released the new formula funding model for Fiscal Year 2024, and Commissioner Keller shared the [numbers](#) and the [related website](#) with community college leaders and stakeholders. In follow up, we wanted to be sure you had the detailed information you need to move forward under this new framework, which was established under House Bill 8 (HB 8).

This framework creates **base tier** and **performance tier** funding with the intent that community colleges locally support most of their foundational instructional needs while the state invests primarily in incentive funding aligned to state and regional education and workforce needs.

The General Appropriations Act (House Bill 1) funds this framework through an additional \$214 million in formula funding each fiscal year (2024 and 2025) to the community colleges. Total formula funding is distributed with approximately 95% going to performance funding and 5% to base tier.

HB 8 and the state budget collectively established a strong foundation for the new finance program while delegating the details to the Texas Higher Education Coordinating Board (THECB) due to timing and the need to enact specific rules. In response, we have developed draft emergency rules that do the following:

- Provide additional weighted support for educationally and academically disadvantaged students and adult learners.
- Deliver set dollar amounts for specific fundable outcomes that align with the state's strategic plan: students receiving at least 15 credits through dual enrollment or dual credit; successful transfers after 15 semester credit hours to a public general academic institution or in a structured co-

enrollment program; and both academic and workforce credentials, with added funding for high-demand occupations.

- Include amounts for contact hour funding and a basic allotment per FTSE to determine a foundational amount of funding set for each community college district.
- Define funding eligibility for workforce credentials not previously required to be reported to the Coordinating Board. The rules provide that workforce credentials, as reported to the Coordinating Board in an ad hoc data collection, are eligible for funding if the award is an occupational skills award, a credential or licensure/certification achieved from an institutional credential program leading to licensure or certification (ICLC) with a minimum of 144 contact hours if not in a high-demand field, or a credential or licensure/certification achieved from an ICLC with a minimum of 80 contact hours in a high-demand field.
- Provide procedures for correcting misallocations of funding that result from data errors or other issues, including special provisions for added flexibility when errors are linked to the transition to the new model and when corrections would have a significant negative impact on an institution's operations or students.

**Please note that the formula, funding amounts, and definitions remain in draft form until the THECB's Aug. 22 Special Board Meeting, where the board of the THECB (Board) will consider and adopt emergency rules governing the implementation of the finance program.** The Board also plans to adopt final rules in January 2024 for Fiscal Year (FY) 2024. While the formula run will be helpful in setting your budgets for FY 24, the final amounts are subject to change pending Board action. The Board plans to adopt final rules in April 2024 for FY 2025.

Another item to be aware of is that the Ten-Pay schedule is planned to be replaced with a "Three-Pay" system. Under this new schedule, all non-formula support items (formerly known as "special items") will be fully paid for the year by September 25; half of formula funding will be distributed by October 15; one-quarter of formula funding will be distributed by February 15; and the remaining quarter will be distributed by June 15. You can find the draft amounts of your anticipated ["Three-Pay" schedule](#) on the THECB website.

We encourage you to visit our website for more technical details on the formulas. Additionally, your institutional reporting officials have access to all the student-level data, source code, and logic documents that compose your dataset used in the formula run. This information will be placed in your Special Projects folder in MoveIt.

As you review this data, please reach out to [Torca Bunton](#) or [Melissa Humphries](#) in THECB's Data Management and Research Division on reporting/data questions or to [Chris Fernandez](#) on questions about the formula model. We understand there are likely to be many questions and comments on this file and we look forward to providing support to institutions in understanding this new funding model.

We will continue to provide additional details about your run and how and when your institutions will receive the funding. Thank you for your partnership in implementing this new model.