Community College Business Models

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Devolution of Community College Business Models

- Over time, community college business models have devolved from a statewide access model to ones that are **locally-focused**.

  - Places **more pressure** on institutions to meet **both** taxing district and non-taxed communities needs, creating service area vs. taxing district tensions.

  - Results in differentiated student cost: colleges charge **56% - 221%** more for **out-of-district students** while often not covering actual cost.

    - Average tuition increases FY10 to FY20:
      - In-District $66 - $98 or **48% increase**
      - Out-of-District $98 - $153 or **56% increase**
      - Non-Resident $145 - $217 or **49% increase**

On average, **non-resident** tuition and fees would need to be **$320** to cover actual costs.

Colleges Must Adopt Business Model Priorities to Ensure Equity

- Current college business models are focused on serving geographic regions and populations that generate revenue.

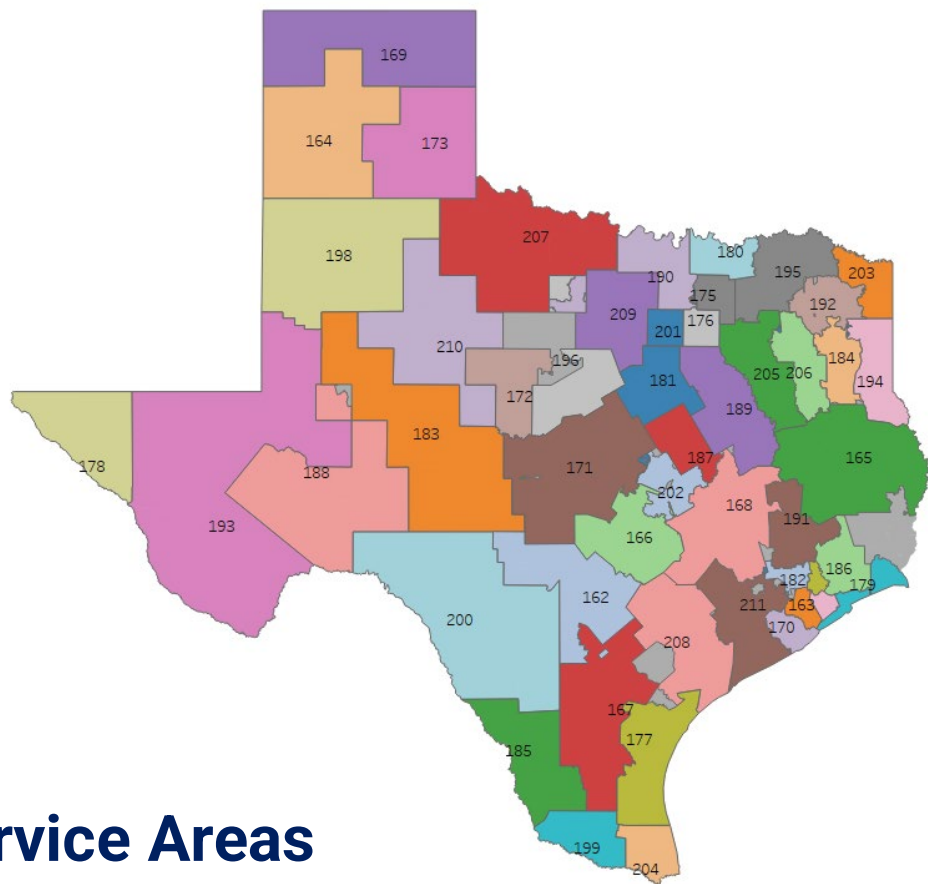- These models leave many areas and populations underserved.

The question for consideration:

- ***How do we ensure that, regardless of zip code, every Texan has higher education opportunities?***
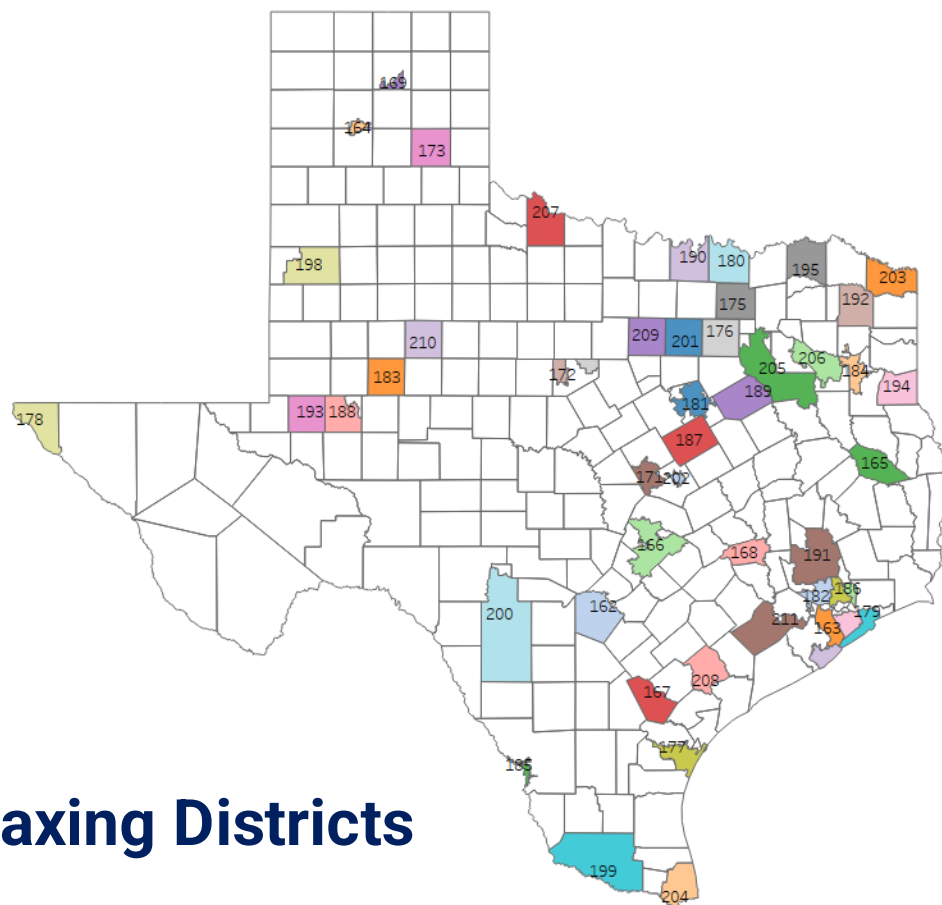
Service Areas are Aspirational, Not an Assurance. Lack of Postsecondary Opportunity Leads to Inequity.
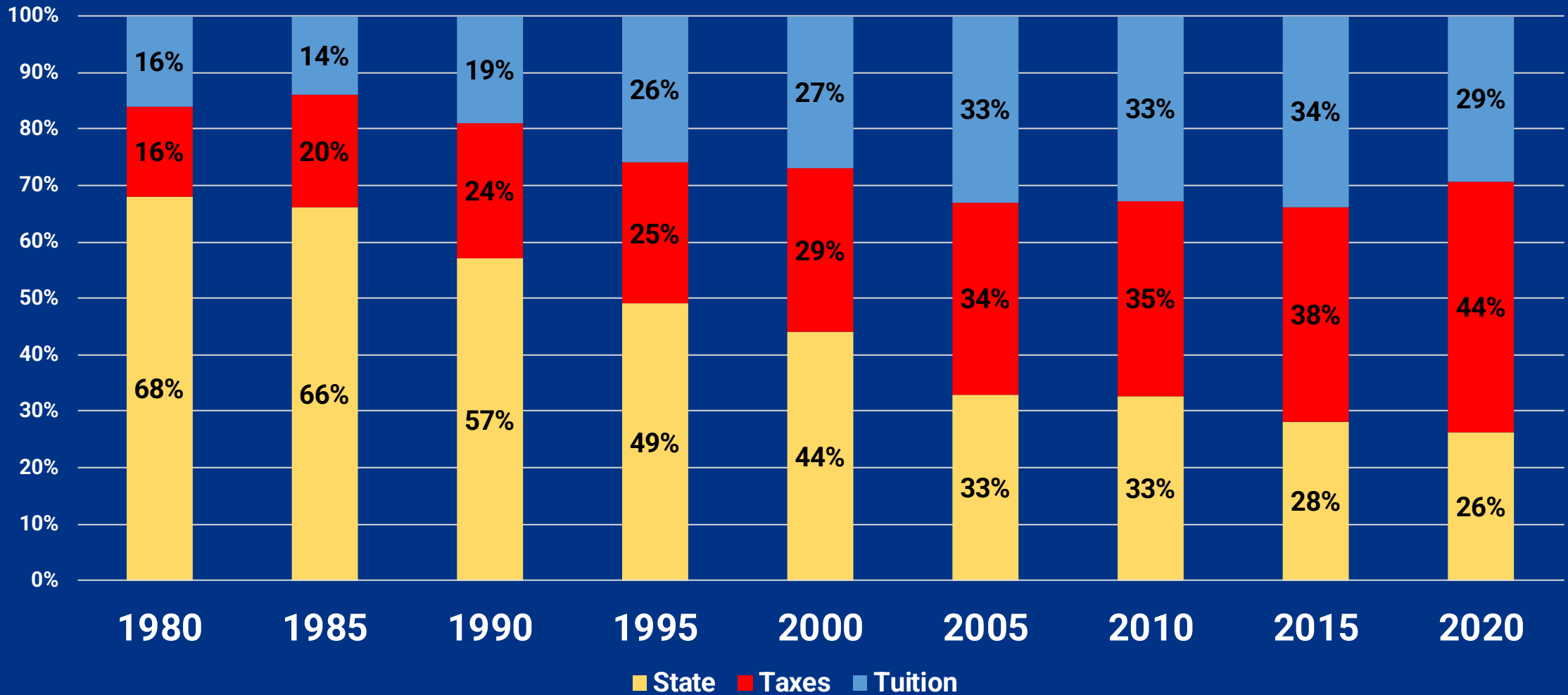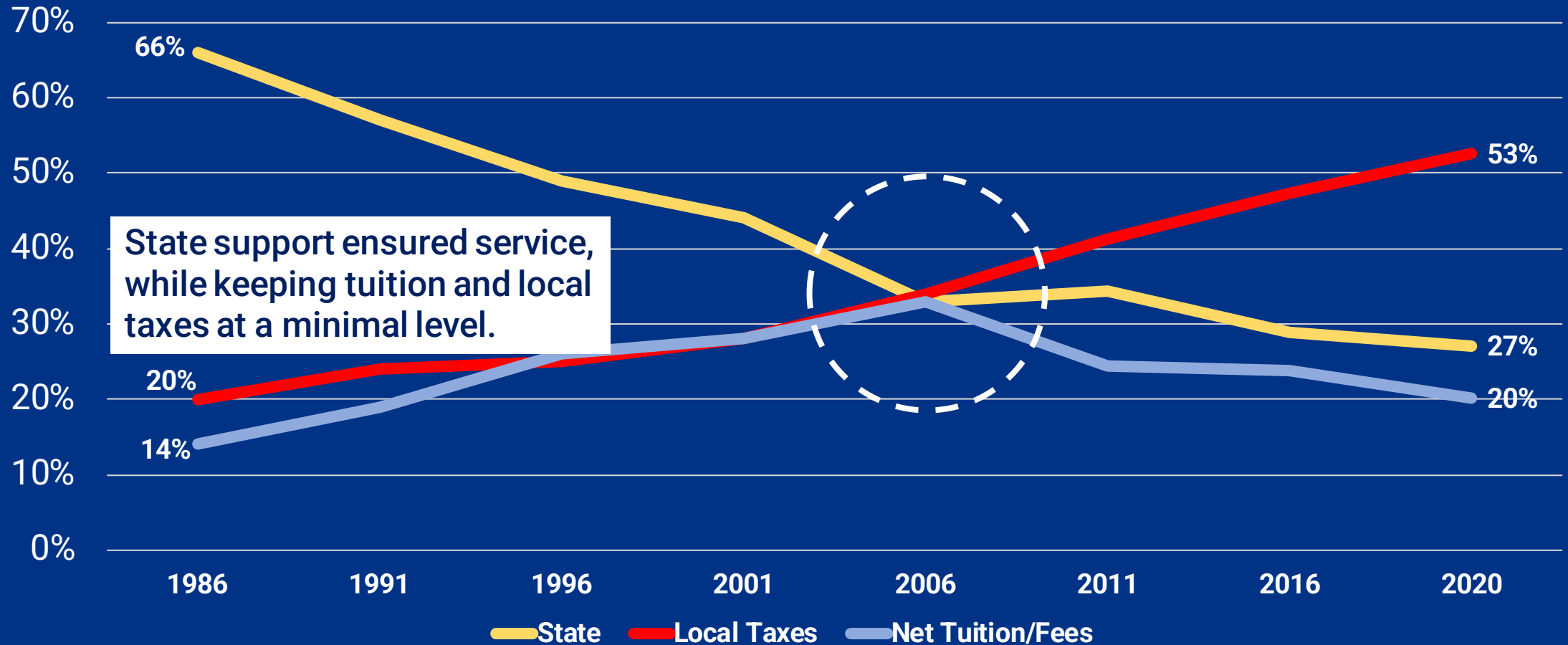

Service Areas

Taxing Districts

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While Virtually Imperceptible on an Annual Basis, Shift From State to Local Sources Contributes to Inequity

Year	State	Taxes	Tuition
1980	68%	16%	16%
1985	66%	20%	14%
1990	57%	24%	19%
1995	49%	25%	26%
2000	44%	29%	27%
2005	33%	34%	33%
2010	33%	35%	33%
2015	28%	38%	34%
2020	26%	44%	29%

■ State ■ Taxes ■ Tuition

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Point Where Local Taxes Exceeded State Allocations

Primary Texas Revenue Composition, 1986-2020.

State support ensured service, while keeping tuition and local taxes at a minimal level.

66%

53%

20%

27%

14%

20%

1986   1991   1996   2001   2006   2011   2016   2020

70%
60%
50%
40%
30%
20%
10%
0%

State   Local Taxes   Net Tuition/Fees

While Biennial Allocation has Remained Constant, Changes Were Made to the Funding Mix

Increase in Student Success Points allocation from Contact Hour funds.

Increase In Core Allocation.

Student Success Points

Contact Hour

Core

Note: SSP and CH shows little percentage variance by institution. The greatest variance is in the core. For example, the core allocation represent respectfully 11.15% of Clarendon's and 0.15% of Dallas College's total budget.

$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-

BY22-23   BY20-21   BY18-19   BY16-17   BY14-15

Why Student Success Points Have Minimal Impact on Student Outcomes

- While Student Success Points funding represents 12.4% of state allocations, they are only 2.67% of college revenue sources.

- Because the legislature has modified the weights on a biennial basis, planning and strategy are limited.

- There is a lack of transparency around success point calculations that make it difficult for institutions to replicate or verify the results.
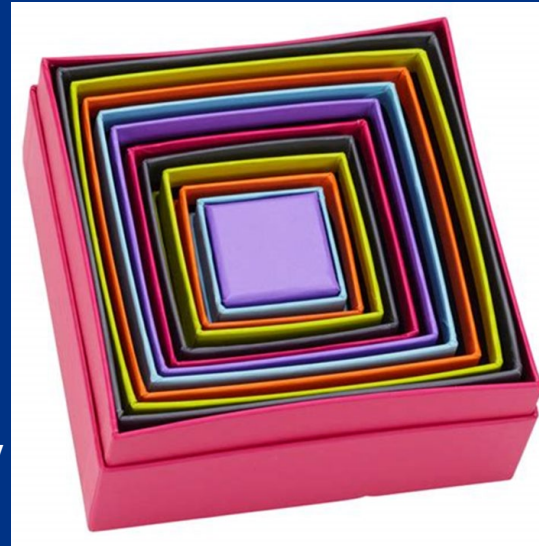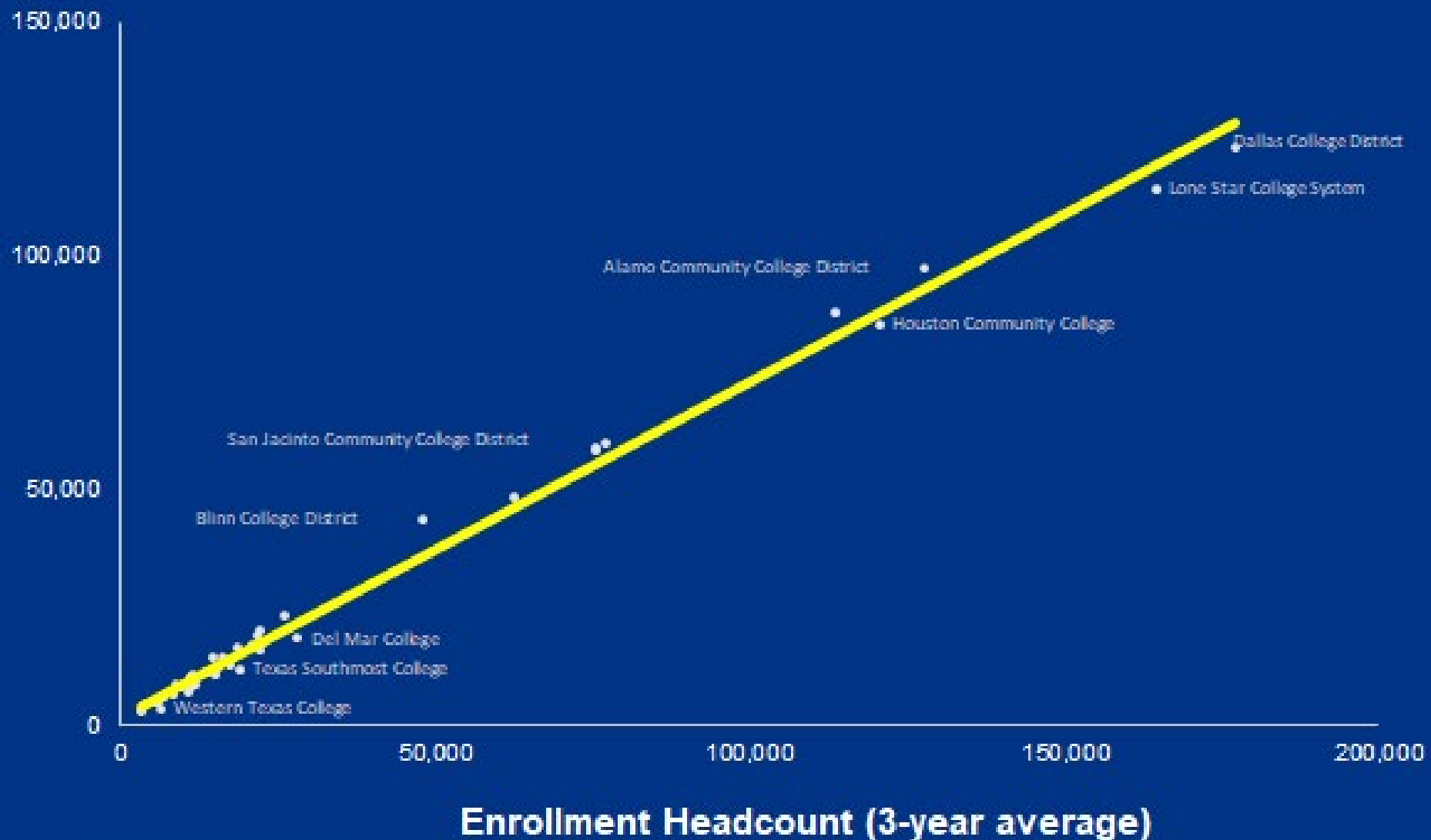

- The impact of a given success point is also minimized because they are nested inside a larger and much more influential revenue structure.

- It is like trying to influence the contents of a box (transfer students), inside a box (all success measures), inside a box (state revenue), inside a box (total institutional revenue).

- To add to the challenge, there are 12 different measures (boxes), each with different weights.

- If a college attempts to focus on earning success points in critical fields, an additional 25 boxes must be influenced.

Enrollment Headcount Almost Completely Predicts Success Points

Success Points (3-year average) vs. Enrollment Headcount (3-year average)

Labeled data points: Dallas College District, Lone Star College System, Alamo Community College District, Houston Community College, San Jacinto Community College District, Blinn College District, Del Mar College, Texas Southmost College, Western Texas College

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50 Community College Districts
50 Different Business Models
Makes Uniform State Policy all but Impossible

Legend: Gross Tuition and Fees · State Appropriations · Local Support
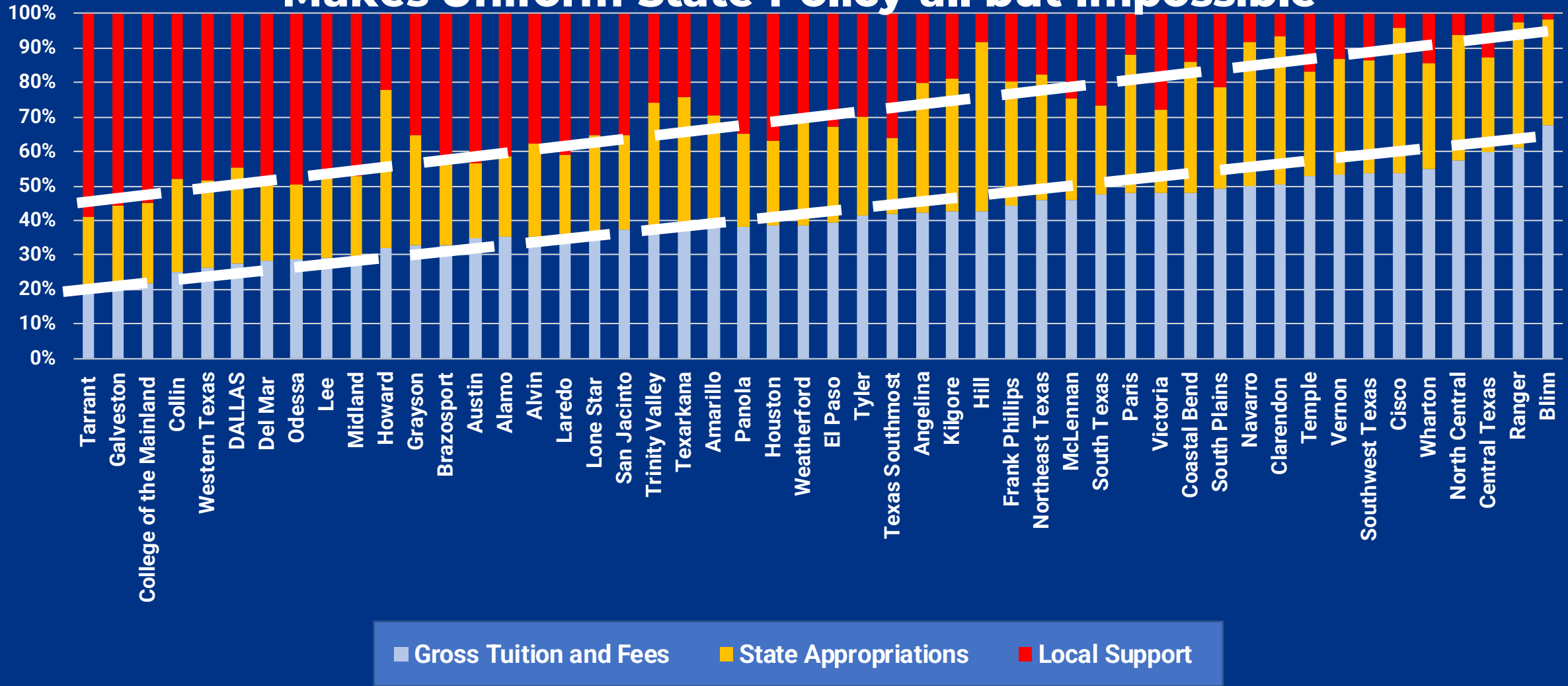
Three Groupings of Community College Business Models Based on Primary Revenue Sources
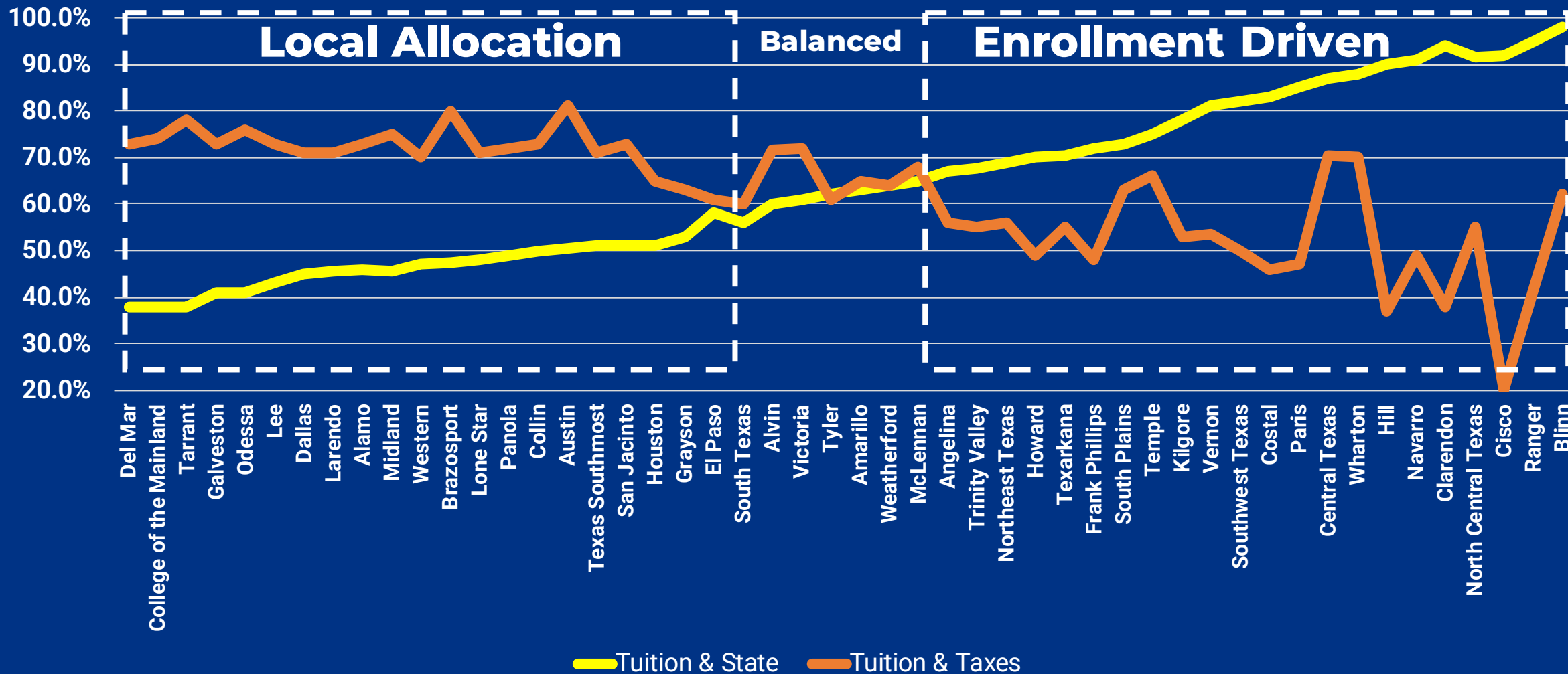
Average All College Districts
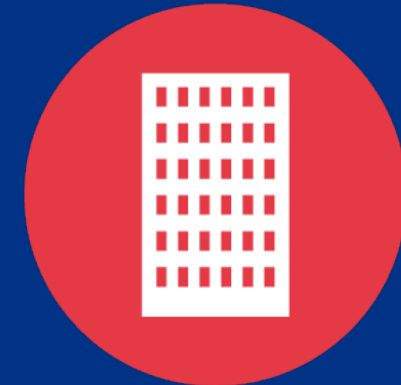## Allocation Sources Per Full-Time Student Equivalent (FTSE)

$9,882

Student	State	Local Support
$2,489	**$2,370**	**$5,023**
25%	**24%**	**51%**
Out of Pocket	Core + CH funding + SSP	Total Taxes Collected

Source: CARAT Financial Ratios FY2020

Blinn College

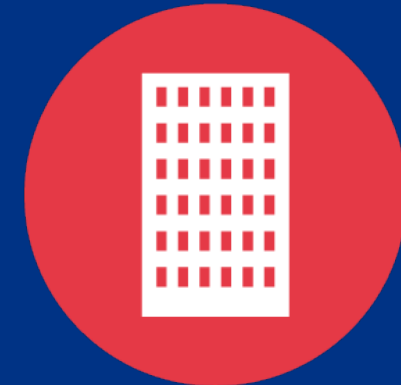## Allocation Sources Per Full-Time Student Equivalent (FTSE)
$6,912
Enrollment Driven

State Average: $9,882

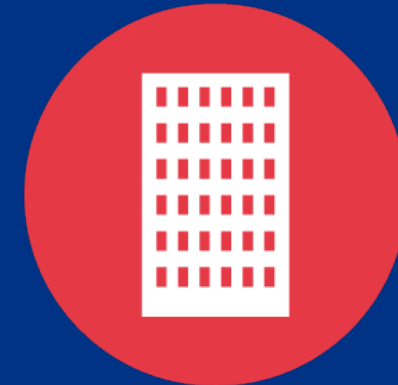| Student	State	Local Support
$4,413	**$2,341**	**$158**
64%	**34%**	**2%**
Out of Pocket	Core + Credit Hour Allocation + Student Success Points	Total Taxes Collected

Tyler College
Allocation Sources Per Full-Time Student Equivalent (FTSE)
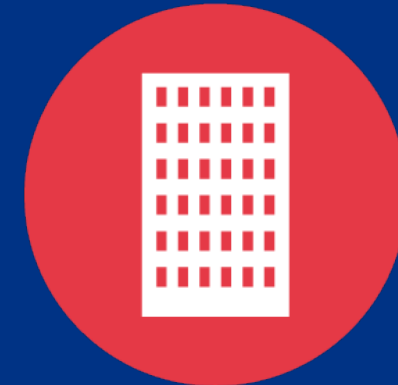## $8,486
Balanced

State Average: $9,882

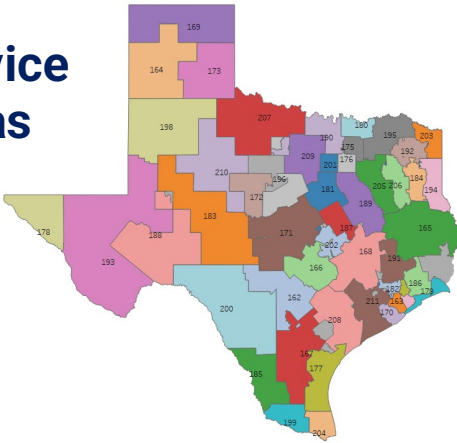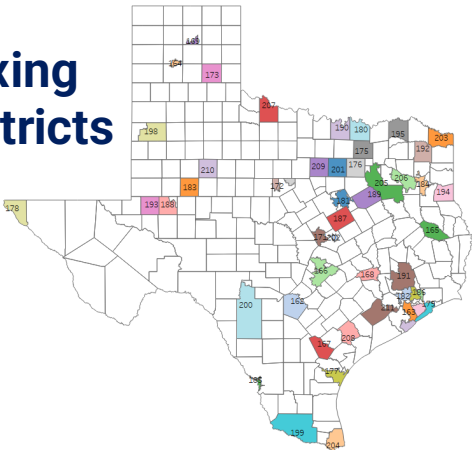| Student	State	Local Support
$2,485	**$2,769**	**$3,232**
29%	**33%**	**38%**
Out of Pocket	Core + Credit Hour Allocation + Student Success Points	Total Taxes Collected

Service Areas are Aspirational, Not an Assurance. Lack of Postsecondary Opportunity Leads to Inequity.

Service Areas

Taxing Districts

I have two closing questions that I hope the commission will consider related to **removing student barriers to high-wage jobs**:

- What will it take to move from a community college finance model that promises higher education access to small, disconnected geographic regions of the state to one that **ensures** that **college service areas are postsecondary access areas**?

- What community college financial model **ensures** student access and program offerings **align** with local, regional, and state **needs**?

We need a community college financial model and implementation strategy that meets the needs of **all citizens, employers, and communities** of the state of Texas.

Thank you!