Community College Business Models

Dr. Joe May, Chancellor
Dallas College

Disclaimer: All data (unless otherwise noted) is from THECB’s Community College Annual Reporting and Analysis Tool (CARAT) using data inputted by each college from their FY2020 Annual Financial Reports. Errors on these reports may be from incorrect data entry in CARAT.
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.
While Virtually Imperceptible on an Annual Basis, Shift From State to Local Sources Contributes to Inequity
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.
Increase in Student Success Points allocation from Contact Hour funds.

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

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.

Note: SSP and CH shows little percentage variance by institution. The greatest variance is in the core.
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)

Enrollment Headcount (3-year average)
50 Community College Districts
50 Different Business Models
Makes Uniform State Policy all but Impossible
Three Groupings of Community College Business Models Based on Primary Revenue Sources

- **Local Allocation**
- **Balanced**
- **Enrollment Driven**

Tuition & State

Tuition & Taxes

Local Allocation: [Graph showing local allocation for different colleges]

Balanced: [Graph showing balanced allocation for different colleges]

Enrollment Driven: [Graph showing enrollment driven allocation for different colleges]
Average All College Districts
Allocation Sources Per Full-Time Student Equivalent (FTSE)

$9,882

Student
$2,489
25%
Out of Pocket

State
$2,370
24%
Core + CH funding + SSP

Local Support
$5,023
51%
Total Taxes Collected

Source: CARAT Financial Ratios FY2020
Dallas College
Allocation Sources Per Full-Time Student Equivalent (FTSE)

$10,021
Local Funded

State Average: $9,882

Student

$1,239
12%
Out of Pocket

State

$2,358
24%
Core + Credit Hour Allocation + Student Success Points

Local Support

$6,424
64%
Total Taxes Collected
Blinn College
Allocation Sources Per Full-Time Student Equivalent (FTSE)
$6,912
Enrollment Driven

State Average: $9,882

Student
$4,413
64%
Out of Pocket

State
$2,341
34%
Core + Credit Hour Allocation + Student Success Points

Local Support
$158
2%
Total Taxes Collected
Tyler College
Streamline Achievement in Higher Education

**Allocation Sources Per Full-Time Student Equivalent (FTSE)**

- **$8,486** Balanced

**Student**
- **$2,485** (29%)
- Out of Pocket

**State**
- **$2,769** (33%)
- Core + Credit Hour Allocation + Student Success Points

**Local Support**
- **$3,232** (38%)
- Total Taxes Collected

State Average: **$9,882**
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!