

Transforming Community College Finance in Texas

Special Called Board Meeting
August 22, 2023

Commissioner of Higher Education Harrison Keller, Ph.D.

Assistant Commissioner for Funding Emily Cormier

Assistant Commissioner for Student Financial Aid Programs Charles Contéro-Puls, Ed.D.

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A Transformational Investment: HB 8 Programs and Funding



STATE FUNDING FOR OUTCOMES

- Transition to a **dynamic, outcomes-based funding model**:
 - Majority of state funding distributed based on performance outcomes
 - Colleges that cannot fund essential operating needs through local revenue can also receive state support
- Creation of a **Community College Standing Advisory Committee**:
 - Provide ongoing consultation to THECB on rules and funding



AFFORDABILITY FOR STUDENTS

- **FAST**: Support educationally disadvantaged students with free dual credit courses
- **TEOG**: Increase Texas Educational Opportunity Grant program funding
- **Opportunity HS Diploma**: Create program for students to concurrently earn a HS diploma while enrolled in workforce education
- **Texas First**: Expand scholarships to eligible, high school students who graduate early
- **Texas Direct**: Codifies associate degree program for completion of transfer pathways between 2- and 4-year institutions in select fields of study

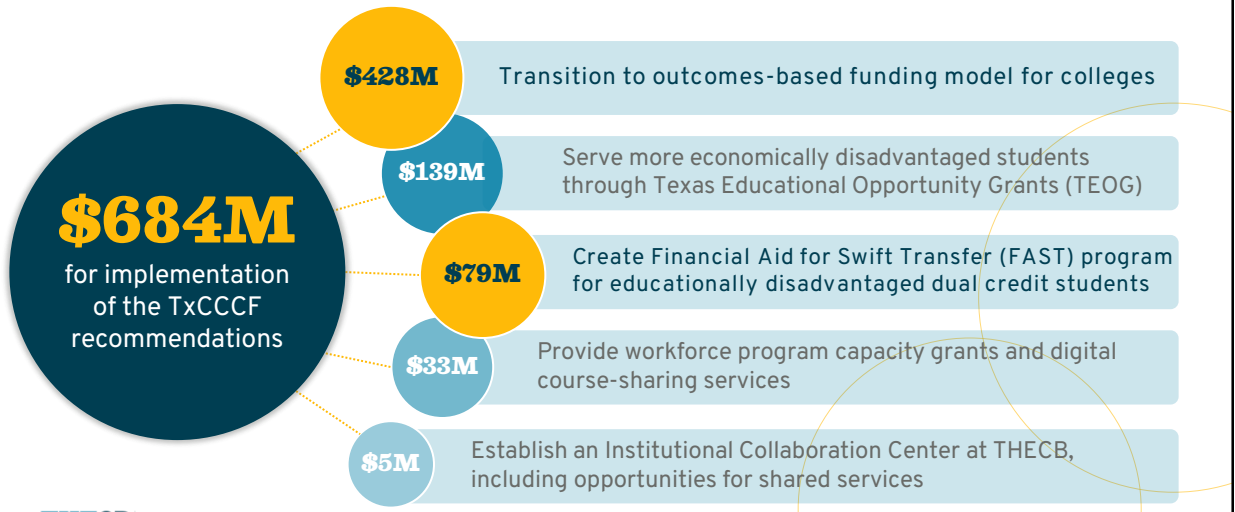


INVESTMENTS IN CAPACITY & DATA

- **Institutional Collaboration Center**: Facilitate efficient and effective operations at colleges through shared procurement, technology, and more
- **Adult Career Education (ACE)**: Provide grants to nonprofits to prepare low-income students to enter high-demand fields
- **Postsecondary Outcomes Data**: Develop online tools providing information on the value of credential programs at colleges and universities
- **TRUE**: Provide funding for workforce education and training programs in high-demand fields

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A Transformational Investment: HB 8 by the Numbers



The New Funding Model

Assistant Commissioner for Funding Emily Cormier

A Transformational Investment: Changes to Community College Financing

PREVIOUS FUNDING MODEL

- 1 State funding for colleges was focused on inputs, including student contact hours (78% of previous formula)
- 2 Variation in local taxes and revenue made it difficult for some colleges to fund instruction and operational needs
- 3 Colleges received static allocations of state funding each fiscal year based on a predetermined formula

NEW FUNDING MODEL

- PERFORMANCE OUTCOMES will now determine the largest tranche of state funding allocated to colleges
- BASE TIER funding ensures that all colleges have a baseline level of funding for instruction and operational needs
- Funding for colleges will be based on a DYNAMIC MODEL that accounts for changes against measurable outcomes

New Funding Formula Overview: Tiered State Investments for Colleges

The intent of the new model is that community colleges support most of their foundational instructional needs through local revenue (tuition and property taxes), while the state invests primarily in incentive funding aligned to state and regional education and workforce needs



BASE TIER (5%)

Colleges that do not generate enough local revenue to meet basic instruction and operations (I&O) needs are eligible for state funding to meet a baseline level of revenue

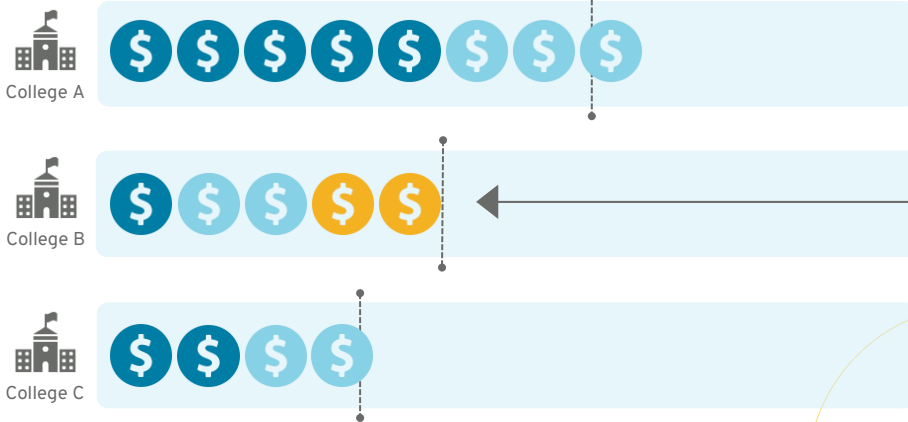


PERFORMANCE TIER (95%)

Every college is eligible for state funding based on measurable, student-focused outcomes aligned with the goals of *Building a Talent Strong Texas*

The Nuts and Bolts: Base Tier Funding

Estimate of a college's **instruction & operations (I&O) needs** based on characteristics of its student body and courses taught



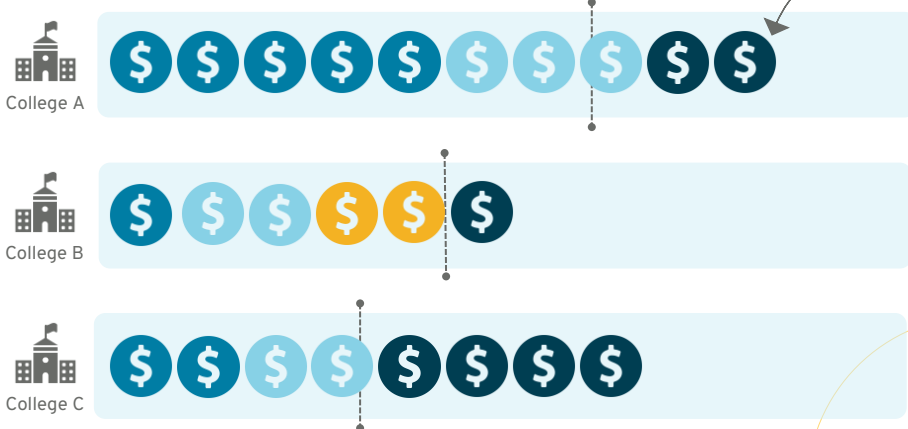
Only colleges that **do not** generate enough local taxes and tuition revenue to meet their I&O needs will receive state funding to make up the difference



Local Taxes Tuition & Fees State Base Tier Funding

The Nuts and Bolts: Performance Tier Funding

All colleges are eligible for performance funding based on measurable outcomes:



- **Credentials of value awarded**, with an emphasis on high-demand fields
- Students who earn at least 15 credit hours and **transfer** to (or are co-enrolled in) a 4-year public university
- High school students who earn at least 15 credit hours through **academic and workforce dual credit** programs

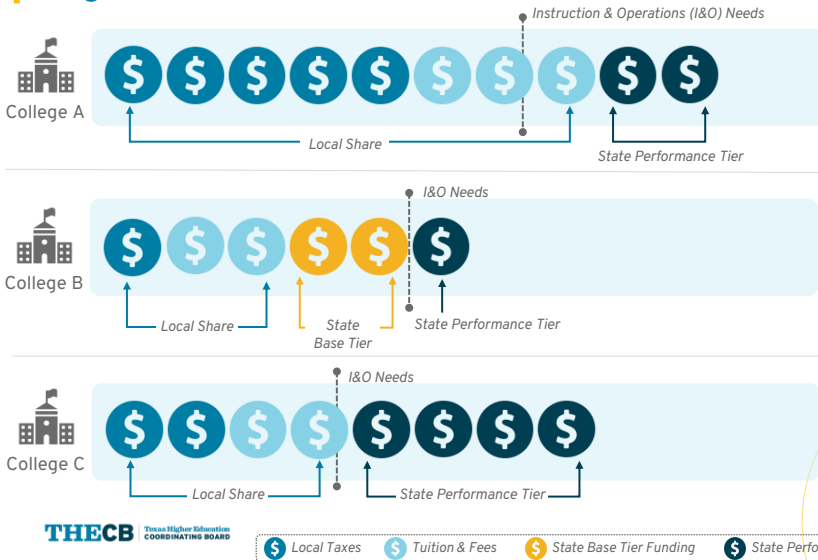
All outcomes are weighted by student characteristics:

- Economically disadvantaged
- Academically disadvantaged
- Adult learners (25+ years old)



Local Taxes Tuition & Fees State Base Tier Funding State Performance Tier Funding

The Big Picture: Dynamic, Innovative Financing Model



This innovative financing model is among the first of its kind in the nation, transforming Texas community college funding from a static allocation system tied to a student's time in the classroom to a dynamic funding formula designed to educate and train Texans for the workforce of the future

Community College Finance: Roles & Responsibility

STANDING ADVISORY COMMITTEE (SAC) FOR PUBLIC JUNIOR COLLEGES

- Committee advises THECB on rules and implementation of the Finance Program
- Composed of 12 CEOs, CFOs, Institutional Research, Workforce Education, and Experts of the Community Colleges

THE COORDINATING BOARD

- Determines general revenue funding amounts due to each community college for FY24
- Implements the finance model via rulemaking within the structure set by HB 8

NEXT STEPS

- 1 THECB staff distribute formula funding to each college in 3 payments over the fiscal year
- 2 FY25 rules developed in coordination with SAC and public input
- 3 Model is updated to align to more current data

FAST Overview

Assistant Commissioner for Student Financial Aid Programs Charles Contéro-Puls, Ed.D.

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Financial Aid for Swift Transfer (FAST) Overview

The FAST program allows **educationally disadvantaged students** to enroll in dual credit courses at **no cost** to the eligible student, including **tuition, fees, books, supplies, and other course materials**

STUDENT ELIGIBILITY



- **Enrollment:** Students must be attending high school in a Texas public school district or charter school
- **Educationally Disadvantaged:** Students must have been reported as “educationally disadvantaged” (i.e., eligible for free/reduced-price lunch) by the school district or charter school to TEA

TUITION RATE



- **Funding Rate:** Participating institutions will receive an allotment of funding equal to the FAST tuition rate for each semester credit hour of dual credit coursework taken by an eligible student
- **Maximum Tuition Rate:** Participating institutions may not charge a per-credit tuition rate more than the FAST tuition rate for any eligible dual credit course offered by the institution

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The Road Ahead

Commissioner of Higher Education Harrison Keller, Ph.D.

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The Road Ahead: HB8 Implementation

Successful implementation of HB 8 will require a major effort from community colleges and deep collaboration between higher education, business, philanthropy, and community partners to ensure a smooth transition to the new financing model

WE ARE HERE



JUNE 9, 2023

HB 8 signed into law by Governor Abbott



AUGUST 22, 2023

Model design and adoption of emergency rules for FY24



SEPTEMBER 1, 2023

HB 8 goes into effect; colleges receive fall payments by mid-Oct



JANUARY 25, 2024

Refinement and adoption of FY24 regular rules



APRIL & JULY 2024

Additional planning and adoption of FY25 regular rules

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Community College Finance

Overview

With the passage of House Bill 8 in 2023, Texas is transforming the way it funds community colleges. Texas is moving away from a static system tied primarily to students' time in class to a modern and dynamic outcomes-based formula that reflects the needs of our world-class economy. For the first time, we will support community colleges based on specific goals aligned with our 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 15 semester credits
- community college students who transfer successfully to public four-year colleges
- and community college students who earn credentials of value, such as industry-recognized credentials

The Big Picture

Because of the passage of House Bill 8 (H.B. 8), Texas community colleges will now receive state funding primarily through an outcomes-based model that is aligned with state higher education goals in Building a Talent Strong Texas and regional and state workforce needs. HB 8 establishes a new funding model through which colleges receive an equity of their state funds through a formula based on measurable student success outcomes and data.

This innovative financing model is among the first of its kind in the nation, transforming Texas community college funding from a static allocation system tied to students' time in the classroom to a dynamic funding formula designed to educate and train Texans for the workforce of the future. By focusing on outcomes, this system rewards colleges for teaching more Texans with the knowledge, skills, and experiences they need to enter the labor market and maximize our state's economic competitiveness.

This model also ensures colleges have access to the resources they need to support their core educational functions while developing new academic and workforce readiness opportunities. Every college will receive specific performance-based funding based on the tangible outcomes achieved by their students. A subset of colleges will be eligible for additional state funding, which is based on the availability of transportation.

See the new dynamic funding model and the full list of corresponding formula runs for Fiscal Year 2024 on the THECB website. Please note the formula, funding amounts, and definitions remain in draft form until the August 22 Texas Higher Education Coordinating Board (THECB) board meeting, when the board of the THECB board will consider an emergency rule governing the implementation of the Community College Finance Program. The Board also plans to report final rules in January for Fiscal Year 2024 and final rules in April 2024 for FY 2025.

Read more about this solution for success and performance in our Funding model summary.

FY 24 Formulas

[Download FY 24 Formulas](#)

Contact

For more information regarding the formula funding model, please contact the Office of the Executive Director, Office of State Funding, at osf@thehighered.texas.gov.

[Send Email to OSF Executive Director](#)

[Send Email to OSF Executive Director](#)

[Send Email to OSF Executive Director](#)

<https://www.highered.texas.gov/community-college-finance>

THECB Texas Higher Education COORDINATING BOARD

Online Resources

More information about community college finance and HB 8 implementation is available on THECB's website including:

- Formula funding: definitions and calculations
- Draft FY24 formula runs for all community colleges
- Rule-making timeline
- FAQs
- THECB contact information

