Texas Higher Education COORDINATING BOARD

Community College Finance Rule-Making

Emily Cormier
Assistant Commissioner for Funding and Resource Planning
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Presentation Contents

1. Recap of Major Changes to FY25 Rules
2. Preview of Forthcoming Rules in July
3. Looking Ahead

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2024 Milestones:
Summary of Rule-Making Schedule

JANUARY 2024

*Adoption of **FY24** regular rules:*

- Base Tier and Performance Tier funding rules
- Financial Aid for Swift Transfer (FAST) rules
- Credential of Value definition and methodology
- Fundable outcomes, weights, and rates
- Creation of Standing Advisory Committee

APRIL 2024

*Adoption of **FY25** regular rules:*

- Credential of Value baseline and premium tiers
- Clarifications of dual credit and transfer fundable outcomes
- Addition of 3rd party credentials to fundable outcomes
- Methodology refinements for adult learners, base tier tuition and fees, and high-demand fields

JULY 2024

*Adoption of **FY25** regular rules:*

- Weights and rates for fundable outcomes
- Dynamic payments process
- Methodology refinements for forecasting
- Base tier funding at 5% of performance tier

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Major Changes from FY24 to FY25

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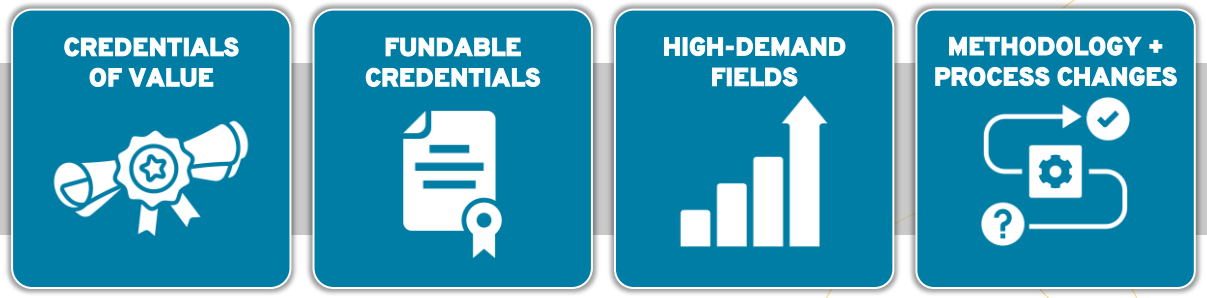
Refining the New Funding Model: Areas of Focus for FY25 Rules

Based on extensive analysis and refinement, FY25 rules will include significant changes compared to FY24 rules in four major areas:



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Credentials of Value: Achieving Positive Return on Investment

Credentials of value provide a positive return on investments (ROI) to students. Starting FY25, community colleges will be eligible for performance funding for 2 tiers of Credentials of Value:

CREDENTIALS OF VALUE BASELINE
Institutions are funded for **all conferred credentials** when a **typical graduate** earns cumulative wages greater than median earnings of a typical high school graduate and recoups the net cost of attendance within **10 years** of earning the credential

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CREDENTIALS OF VALUE PREMIUM
Institutions receive premium funding for each student earning a **credential of value** who is projected to **achieve a positive ROI at or before a target year** when most students in comparable programs are projected to reach positive ROI

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Fundable Credentials:
Adding New Credentials

NEW IN FY25

Degrees, Certificates, and Awards

- Associate degree
- Baccalaureate degree
- Level 1 or 2 Certificate
- Advanced Technical Certificate
- Continuing Education Certificate
- Occupational Skills Awards

Credentials Leading to Licensure or Certification

Completion of a *credential* *(not just coursework)* leading to licensure or certification meeting a threshold of contact or semester credit hours

(fewer hours required for credentials in high-demand fields)

Texas Opportunity High School Diploma

Competency-based diploma program earned through concurrent enrollment in a career and technical education program

Third-Party Credentials

Credentials listed in the American Council on Education's National Guide and meet contact hours, conferral, transcript, and other program content requirements

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High-Demand Fields:
Meeting Texas' Workforce Needs

Colleges receive extra funding for credentials aligned to either the statewide or their regional list, which will be evaluated every 2 years across key categories:

STATEWIDE

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STATEWIDE HIGH-DEMAND FIELDS
Top 10 growing occupational groups according to 10-year demand projections from TWC and Bureau of Labor Statistics (BLS) data

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EMERGING OCCUPATIONS
Fields designated by the Commissioner (in consultation with the Governor's office) that are critical to the state's economic needs and legislative priorities

REGIONAL

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REGIONAL HIGH-DEMAND FIELDS
Top 5 growing occupational groups in each college's region not on the statewide list, where regions align with the Texas Comptroller's economic regions

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ESSENTIAL OCCUPATIONS
Colleges can petition to add **up to 5** occupational groups on their local workforce board's target list that are critical to their region's workforce needs

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Methodology + Process:
Aligning Incentives to Desired Outcomes

Adult Learners

Defining adult learners as those who are 25+ years old for a period (specific to program type) *prior to* earning a credential

Dual Credit

Removing double counting of standard credit hours that previously contributed to both dual credit and transfer outcomes

Transfer

Ensuring that only one college is credited for each transfer and that a college can earn transfer outcome only once per student

Outcomes Forecast

Calculating initial payments based on forecasted outcomes to better fund performance changes and implementing dynamic funding adjustments

Data Sources

Changing data source for average tuition and fees from IPEDS to THECB data for increased transparency and accuracy

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Preview of Forthcoming Rules

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Additional FY25 Rules:
Performance Funding and Payments

Performance Funding

Performance tier funding will account for 95% of the funding model and will be based on key outcomes

Forecasting Outcomes

FY24 and FY25 fundable outcome counts will be projected from historical data for initial payments

Dynamic Payments

Payments will be adjusted to account for differences between forecasts and actual outcomes data

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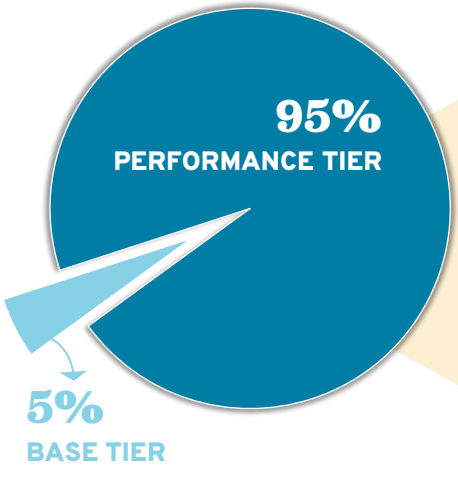
Performance Funding:
Fundable Outcomes and Weights



FUNDABLE OUTCOMES

- *Fundable credentials*
- *Credential of value premium*
- *15 semester credit hours (SCH) of dual credit*
- *General academic institutions (GAI) transfer/co-enrollment with 15 SCH*

OUTCOME WEIGHTS

- *Economically disadvantaged students* ***(+25%)***
- *Academically disadvantaged students* ***(+25%)***
- *Adult learners* ***(+50%)***

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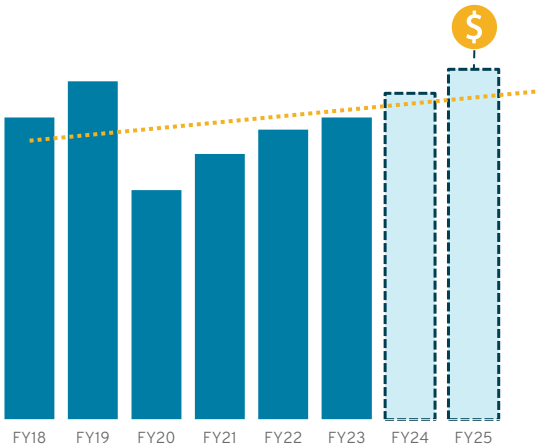
Forecasting Outcomes:
Projecting Performance Tier Outcomes



Note: Due to a lag in data availability, outcomes for FY24 and FY25 will be estimated using historical outcomes data.

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THECB will use historical outcomes data to estimate performance tier outcomes for FY24 and FY25:

Data Availability
FY 2018-2023 data will be used to project traditional credential outcomes, and data from FY 2020-2023 will be used for Occupational Skills Awards (OSAs)

Guardrails
*Year-to-year changes will be limited to **+10%** / **-5%** to ensure forecasted outcomes fall within realistic limits and to provide funding stability to colleges*

Funding Calculation
Funding will use actual FY23 outcome data and estimated FY24-25 outcome data with initial funding based on the best of FY25 estimates or average of FY23-25 estimates

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Dynamic Payments:
Funding Schedule and Adjustments

FY25 OCT

Foundation Payment (50%)
*50% of fiscal year's base tier payment + 50% of performance tier payment calculated based on **projected outcomes***

FY25 FEB

Dynamic Adjustment (25% + Plus-Up)
*25% of current year funding + **mid-year positive (+) adjustment** if preliminary outcomes are greater than projected*

FY25 JUN

Remaining Foundation Payment (25%)
25% of current year funding paid to colleges in June

FY27 OCT

Close-Out Adjustments
***Final adjustments (+/-)** for differences between projected and **certified outcomes** applied 2 years later due to data lag*

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Looking Ahead

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The Road Ahead:
Preparing for FY25 Implementation

Initial Runs
Preliminary FY25 runs released to colleges
MAY

Comments
Rules published in Texas Register for public comment
JUN

Rule Adoption
Rules adopted at quarterly THECB meeting and final FY25 runs posted
JUL

Initial Payment
Initial FY25 foundation payment (50%) paid to colleges
OCT

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