

# 2018 Texas Higher Education Leadership Conference

## *Understanding the Revenue Mix*

*for Texas Community Colleges  
&  
the State Budgeting Process*

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# What We Will Cover Today

- Sources of Operating Revenues
- Community College Tuition and Fees
- Property Taxes
- How the Process Works
- Instructional Formula Funding
- What are Success Points?
- Insurance and Retirement
- Questions



# Sources of Operating Revenue

# How Community Colleges Are Funded

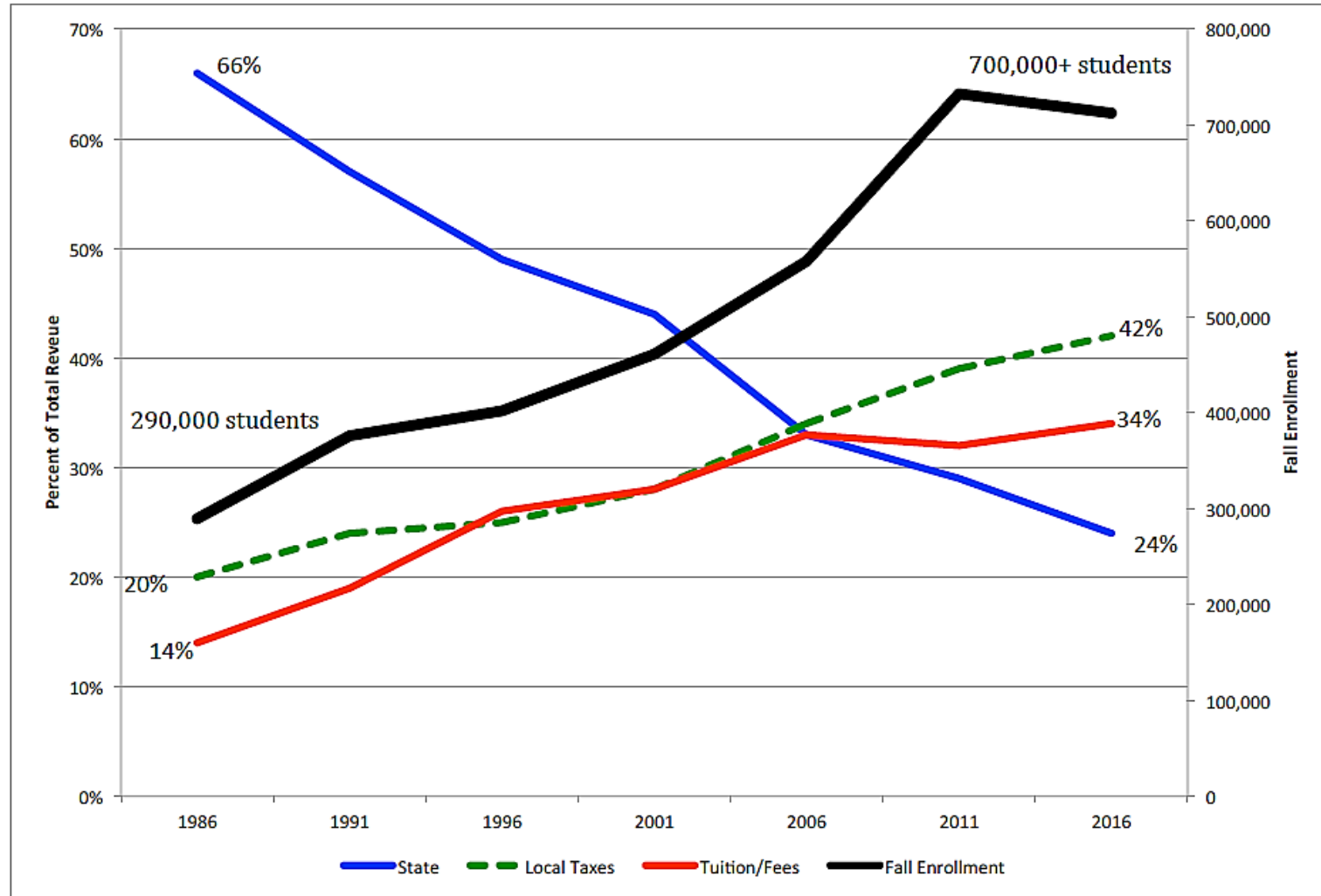
Community Colleges are funded through three *primary* operating revenue sources:

1. State Appropriations (Core Operations, Instruction, and Student Success)
2. Property Taxes Collected for Maintenance and Operations (in taxing district)
3. Tuition and Fees



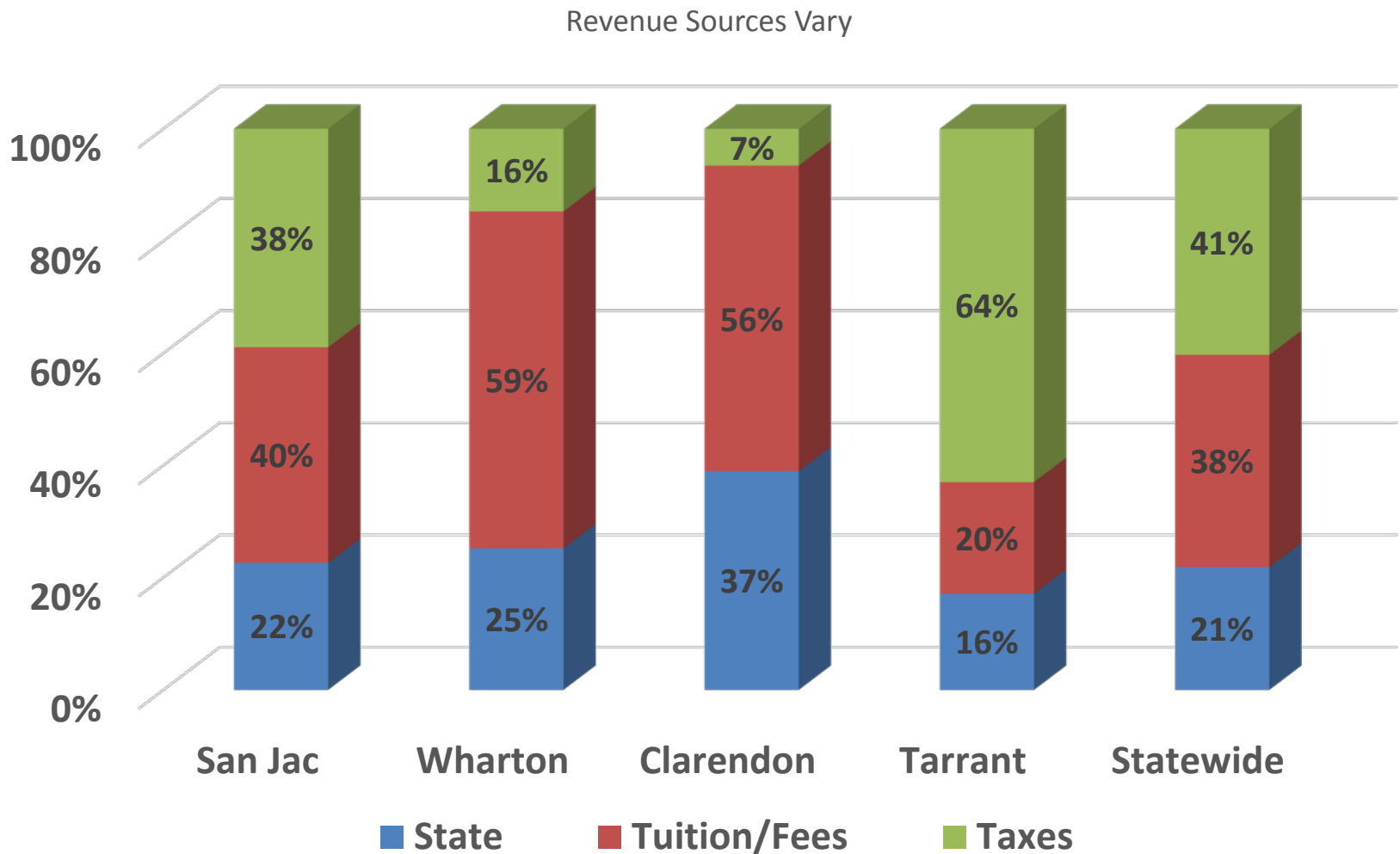
# Percent of Revenue by Source Over Time

Community College Revenue Sources & Fall Enrollment, 1986-2016





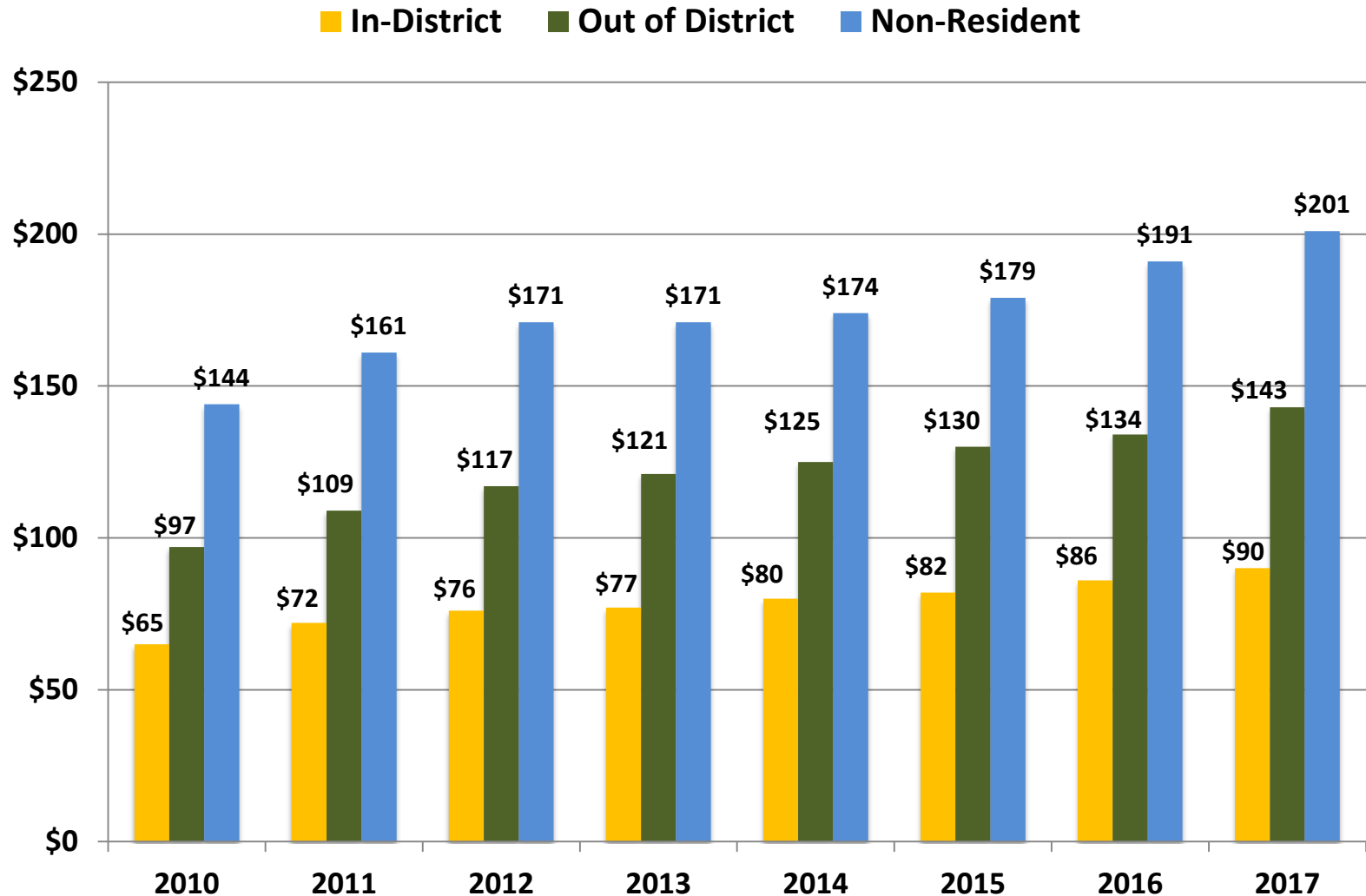
# Revenue Source Comparison 2017



# Tuition and Fees



# Average Tuition and Fees per SCH





# Property Taxes



# State Property Taxes – Selected Fiscal Years

	FY06	FY09	FY12	FY15	FY18
Valuation (Trillions)	\$0.81	\$1.10	\$1.14	\$1.35	\$1.66
Tax Levy (Billions)	\$0.97	\$1.30	\$1.45	\$1.78	\$2.19
Avg M&O	14.3 ¢	13.3 ¢	14.4 ¢	14.5 ¢	15.9 ¢
Avg Debt	1.2 ¢	1.6 ¢	2.0 ¢	2.3 ¢	2.3 ¢
Avg Total Tax	15.5 ¢	14.9 ¢	16.4 ¢	16.8 ¢	18.2 ¢

FY 2018 TACC Community College Tax Report



# Highlights on Local Property Taxes

- **Property Valuation in College Districts**
  - **Represents approximately 70% of state's property wealth**
  - **Value of property wealth in college districts has more than doubled since 2006**
- **Statewide levy from property taxes has increased 126% since 2006**
- **Tax rates have increased slightly since 2006. The average M&O tax rate in FY 2018 is 1.6 cents higher than the average rate in FY 2006**



# **State Budgeting Process and Impact on Community Colleges (How the Process Works)**



# State Revenue Sources

Sales & Other  
Taxes

Fees

Lottery  
Receipts

Interest  
Income

Federal  
Government

Ending Balances  
from  
Previous Biennium



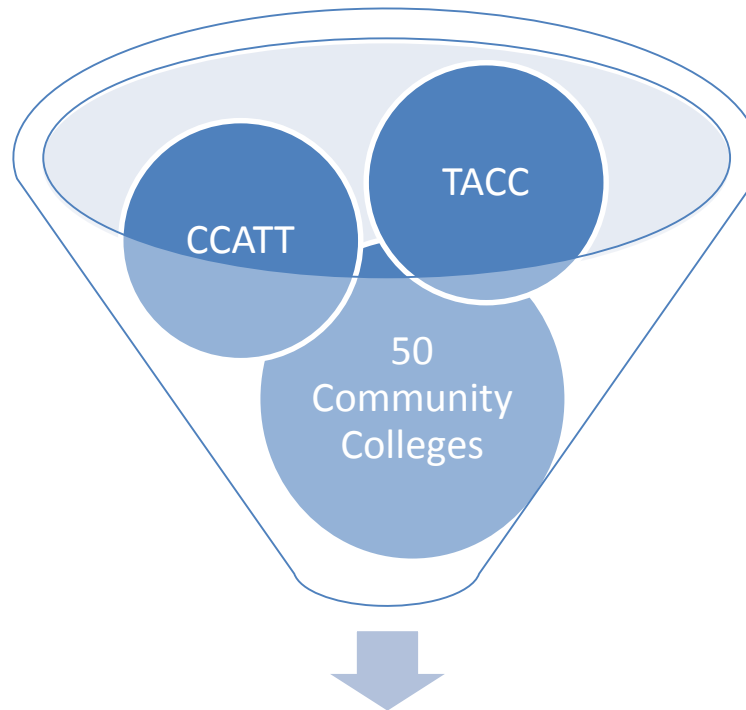
# Texas Biennial Budgeting Timeline

## 2020 – 2021 Budget Process



1. TACC has a Legislative Committee that works through issues throughout the interim session
2. The Legislative Committee makes recommendations to the full TACC membership and the CCATT membership for legislative priorities
3. The Legislative Budget Board (LBB) issues instructions for Legislative Appropriations Requests (LAR) to TACC and TACC distributes instructions to the membership
4. Each college submits individual LAR to the LBB
5. The LBB holds Budget Hearings to gather input from all state requestors
6. Once Session begins, the initial budget is submitted and the work begins

# Legislative Process is Important



## Comprehensive Legislative Agenda

- **Community College Trustees and leaders must be active before, during, and after the legislative session**
- **CCATT & TACC work closely with THECB**



# Texas Legislature



- **Community Colleges (all agencies) submit requests**
- **General Revenue amount provided by Comptroller**

**Legislative Budget Board meets with House Appropriations and Senate Finance to give recommendations based on available general revenue and the budget bill is filed**

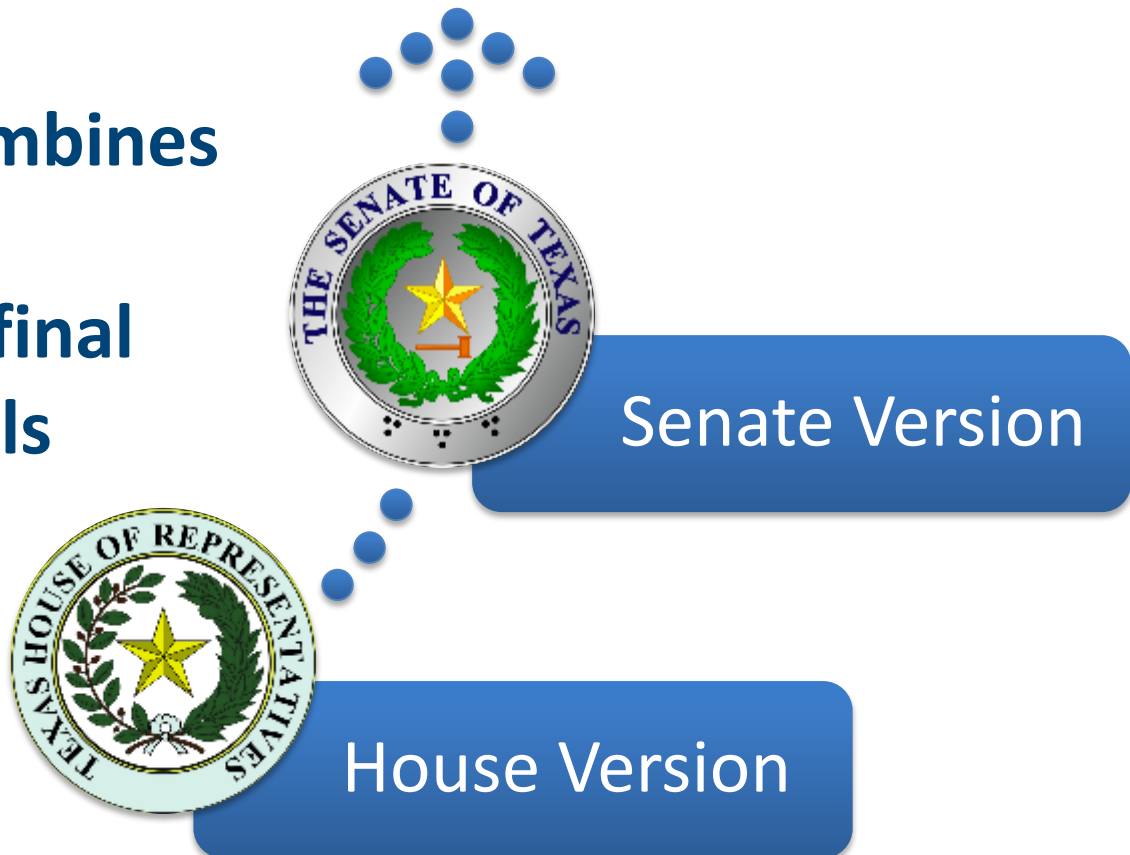




# Texas Legislature

## Conference Committee

- **Conference committee combines the two bills**
- **Governor has final approval of bills**





# State Funding for Community Colleges



# Community College State Funding - Historical

State Funding  
1942-73



\$/FTSE

State Funding  
1974-2013



\$/Contact  
Hour

State Funding  
2014-2019

Core  
Operations

\$/Success  
Point

\$/Contact  
Hour





# State Funding 2018-19

**\$1.765 Billion Funds Appropriation (SB1)**



Core  
Operations

\$1.36 million/district  
\$68 million

4%



Student Success  
Points

\$180.0 million

10%



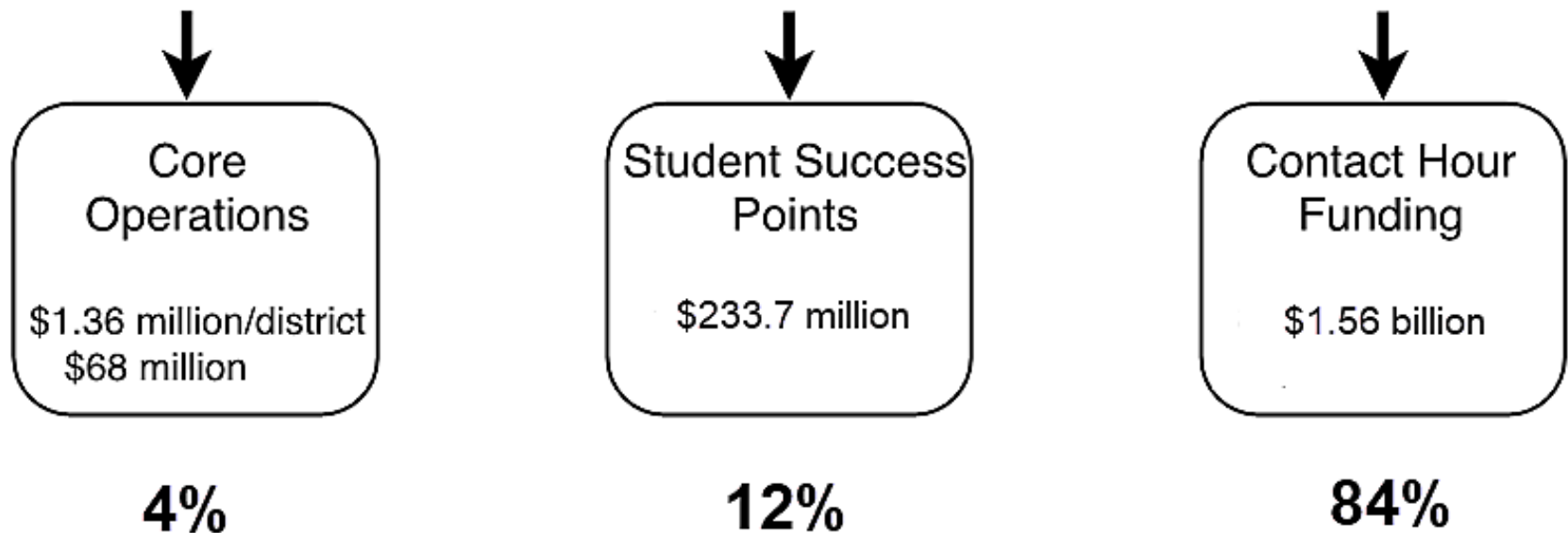
Contact Hour  
Funding

\$1.52 billion

86%

# State Funding Request 2020-2021

## \$1.864 Billion Funds Appropriation Request





# TACC Funding Agenda for the 86<sup>th</sup> Legislature

## **Funding: Investing in Texas Community Colleges**

Texas community colleges respectfully seek an 8%, or \$144 million, overall increase in state formula funding for the 2020-2021 biennium. This funding ask is supported by all 50 public community colleges of Texas and mirrors the recommendations of the Community and Technical Colleges Formula Advisory Committee. The recommended funding level includes projected growth in contact hours and student success points, and inflationary increases.

For the fourth consecutive legislative session, community colleges will continue to support performance-based funding. However, we respectfully ask the 86th Legislature to support increasing the biennial rate for Success Points from the current \$173 to \$215 per point. The Texas Association of Community Colleges, Community College Association of Texas Trustees and the Texas Higher Education Coordinating Board are aligned on this recommendation and during 2018 co-convened a Metrics Task Force to ensure the relevance and validity of all metrics included in the Success Points formula.



# TACC Funding Agenda for the 86<sup>th</sup> Legislature

Formula	FY 2018-019 Biennium FY 2018-2019 Biennium (\$ in Millions)	Formula Advisory Committee Recommendations (\$ in Millions)	THECB Recommendations (\$ in Millions)	TACC Board & CCATT Board Recommendations (\$ in Millions)	Recommended Increase Compared to FY 2018-2019 Biennium (\$ in Millions)	% Increase from FY 2018-2019 Appropriations
Core Operations	\$68.0	\$68.0	\$68.0	\$68.0	\$0.0	0%
Contact Hours	\$1,516.6	\$1,599.8	\$1,599.8	\$1,599.8	\$83.2	5.5%
Bachelor of Applied Technology (BAT)	\$2.8	\$3.0	\$3.0	\$3.0	\$0.2	8.3%
Student Success Points	\$180.0	\$241.3	\$241.3	\$241.3	\$61.4	34.1%
TOTAL	\$1,767.4	\$1,912.2	\$1,912.2	\$1,912.2	\$144.8	8.2%



# Core Operations Funding





# Core Operations Summary

- **Core Operations Funding is intended to help cover basic operating costs, regardless of size or geographic locations**
- **Core Operations replaced the community college small institution supplement**
- **Core Operations were funded at \$500,000 per year for each community college in fiscal years 2014 – 2017.**
- **Core Operations were funded at \$680,406 per year for each community college in fiscal years 2018 – 2019**



# Contact Hour Formula Funding



# Formula Funds - Contact Hours

Government  
Course  
3 Credit Hours

Meets 1.5 Hours  
each Tuesday  
and Thursday

Meets for 16  
Weeks

48 Contact  
Hours per  
Student

20 Students in  
Class for 960  
Contact Hours

- The primary funding (~86% of instructional funds) continues to be based on the number of contact hours generated each semester
- Contact Hour Funding is tied to enrollment
- A contact hour represents actual face-time between an instructor and a student



# Contact Hour Funding

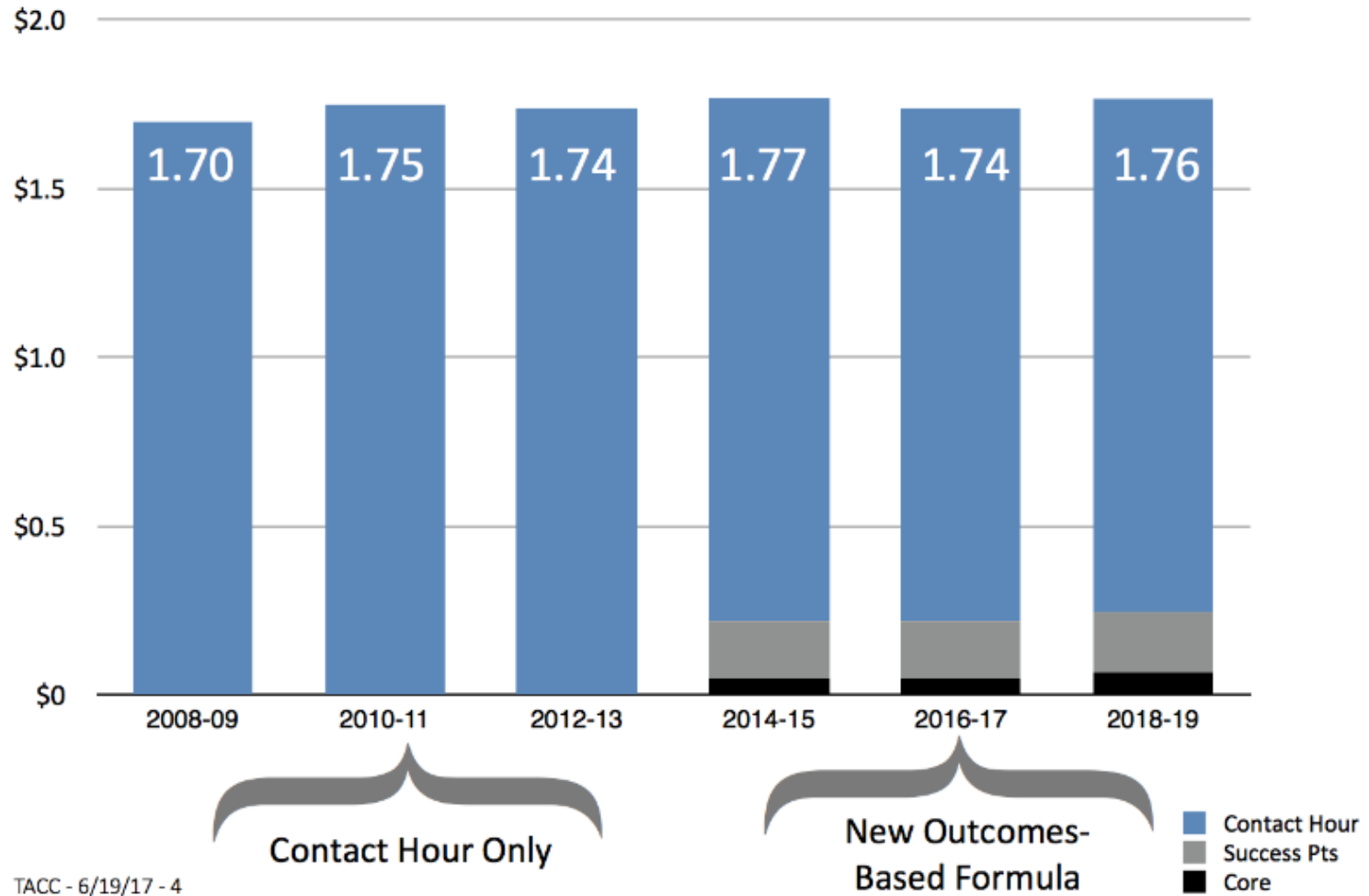
- Contact Hour Funding is distributed based on the number of contact hours for each community college
- Contact Hour Funding is based on each community college's share of total weighted base year contact hours. The base period used for the upcoming 2020-2021 biennium is Summer and Fall of 2018 and Spring of 2019

## Contact Hours X Rate = Funding

- The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors
- The actual rate earned by contact hour varies by type of course
  - Average contact hour rate for 2018-2019 \$2.70
  - Requested average contact hour rate for 2020-2021 \$2.75



# Formula Funds (Billions)



Contact Hour Funding remains the major portion of state funding



# Student Success Points

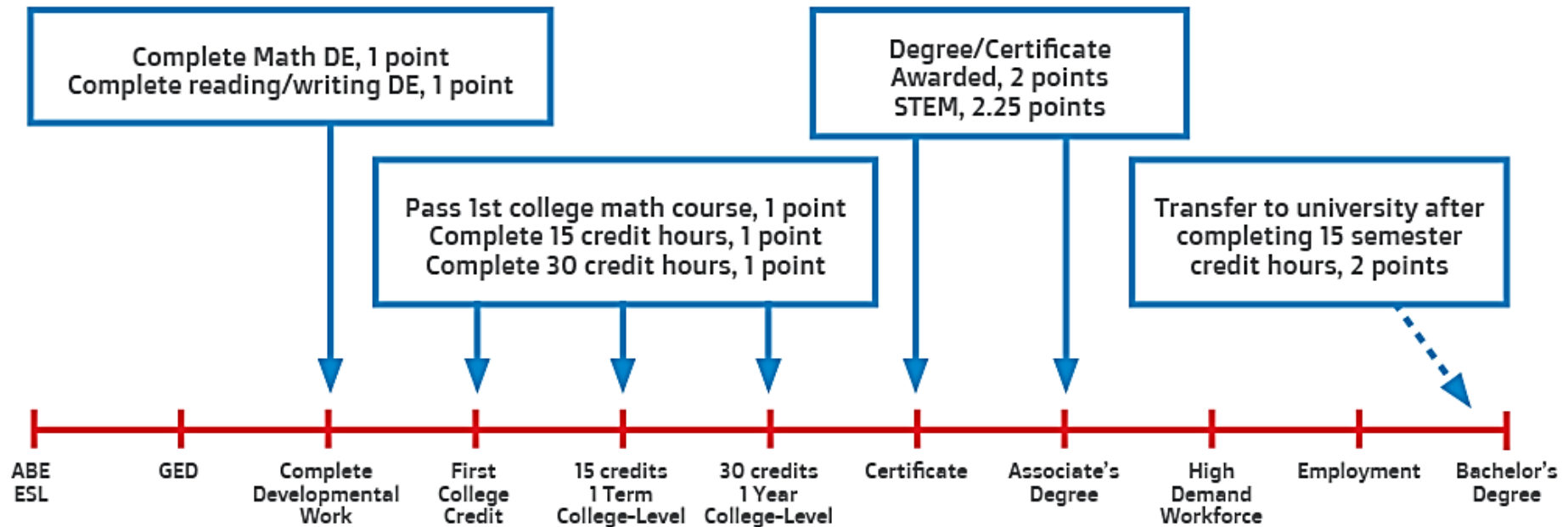


# Principles of Student Success Points

- The goal of the Student Success Points system is to reward colleges for improvement in student achievement
- The metrics system is designed to reward achievement and progress for all students:
  - From the least prepared student to the most college-ready student
  - Both academic transfer students and workforce education students
- The Student Success Points metrics system should be:
  - Transparent and predictable
  - Equitable across college districts
- Student Success Points metrics system was developed and refined beginning 2010, implemented in 2014

# Student Success Points

## Students Success Points Model







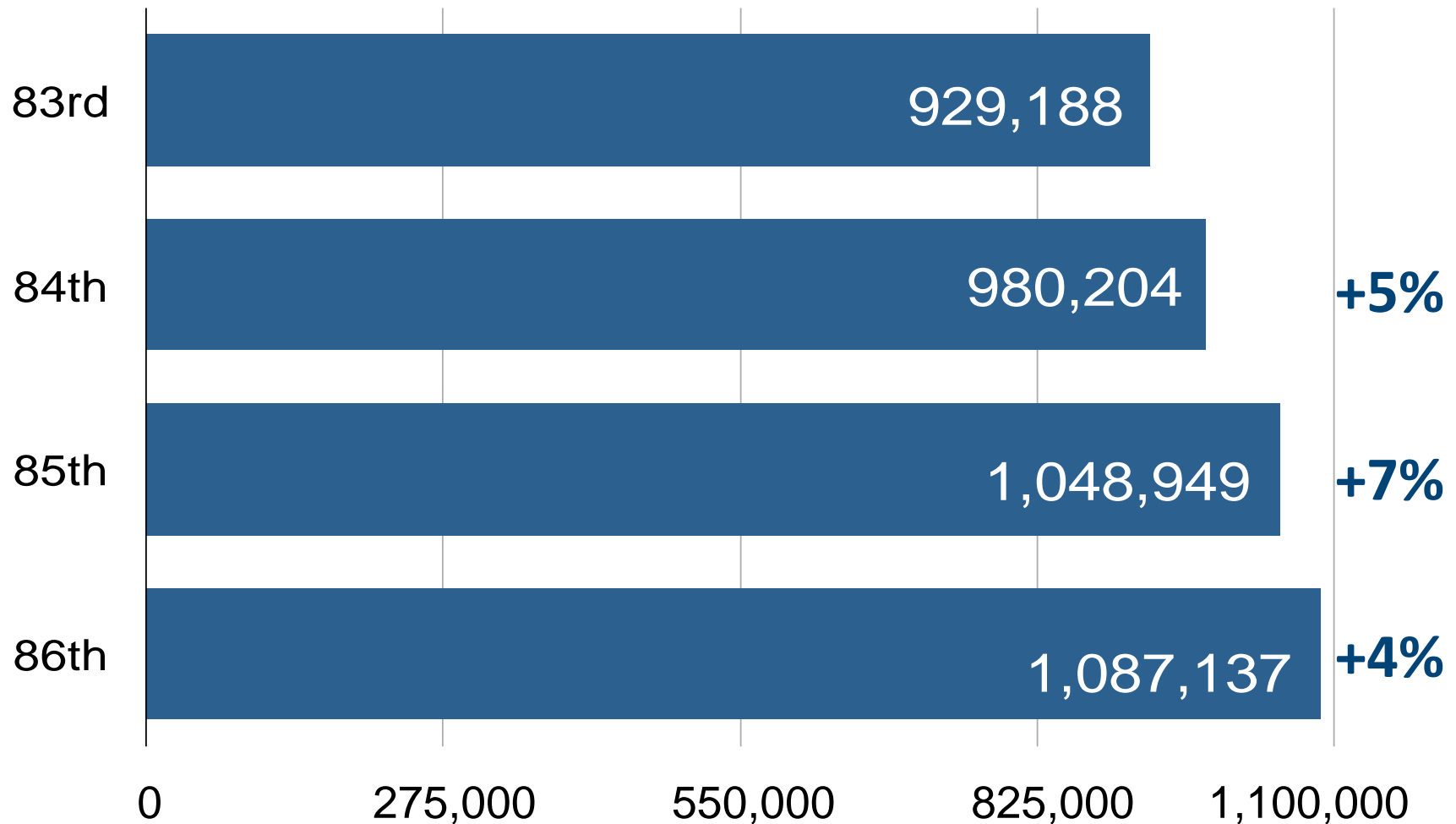
# Funding of Student Success Points

- Designed as an allocation system “that compares the performance of the college district to itself” on a three-year rolling average.
- 2014-15 (83<sup>rd</sup> Legislature) was the starting point of Student Success Points (10% of formula funding) \$185 per point
- 2016-2017 (84th Legislature) funded Success Points (10% of formula funding) \$173 per point
- The 85<sup>th</sup> Legislature “decoupled” and funded Success Points and Instructional Formula Funding (no 90/10 split) \$172 per point
- The request for the 86<sup>th</sup> Legislative for Student Success Points Funding \$215 per point



# Trends with Student Success Points

Colleges can take credit for advancing student achievement in Texas





# Base Year Contact Hours and Success Points

	2016-2017	2018-2019	Percent
Student Success Points	980,204	1,048,949	7%
Base Year Contact Hours	282,919,371	280,941,841	(0.7%)

	2018-2019	Preliminary 2020-2021	Percent
Student Success Points	1,048,949	1,087,137	4%
Base Year Contact Hours	280,941,841	283,977,913	1%



# Group Insurance & Retirement



# Group Health Insurance



Historically, Group Health Insurance for community college employees has varied in the type of benefits offered, and the funding sources that have funded them



Since 2013, the state and the community colleges have had a 50/50 cost share plan to fund the employer portion of Group Health Insurance for benefits eligible community college employees

This insurance is provided by the Employees Retirement System of Texas (ERS)



For the 2018-2019 biennium, \$365 million was appropriated by the Legislature for community college Group Health Insurance, which was a 15% increase from the previous biennium



# Retirement Benefits



Benefits-eligible community college employees must participate in either the Teacher Retirement System of Texas (TRS) or the Optional Retirement Program (ORP) administered by THECB

TRS is a defined benefit plan, and ORP is a defined contribution plan



## Contribution Rates

	Employee	State	College
TRS	7.7%	3.4%	3.4%
ORP	6.65%	3.3%	3.3%



For the 2018-2019 biennium, \$122 million was appropriated by the Legislature for community college Retirement Benefits, which was a 7% increase from the previous biennium

# Questions

