

The Budgeting Process for Public Community Colleges in Texas

**Texas Higher Education Coordinating
Board**

Leadership Conference

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Alamo Colleges District

KEY BUDGET CONCEPTS

Budget Theoretical Concepts

- Board approves Annual Budget; available on college and state website
- Money follows Mission: Budget transparency to mission-critical or support areas; esp. critical in light of declining state funding.
- Local Policy Decisions:
 - Modified Zero-based Budgeting:
 - Unused funds “swept-up” at end of year to fund balance (financial reserves)
 - Multi-year funds (i.e. capital accts, restricted balances) may carry over to following year
 - Distribution Methodology, i.e.:
 - Bottom-up based on prior year budgets with overlays for cost savings or strategies
 - Zero-based: Depts. submit budget request from scratch each year
 - Workload allocation based
 - Whether funds can be shifted from line item to line item
 - Contingencies: Chancellor/President Institutional Reserve (small discretionary fund for budget adjustments not requiring Board approval)
 - May have Guidelines such as % Personnel Budget and Avg. Class Size
 - May establish pool for specific Strategic Initiatives

Organizational Differences Impact Budget Methodologies Utilized

Functional Model

- “One College Concept”
- One President/CEO
- One set of Administrators
- One set of department chairs
- Resources assigned to functional budgets

Workload Formula Model Alamo Colleges District

- 5 Colleges and 12 off-campus sites supporting the 8 county service area
- Individually Accredited Colleges
- One Chancellor/Five Presidents
- 5 Vice Chanc./3 VP per College
- 5 sets of department Deans/Chairs
- Resources assigned to 5 colleges and district departments via formula workload model

Think Long Range

- Prepare Long-Term Revenue/Expense Estimates for:
 - ✓ State Appropriations
 - ✓ District Taxes
 - ✓ Tuition and Fees
 - ✓ Operational Costs
 - ✓ Capital Needs

Revenue Estimate Questions

- What's going on with the global, national and state economy?
- What might the effect be on state appropriations?
 - Tax revenues up or down?
 - Medicaid, social services, prisons, K-12?
- What is our taxing district appraised value outlook?
- What's going on with financial aid?
- What is the political climate affecting these areas?
- Anything else in the world?

Texas Funding Sources

	<u>Public University</u>	<u>Community College</u>
Primary Funding Sources:		
Facilities Construction & Operations	State	Debt & Operations supported by Property Tax
Education & General	Tuition & Fees with State Subsidy	Tuition & Fees with State Subsidy
Employee Health & Retiree Benefits	State	50/50 State/College eff. 2012/13
Auxiliary (Food Svc, Book Store...)	Aux. Revenues	Aux. Revenues
Athletics	Athletics Revenues	
Other Funding Sources:		
Fundraising	X	X
Land/bldg Lease Revenues	X	X
Pass-thru: Fed./State Student Fin. Aid	X	X
Grants	X	X
Investment Income	X	X
Public-Private Partnerships (P3)	X	X

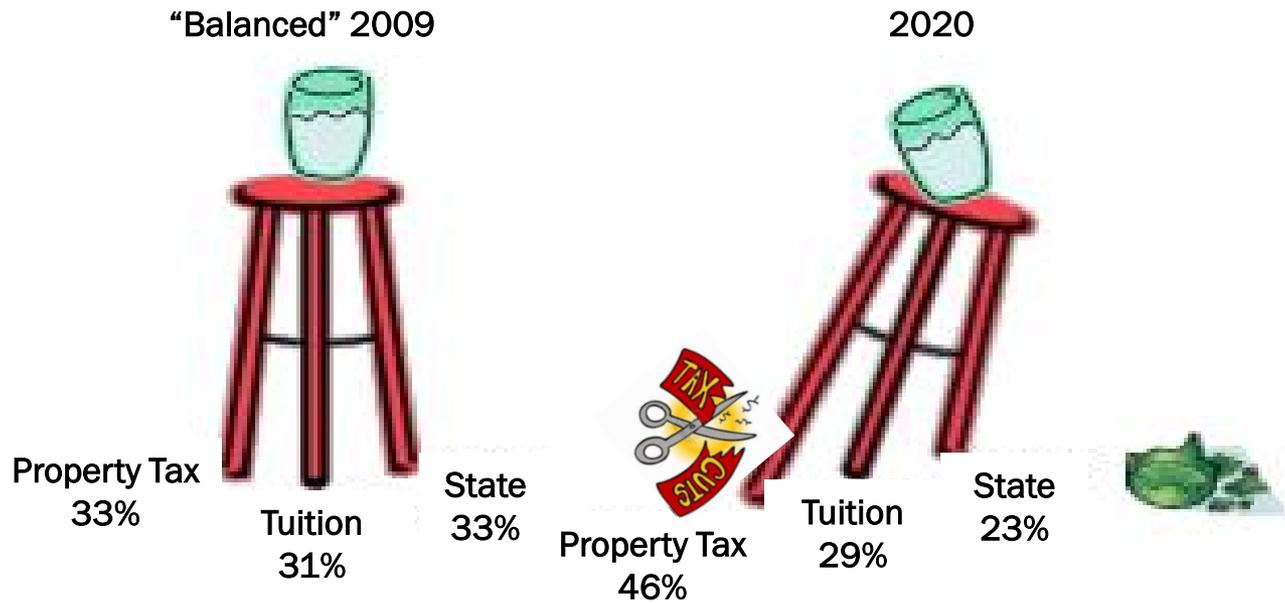
Challenging Times . . .

Pressure to turn out **MORE** educated young people and adults

when \$\$\$ available, from public and other sources, is being slashed



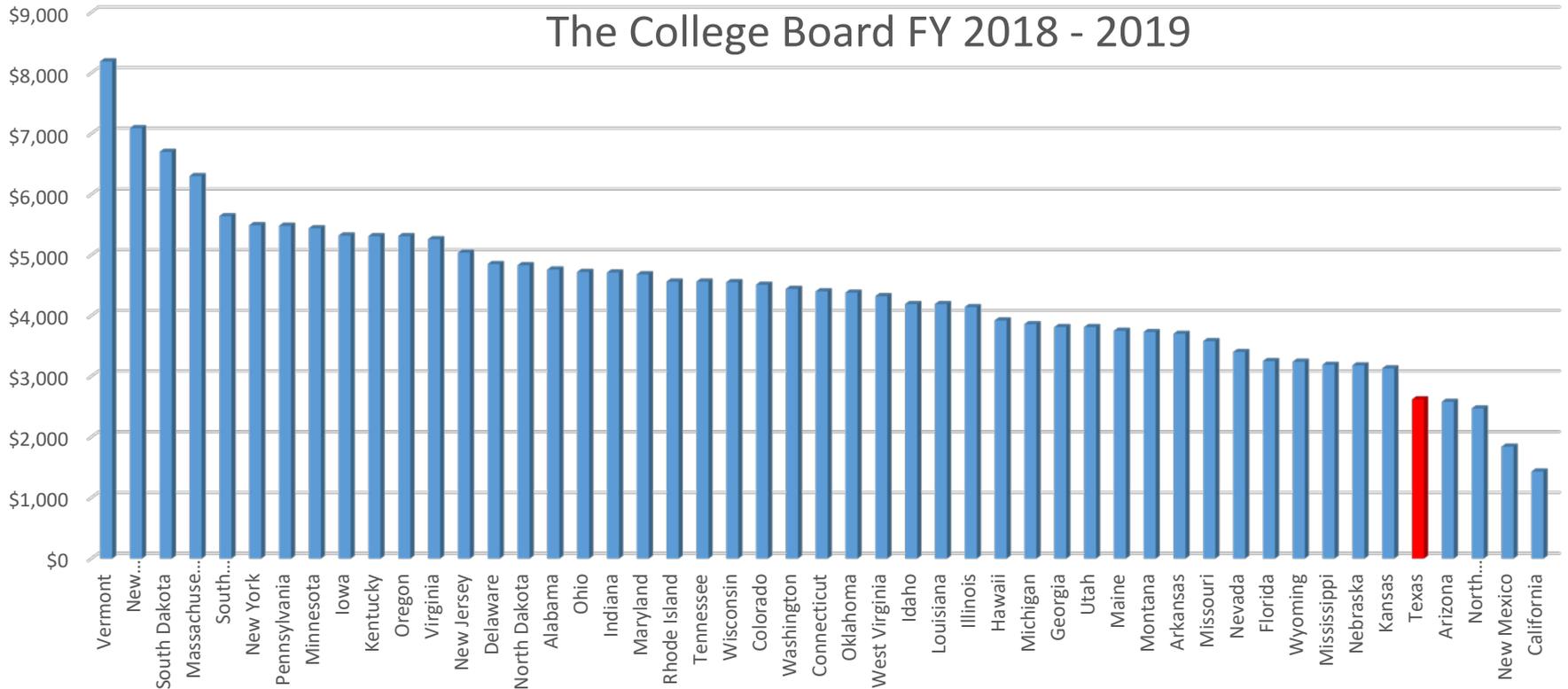
The three legged stool



Operating Budget view: excludes financial aid as pass-through to students

Texas Tuition 5th Lowest in Nation

U.S. Public 2 Year Colleges
Average Annual Tuition and Fees
The College Board FY 2018 - 2019





Budget Process – “One College Concept”

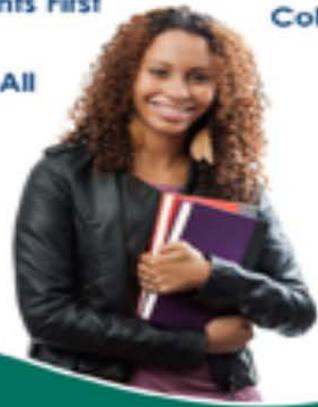
General Budget Development Strategy

1. Strategic Plan Developed by President and Staff, According to:
 - ✓ District Strategies (e.g. Guided Pathways)
 - ✓ State Initiatives (e.g. 60x30TX)
 - ✓ Capital Needs
2. Supporting Budget Developed by President and Staff
3. Board Approves Strategic Plan & Budget

Budget Preparation Process

- Prepare Revenue Estimates.
- Departments prepare and enter expense budgets in system with a focus on achieving Strategic Plan Goals.
- Budgets reviewed/prioritized by Deans, VP's.
- Budget document prepared by Finance.
- Budget reviewed by President.
- Budget presented to Trustees for approval.

Students First
Respect For All



Student Success

Collaboration



Principle - Centered
Leadership

Community-Engaged

Can-Do Spirit
Data-Informed



Performance
Excellence

Alamo Colleges District



Budget Alignment Methodology:
Funding our Priorities

Alamo Colleges: Workload Budget Allocation Model

1. Determine Baseline Revenues

FORMULA REVENUES:

- Taxes – estimate property valuation changes & apply current rate
- State – Range determined based on legislative bills (House & Senate)
- Tuition & Fees – various scenarios calculated: flat, % increase, etc.

NON-FORMULA REVENUES:

- Special Program Tuition – 28 programs identified as high cost & high demand
- Continuing Education Contracts
- Other miscellaneous accounts



State Revenue Outlook FY22-23

Opportunities:

- Increases in Success Points \$/per
- FY20-21: small rebound in state appropriations

Risks:

- Unfunded growth; Further erosion in \$/Contact Hr; i.e. flat \$ pool spread to more CH
- Risk of more “unfunded mandates” to waive tuition for certain students (currently \$4.9M mandated waivers on top of the discretionary waivers we give on Dual Credit)

Flat is the New Growth....



Property Tax Outlook

Opportunities:

- Taxable Asset Valuation growth
- Funds Facilities Maintenance & Operations incl. Deferred Maintenance
- Mitigates State Appropriations per FTSE student \$ loss
- Assists with rising Student Support costs



Risks: Legislative Change to Tax Rollback Rate Cap

- Current Biennium exempted Community Colleges from rollback cut (remains at 8%); however will have to fight to keep it in FY22-23.
- Other Agencies cut from 8% to proposed 2.5%-3.5% rollback, calc. from lower of Current or Effective Rate each year
- automatic election

Enrollment/Tuition & Fees Outlook

Opportunities:

- Summer Momentum Incentive: higher CH per term & increased retention/faster completion
- Dual Credit Growth, creates Expense pressure; 2-year lag for potential increase in State funding from success points or CH
- Long term: Out of district Revenue growth (Online Programs and International)

Risks: CH reduced via SS strategies for avg. hrs. per student at 60 CH

CH = Contact Hours



COST OF EDUCATION - WHO PAYS?

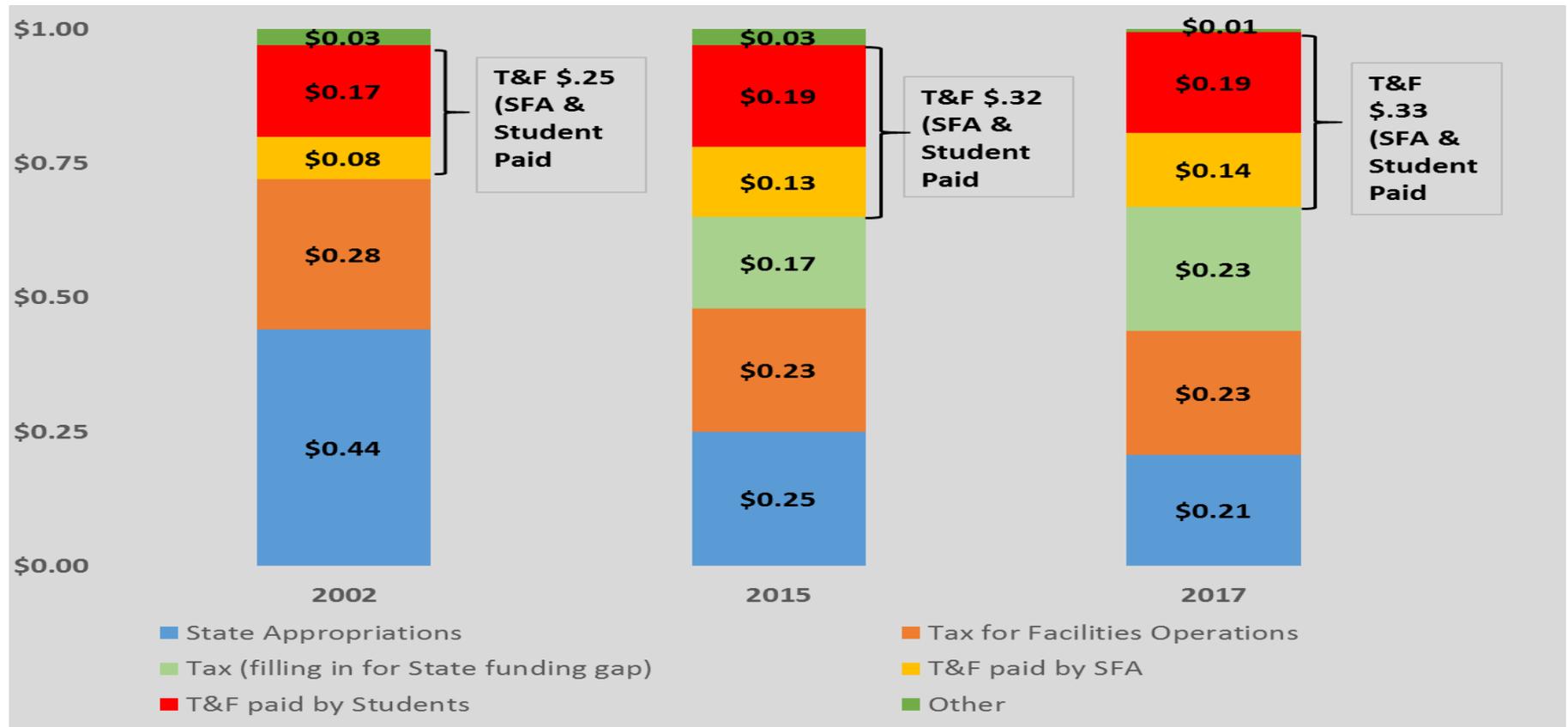
STUDENTS PAY 19 CENTS OF EACH \$1

Tuition and Fees are heavily subsidized:

- State Appropriations AND Federal & State Student Financial Aid

Thus, students pay out of pocket only 19 cents of each expense \$ at ACD

Due to State Funding reductions (from 44% to 21%), local property taxes are now covering 23% of non-facilities' costs



* Excludes pass-through student financial aid refunds of \$54.6M in 2017 for other living costs.

Fall 2019 Tuition/Fees

Texas Community Colleges – Alamo Colleges District is 13th lowest with impact of SMP

	Tuition	Fees	Total	Total/SCH
State Average	706	414	1,120	93.37

Rank	College District	Tuition	Fees	Total	Total/SCH
1	Laredo	600	1,050	1,650	137.50
2	South Texas	924	702	1,626	135.50
3	Texas Southmost	600	974	1,574	131.17
4	El Paso	1,260	240	1,500	125.00
5	Blinn	660	804	1,464	122.00
6	McLennan	1,272	108	1,380	115.00
7	Clarendon	614	744	1,358	113.17
8	Frank Phillips	564	778	1,342	111.83
9	Del Mar	804	517	1,321	110.08
10	Alamo	1,188	73	1,261	105.08
11	Southwest Texas	732	519	1,251	104.25
12	Tyler	384	828	1,212	101.00
13	Northeast Texas	516	689	1,205	100.42
14	Hill	1,044	157	1,201	100.08
15	North Central Texas	684	516	1,200	100.00
16	Vernon	600	600	1,200	100.00
17	Victoria	600	600	1,200	100.00
18	Temple	924	264	1,188	99.00
19	Cisco	480	696	1,176	98.00
20	Texarkana	672	482	1,154	96.17
21	Wharton	384	756	1,140	95.00
22	South Plains	348	772	1,120	93.33
23	Western Texas	732	384	1,116	93.00
24	Coastal Bend	840	263	1,103	91.92
25	Odessa	816	276	1,092	91.00

Rank	College District	Tuition	Fees	Total	Total/SCH
26	Brazosport	780	306	1,086	90.50
27	Lee	954	129	1,083	90.25
28	Central Texas	1,080	-	1,080	90.00
29	Howard	804	275	1,079	89.92
30	Amarillo	564	504	1,068	89.00
31	Midland	768	300	1,068	89.00
32	Weatherford	1,068	-	1,068	89.00
33	Angelina	804	252	1,056	88.00
34	Trinity Valley	468	588	1,056	88.00
35	Ranger	600	455	1,055	87.92
36	Grayson	600	444	1,044	87.00
37	Kilgore	612	420	1,032	86.00

Alamo Colleges Summer Momentum +3 SCH (no charge) 84.07

38	Austin	804	216	1,020	85.00
39	Panola	396	612	1,008	84.00
40	Navarro	504	474	978	81.50
41	Paris	672	300	972	81.00
42	San Jacinto	936	-	936	78.00
43	Houston	396	492	888	74.00
44	Lone Star	588	274	862	71.83
45	Alvin	552	289	841	70.08
46	Galveston	480	359	839	69.92
47	Tarrant	768	-	768	64.00
48	College of the Mainland	540	207	747	62.25
49	Dallas	708	-	708	59.00
50	Collin	624	24	648	54.00

Alamo Colleges Summer Momentum incentive = 3 credit hrs FREE for 12 hr term

ACADEMIC YEAR 2018-19 TOTAL TAX RATES

TEXAS PUBLIC COMMUNITY COLLEGES

Rank	College District	Total Rate
1	South Plains	0.395731
2	Clarendon	0.354619
3	Laredo	0.338051
4	Western Texas	0.330000
5	Howard	0.314285
6	Brazosport	0.303249
7	Del Mar	0.259163
8	Amarillo	0.257500
9	Panola	0.257000
10	Frank Phillips	0.255000
11	Lee	0.250400
12	Vernon	0.232367
13	Ranger	0.223606
14	Southwest Texas	0.223200
15	Victoria	0.217000
16	College of the Mainland	0.216791
17	Odessa	0.206420
18	Cisco	0.200000
19	Tyler	0.199926
20	Temple	0.192352
21	Trinity Valley	0.188540
22	South Texas	0.185000
23	San Jacinto	0.183335
24	Grayson	0.181200
25	Angelina	0.180992

Rank	College District	Total Rate
26	Alvin	0.180750
27	Kilgore	0.175000
28	North Central Texas	0.171200
29	Galveston	0.166619
30	Weatherford	0.165630
31	Texarkana	0.161212
32	Midland	0.160250
33	McLennan	0.150346
34	Alamo	0.149150
35	Coastal Bend	0.142230
36	El Paso	0.141638
37	Tarrant	0.140060
38	Central Texas	0.139900
39	Wharton	0.135500
40	Northeast Texas	0.130000
41	Dallas	0.124238
42	Navarro	0.121800
43	Texas Southmost	0.119310
44	Lone Star	0.107800
45	Austin	0.100800
46	Houston	0.100263
47	Hill	0.090183
48	Paris	0.085000
49	Collin	0.079810
50	Blinn	0.060100
	State Average	0.188890

Source: Texas Association of Community Colleges
Fiscal Year 2018 Tax and Valuation

Operating Expense Budget–2 Step Process

1. Workload Budget Allocation Model & Process to Close Revenue/Exp. Gap

- Results: *Total Expense Budget \$* by College & District Vice Chancellor
- **OVERLAY Strategic Initiative Expense Savings & Strategic Investments**

2. Budget Distributed to Departments

- **Decentralized** to College & VC Budget Officers
- Results: Colleges/Dept. allocate total \$ to their priorities & distribute to funded Employee positions and non-labor accounts



“Big Picture” Formula Funding Model

“Formula” Expense Budget (Mirror State Appropriation Methodology):

- Core (Administrator Contract Salaries, Legal, Board)
- SS Point Incentive (Beg. FY21, based on Prior Year (PY) improvement)
- Formula Funding Model (\$ per calc. w/o core components)

+ College/DSO specific "Non-Formula" Expense (= revenue)

+ Overlays (Benefits, IT/Comm., Strategy SS Funds, Capital Budget, Full Yr. impact PY Board approved actions, General Institutional).

- Budget Gap Closure (Overlay if Revenues < than above Expense elements)

= Expense Budget Allocation that matches Revenues

FY18 Proposed Formula Funding Model

FY18 funding for Dual Credit Quality oversight up to projected ISD billing

Housekeeping: 29,500 GSF/FTE
 Maintenance: 52,000 GSF/FTE
 Grounds: 18 Acres/FTE
 Utilities: Consumption x Rates

X% of Total Formula Costs
 (Instruction + Academic Support + Student Services)
 For DSO Allocation, both Restricted & Unrestricted \$ used

Instruction
 \$/CH spend by 28 Disciplines x CH projection
 Includes all certified CH (including CE & Dual Credit)
 ** Average Class Size and Staffing Mgmt. Ratio to determine incentive-based funding

Academic Support
 X% of Formula Instruction Costs
 Library Allocation per Student

Student Services
 \$/Annual Duplicated eadcount
 1 FTE per ECHS

Advising
 Certified Advisors at 350:1 ratio
 \$1,000/advisor for certification
 2 per campus "In-take" advisors in FY18

- Instruction
- Academic Support
- Student Services
- Advising
- Institutional Support
- Operation & Maintenance
- Faculty Release

X% = ratio calculated from last audited financial statements, i.e. FY16 for FY18 budget

FY20 Budget Positioning For Smart Growth



Enrollment Management

Strategic Enrollment Management Plan



Student Success

Student Success Fund



Talent

Market Competitiveness & Retainment



Innovation

Participatory Budgeting Fund



**STUDENT SUCCESS
STRATEGIC PRIORITIES:
RETURN ON INVESTMENT**

AlamoINSTITUTES (Guided Pathways)

Helps students select a career path early, leading to a sustaining wage job or university transfer where every course counts.

Completing 1,011 transfer advising guides and workforce degree plans (TAG/WDP) with 17 transfer compact institutions and strengthening related articulation agreements/ university alignment

Cost	Benefits
\$1.1M recurring expense	Student ROI: Every course counts as “degree-applicable”, saving \$8,800 - \$52,800 of University Tuition dollars on average
FY20: 280 TAGs/WDPs in process; ongoing coordination with universities for changes in university programs	



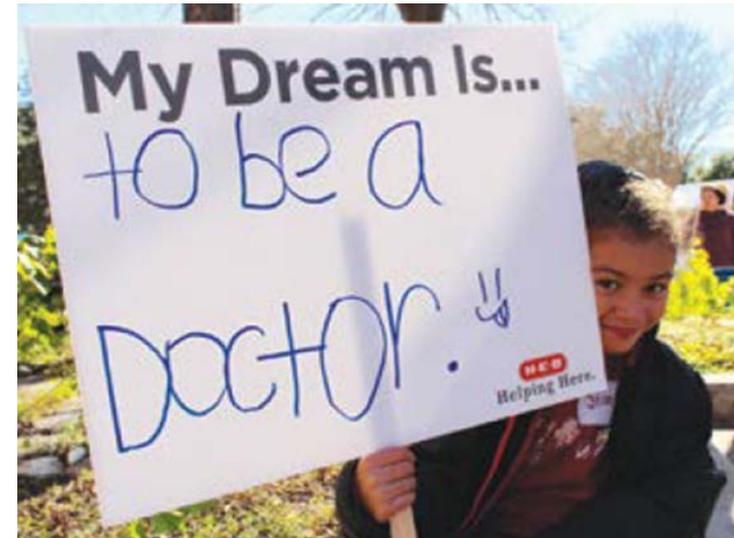
AlamoADVISE

Case management advising system: Students have personal advisors; advisors are certified with rigorous training; enhancements to tutoring; add'l technology tools to Advisors and Faculty for Case Management and reporting/analysis (Navigate On-boarding and Campus)

Implemented to date:

- Certified Advisors for non-dual credit students @ 350:1, and
- 10 in-take enrollment coaches (2 per college)
- **FY20: Implement enrollment coach model**

Cost	Benefits
\$15M added to expense structure	Student ROI: Select academic plan early, saving > \$1,000 avoiding excess hours.
FY20 expansion requires add'l funding: Implement the Enrollment Coach Model for in-take, outreach, and high-school presence (\$870K included in FY20 \$2M Student Success Fund recommendation)	132% increase in student degree/certificate completions since 2012



High School Programs (Dual Credit, ECHS, Academy)

To create a college-going culture across the service area by providing access to high school students to earn college credits while in high school.

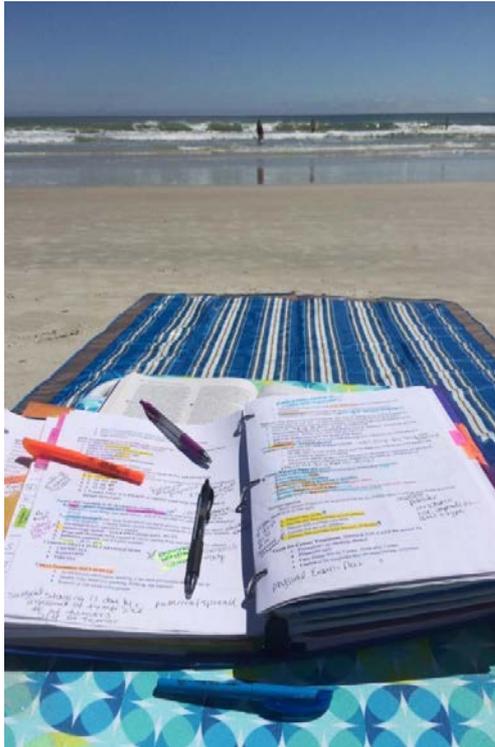


Cost	Benefits
<p>ACD Direct costs \$8.7M net of \$1.5M cost share revenues or \$11.55/CH (state reimbursement lags 2 years and currently is avg. \$2.60).</p>	<p>Student ROI:</p> <ul style="list-style-type: none"> ➤ 13,540 students; \$27.5M waived tuition ➤ Each student saves \$1,000 - \$5,000 of Alamo Colleges Tuition for 12 – 60 hours; and save Pell for University transfer ➤ The same hours at the University cost \$20K to \$70K
<p>FY20 strategic initiatives:</p> <ul style="list-style-type: none"> • increase faculty release time for active oversight of DC taught by HS faculty; • add FTE for advising enrollment coaches covering all ISDs; • collaborate with ISD for curriculum that leverages on Institute advising guides (start first with 15 ECHSs); and • establish RFP process with ISDs to pace expansion requests. 	

Summer Momentum Program (SMP)

This program was implemented mid-year 2017 to incent students to attend in the summer which research showed would increase student persistence for the following Fall term and ultimately degree/certificate completions.

Student scholarships to cover 3 to 6 credit hours for free in the summer (for those taking 18 to 24 hours total in Fall and Spring)



Cost	Benefits
\$3M annually	Student ROI: 7400 students (52% of eligible students) took advantage of the program in Summer 2017 for \$3M scholarships total.
	Those students with SMP scholarships performed better in the Fall 2018 than non-SMP students: Took more credit hours, persisted at a higher rate, and earned a higher Grade Point Average (GPA)

**WHAT DO YOU NEED TO CONSIDER?
PLANNING/BUDGETING**

Planning/Budgeting

Questions to ask

- What are the Board's budget policies?
- Do we have a Master Plan including facilities needs?
- How often is the Master Plan/Strategic Plan updated?
- Is the budget tied to the Master Plan/Strategic Plan?
- How does our budget process work and its timelines?
 - Bottom up? Or Workload Alloc.?
 - Overlays of Cost Savings & Investment Strategies to ensure funding follows mission
- What are the long range implications of today's decisions?
- Are present practices fiscally sustainable long-term?