

2019 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



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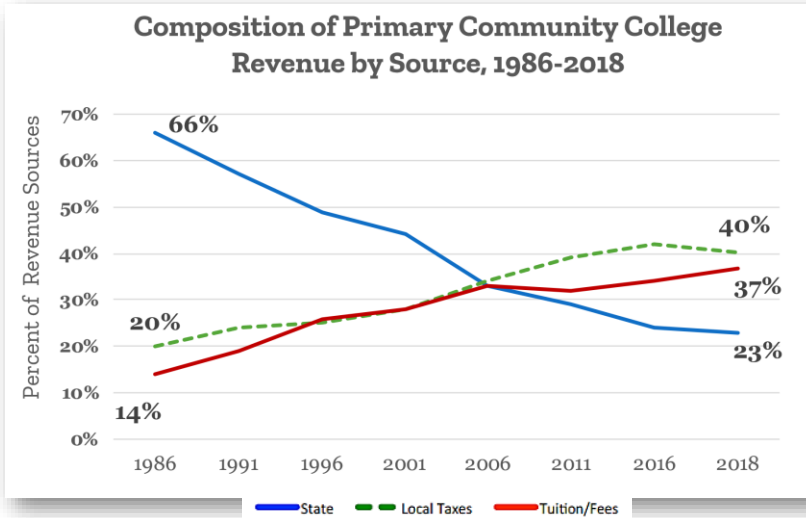
How Community Colleges Are Funded

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

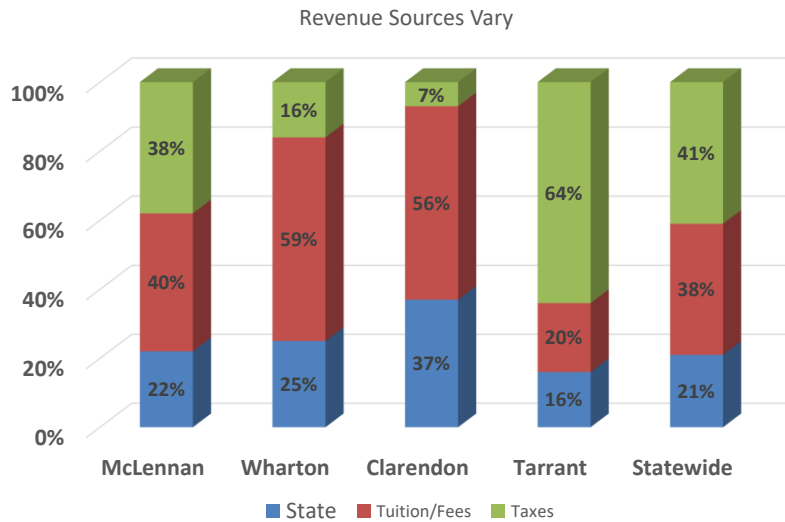


Percent of Revenue by Source Over Time



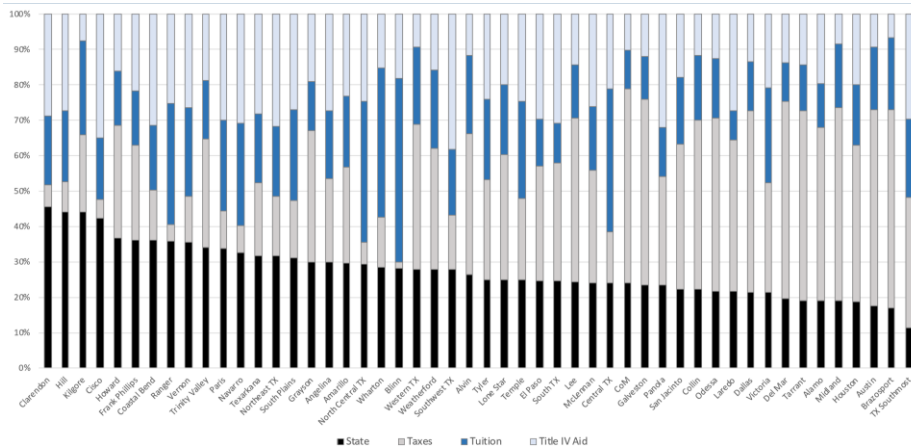
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Revenue Source Comparison



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Revenue Source Comparison



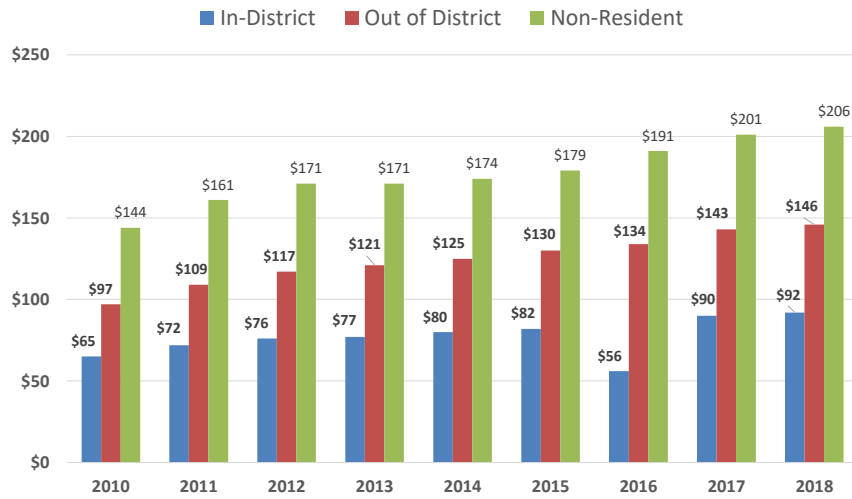
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Tuition and Fees



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Average Tuition and Fees per SCH



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Property Taxes



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State Property Taxes – Selected Fiscal Years

	FY06	FY09	FY12	FY15	FY18	FY19
Valuation (Trillions)	\$0.81	\$1.10	\$1.14	\$1.35	\$1.66	\$1.79
Tax Levy (Billions)	\$0.97	\$1.30	\$1.45	\$1.78	\$2.19	\$2.37
Avg M&O	14.3 ¢	13.3 ¢	14.4 ¢	14.5 ¢	15.9 ¢	15.4 ¢
Avg Debt	1.2 ¢	1.6 ¢	2.0 ¢	2.3 ¢	2.3 ¢	2.9 ¢
Avg Total Tax	15.5 ¢	14.9 ¢	16.4 ¢	16.8 ¢	18.2 ¢	18.3 ¢

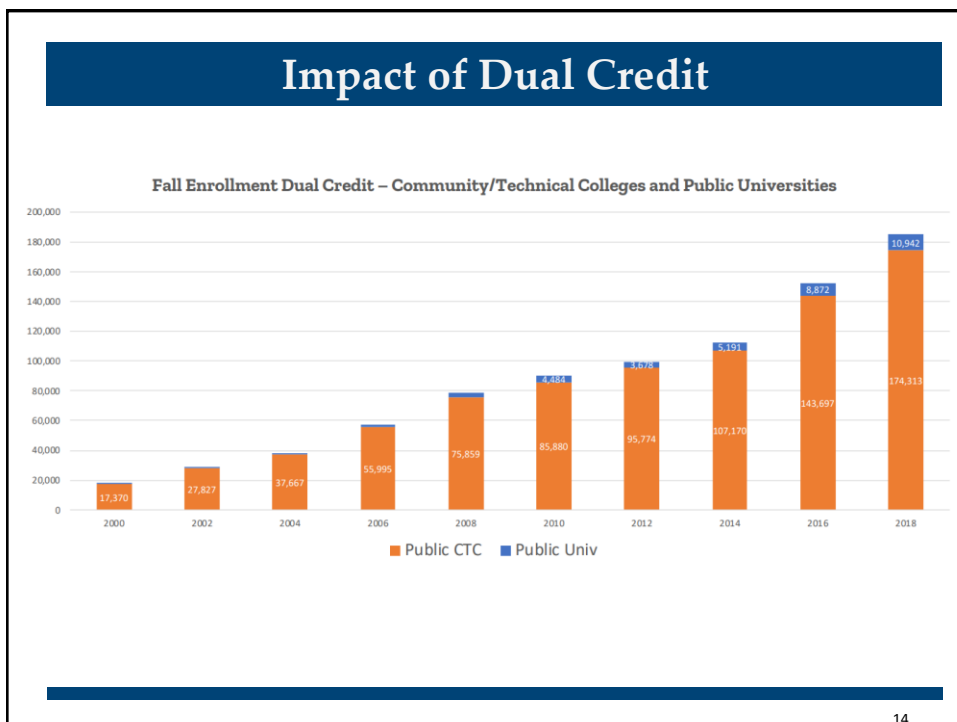
FY 2018 TACC Community College Tax Report

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Highlights on Local Property Taxes

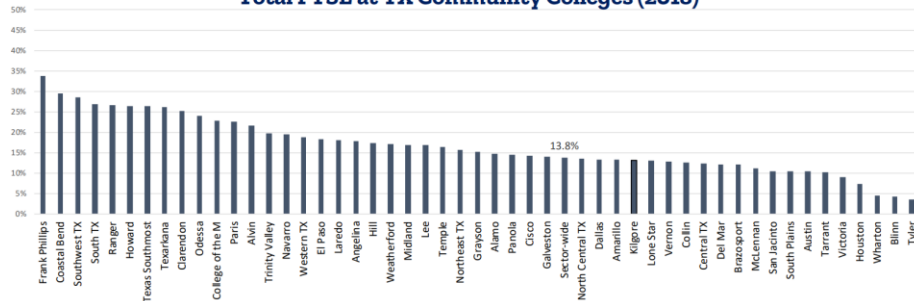
- **Property Valuation in College Districts**
 - Represents approximately 70% of state's property wealth
 - Value of property wealth in college districts has more than doubled since 2006
- Tax rates have increased slightly since 2006. The average M&O tax rate in FY 2018 is 1.6 cents higher than the average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

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Impact of Dual Credit

Estimated* Dual Credit Full-Time Student Equivalents as Percentage of Total FTSE at TX Community Colleges (2018)



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



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State Revenue Sources

Sales & Other
Taxes

Fees

Lottery
Receipts

Interest
Income

Federal
Government

Ending Balances
from
Previous Biennium

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Texas Biennial Budgeting Timeline

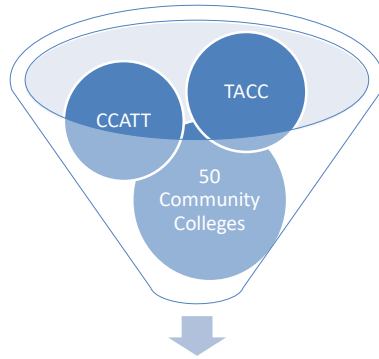
2022 – 2023 Budget Process



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

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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

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Texas Legislature



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

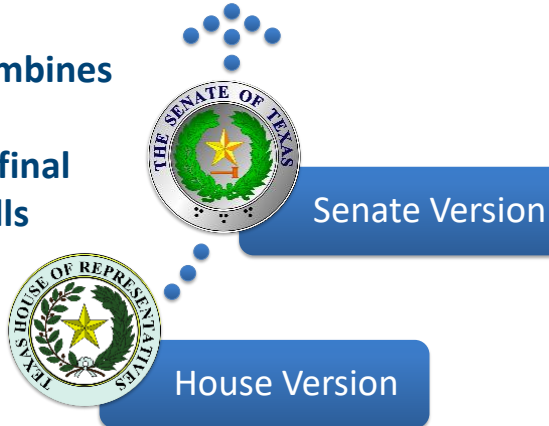
Legislative Budget Board meets with House Appropriations and Senate Finance to give recommendations based on available general revenue and the budget bill is filed

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Texas Legislature

Conference Committee

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

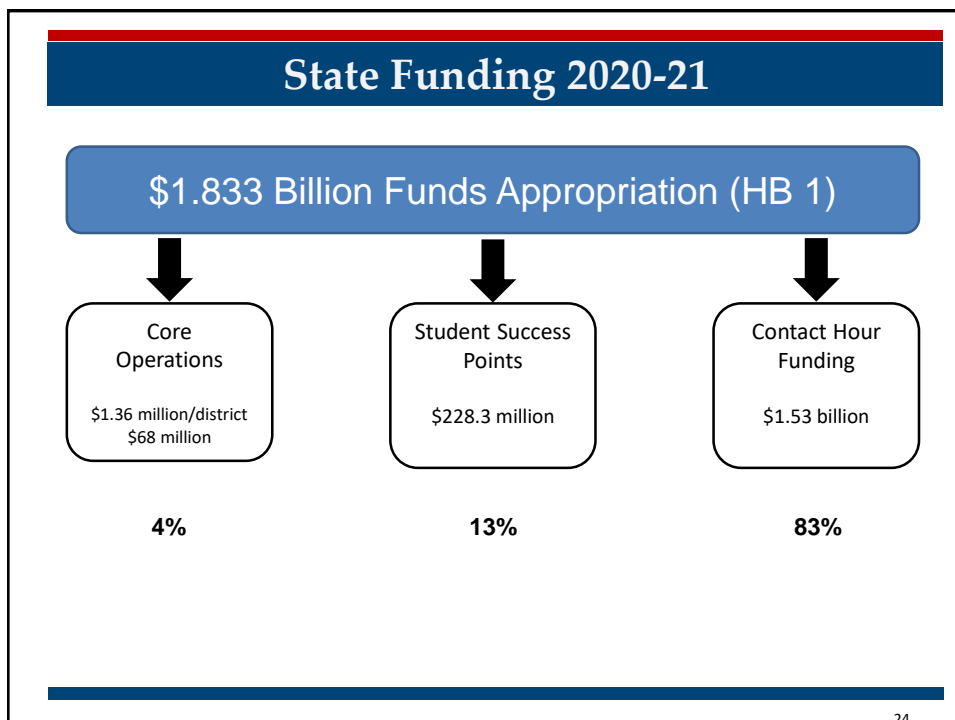
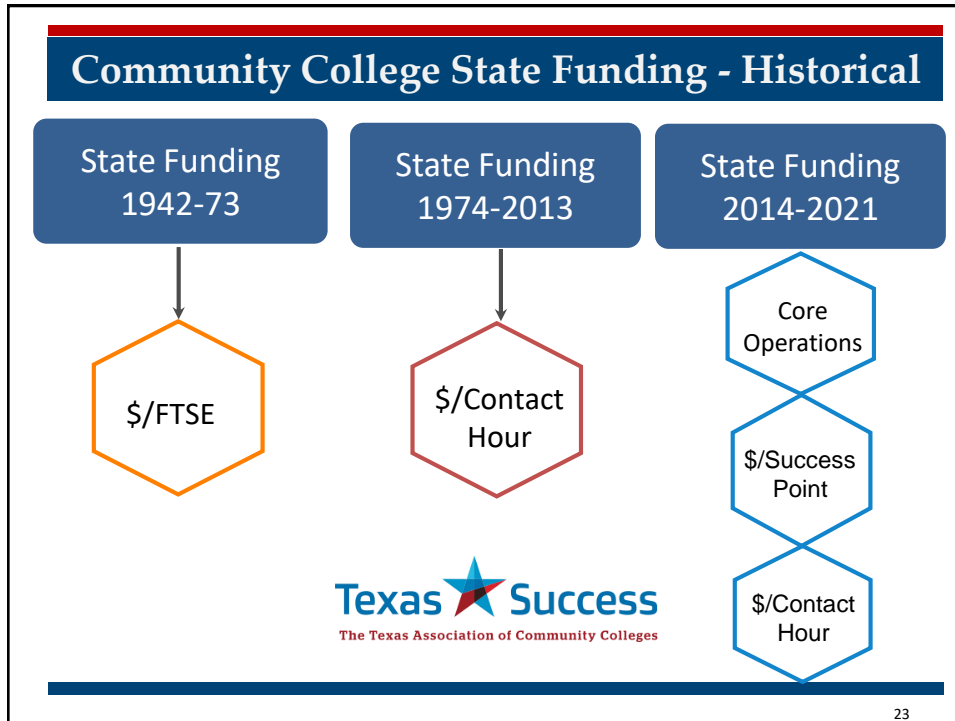


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State Funding for Community Colleges



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State Funding Request 2022-2023

- Under development by Community and Technical Colleges Formula Advisory Committee
- Recommendation to THECB in January 2020

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Core Operations Funding



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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 2019 – 2020

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Contact Hour Formula Funding



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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

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Contact Hour Funding

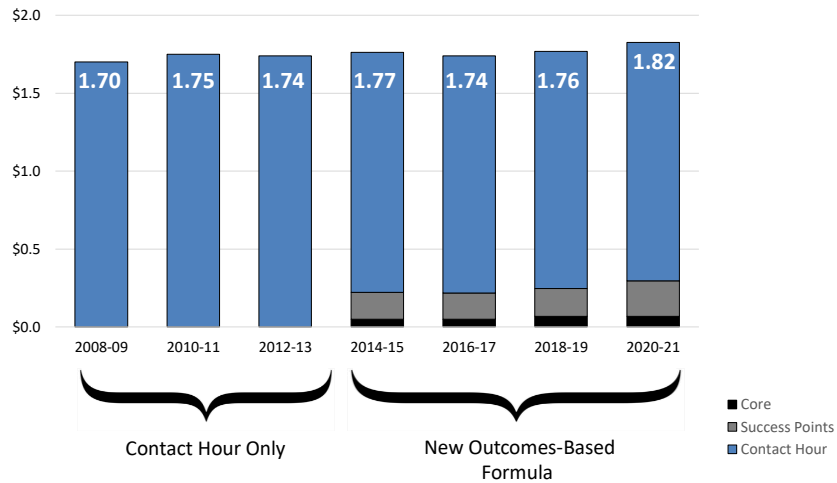
- Contact Hour Funding is distributed based on the number of contact hours for each community college
- Contact Hour Funding is based on each community college's share of total weighted base year contact hours. The base period used for the past 2020-2021 biennium is Summer and Fall of 2018 and Spring 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**
 - **Approved average contact hour rate for 2020-2021** **\$2.72**

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Formula Funds (Billions)



Contact Hour Funding remains the major portion of state funding

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Student Success Points



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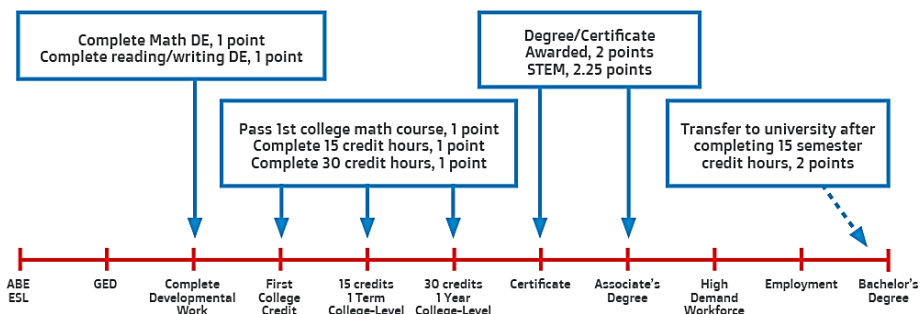
Principles of Student Success Points

- 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

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Student Success Points

Students Success Points Model



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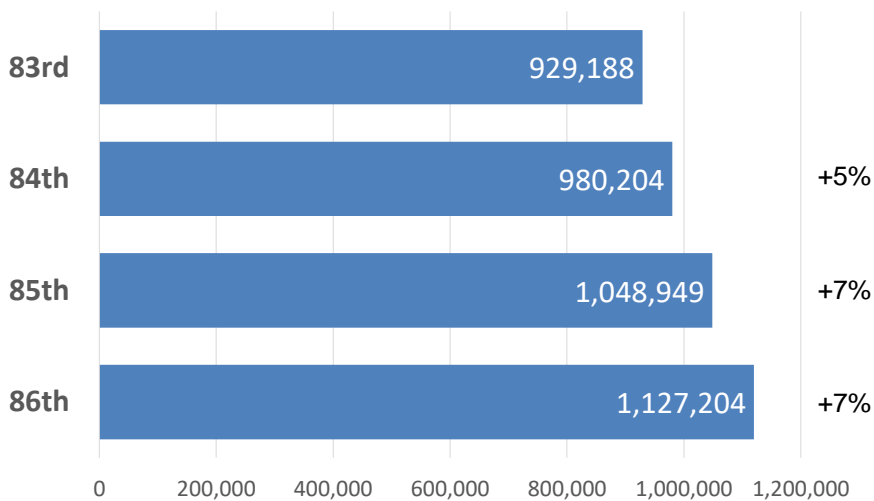
Funding of Student Success Points

- Designed as an allocation system “that compares the performance of the college district to itself” on a three-year rolling average.
- 2014-15 (83rd 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 85th Legislature “decoupled” and funded Success Points and Instructional Formula Funding (no 90/10 split) **\$172 per point**
- The 86th Legislative funded Student Success Points at **\$204 per point**

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Trends with Student Success Points

Colleges can take credit for advancing student achievement in Texas



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Base Year Contact Hours and Success Points

	2016-2017	2018-2019	Percent
Student Success Points	980,204	1,048,949	7.0%
Base Year Contact Hours	282,919,371	280,941,841	(0.7%)

	2018-2019	2020-2021	Percent
Student Success Points	1,048,949	1,127,204	7.5%
Base Year Contact Hours	280,941,841	281,815,890	0.3%

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Group Insurance & Retirement



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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 2020-2021 biennium, \$368 million was appropriated by the Legislature for community college Group Health Insurance, which was a .89% increase from the previous biennium

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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	7.70%	3.75%	3.75%
ORP	6.65%	3.30%	3.30%



For the 2020-2021 biennium, \$172 million was appropriated by the Legislature for community college Retirement Benefits, which was a 46% increase from the previous biennium

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Questions



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