

# Community College Finance

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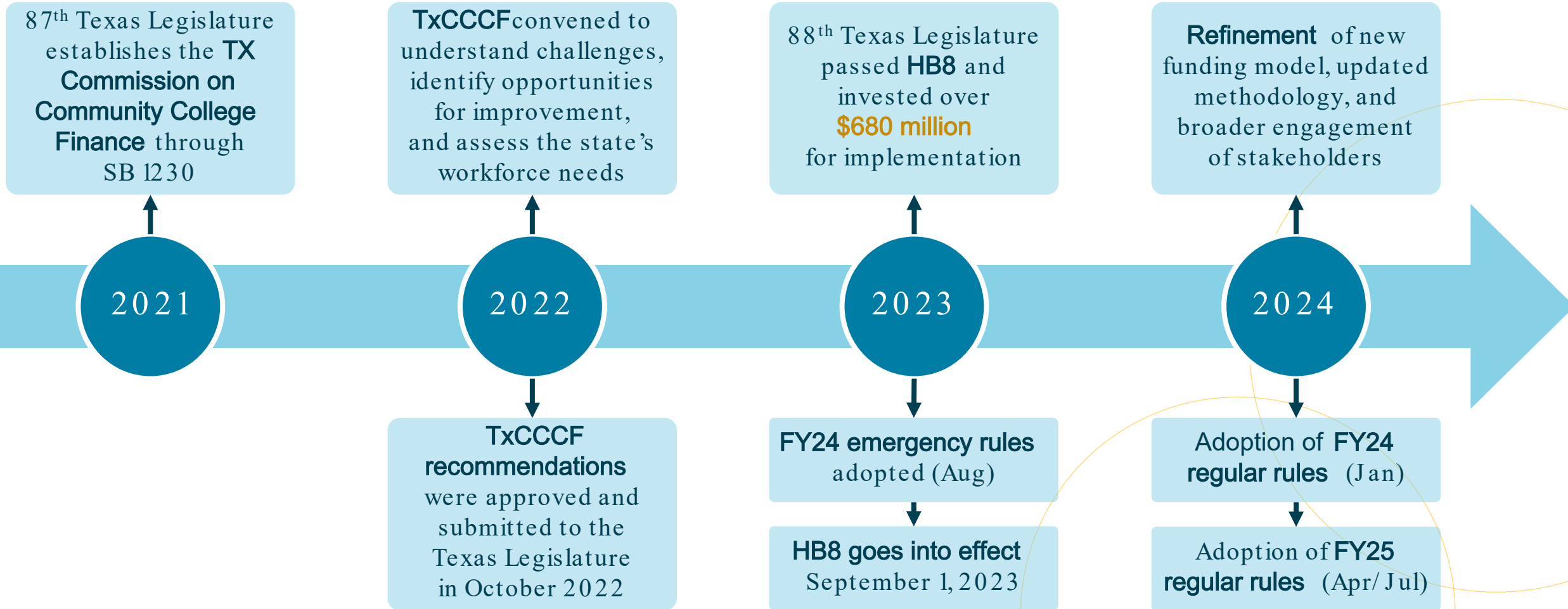


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# Context Setting

# Community College Finance: Key Milestones & Accomplishments



# 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

# Community College Engagement: Collaborative Process



## STANDING ADVISORY COMMITTEE

Comprised of 12 institutional leaders from across the state to provide recommendations regarding formulas and administration of HB8



## TEXAS ASSOCIATION OF COMMUNITY COLLEGES

Ongoing collaboration with TACC leadership and staff to engage community college leaders in rule-making and HB8 implementation

# The New Model

# 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

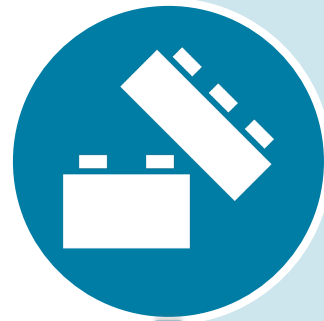
**BASE TIER** funding ensures that all colleges have a baseline level of funding for instruction and operational needs

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 needs (I&O) based on characteristics of its student body and courses taught.



College A



College B



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



College C



# The Nuts and Bolts: Performance Tier Funding



College A



College B



College C



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

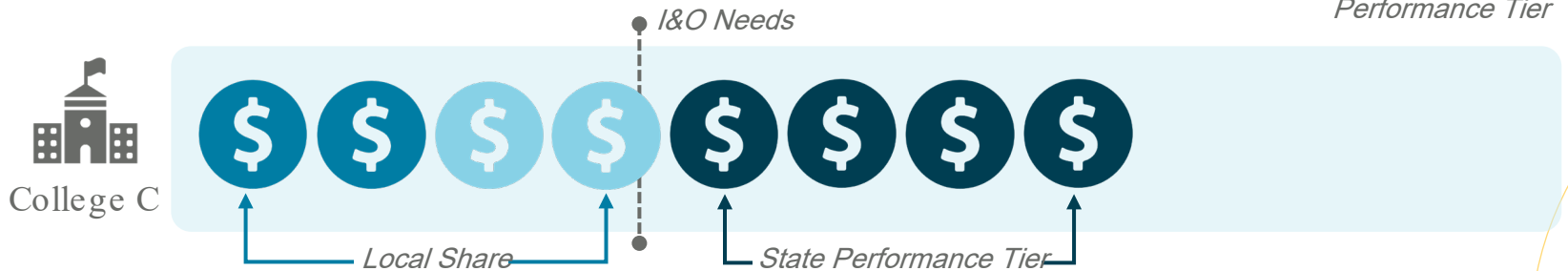
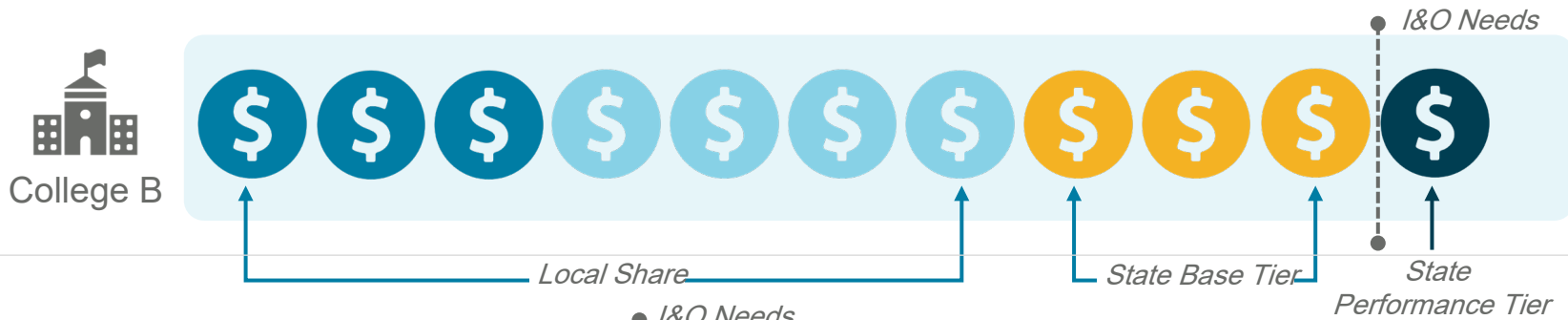
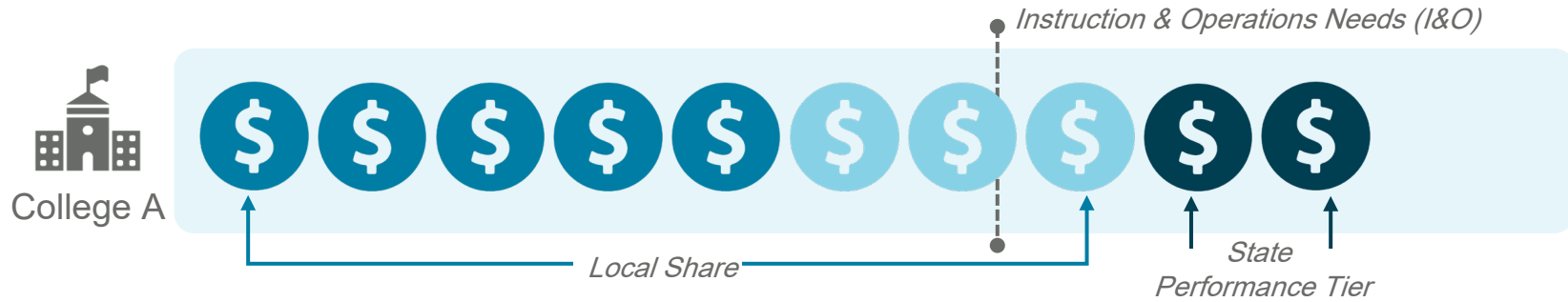
- **Credentials of value awarded**, with an emphasis on high-demand fields
- Students who earn at least 15 credit hours and **transfer to** (or are co-enrolled in) a 4-year public university
- High school students who earn at least 15 credit hours through **academic and workforce dual credit** programs

All outcomes are weighted by student characteristics:

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



# 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

# Major Changes from FY24 to FY25

# 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:

CREDENTIALS  
OF VALUE



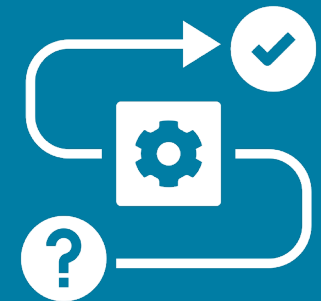
FUNDABLE  
CREDENTIALS



HIGH-DEMAND  
FIELDS



METHODOLOGY +  
PROCESS CHANGES





# 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



## 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



# 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





# High -Demand Fields: Meeting Texas' Workforce Needs

A list of high-demand fields will be developed with input from colleges, Texas Workforce Commission (TWC), the Governor's Office, and other stakeholders and evaluated every 2 years across the following categories:

10

## STATEWIDE HIGH-DEMAND FIELDS

Based on top-10 growing occupational groups for which colleges train students according to 10-year demand projections from Texas Workforce Commission (TWC) and Bureau of Labor Statistics (BLS) data



5

## REGIONAL HIGH-DEMAND FIELDS

Based on top-5 growing occupational groups in each colleges' region that are not on the statewide list, where regions align with the Texas Comptroller's economic regions



## ESSENTIAL AND EMERGING OCCUPATIONS

Colleges and state leaders recommend additional occupations to ensure colleges meet rapidly evolving economic needs and labor shortages in critical occupations

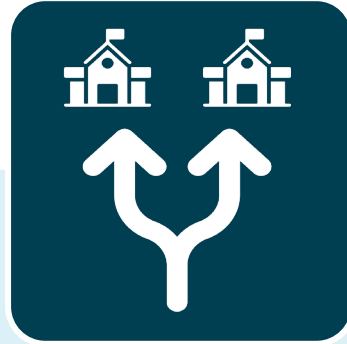
# Methodology + Process:

## 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 payments based on forecasted outcomes to better fund performance changes and create a process to adjust payments accordingly



### Data Sources

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

# Looking Ahead

# The Road Ahead: HB8 Rule - Making

The Coordinating Board will continue to develop and refine rules over the next several months through additional analyses and input gathering from the public and other stakeholders before the April and July board meetings

## 1 APRIL 25, 2024

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

## 2 JULY 25, 2024

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

# Metric Descriptions and Coding Logic

# Fundable Outcome: Credentials

## Identifying Awards (CBM009 and CBM00M)

- Pull awards for the current fiscal year
- Identify high -demand fields through CIP code

	FY24 Methodology	FY25 Methodology
Bachelor's	CBM009	CBM009
Associates	CBM009	CBM009
Certificate	CBM009	CBM009
Occupational Skills Award	Ad hoc collection	CBM00M
Institutional Credential Leading to a Licensure or Certification	Ad hoc collection	Ad hoc collection

# Fundable Outcome: Dual Credit

## Step 1: Identify cohort

- Students enrolled at community colleges in the current FY as reported on the CBM0C1

## Step 2: Sum total dual credit SCH

- Sum qualifying SCH at community colleges in current and prior four years (CBM00S)
  - Qualifying: Course taken by a HS student; Successfully completed; State funded
- Keep students that accumulated at least 15 SCH of dual credit

## Step 3: Consider Prior Points

- If student met the 15 SCH threshold in prior 4 years, they are excluded from the current year count

# Fundable Outcome: Transfer

## Step 1: Identify GAI cohort

- Identify students enrolled for the first time at a public university (CBM001/CBM0C1)

## Step 2: Determine SCH completed at community colleges

- Sum qualifying SCH at community colleges in the current and prior four fiscal years (CBM00S)
  - Qualifying: Non-DE; Successfully completed
- Keep students who have completed at least 15 SCH

## Step 3: Combine students from step 1 and step 2

- Keep students found in both sets



# Fundable Outcomes: Transfer New for FY25 Methodology

**Step 4:** Subtract 15 SCH for students that earned 15 SCH in dual credit

- If a student earned 15 hours of dual credit/dual enrollment hours in the current or prior 4 years, 15 SCH is subtracted from the total SCH
- Exclude students who no longer have at least 15 SCH

**Step 5:** Determine which institution gets a fundable outcome

- Tie-breakers:
  - Award to the last CC the student attended
  - Award to the CC from which the student earned the greater number of SCH in the last term attended
  - Award to the CC from which the student earned a greater number of total SCH
- If the student is still counted at multiple institutions, both institutions earn a transfer outcome

# Fundable Outcome: Co-enrollment

**Step 1: Identify First Time in College (FTIC)**

- Identify students enrolled at CC two years prior to current FY (CBM0C1)

**Step 2: Identify students enrolled at universities**

- Identify students enrolled at a university two years prior to current FY (CBM0C1)

**Step 3: Combine Students from Step 1 and Step 2 and limit to Co-enrollment program pairs**

- Keep students found in both sets
- Limit to students enrolled in a CC/ Univ pair reported to the THECB

**Step 4: Determine SCH completed at community colleges**

- Sum qualifying SCH at community colleges in the current and prior two fiscal years as reported on the CBM00S

# Student Characteristics: Adult Learner

	FY24 Methodology	FY25 Methodology			
<b>Credential</b>	Bachelors, Associate, Certificate	Bachelor's	Associate	Certificate	Occupational Skills Award
	<b>Age 25 or older as of September 1</b>				
<b>Year age measured</b>	In the FY when the award is conferred	Earliest enrollment: current and prior three FY	Earliest enrollment: current and prior FY	In the FY when the award is conferred	In the FY when the award is conferred
<b>DOB Source</b>	CBM009	CBM0E1	CBM0E1	CBM009	CBM00M

# Student Characteristics: Adult Learner

	Transfer		Co-Enrollment
	FY24 Methodology	FY25 Methodology	FY24 and FY25 Methodology
	Age 25 as of September 1		
Year Age Measured	Earliest enrollment: current and prior four FY	Earliest enrollment: current and prior two FY	In initial year – two years prior to current year
		If no enrollment found: Earliest enrollment in prior four FY	
DOB Source	CBM0E1	CBM0E1	CBM0C1

# Student Characteristics: Economically and Academically Disadvantaged

	Economically Disadvantaged	Academically Disadvantaged
Data Source	FAD / Pell Receipt	CBM002/Not TSI - Met or Not Waived
Credential	Current FY or prior four years	Current FY or prior four years
Transfer	Current FY or prior four years	Current FY or prior four years
Co-Enrollment	In initial year – two years prior to current year	In initial year – two years prior to current year



**Texas Higher  
Education  
COORDINATING BOARD**