



Financing Community Colleges: National Context

Texas Commission on Community College Finance
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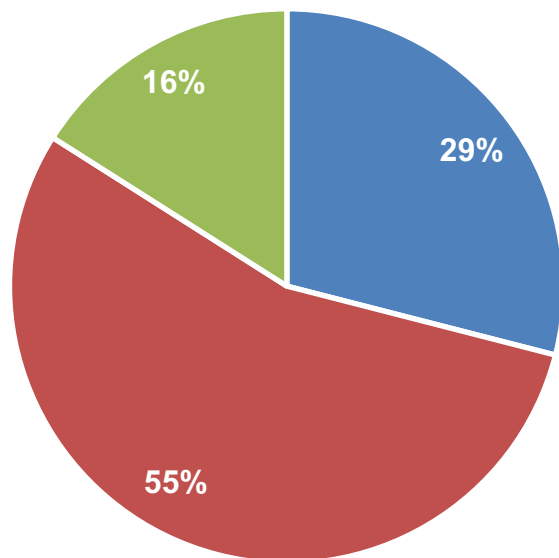
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Agenda

- Community College Resources
- State Support for Community Colleges
- Various State Models
- Final Thoughts

Community College Resources

Simplified View: Community College Core Revenues



- Tuition
- State and Local
- Federal/State and Local Grants and Contracts

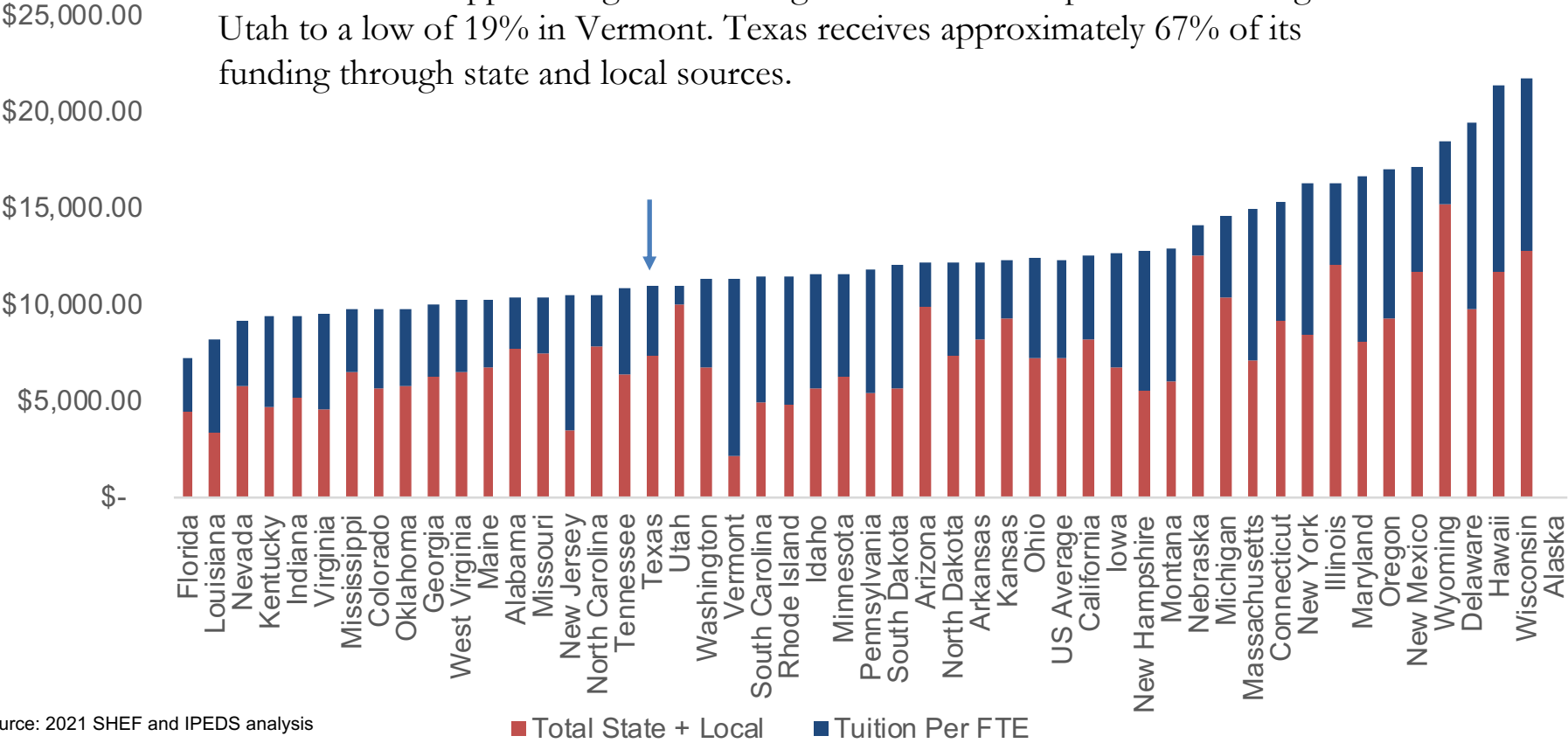
The majority of community college revenues come from state and local appropriations, followed by tuition. This varies across states on several factors.

Institutions also receive other grants and contracts from federal and state sources.

Source: Trends in College Pricing

Core Revenues (per FTE) Broken out by State + Local Support and Tuition

State and local support ranges from a high of 91% of total per FTE funding in Utah to a low of 19% in Vermont. Texas receives approximately 67% of its funding through state and local sources.

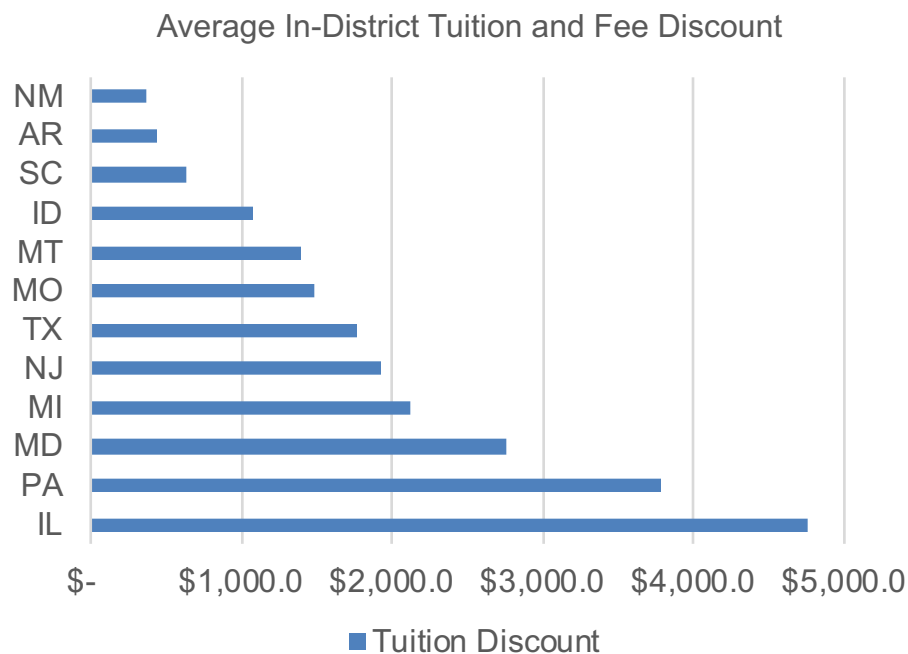


Source: 2021 SHEF and IPEDS analysis

Local Funding in State Context: Access + Equity for Low-Income Populations

Local resources can be a more consistent or stable source of income for community colleges but can also exacerbate gaps due to variations in tax bases (lower-income communities having lower tax bases). Another consideration is the use of tuition discounts. Several states with local funding have in-district tuition discounts for students within the taxing district.

Local funding with in-district discount	Local funding without in-district discount
Arkansas, Idaho, Illinois, Maryland, Michigan, Missouri, Montana, New Jersey, New Mexico, Pennsylvania, South Carolina, Texas	Arizona, California, Iowa, Mississippi, North Carolina, Nebraska, New York, Oregon, Wisconsin, Wyoming



Source: Postsecondary Analytics

Focusing in on State Funding

K12 vs. Higher Education Formulas

Higher Education and K12 funding are historically different. K12 is considered an entitlement and formulas inform appropriation amounts. Higher education is typically a discretionary investment at the state level. Formulas may include certain factors (costs, student characteristics, program priorities) but don't guarantee a certain level of state investment.

	K12	Higher Education (National View)
Adequacy	Yes. Adequacy well established	No. Adequacy not well established.
Entitlement	Yes. Funding is an entitlement appropriation in state budgets.	No. Funding is often considered discretionary. Formulas seen as allocation models that provide rationale how state funding is distributed to institutions.
Other Funding Sources	Yes. Funding formulas in most states work to equalize or adjust for variations in local funding (tax revenue) capacity.	Partial. Funding formulas most often do not adjust for variations in revenue from other sources (local + tuition/fees). Some states have taken steps to account for variations.
Student Background	Yes. Funding formulas consider for different student characteristics.	Partial. State funding formulas have increasingly moved to account for differing student characteristics in formula.

Common Formula Components in CC Funding Models

Base Funding

- Sometimes referred to as core funding.
- May be a set amount given to each institution
- Comes “off the top” or first element to be funded

Enrollment

- Typically based on enrolled student credit hours
- Often includes variable costs for different types and levels of courses
- Sometimes factors in varying student characteristics
- May include small institution factor

Student Success/Outcomes

- Progression and completion focused components
- Often includes additional “weights” or funding for success of certain students
- Often includes priorities for certain program areas

Principles for a Strong Community College Funding System

Principle	State Approaches	Current Texas Funding Model
A funding system that is responsive to changes in the system.	Funding based on enrollments and shifts in where enrollments are happening.	Includes SCH (enrollment) but not funded based on current year enrollments
A funding system that accounts for differing student needs.	Typically a feature in states that have outcomes/student success metrics incorporated into funding models.	Does not account for differing student needs and associated costs to successfully serve them.
A funding system that aligns with state's current needs for a more educated and trained workforce.	Several states with outcomes funding models have priority for specific in-demand degrees or certificates. Data can be a limiting factor for more direct workforce metrics.	Student Success Points are included but account for small % of overall funding. Not necessarily reflective of workforce needs (in-demand fields).

It's relatively easy to build a funding system that considers these three aspects.

What is more difficult is developing a financing system that:

- articulates the state role (commitment) in financing postsecondary educational opportunities and
- considers varying levels of resources across institutions

Adequacy in Community College Finance

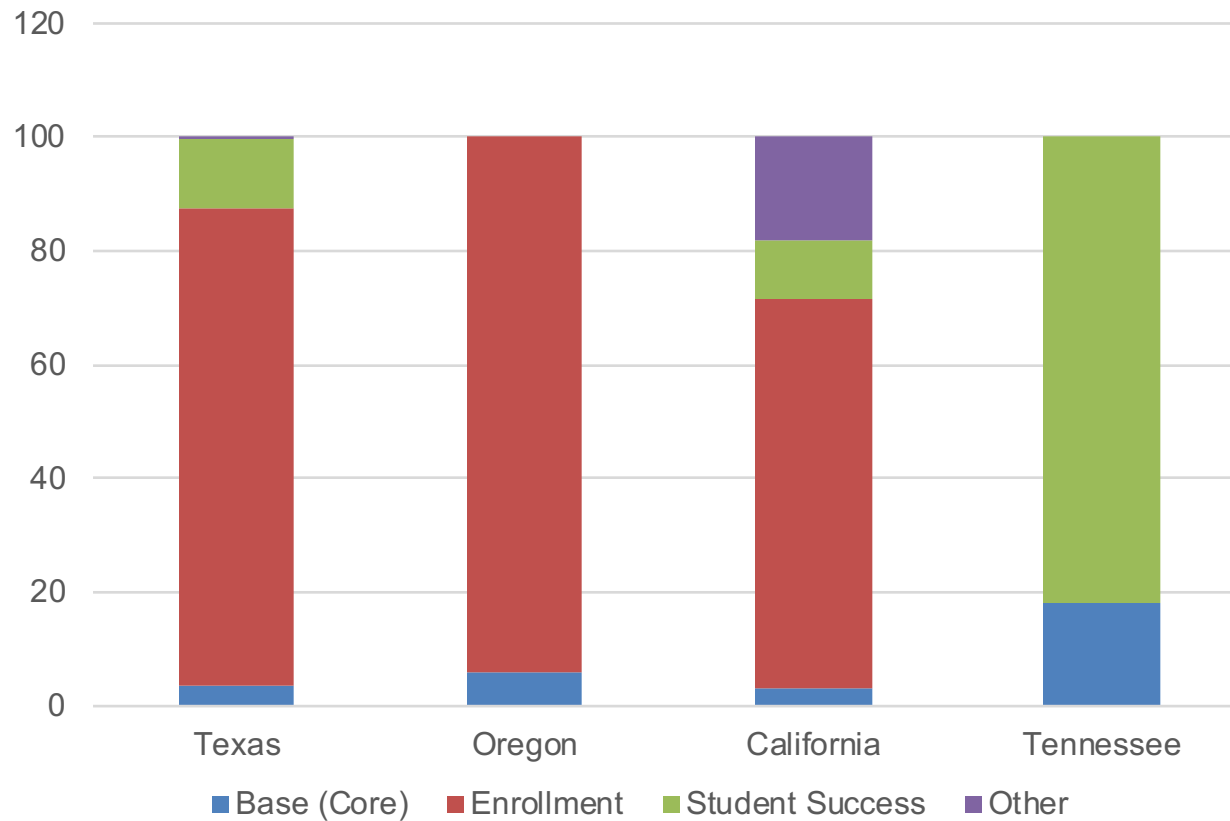
- What does it cost to provide an adequate community college education?
 - Answer: We don't really know.
 - Absence of analysis of how much it costs
 - Lack of understanding of varying costs for different student groups
 - Lack of understanding (or at least scaling) of effective practices that support student success.
 - This hinders the ability to orient around a rational financing structure.
 - Field is moving in this direction: to better understand costs that can help inform funding levels and strategies.

State Specific Examples

A Look at Three State Models

State	Responsive to Changes	Accounts for differing student needs	Aligns to need for more educated and trained workforce	Factors in local funding	Articulates state role (level of commitment)
Oregon	✓	X	X	✓	X
California	✓	✓	✓	X	X
Tennessee	✓	✓	✓	X	X

Funding Model Comparison (FY 2020)



Considering Local Funding in State Allocations: Oregon's Community College Support Fund

Step 1: BASE PAYMENTS

Flat rate + small school adjustment

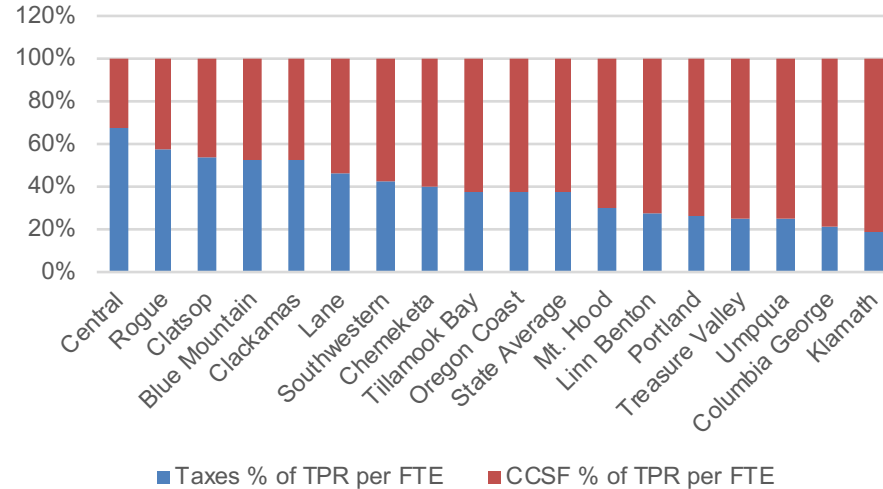
The base payments are made based on a flat rate per weighted FTE. A college size factor is then used to ensure smaller institutions receive additional funds in recognition that they lack economies of scale.

“The primary principle guiding the CCSF distribution formula is equitable distribution of public resources per student, with public resources defined as state resources plus local property tax.”

Step 2: RELATIVE FUNDABLE FTE

Total Public Resources Per FTE – Taxes Per FTE
= CCSF Per FTE

Property taxes are combined with CCSF calculations to produce a measure of the Total Public Resources (TPR) per FTE for each institution. Allocations initially done based on prior year. “Settle Ups” done 4 times per year to account for actual numbers (FTE and local resources)



Source: Oregon Higher Education Coordinating Commission

Accounting for Student Characteristics: California's Student Centered Funding Formula

source: CCCCCO, SCFF [FAQ](#) and SCFF [Dashboard](#)

- Access (Base): Enrollment, adjusted for total enrollments and district size
- Equity (Supplemental): Number of low-income students enrolled (Pell Grant, California Promise, "AB 540" students)
- Success: Outcomes of educational progress, transfer, completion, wage earnings (all students, Pell students, California Promise)
- Funding Protections: Minimum revenue guarantee, stability protections. Districts will receive at least the amount of 2017-18 total revenues, adjusted by cost of living, (~ 2.9% of total funding in 20-21). In place through 2023-24

Funding Breakdown - Fiscal Year FY 20-21



CA SCFF: Success Metrics

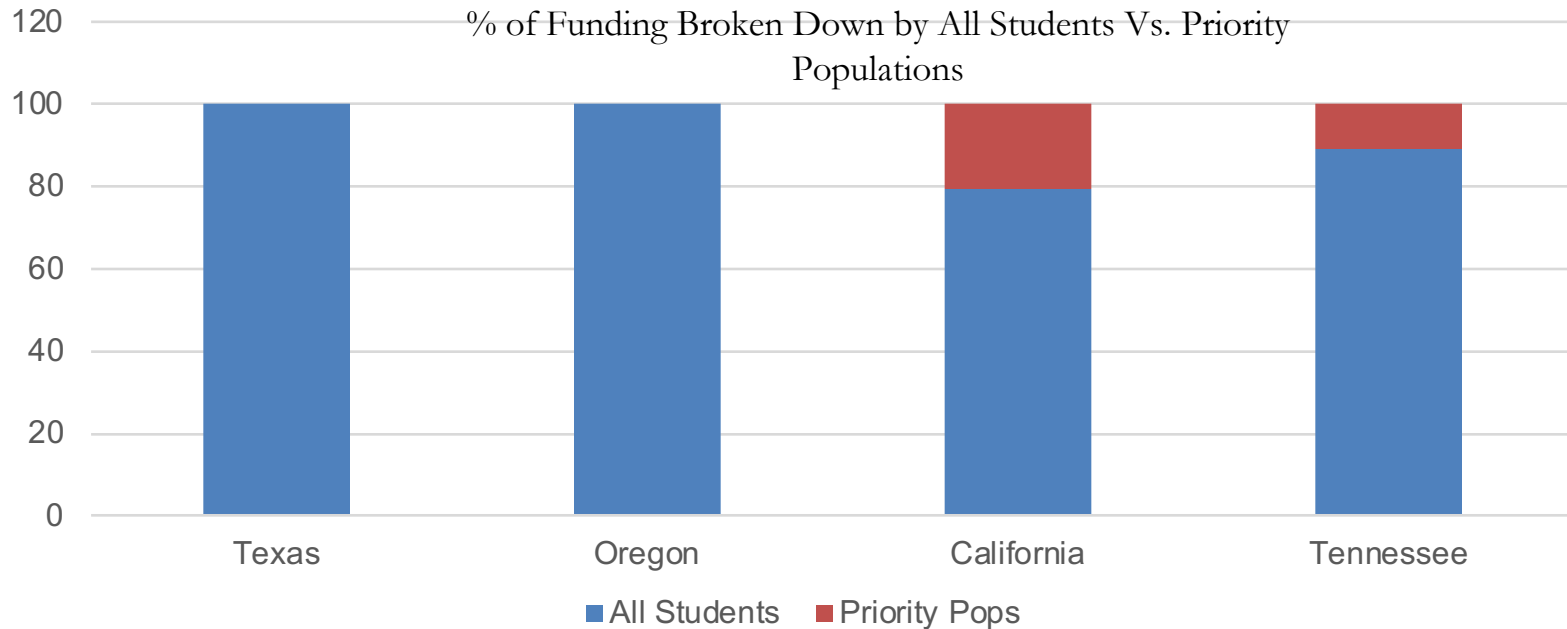
- The following are counted for All students, Pell Recipients and Promise Grant Recipients
 - Associate Degree for Transfer
 - Associate Degree
 - Baccalaureate Degree
 - Credit Certificates
 - Transfer Level English & Mathematics
 - Transfers
 - Nine or more CTE Credits
 - Regional Living Wage

Tennessee's Outcomes Based Formula

Source: THECB, [Outcomes Based Funding Resources](#)

Category	Metrics (Weights Varied Based on Institutional Priority)			
Credit Hour Accumulation	Students Accumulating 12 credit hours	Students Accumulating 24 credit hours	Students Accumulating 36 credit hours	
Completion Benchmarks	Technical Short-Term Certificates	Long-Term Certificates	Associates	Awards per 100/FTE
Other Mission-Aligned	Dual Enrollment	Workforce Training	Transfers w/12 credits	Job Placement
Focus Populations (Accounting for Differing Student Needs)				
Adult Low Income Academically Underprepared	80% Weight for One Category = 1.8 Outcomes 100% Weight for Two Categories = 2 Outcomes 120% Weight for Three Categories = 2.2 Outcomes			

Accounting for Differing Student Needs



When accounting for supplemental (enrollment based funding for priority populations) and components of student success funding directed toward priority populations, California allocates ~21% of funding based upon differing student needs. Tennessee allocates ~10.6% of funding for priority populations within its funding model.

Aligning to State Needs: Educated + Trained Workforce

In addition to funding based on student progression and overall completion, states are starting to incorporate metrics intended to reflect or align with workforce needs as part of the outcomes-based funding components.

Common Metrics

- Job Placement / Wage Metrics
- Extra Weighting for High Demand Degrees
- Separate Metrics for High Demand Degrees
- Other Related Metrics
(*i.e., Apprenticeships, Licensure/Certification, Non-Credit Workforce Training*)

Considerations

- Identify priorities for job placement/workforce outcomes
 - All job placements? Earnings levels?
 - Jobs in certain fields (STEM+H); Jobs aligned w/student field of study; jobs in high need areas; jobs paying above certain wage level
- Evaluate data sources and validity
 - Data that are consistently reported and verifiable is common
 - challenge to incorporating job/post-graduate outcome metrics
 - as component of funding models.

Summary

- Consider the role/impact of local resources **on equity in access for students** and resources across institutions
- Build capacity to understand adequacy: what does it cost to **successfully serve students** from different backgrounds? What combination of resources and funding approaches are best aligned to these needs?
- Develop a funding model that **reflects core principles**: responsive to change, account for different student needs, align to state needs for more educated and trained workforce
- Work to **articulate the state's role** in funding for community colleges and how best to support access, affordability and workforce-aligned outcomes for students
- Evaluate other aspects that can influence community college finance and student access and success: such as dual enrollment and shared services



Thank You

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