

Mastering Community College Finance

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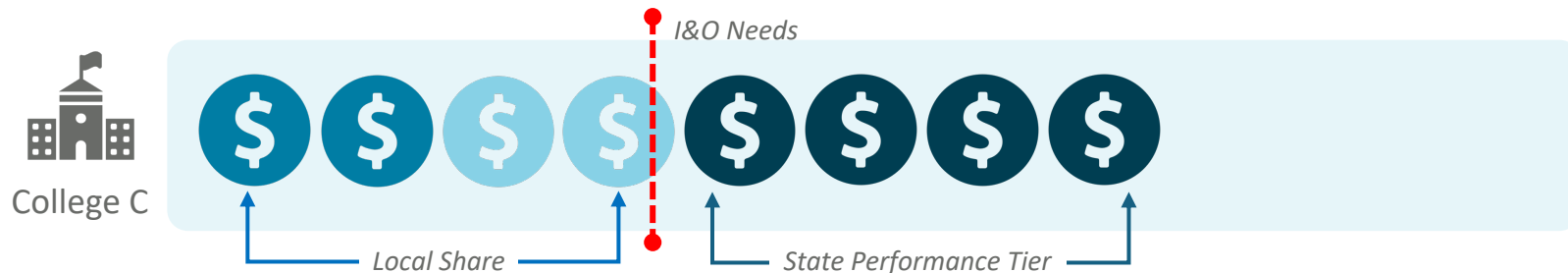
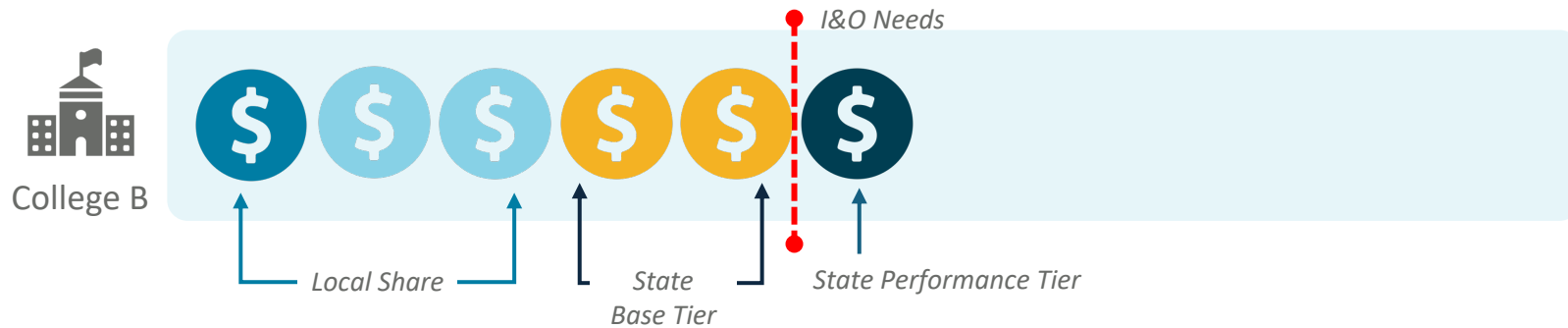
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Base Tier Overview

The Big Picture

Dynamic, Innovative Financing Model



Notable features:

- Majority (95%) of state funding tied to student outcomes
- Base tier responsive to local resources and needs
- Dynamic funding adjusted in response to performance data
- Funding that accounts for differences in student needs
- Premium funding for credentials in high-demand fields and for those delivered at lower cost to students

Base Tier Calculations

Instruction & Operations Need

- **Instruction & Operations minus Local Share**
- **I&O= Contact Hour Funding + Basic Allotment**
 - CH= Base-year contact hours * discipline-level funding rates
 - Funding rate= State avg. cost/CH * CH Funding % Rate
 - Basic allotment= FTSE * applicable weights * Basic Allotment \$ Rate
- CH Funding and Basic Allotment Rates: by rule, set such that CH=Basic Allotment and Base Tier = 1/19 of Performance

Base Tier Calculations

Local Share

- **Instruction & Operations minus Local Share**
- **Local Share= Local Tax Estimate + Tuition/Fee Estimate**
 - **Local Tax= Prior Year Current M&O Collection / (M&O*100)*5**
 - **Tuition/Fee= (Dual credit SCH*FAST rate) + (Non-dual FTSE * State enroll-weighted avg in-district FTSE T/F)**

Base Tier Calculations

Summing Up

Contact Hour Funding (courses taught) +
Basic Allotment (students served)

minus

Local Tax Estimate + Tuition/Fee Estimate

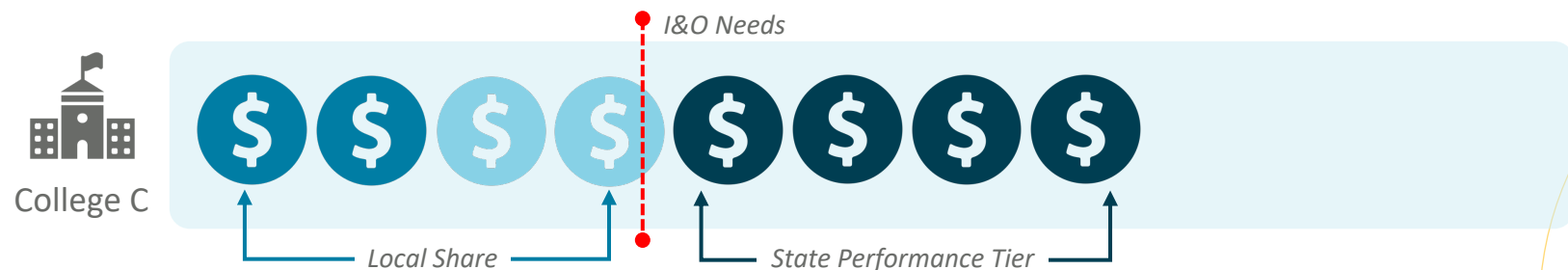
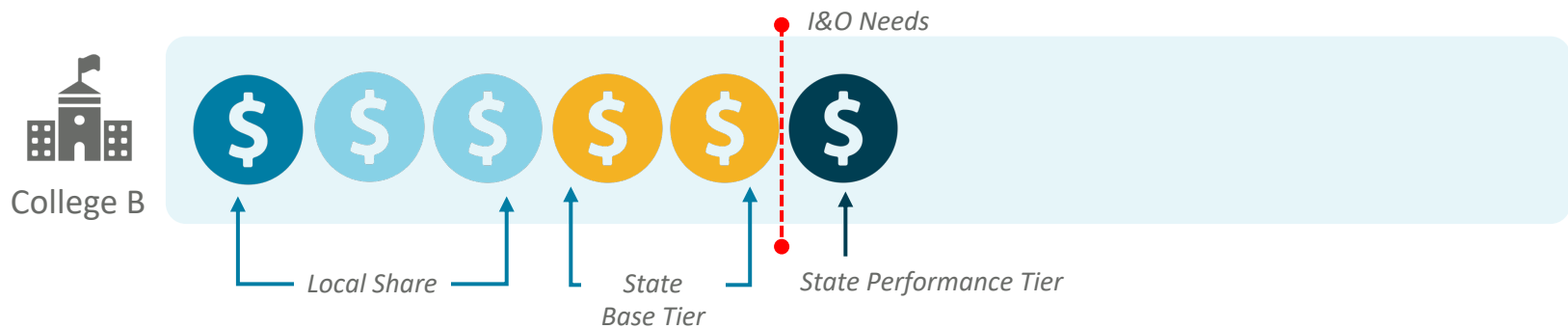
If positive, difference = base tier funding;

If negative, no impact

Performance Tier Overview & Forecasting

The Big Picture

Dynamic, Performance-Based Funding



\$ STATE PERFORMANCE TIER

FUNDABLE OUTCOMES

- Fundable credentials of value
- Credential of value premium
- 15 semester credit hours (SCH) of dual credit
- General academic institutions (GAI) transfer/co-enrollment with 15 SCH

STUDENT/OUTCOME WEIGHTS

- Economically disadvantaged students **(+25%)**
- Academically disadvantaged students **(+25%)**
- Adult learners **(+50%)**

Performance Tier High-Level

$$\begin{aligned} &\text{Weighted Fundable Outcome Count} \\ &\quad \times \\ &\quad \$ \text{ Funding Rate} \\ &= \text{Funding} \end{aligned}$$

Performance Tier

Weighted Fundable Outcome Count

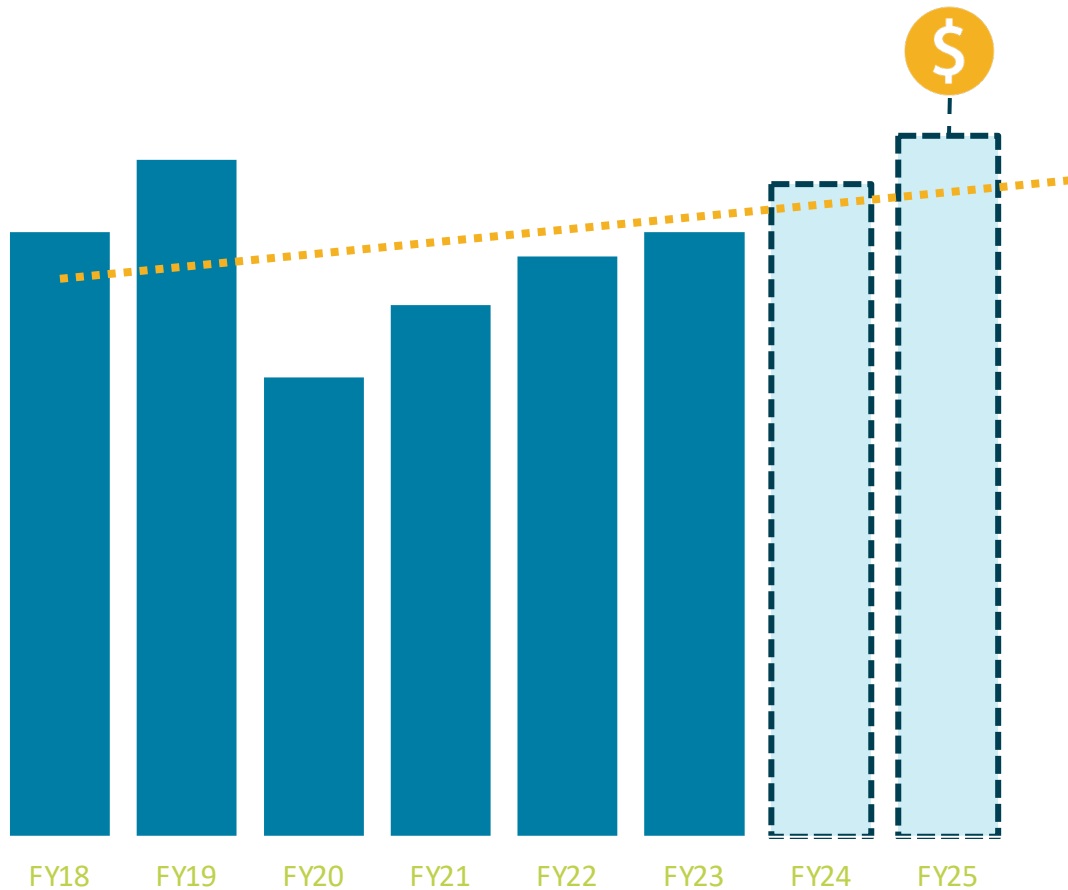
Weighted Fundable Outcome Count

=

Greater of (current year weighted count OR average weighted count of current year*, prior year*, prior-prior year)

**Forecasted data*

Forecasting Outcomes: Projecting Performance Tier Outcomes



Note: Due to a lag in data availability, outcomes for FY24 and FY25 will be estimated using historical outcomes data.

THECB will use historical outcomes data to estimate performance tier outcomes for FY24 and FY25:



Data Availability

FY 2018-2023 data will be used to project traditional credential outcomes, and data from FY 2020-2023 will be used for Occupational Skills Awards (OSAs) and ICLCs



Guardrails

*Year-to-year changes to outcomes will be limited to **+10%** / **-5%** to ensure forecasted outcomes fall within realistic limits and to provide funding stability to colleges*



Funding Calculation

Funding will use actual FY23 outcome data and estimated FY24-25 outcome data with initial funding based on the best of FY25 estimates or average of FY23-25 estimates

Performance Tier Forecasting

Forecasted outcome total= ETS forecast from historical period
No more than 10% up or 5% down, year-over-year

Forecasted subgroup outcomes= Total * subgroup % from historical
period

Performance Tier Forecasting

- Initial FY funding based on one actual year and two forecasted: current and prior
- Prior year preliminary data available January of current year
- Update forecast and adjust funding- dynamic payments

Performance Tier Dynamic Payments

Performance Tier

Dynamic Payments: key terms

- Foundation payment: the “baseline”, calculated initially with two forecasted years
- Dynamic adjustment: positive-only Feb. '25 funding change when '24 preliminary data increase funding
- Projected settle-up adjustment: Oct. '25 funding change when '24 certified data change funding
- Settle-up adjustment: positive-only Feb. '26 funding change when '25 preliminary data increase funding
- Close-out adjustment: Oct. '26 funding change when '25 certified data change funding

Dynamic Payments: Funding Schedule and Adjustments



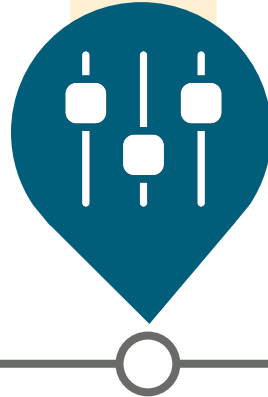
FY25
OCT



Foundation
Payment (50%)

*50% of fiscal year's
base tier payment
+ 50% of performance tier
payment calculated based
on **projected outcomes***

FY25
FEB



Dynamic Adjustment (25%
+ Plus-Up)

*25% of current year funding
+ **mid-year positive (+)
adjustment** if preliminary
outcomes are greater than
projected*

FY25
JUN



Remaining Foundation
Payment (25%)

*25% of current year funding
paid to colleges
in June*

FY27
OCT

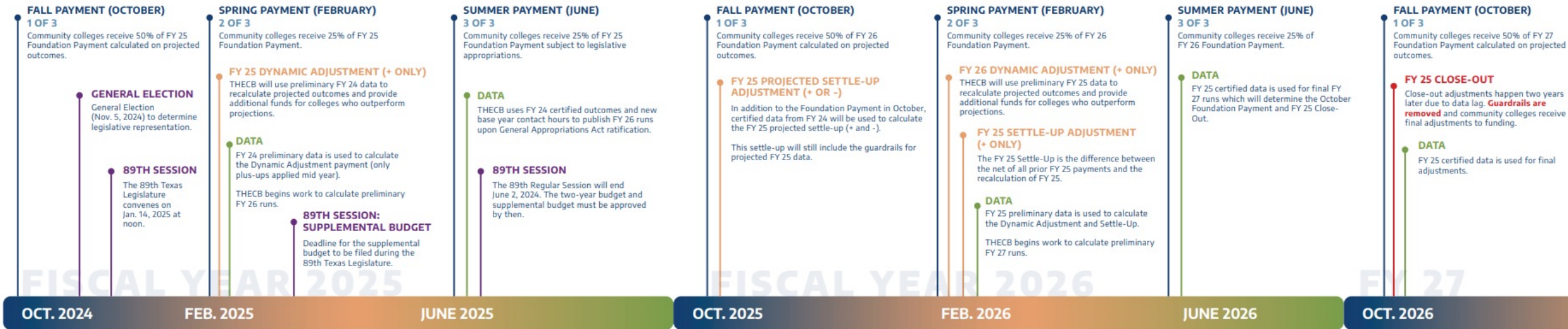


Close-Out Adjustments

***Final adjustments (+/-)** for
differences between
projected and **certified
outcomes** applied 2 years
later due to data lag*

Performance Tier

HOUSE BILL 8: COMMUNITY COLLEGE FINANCE DYNAMIC STRUCTURE



THREE-PAY SYSTEM

DATA AVAILABILITY

FUNDING ADJUSTMENTS

CLOSE-OUT

TEXAS LEGISLATURE



Texas Association of Community Colleges

Texas Higher Education COORDINATING BOARD

Updated: 05.24.24

Performance Tier

Dynamic Payments: Key principles

- February adjustment can only increase funding; no decrease
- October adjustment can go up or down
 - Occurs only at new fiscal years
 - Published with new runs
 - Based only on certified data
- Funding for a FY is all actual data in Feb. of FY after
- Funding is all actual, certified data in Oct. of 2 FYs after

Resources

Community College Finance Resources

- CCF webpage: <https://www.highered.texas.gov/community-college-finance/>
- FY25 Models & Tools: <https://www.highered.texas.gov/community-college-finance/formula-funding/#fy25>
- CCF inbox: CCFinance@highered.Texas.gov