



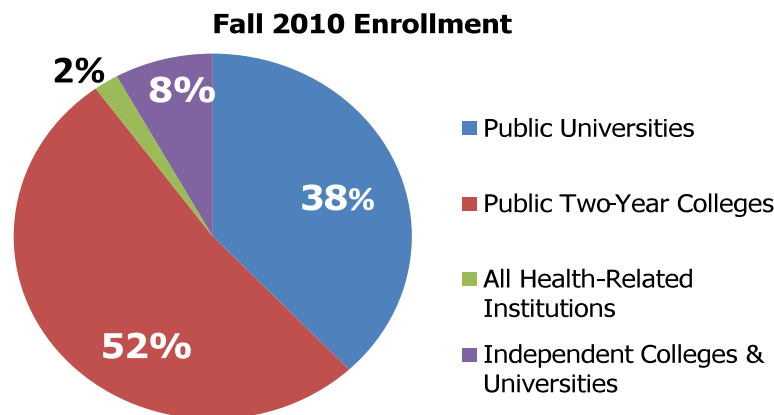
Texas Two-year Colleges

Briefing for State Policymakers

Increasing student performance is an urgent state and national priority for ensuring long-term economic growth and prosperity. To meet the goal for student success in *Closing the Gaps by 2015*, Texas must award an additional 46,000 credentials annually by 2015 – a 28 percent increase over 2009. The role of Texas community and technical colleges in achieving this goal is critical.

With their open doors, community and technical colleges are the entry point to postsecondary education for a wide variety of students. These institutions presently enroll more than half of the students in Texas higher education. They support regional economic development and educate and train (and re-train) the regional workforce. Community and technical colleges are accessible to diverse populations across the state, and remain a bargain compared to community colleges nationally and Texas public four-year institutions.

Two-Year Colleges Enroll the Highest Proportion of Students in Texas



The Economic Value of Texas Public Community Colleges

In November 2010, the Texas Association of Community Colleges (TACC) released a report called *Moving Texas Forward: The Economic Contribution of Texas Community Colleges*, prepared by Economic Modeling Specialists, Inc. The findings show that the education provided by community colleges benefits society through higher personal income which generates increased tax revenue, reduced welfare costs, reduced unemployment costs,

improved health, and reduced crime. Specifically, the report concludes that Texas taxpayers see a rate of return of 6.9 percent on their investment in Texas community colleges, the Texas economy sees a total annual contribution of \$1.6 billion from these institutions, and for every dollar students invest in Texas community colleges, they receive a cumulative \$5.20 in higher future income (discounted) over the course of their working careers. Furthermore, the report finds that every dollar of state and local tax money invested in the colleges today yields a cumulative of \$28 in benefits that accrue to all Texas residents as added income and avoided social costs.

The State's Fiscal Climate: Impact on Community Colleges

Total revenues for community colleges can be classified in four major areas: state appropriations, local taxes, tuition and fees, and other sources. In FY 2009, state appropriations accounted for 24 percent of all revenues, local taxes accounted for 30 percent, tuition and fees for 23 percent, and 23 percent came from other sources. State funding for public community colleges totaled \$1.2 billion for FY 2009.

Over the past 25 years, the state's share of funding the overall operating budget of community colleges has declined from a high of 61 percent in FY 1985 to 24 percent in FY 2009. During this same period, students have enrolled in increasingly larger numbers at community colleges. The decline in state fiscal support coupled with the large increases in enrollment at community colleges introduces a number of serious issues for all community college districts. First, local financial resources for many community college districts, especially those in rural areas of the state, are severely limited by their constricted tax bases. In 2009, 12 community college districts did not meet the \$2.5 billion minimum assessed property valuation requirement established by the Texas Legislature in 1985 for the creation of new districts. A second factor that restricts the generation of local revenue is tax caps. There are eight community college districts that have reached their maximum local tax levy for operations and maintenance, further restricting their ability to meet the financial challenges of maintaining and expanding facilities and providing for new educational and training needs of the community. Third, property valuation has either leveled or decreased in many college districts across the state. According to a survey of the Texas Association of Community Colleges, 27 districts reported a decline in property tax valuation in FY 2011 from the previous fiscal year. Revenue from increases in property tax valuation allowed many districts to offset some of the effect of budget cuts enacted during the 78th Legislature (2003).

Community college districts continue to have a difficult time responding to Texas employers' changing needs through capital-intensive technical instruction programs requiring state-of-the-art equipment. Start-up costs for high-cost career technical/workforce development programs are a financial burden for most college districts. In addition, new information technologies, often outmoded within a short time, increase the need for upgrading curriculum and equipment and hiring additional faculty for these programs.

According to the Texas Association of Community Colleges, the previously mandated 5 percent reduction by state budget leaders in 2010-11, the subsequent 2.5 percent reduction for FY2011, the elimination of \$15 million in federal stimulus ARRA funds, and the 18.2 percent increase in the initial contact hour base year, the 2012-13 appropriation per contact hour in HB 1, as introduced, is \$5.55 (22% decrease from \$7.11). The 2012-13 appropriation in SB 1, as introduced, is \$5.39 (24% decrease from \$7.11). With an expected 22.5 percent growth in contact hours when the base year is updated in March, the appropriation per contact hour will decline even further unless additional formula funds are provided to community colleges. In actual dollars, \$5.55 (HB 1) and \$5.39 (SB 1) are the lowest appropriation per contact hour since 1982. Adjusting for inflation, either level of funding would be the lowest since the funding formula was implemented.



While Texas has made significant investments in formula funding for community and technical colleges over the years, it is now more critical than ever to sustain current funding levels plus fund growth. To that end, the Coordinating Board is recommending level funding plus a 19 percent¹ increase (\$353 million over the FY10/11 biennium) to cover enrollment growth.

¹ The THECB's original projected growth in contact hours of 19 percent was calculated in spring 2010.

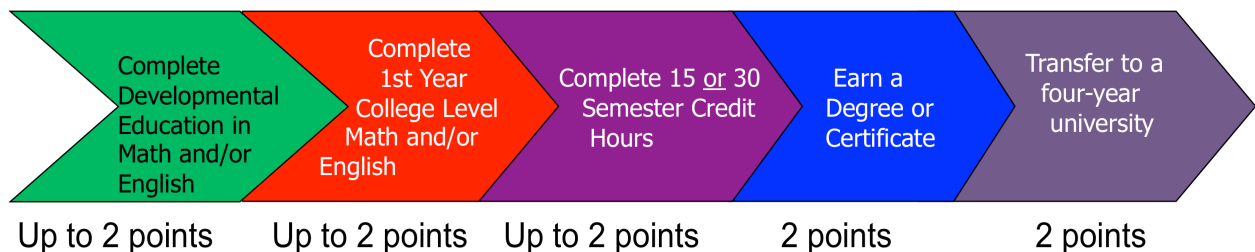
The Current Funding Model

The Texas Legislature appropriates general revenue funds to public community and technical colleges. The majority of the appropriated funds are distributed to institutions based on the community and technical college formula. The community and technical college formula is based on student enrollment, captured by the contact hours, in 26 instructional programs (a different formula rate for each program). Formula allocations by institution vary each biennium since the allocations are based on enrollments. The Legislature limits the use of these funds to cover instructional and administrative costs. In addition to formula funds, the Legislature appropriates general revenue funds to community colleges for employee group health insurance and retirement. Less than one percent of the appropriation to community colleges funds special items.

Momentum Points Model

The Momentum Points Model is based on research developed by Teachers College at Columbia University and was implemented in the state of Washington. The Model measures performance in a way that provides incentives to community and technical colleges to strengthen their efforts in increasing student career and academic readiness, and increase progress and achievement of milestones by all students.

Milestones are measurable attainments correlated with a student's momentum through a program. By measuring them, an accurate gauge of an institution's progress in helping students succeed can be obtained. The concept of using milestones to hold two-year institutions accountable for student success, which was studied and recommended by the Community and Technical Colleges Formula Advisory Committee, and strongly supported by representatives of the Community Colleges Association of Texas Trustees (CCATT) and the Texas Association for Community Colleges (TACC), includes the following metrics:



Each of these metrics is directly aligned with the core mission of community and technical colleges in Texas and encourages institutions to help all students – from least prepared students to the most college ready students – progress toward their educational and career goals.

The Texas Higher Education Coordinating Board (THECB) and representatives of CCATT and TACC agree that the Momentum Points Model will enhance the existing accountability system for Texas' community and technical colleges.

Momentum Points Model: Two Options

Discussions with representatives of two-year colleges have resulted in two different options for implementing the Momentum Point Model. The primary difference between the two options is how the Momentum Points Model should be funded. The THECB recommends to the 82nd Legislature that Momentum Points be funded by allocating 10 percent of base formula funding with the momentum points system outlined above and 90 percent of formula funding based on contact hour enrollment. Representatives of two-year colleges recommend to the 82nd Legislature that Momentum Points be funded as an incentive model separate from base formula funding.

THECB Proposal	Two-Year Colleges Proposal
<ul style="list-style-type: none"> ✓ Allocate 90 percent of formula funding based on enrollments on the 12th class day ✓ Allocate 10 percent of base formula funding for earned credit hours at community and technical colleges on the basis of student achievement of the milestones listed on page 4 ✓ Implement in FY 2013 to give institutions time to make appropriate analysis of and adjustments to this model ✓ In calculating Momentum Points, include students enrolled in dual credit courses, students who transfer to private institutions, and students who "stop-out" of college but later re-enroll at a Texas public or private institution of higher education 	<ul style="list-style-type: none"> ✓ Adopt the Momentum Points Model as the two-year college accountability system ✓ Given the current budget environment, we do not recommend tying Momentum Points to funding at this time ✓ Use FY 2012 to establish a momentum point baseline ✓ Fund institutional improvement in momentum points from a separate incentive fund over and above the formula system in FY 2013 ✓ In calculating Momentum Points, include students enrolled in dual credit courses, students who transfer to private institutions, and students who "stop-out" of college but later re-enroll at a Texas public or private institution of higher education ✓ Institutions should compete against themselves for continuous improvement, not against a pooled redistribution of funds on a statewide level