

Understanding the Revenue Mix

*for Texas Community Colleges
&
the State Budgeting Process*

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Dr. Brenda Hellyer
Chancellor



with collaboration from
Dr. Don Hudson, Texas
Association of Community
Colleges & Dr. Johnette
McKown, President, McLennan
Community College

Ms. Betty McCrohan
President



What We Will Cover Today

- Sources of Operating Revenues
- Review Enrollment
- Community College Tuition and Fees in Texas
- Property Taxes
- How the Process Works
- Instructional Formula Funding
- What are Success Points?
- Insurance and Retirement
- Questions



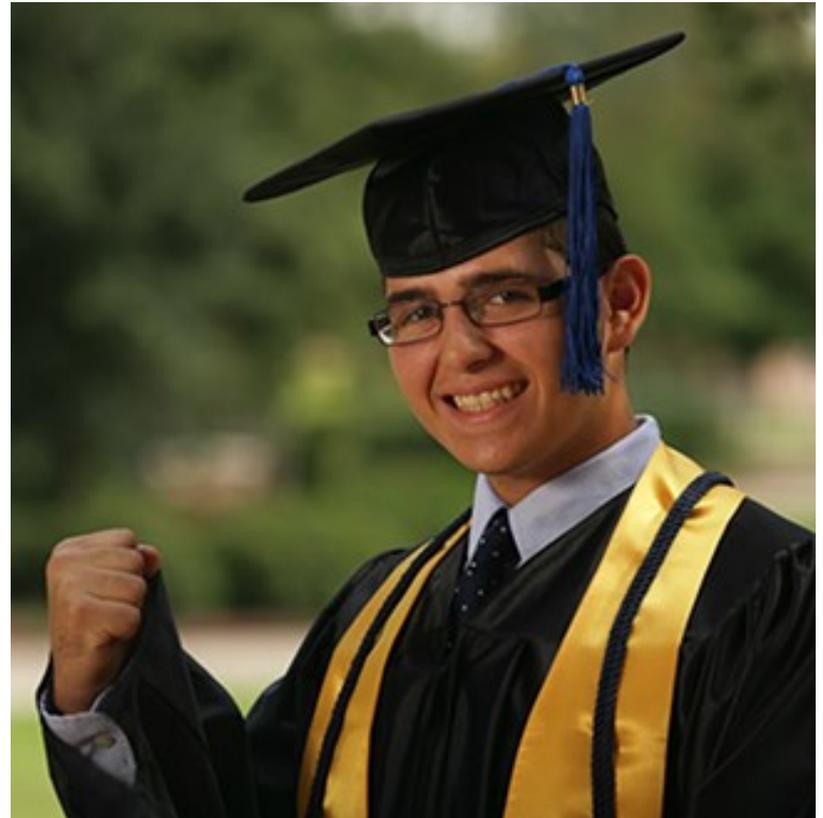


Sources of Operating Revenue

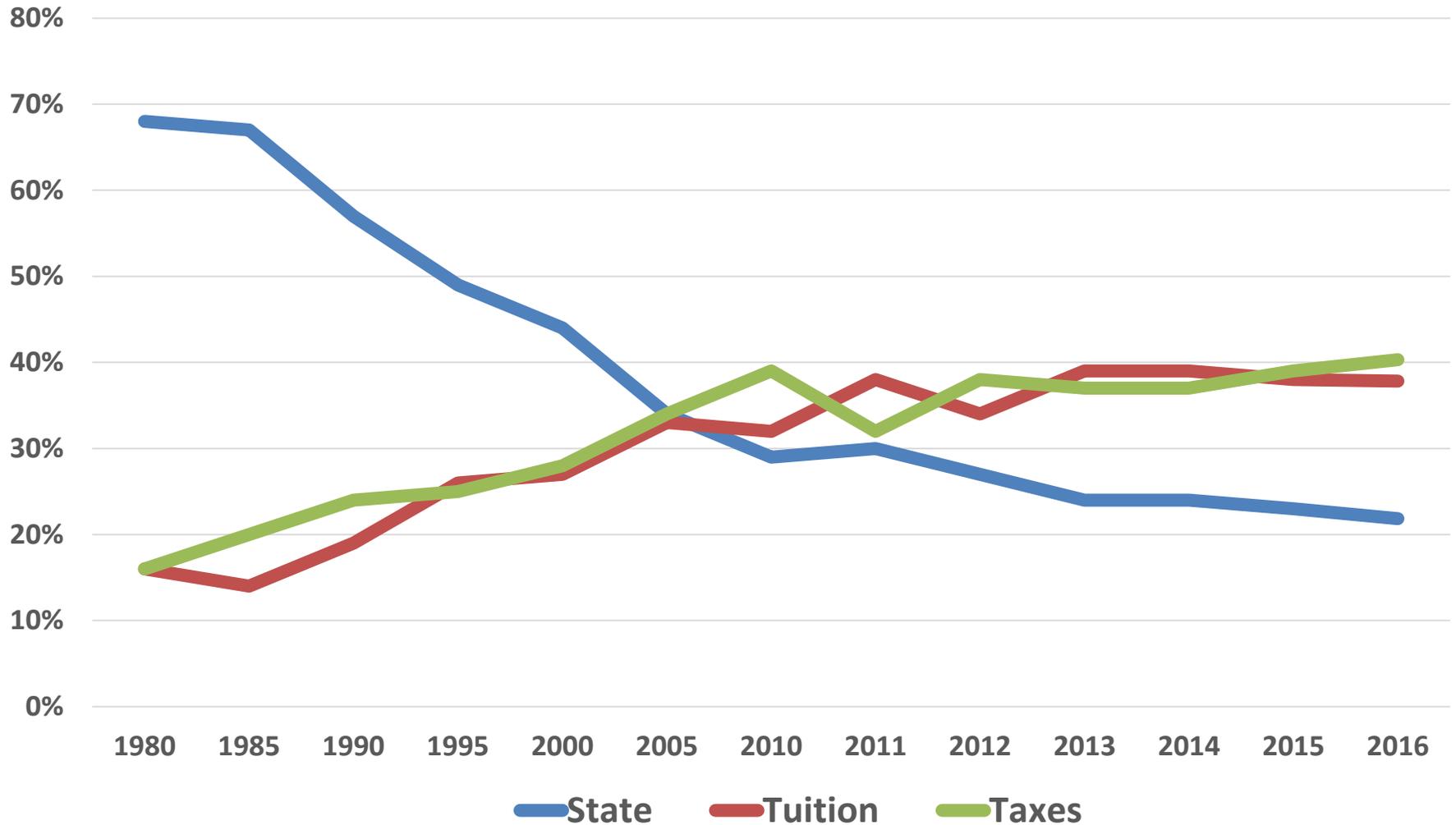
How Community Colleges Are Funded

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.

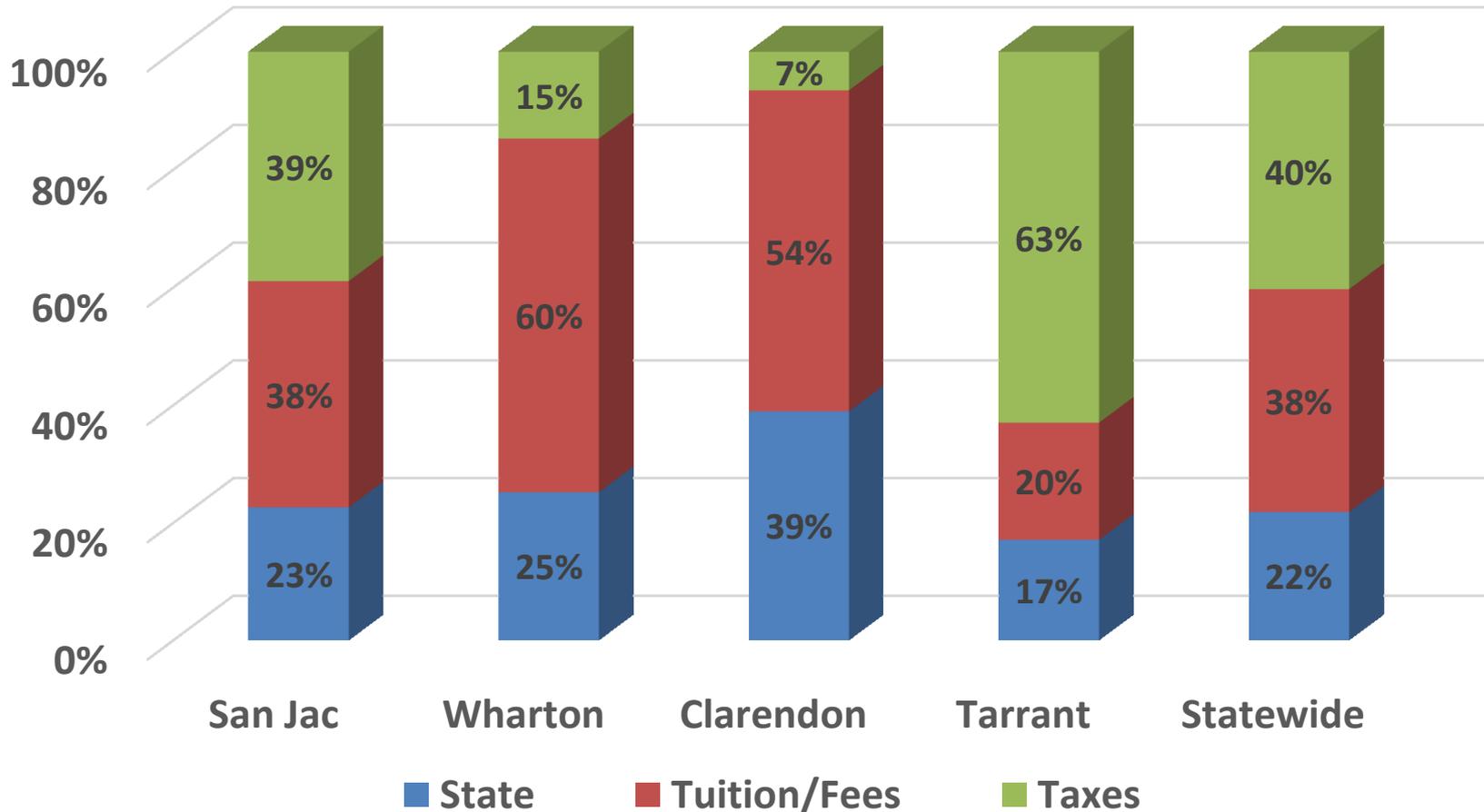


Percent of Revenue by Source Over Time



Revenue Source Comparison 2016

Revenue Sources Vary

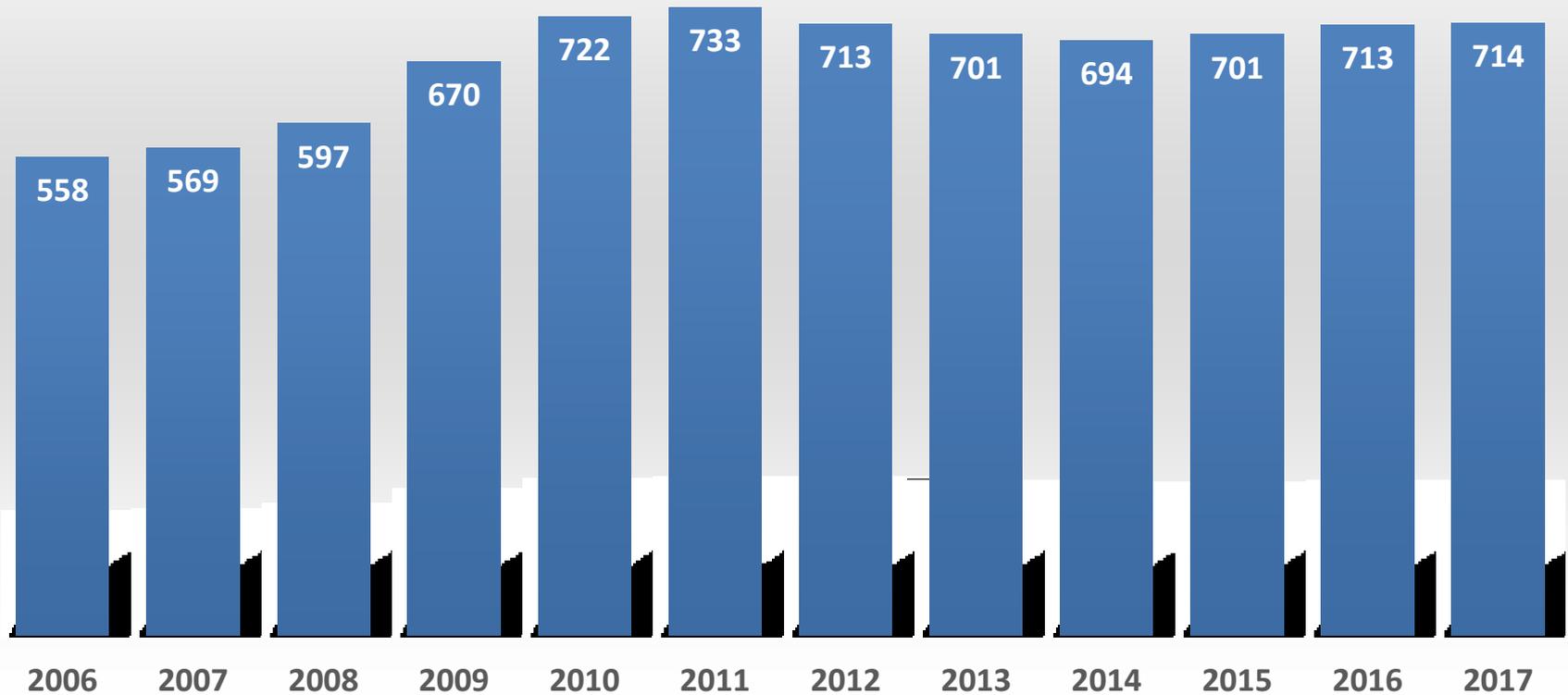




Fall Enrollment

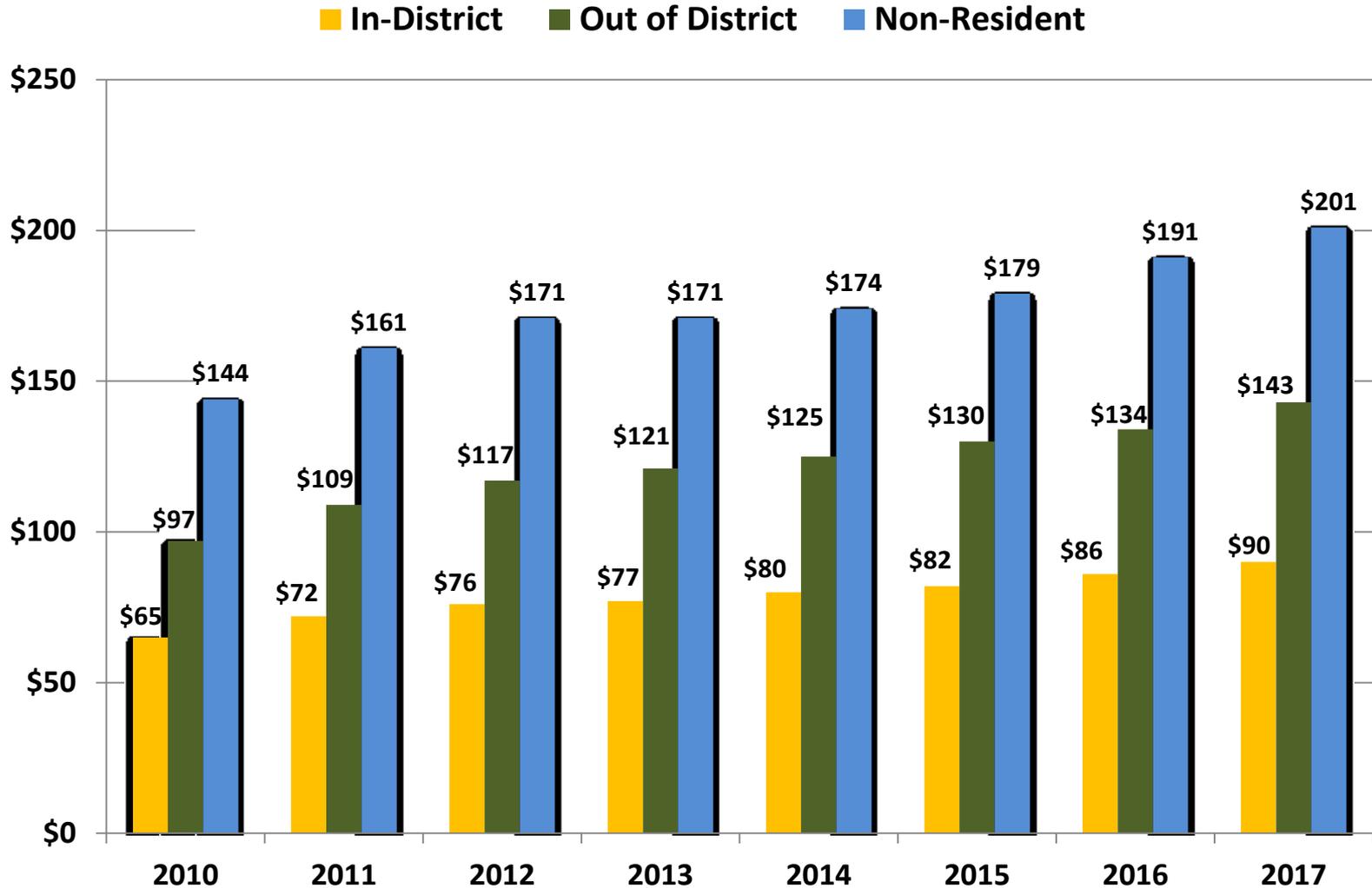
Fall Enrollment

10-Year Fall Enrollment for Community Colleges (In Thousands)



Tuition and Fees

Average Tuition and Fees per SCH



Tuition Comparison – Gulf Coast

Tuition and Fee Comparison

Based on 15 SCH - Fall and Spring Semesters FY 2017-2018

<u>University</u>	<u>Resident</u>	<u>Community College</u>	<u>In District</u>	<u>Out of District</u>
UH – Downtown	\$7,451	College of the Mainland	\$1,773	\$2,973
UH-Clear Lake	\$8,188	San Jacinto College	\$1,860	\$3,210
Texan Southern	\$9,172	Lone Star College	\$1,926	\$4,086
Stephen F. Austin	\$9,538	Alvin Community College	\$1,940	\$3,320
Texas A&M University	\$9,882	Houston Community College	\$2,031	\$4,191
Sam Houston State	\$9,890	Galveston College	\$2,050	\$2,650
UT Austin	\$10,092	Lee College	\$2,194	\$3,394
Texas A&M Galveston	\$10,540	Brazosport College	\$2,715	\$3,735
University of Houston	\$11,078	Wharton Junior College	\$3,110	\$4,640
<i>(Source: College for All Texans)</i>		<i>(Source: College for All Texans)</i>		
Average	\$ 9,537	Average	\$2,178	\$3,578



Property Taxes

State Property Taxes – Selected Fiscal Years

	FY06	FY09	FY12	FY15	FY18*
Valuation (Trillions)	\$0.81	\$1.10	\$1.14	\$1.35	\$1.64
Tax Levy (Billions)	\$0.97	\$1.30	\$1.45	\$1.78	\$2.14
Avg M&O	14.3 ¢	13.3 ¢	14.4 ¢	14.5 ¢	15.9 ¢
Avg Debt	1.2 ¢	1.6 ¢	2.0 ¢	2.3 ¢	2.3 ¢
Avg Total Tax	15.5 ¢	14.9 ¢	16.4 ¢	16.8 ¢	18.2 ¢

*Preliminary results from FY 2018 TACC Local Revenue Survey

Highlights about 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.**
- **Statewide levy from property taxes has increased 122% since 2006.**
- **Tax rates have increased slightly since 2006. The M&O tax rate in FY 2018 is 1.6 cents higher than the rate in FY 2006.**



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

State Revenue Sources

Sales & Other
Taxes

Fees

Lottery
Receipts

Interest
Income

Federal
Government

Ending Balances
from
Previous Biennium

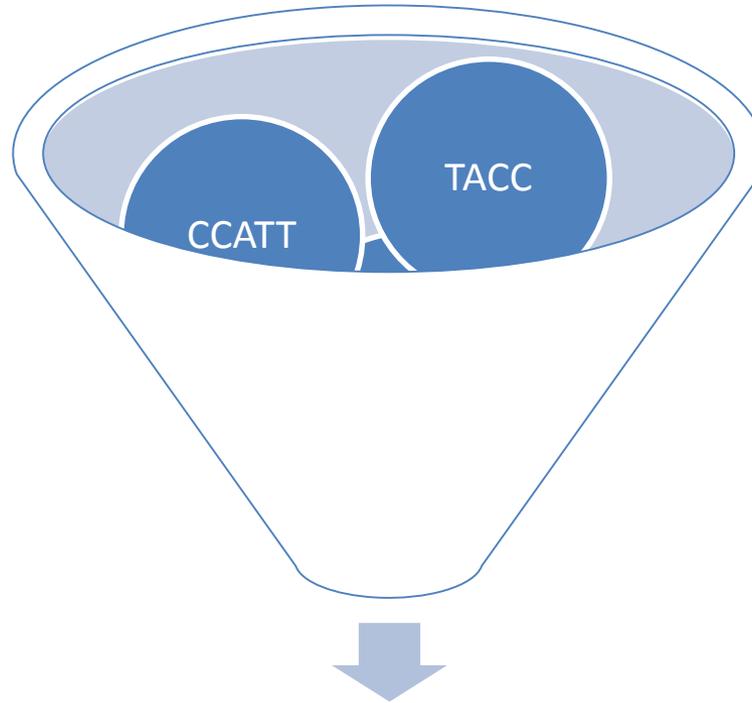
Texas Biennial Budgeting Timeline

2020 – 2021 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.

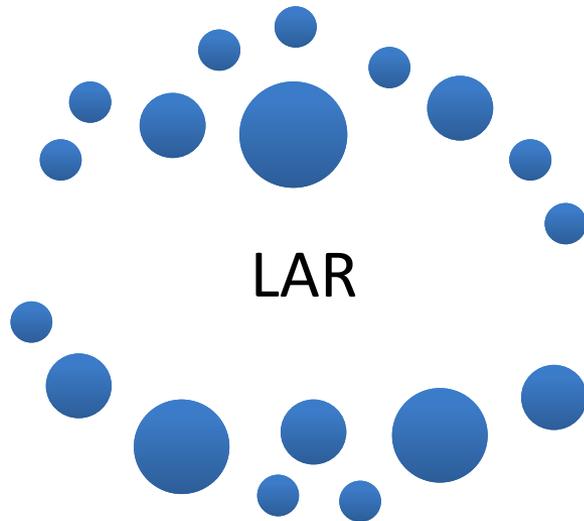
Legislative Process is Important



Comprehensive Legislative Agenda

**Community college trustees and leaders must be active before, during, and after the legislative session.
CCATT & TACC work closely with THECB.**

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.

Texas Legislature

Conference Committee

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



Senate Version



House Version



State Funding for Community Colleges

Instructional Funds - Historical

Instructional
Funds 1942-73



Instructional
Funds 1974-2013



Funding Change 2014-2015

\$1.968 Billion Student Success Appropriations Request



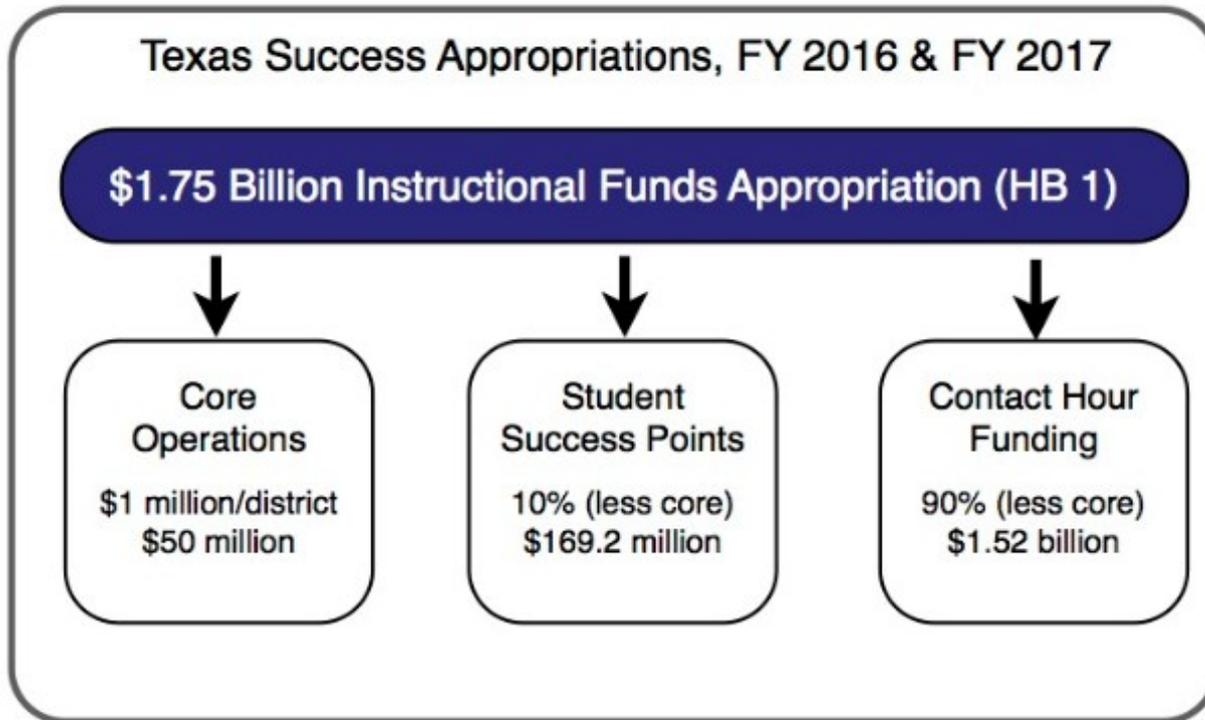
\$50 Million (2.8%)

\$172 Million (9.7%)

\$1.59 Billion (87.5%)

Total Funding for 2014-2015 Biennium was \$1.812 billion

State Funding 2016-2017



2.9%

9.7%

87.2%

Remaining .2% for Hold Harmless

State Funding 2018-19

\$1.765 Billion Instructional Funds Appropriation (SB 1)



Core
Operations

\$1.36 million/district
\$68 million total

4%



Student Success
Points

10.6% (less core)
\$180.0 million

10%



Contact Hour
Funding

89.4% (less core)
\$1.52 billion

86%



Instructional Formula Funding

Instructional Formula Funds - Contact Hours

Government
Course 3 Hours

Meets 1.5 Hours
each Tuesday
and Thursday

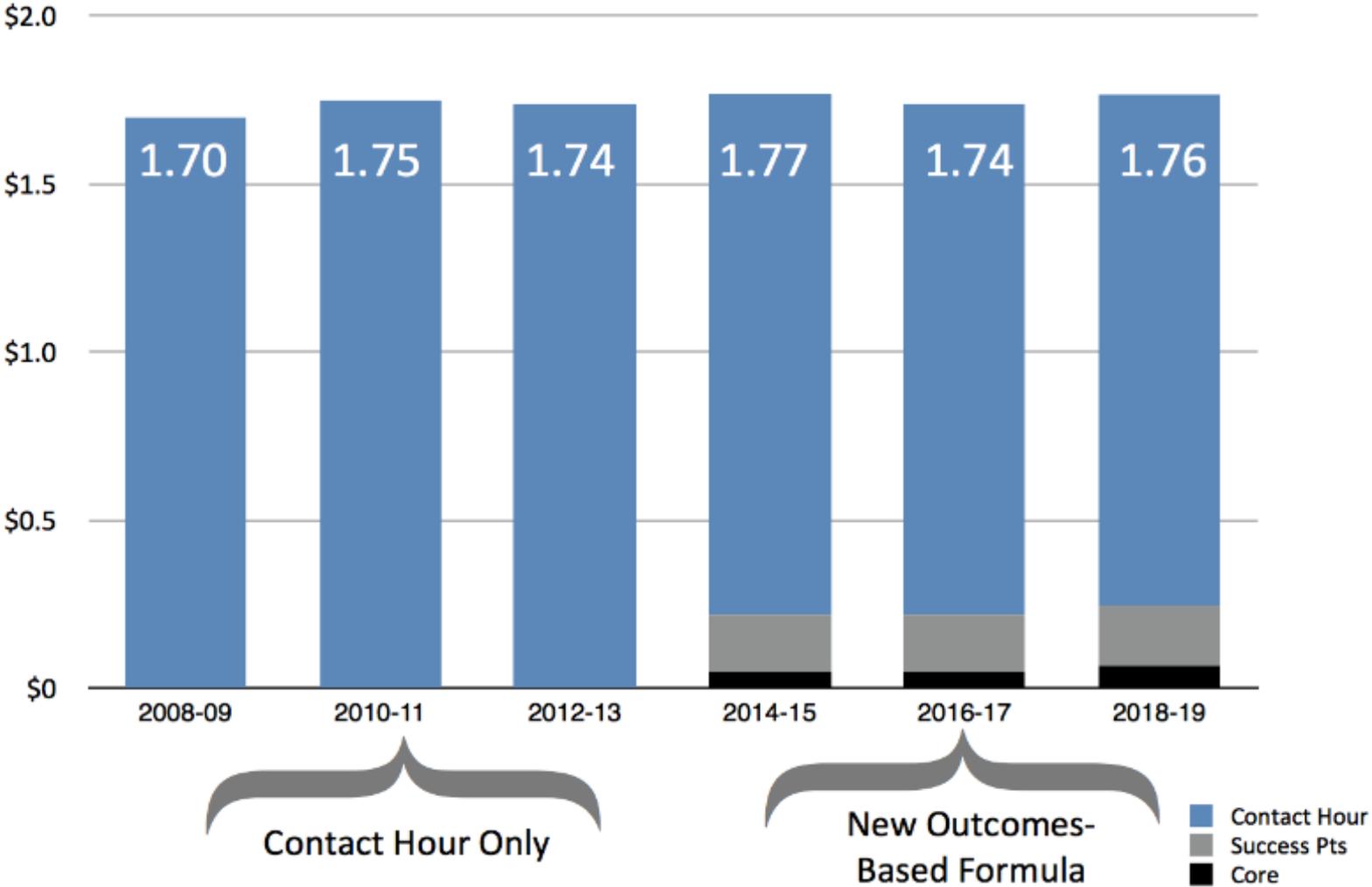
Meets for 16
Weeks

48 Contact
Hours per
Student

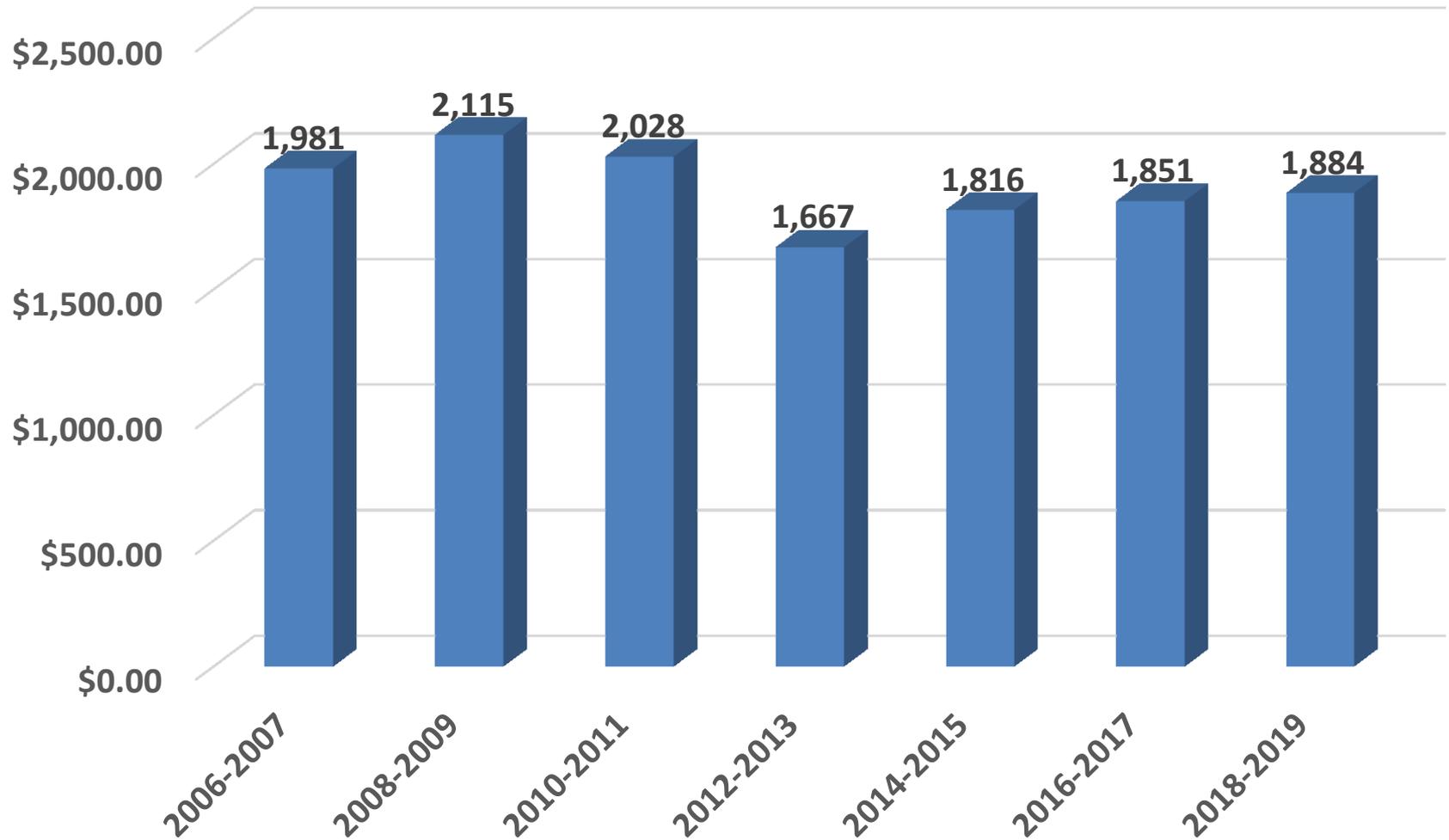
20 Students in
Class for 960
Contact Hours

- **The primary funding (~89% of instructional funds) continues to be of the number of contact hours generated each semester.**
- **Contact Hours funding is tied to enrollment.**
- **A contact hour represents actual face-time between an instructor and a student.**

Instructional Formula Funds (Billions)



Instructional Formula Funds per FTSE



FTSE Metric Based on 15 SCH Fall and Spring Semesters



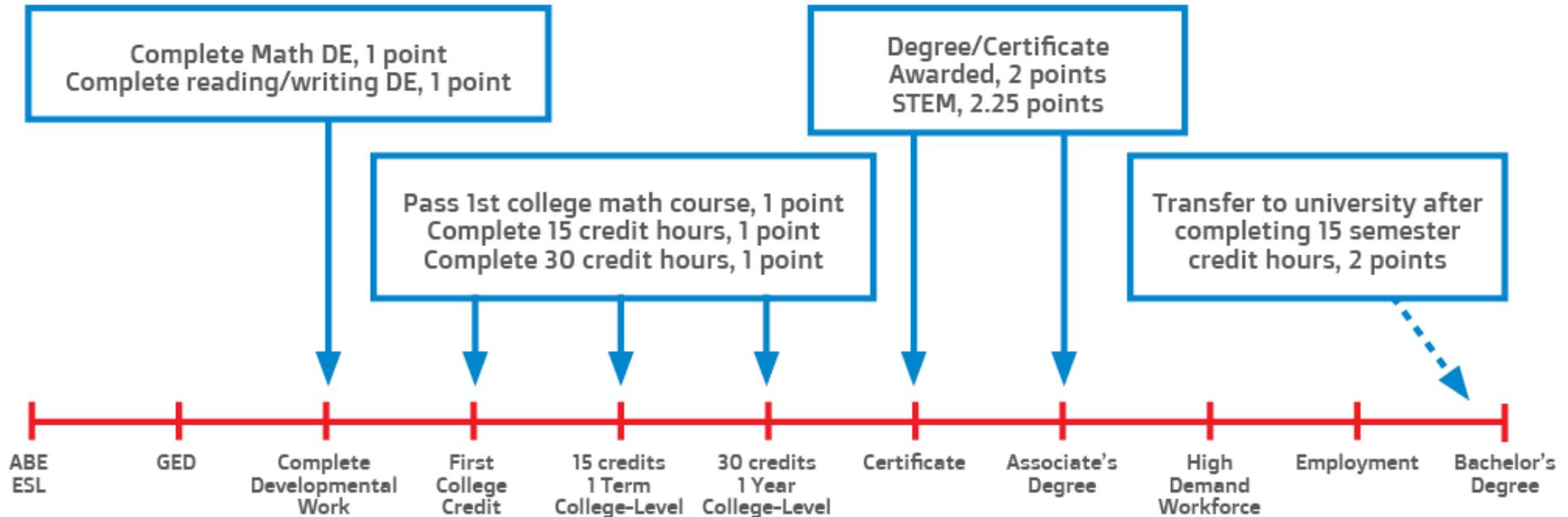
Student Success Points

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 has been under development and refined since 2010.
- We will be continue refining this for recommendations for the 86th Session.

Student Success Points

Students Success Points Model

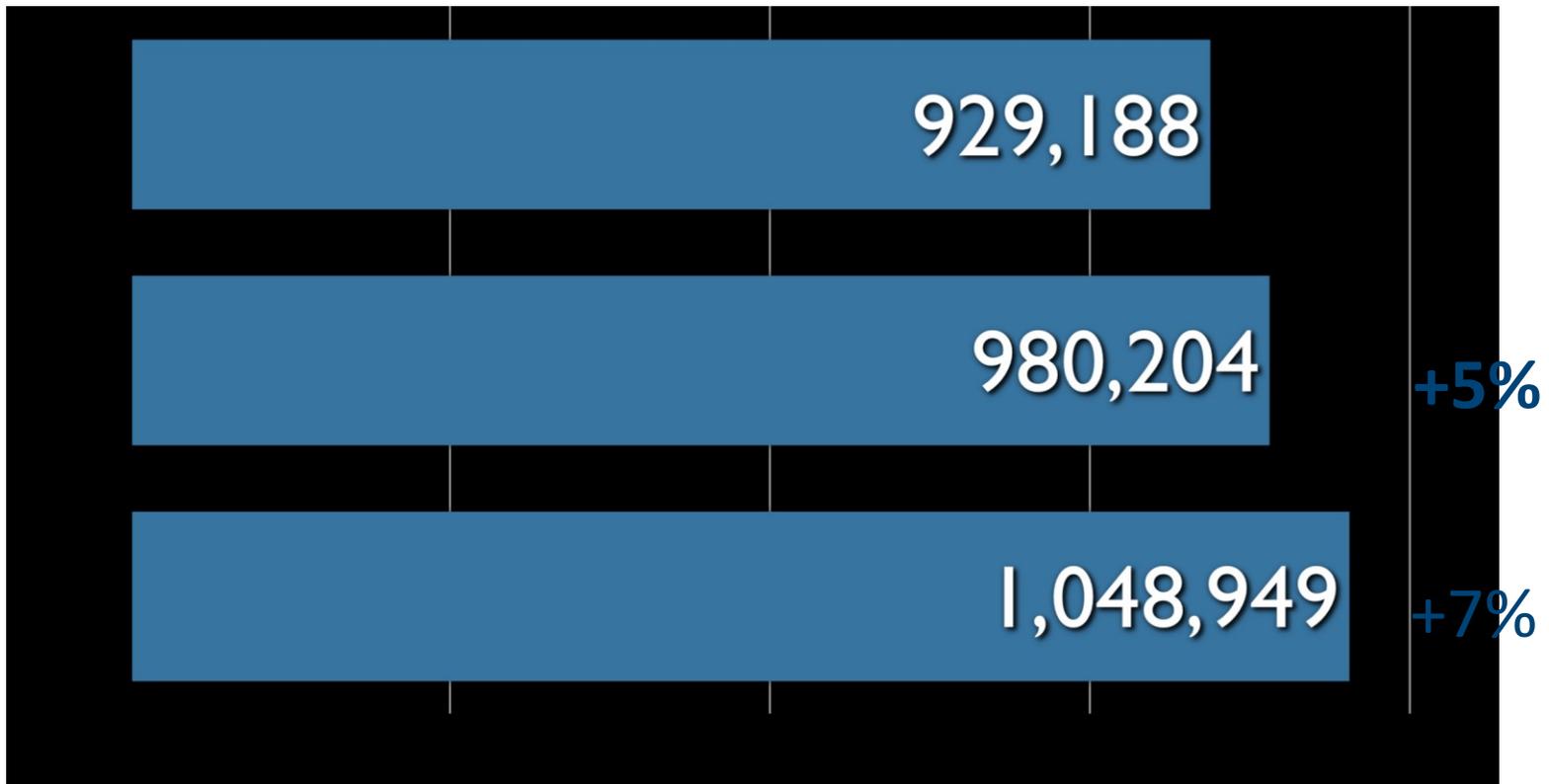


Funding of Student Success Points

- **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 with \$185 per point.**
- **2016-2017 (84th Legislature) funded Success Points at \$173 per point.**
- **The 85th Legislature “decoupled” Success Points and Instructional Formula Funding (no 90/10 split). 2018-19 (85th Legislature) funded Student Success Points at \$172 per point**

Trends with Student Success Points

Colleges can take credit for advancing student achievement in Texas.



Base Year Contact Hours and Success Points

	2016-2017	2018-2019	Percent
Student Success Points	980,204	1,048,949	7%
Base Year Contact Hours	282,919,371	280,941,841	(0.7%)



Group Insurance & GASB 68

Group Health Insurance



Prior to 1978, college districts provided employee benefits without any state support.



From 1978 to 1991, the state provided a health insurance appropriation for each eligible employee.



In 1991 (72nd Legislature), community colleges were brought into the Employee Retirement System (ERS). All community college employees were in the state's health insurance plan.



In 2003, the 78th Legislature removed physical plant workers from the health insurance appropriation.

Group Health Insurance



From 2005 to 2013, the community college health insurance appropriation was a contentious issue with the State.



In 2013, the 83rd Legislature passed Senate Bill 1812 which put into statute a 50/50 cost-sharing plan between the state and community colleges benefits for eligible employees.



For the 2018-19 biennium, \$365 million was appropriated by the Legislature for community college group health insurance; a 15% increase from the previous biennium.

Accounting Rule Change



For institutions with retirement pensions with the Teacher Retirement System of Texas (TRS), the underfunded share of the projected retirement obligation was calculated and was required to be recorded in financial reports.



No cash was transferred to TRS, but this accounting transaction reduces the institutions unreserved net position (“fund balance”).

Questions

