

SUBJECT: Revising junior college funding and establishing a financial aid program

COMMITTEE: Higher Education — committee substitute recommended

VOTE: 9 ayes — Kuempel, Paul, Bucy, Burns, Clardy, Cole, M. González, Howard, Lalani

0 nays

2 absent — Burrows, Raney

WITNESSES: For — Russell Lowery-Hart, Amarillo College and Texas Association of Community Colleges; Michael Simon, Angelina College and TACC; Carol Scott, Community College Association of Texas Trustees; Jarrad Toussant and Tre' Black, Dallas Regional Chamber; William Serrata, El Paso Community College and Texas Association of Community Colleges; Steve Kemgang, Intercultural Development Research Association; Brenda Kays, Kilgore College and Texas Association of Community Colleges; Renzo Soto, Texas 2036; Ray Martinez, Texas Association of Community Colleges; Mike Meroney, Texas Association of Manufacturers; Justin Yancy, Texas Business Leadership Council; Hector Rivero, Texas Chemical Council; Victoria Hoover and Montoya Thomas, Texas Community College Student Advisory Council; Beaman Floyd, Texas Community College Teachers Association and Texas Association of College Teachers; Kelle Kieschnick, The Commit Partnership (*Registered, but did not testify*: Priscilla Camacho, Alamo Colleges District; Martha Landwehr, BASF Corporation; Will Davies, Breakthrough Central Texas; Ben Stratmann, Dallas Regional Chamber; Garry Jones, DFER Texas; John Fitzpatrick, Educate Texas and CFT; Kimberly Clarida, Every Texan; Jennifer Carter, Goodwill Central Texas; Travis Krogman, Greater Austin Chamber of Commerce; Christian Bionat, Greater Houston Partnership; Ashley Morgan, JP Morgan Chase; Annie Spilman, NFIB; Jennifer Rodriguez, North Texas Commission; Gilbert Zavala, Opportunity Austin; Rebekah Calahan, Philanthropy Advocates at Communities Foundation of Texas; Leticia Van de Putte, San Antonio Chamber of Commerce; Robert Nathan, Schneider Electric;

J.D. Hale, Texas Association of Builders; Megan Mauro, Texas Association of Business; Lori Henning, Texas Association of Goodwills; Martin Gutierrez, Texas Hispanic Chamber of Commerce Coalition; Julia Parenteau, Texas Realtors; Kelsey Streufert, Texas Restaurant Association; Jonathan Feinstein, The Education Trust; Ashley Harris, United Ways of Texas)

Against — None

On — James Hallmark, Texas A&M System and Texas Student Success Council; Woody Hunt, Texas Commission on Community College Finance; Harrison Keller, Texas Higher Education Coordinating Board; Bryan Daniel, Texas Workforce Commission (*Registered, but did not testify*: Alexis Bauserman and Von Byer, Texas Education Agency)

BACKGROUND: Ch. 130 of the Education Code gives the Texas Higher Education Coordinating Board authority for adopting policies, enacting regulations, and establishing general rules necessary for carrying out the responsibilities of public junior colleges. The coordinating board has the authority to:

- authorize the creation of public junior college districts;
- dissolve any public junior college district which has failed to establish and maintain a junior college within three years from the date of its authorization;
- adopt standards for the operation of public junior colleges;
- require reports from public junior colleges deemed necessary according to the board's rules and regulations; and
- establish advisory commissions composed of representatives of public junior colleges and other state citizens to provide advice and counsel to the coordinating board with respect to public junior colleges.

DIGEST: **Public junior college state finance program.** CSHB 8 would establish the public junior college state finance program. The program would consist of two funding tiers. The first would be a base tier of state and

local funding, ensuring that each public junior college had access to a defined level of base funding for instruction and operations. The second would be a performance tier of state funding, constituting the majority of state funding, which would be distributed based on measurable outcomes aligned with regional and state workforce needs and goals based on the state's higher education plan. The Texas Higher Education Coordinating Board (THECB) could adopt necessary rules, require reporting, and take other actions necessary to administer the program.

THECB would require each junior college district to report to THECB data necessary to calculate funding, provide timely data and analyses, administer or evaluate the effectiveness of the program, or audit the program.

A THECB-affiliated nonprofit organization could solicit and accept gifts, grants, or donations of personal property from any public or private source to implement or administer the program.

Data reporting and commissioner adjustments to funding. The higher education commissioner could review the accuracy of data reported to THECB by junior college districts and could adjust the distribution of funding for a fiscal year as needed to correct errors in data reporting. The commissioner also could adjust a junior college district's funding if the funding formulas would cause an unanticipated and substantial negative impact on the district's operations. The commissioner would be required to request and receive written approval from the Legislative Budget Board and the governor's office before making such adjustments. The request would be considered approved unless the budget board or governor's office issued a written disapproval within 60 business days of the date the request was received. The commissioner would be required to provide an explanation to the Legislature if an adjustment was made.

A junior college district could report any student in attendance on the district's approved course census date for the purpose of funding.

Overallocated funds recovery. The bill would require THECB to recover

any overallocation provided to a junior college district by withholding subsequent allocations of state funds for the current or subsequent academic year or by requesting and obtaining a refund from the district. THECB could recover overallocated funds over a period of no more than five academic years if the commissioner determined that the overallocation resulted from statutory changes and related reporting requirements.

THECB would be required report to the comptroller a district's failure to comply with a refund request. The comptroller could certify the amount of the debt to the attorney general for collection, and the district's governmental immunity would be waived as necessary to collect the debt.

THECB could review a junior college district as necessary to determine if the district qualified for each funding amount it received. THECB could establish a corrective action plan or withhold applicable funding to a district if the board determined that a district received an amount to which the district was not entitled. THECB could not review any junior college district expenditures that occurred seven or more years prior to the review.

THECB would exclude contact hours or semester credit hours related to a course for which a student generated formula funding for the third time from the contact hours or semester credit hours reported to the Legislative Budget Board for formula funding purposes.

Base tier funding. The bill would establish the base tier funding formula as an amount equal to the amount by which a junior college district's guaranteed instruction and operations funding exceeded the district's local share of base tier funding.

A district's guaranteed instruction and operations funding for a fiscal year would be equal to the sum of:

- the product of the district's basic allotment and the number of the weighted full-time equivalent students enrolled; and
- the district's contact hour funding.

A district's basic allotment for a fiscal year would be an amount per weighted full-time equivalent student set by the General Appropriations Act or other legislative appropriation.

THECB would be required to establish student weights that reflected the higher cost of educating certain students. The established student weights would have to result in appropriate funding to a district for the education of a student who was:

- 25 years old or older;
- economically disadvantaged, as defined by THECB; or
- academically disadvantaged, as defined by THECB.

The number of weighted full-time equivalent students enrolled at a district would be equal to the sum of such students in the district plus the sum of the weights assigned to the district's students. THECB would be required to establish an equitable adjustment to the number of such students for each district with a total enrollment of fewer than 5,000 full-time equivalent students. No later than November 1 of each even-numbered year, a low-enrollment district that received such an adjustment would be required to submit a report to the commissioner on the district's participation in partnerships and services to reduce costs and improve operational efficiency.

The amount of funding per contact hour would be weighted by discipline to reflect the cost of providing the applicable course. THECB would determine the total amount of contact hour funding for each district.

A district's local share of base funding would be equal to the sum of estimated revenue from imposing a \$0.05 maintenance and operations ad valorem tax and an amount of tuition and fees for the district's full-time equivalent students equal to the statewide average for such students, as assessed by junior college districts.

Performance tier funding. CSHB 8 would establish performance tier

funding for junior college districts based on the district's achievement of certain measurable outcomes. A district's performance tier funding would be equal to the product of:

- the amount set by the General Appropriations Act or other legislative appropriation; and
- the sum of the number of times a given outcome was achieved by the district or the sum of applicable students weights for the students that achieved those outcomes.

The bill would define the applicable measurable outcomes as:

- the number of credentials of value awarded that equipped students for continued learning and greater earnings;
- the number of students who earned at least 15 semester credit hours or equivalent and subsequently transferred to a general academic institution or were enrolled in a structured co-enrollment program; and
- the number of students who completed a sequence of at least 15 semester credit hours or equivalent for certain dual credit courses.

Financial Aid for Swift Transfer (FAST) Program. CSHB 8 would require THECB and the Texas Education Agency (TEA) to jointly establish the FAST program to allow eligible students to enroll at no cost in dual credit courses at participating higher education institutions. A student would be eligible to enroll at no cost in such courses if the student was enrolled in high school and a dual credit course at a participating institution and was educationally disadvantaged at any time during the four preceding school years before the student's enrollment in the dual credit course. A higher education institution would be eligible to participate in the program only if it charged tuition for each dual credit course offered by the institution that would not exceed the amount prescribed by THECB.

Each school district or charter school would be required to determine whether a high school student met the program's criteria upon the student's

enrollment in a dual credit course and notify the higher education institution that offered the course of the final determination. A school district or charter school could make such a determination based on the district's or school's records, TEA records, or any other method authorized by commissioner rule. Any determination based on a different method would have to be reported to TEA by the district or school for verification. On receipt of notice of such a determination, the relevant higher education institution would be required to certify to TEA and THECB the student's eligibility for the program.

Money transferred to THECB would be distributed to the participating institutions in proportion to the number of dual credit courses in which eligible students were enrolled at the institution. TEA and THECB would coordinate as necessary to confirm an eligible student's enrollment in a participating institution and obtain or share data necessary to verify a student's eligibility.

The bill would require a school district to notify the parent of each enrolled high school student of the availability of and qualifications for funding for dual credit course enrollment.

A higher education institution participating in the FAST program would be entitled to an allotment equal to the amount of tuition for each dual credit course in which an eligible student was enrolled at the institution. TEA would transfer the amount to THECB for distribution and would coordinate as necessary to implement the allotment.

Other THECB provisions. CSHB 8 would allow THECB to participate in the establishment and operation of an affiliated nonprofit organization whose purpose would be to raise money for or provide services or other benefits to THECB. Additionally, the bill would allow THECB to provide administrative support and services to higher education institutions as necessary to implement the Public Junior College State Finance program and other programs.

THECB could establish an institutional collaboration center within the

board to support implementation of the program and the operations of higher education institutions. THECB could use appropriated or otherwise available money to procure goods and services for the direct benefit of such an institution and enter into an interagency contract with the institution to reimburse THECB for the cost of the goods and services. A THECB-affiliated nonprofit organization could accept gifts, grants, or donations of personal property from any public or private source to pay for goods or services procured for the direct benefit of such an institution. The bill would exclude public junior colleges from the list of institutions for which the THECB was required to devise, establish, review, and revise formulas, and would exclude representatives from public junior colleges from sitting on certain committees. The chancellor of a university system could recommend to the higher education commissioner at least one institutional representative for each institutional grouping to which a component of the university system was assigned. Alternatively, the president of an institution that was not a component of a university system could recommend to the commissioner at least one institutional representative for the institutional grouping to which the institution was assigned.

CSHB 8 would amend the list of circumstances that did not count for the purposes of determining whether certain students had previously earned a certain number of semester credit hours. Under the bill, semester credit hours earned by the student before receiving a previously awarded associate degree would not be counted.

The bill would allow THECB to partner with employers to analyze job postings and identify employers hiring roles with the skills developed by certain training programs. THECB would establish a standing advisory committee composed of public junior college representatives to provide advice and counsel to THECB on the funding of public junior colleges necessary to carry out the public junior college state finance program. THECB would consult with the committee and would adopt a payment schedule to appropriate and distribute funds to junior college districts. THECB could modify the amount of any installment required by the adopted payment schedule and could modify the amount of certain other

installments.

The bill would remove the requirement for THECB to use certain negotiated rulemaking procedures. THECB could identify rules that should be adopted on an emergency basis for the purposes of the fiscal year beginning September 1, 2023.

Miscellaneous provisions. Any agreement between a school district and a higher education institution to provide a dual credit program would be required to ensure the accurate and timely exchange of information necessary for an eligible student to enroll at no cost in such a dual credit course.

The bill would prohibit a higher education institution from counting toward the permitted number of dropped courses a course that a student dropped while enrolled in a baccalaureate degree program previously earned by the student or a dual credit course dropped by a student before graduating high school.

The higher education commissioner would be required to file with the comptroller and state auditor on or before September 1 of each year a list of each public junior college in the state that had certified to THECB that the college was in compliance with the established requirements. Only a public junior college included in that list would be eligible for and could receive money appropriated by the Legislature to public junior colleges.

The bill would make certain changes to how state treasury money was appropriated biennially to supplement local funds for public junior colleges, including removing contact hours from the considerations.

The bill would replace references to "proportionate share" in the Education Code with "allocation."

The bill would amend the provision for how the board of trustees of a junior college district could change the name of the district or a college within the district.

Statutory repeals and text removals. The bill would repeal certain sections of the Education Code, including:

- Sec. 61.0593, regarding student success-based funding recommendations;
- Sec. 61.884(d), regarding the consideration of certain postsecondary industry certifications and workforce credentials; and
- Sec. 130.003(d), regarding junior colleges certified by the higher education commissioner.

The bill would remove the definitions of and provisions related to "category 1 junior college" and "category 2 junior colleges" from Chapter 130 of the Education Code.

The bill would make conforming language changes throughout.

Application dates. Certain provisions of the bill pertaining to FAST would apply beginning with the 2023-2024 school year.

The bill would take effect September 1, 2023, and would apply to the allocation of state funding to junior college districts starting with the state fiscal biennium beginning September 1, 2023. Certain provisions of the bill pertaining to the Financial Aid for Swift Transfer Program would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, these sections would take effect September 1, 2023.

**SUPPORTERS
SAY:**

CSHB 8 would modernize the outdated public junior college funding model by prioritizing the education and training that would most benefit the state economy. This would uniquely position junior colleges to provide the credentials Texas students need to acquire high-quality jobs. By creating a performance tier of state funding, the bill would encourage junior colleges to pursue instruction for measurable outcomes that aligned with regional and state workforce needs and long-term state goals.

The FAST program established by the bill would give new educational opportunities to economically disadvantaged high school students. The bill also would adjust funding to support colleges that otherwise would not make enough money from their tax bases and tuition, and would benefit low-enrollment and rural junior colleges by providing more funding to districts with fewer than 5,000 full time equivalent students.

CRITICS
SAY:

No concerns identified.

NOTES:

According to the Legislative Budget Board, the cost to the state of the bill for the biennium would be \$95,581,504.