

**Public Community/Junior Colleges
Summary of Budget Recommendations - House**

Page III-234

Andrew Overmyer, LBB Analyst

Method of Financing	2024-25 Base	2026-27 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$2,312,841,695	\$2,473,650,035	\$160,808,340	7.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$2,312,841,695</i>	<i>\$2,473,650,035</i>	<i>\$160,808,340</i>	<i>7.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$2,312,841,695	\$2,473,650,035	\$160,808,340	7.0%

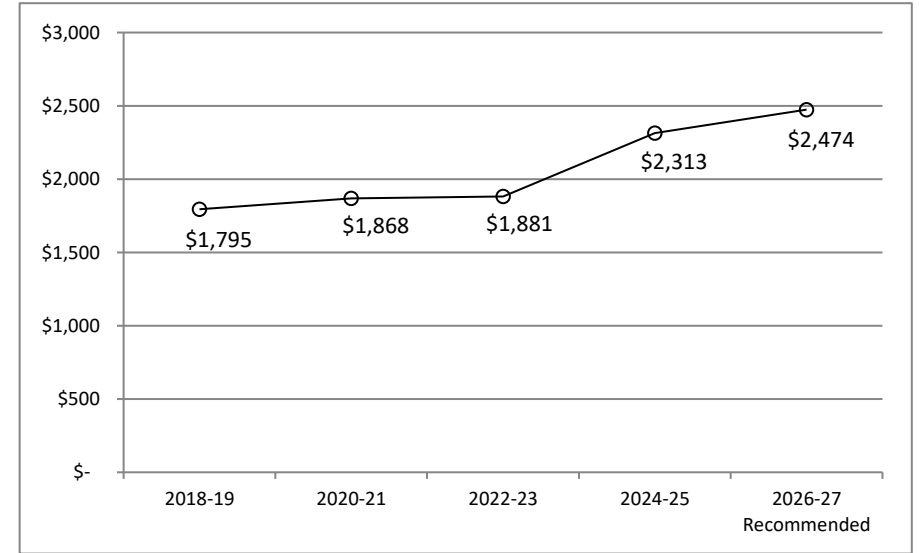
	FY 2025 Budgeted	FY 2027 Recommended	Biennial Change	Percent Change
FTEs	0.0	0.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

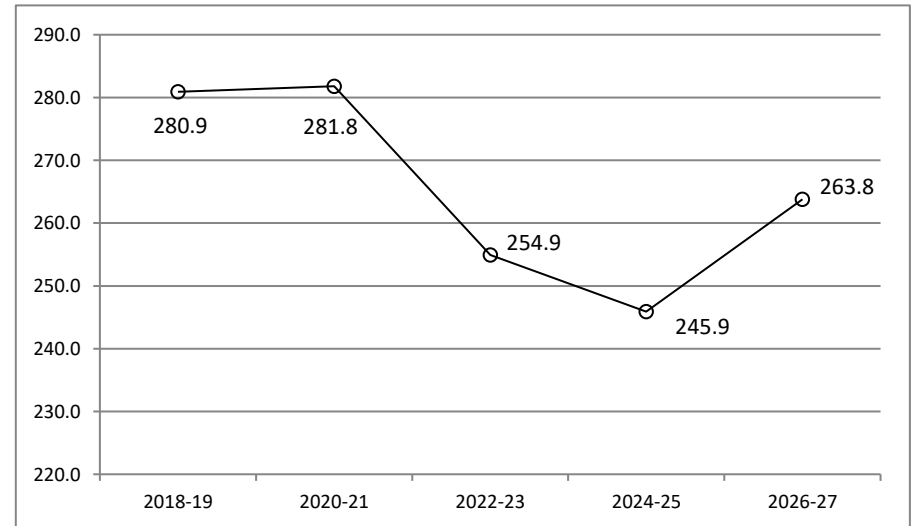
State appropriations for the Public Community and Junior Colleges are funded with General Revenue only. House Bill 8, Eighty-eighth Legislature, shifted community college formula funding in 2024-25 to a primarily outcomes-based formula. Recommended funding for the community colleges maintains fiscal year 2025 rates for the Base and Performance Tier formulas resulting in appropriations of \$119.5 million and \$2,307.2 million, respectively.

The bill pattern for this agency (2026-27 Recommended) represents an estimated 29.0% of the agency's estimated total available funds for the 2026-27 biennium.

Historical Funding Levels (Millions)



Historical Contact Hours (Millions)



**Public Community/Junior Colleges
Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2026-27 Biennium compared to the 2024-25 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations:</i>							
A)	Increase in funding to the Base Tier Formula to reflect recommendation to maintain fiscal year 2025 rates.	\$5.1	\$0.0	\$0.0	\$0.0	\$5.1	NA
B)	Increase in funding to the Performance Tier Formula, including projected settle up needs, to reflect recommendation to maintain fiscal year 2025 rates.	\$148.5	\$0.0	\$0.0	\$0.0	\$148.5	NA
C)	One-time funding for equipment related to biopharmaceutical and biotechnology programs at San Jacinto College.	\$10.0	\$0.0	\$0.0	\$0.0	\$10.0	NA
D)	One-time funding for expansion of skilled-trade program facility at Wharton Junior College.	\$3.0	\$0.0	\$0.0	\$0.0	\$3.0	NA
E)	Removal of startup funding for mental health workforce programs at Midland College.	(\$1.8)	\$0.0	\$0.0	\$0.0	(\$1.8)	NA
F)	Removal of one-time capital costs for the Texas Medal of Honor Museum at North Central Texas College.	(\$4.0)	\$0.0	\$0.0	\$0.0	(\$4.0)	NA
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		\$160.8	\$0.0	\$0.0	\$0.0	\$160.8	As Listed

**Public Community/Junior Colleges
Selected Fiscal and Policy Issues - House**

1. **Overview of Community College Funding.** Funding for community colleges is comprised of state appropriations, tuition and fee revenue, federal funds, and local property tax revenue. Unlike other institutions of higher education, tuition and fee revenue is not included in state appropriations. State funding is comprised entirely of General Revenue Funds that are allocated through the formulas established by House Bill 8 and non-formula appropriations for support items. The following is an overview of the formulas:

Base Tier

The Base Tier formula constitutes 5.0 percent of recommended formula funding and funds the difference between an institution's basic instruction and operations need, and revenue it would be able to generate to fund the need through tuition, fees, and local property taxes.

In calculating an institution's funding need, the formula accounts for the varied cost of instruction across course types, additional resources required to instruct academically disadvantaged, economically disadvantaged, and adult students, and the higher relative cost of operations at small institutions.

Recommendations maintain fiscal year 2025 Base Tier formula rates and total \$119.5 million, an increase of \$5.1 million from 2024-25 appropriations.

Performance Tier

The Performance Tier formula constitutes 95.0 percent of recommended formula funding and provides funding for the following:

- a student’s completion of 15 semester credit hours (SCH) of dual credit,
- transfer to a general academic institution (GAI) after completing 15 SCH at the community college or completion of 15 SCH in a co-enrollment program, and
- student award of certain credentials (‘Credentials of Value’).

The formula provides additional funding for transfers and credentials obtained by academically disadvantaged, economically disadvantaged, and adult students.

Performance Tier appropriations are based on projections of the number of outcomes achieved by the institutions. Distributions from the Texas Higher Education Coordinating Board (THECB) to the community colleges are periodically adjusted upward or downward as updated outcome data becomes available. Should the net updated outcomes exceed projections used to determine appropriations, THECB may request supplemental appropriations on behalf of the institutions in the following biennium. The current projected request for fiscal year 2025 totals \$39.9 million and is due to higher-than-expected outcomes, a rate increase adopted by THECB in the dual credit outcome, and the addition adopted by THECB of a Credential of Value Premium (outlined in Item 3). The majority of the request is a result of the increase in the dual credit outcome rate. The table below lists the components of the supplemental request and their respective amounts.

Outcome Impacting Supplemental Request	FY 2024 Total	FY 2025 Projected Total	Increase/(Decrease)
15 SCH Dual Credit – Increase in Number of Outcomes	\$90.2	\$96.4	\$6.2
15 SCH Dual Credit – Rate Change	N/A	\$102.0	\$102.0
GAI Transfer/Co-enrollment with 15 SCH	\$331.8	\$263.3	(\$68.5)
Other Outcomes	\$655.4	\$648.8	(\$6.6)
Credential of Value Premiums (Fundable in FY 2025)	N/A	\$6.8	\$6.8
Total	\$1,077.4	\$1,117.3	\$39.9

Note: SCH – semester credit hours, GAI – General Academic Institution

Recommendations maintain fiscal year 2025 Performance Tier formula rates and total \$2,307.2 million, an increase of \$148.5 million from 2024-25 appropriations. This amount includes \$36.0 million projected performance adjustments determined by THECB.

Non-Formula Support

Recommendations for non-formula support total \$46.9 million, an increase of \$7.3 million from 2024-25 appropriations (see Section 2).

2. **Formula Rate Setting Authority.** Education Code, Chapter 130A states that the General Appropriations Act or other legislative appropriation shall set formula rates. In the 2024-25 General Appropriations Act, the legislature delegated that authority to the Texas Higher Education Coordinating Board (THECB) through Rider 21 in the Community College bill pattern. THECB adopted related rules for fiscal years 2024-25 as well as 2026-27 in Title 19, Part 1, Chapter 13 of Texas Administrative Code to establish formula rates. Recommendations are based on those rates; however, recommendations also establish the rates in a rider that serves to preempt THECB rule.

3. **Performance Tier Credential Methodology.** Credentials awarded funding in the Performance Tier formula are determined by THECB and defined as those obtained by a student whose projected cumulative 10-year earnings are greater than the median cumulative earnings of a high school graduate, less the total cost of the student’s attendance at the community college and total earnings the student foregoes while enrolled (projected cumulative 10-year earnings – cost of attendance – foregone earnings > median cumulative earnings of high-school graduate).

The following table provides an example as an illustration:

	Credential of Value-Holder	Median High School Graduate
Total cost of attendance	\$10,000	
Total foregone earnings	\$50,000	
10-year cumulative earnings	\$560,001	\$500,000
Credential Award Calculation	\$500,001	\$500,000

Institutions receive additional funding via a Credential of Value Premium if a student achieves a positive return on investment at or before the year in which the majority of students in the same program area achieve a positive return. Additional funding is provided for all credentials that are associated with high-demand occupations, defined by THECB as those with the highest projected job openings over the next ten years, both statewide or specific to an institution’s region. The following table lists the baseline rates for a Credential of Value and additional funding for the premium and for those in high-demand fields.

Credential Type	Credential of Value	Credential of Value Premium	Credential of Value in a High-Demand Field
Institutional Credential leading to Licensure or Certification/ Occupational Skills Awards/Third-Party Credentials	\$1,000	N/A	\$250
Certificate	\$1,750	\$437	\$1,750
Associate Degree/Bachelor’s Degree	\$3,500	\$875	\$1,000

4. **Success Point and Performance Tier Formulas.** Prior to the establishment of the current formula in the 2024-25 biennium, the outcomes-based Success Point formula constituted 17 percent of formula funding, whereas the Performance Tier now accounts for 95 percent of formula funding. For reference, the table below shows all outcomes in the Success Point and Performance Tier formulas and their respective rates:

Success Point Formula Outcome	FY 2022-23 Rate	Performance Tier Formula Outcome	FY 2025 Rate
Student transfer to a General Academic Institution after completion of 15 semester SCH or completion of 15 SCH in a co-enrollment program	\$744	Student transfer to a General Academic Institution after completion of 15 SCH or completion of 15 SCH in a co-enrollment program	\$3,500
Student completion of developmental education or completion of first college-level course in mathematics	\$248	Student completion of 15 SCH of dual-credit or dual-enrollment courses	\$3,500
Student completion of developmental education or first college-level course in reading or writing	\$124	Student award of an Occupational Skills Award or institutional credential leading to licensure	\$1,000
Student completion of 15 SCH	\$248	Student award of a certificate or Advanced Technical Certificate	\$1,750
Student completion of 30 SCH	\$372	Student award of an associate or bachelor's degree	\$3,500
Student award of a certificate, associate degree, or bachelor's degree in STEM or Allied Health	\$806	Student award of an Opportunity High School Diploma	\$3,500
Student award of a certificate, associate degree, or bachelor's degree in field other than STEM or Allied Health	\$297	Student award of a third-party credential	\$1,000

Note: SCH – Semester Credit Hour

5. **Performance Tier Formula Outcomes.** The following table lists the Performance Tier formula outcomes, the total of each outcome obtained across all community colleges by fiscal year, and the change in total outcomes obtained from FY 2023 to FY 2027. Those outcomes not funded prior to the 2024-25 biennium are noted below, two of which – Institutional Credential leading to Licensure or Certificate and Occupational Skills Award – account for the top two highest projected outcome growth from fiscal year 2023 to 2027 at 87.0 and 85.6 percent, respectively.

	FY 2023	FY 2024 ¹	FY 2025 ¹	FY 2026 ¹	FY 2027 ¹	Percent Change FY 2023 to FY 2027
GAI Transfer/Co-enrollment with 15 SCH	56,968	57,321	56,713	55,464	55,390	(2.8%)
Certificate	38,205	37,977	37,983	37,152	37,892	(0.8%)
Associate Degree	84,997	85,445	85,439	86,191	86,390	1.6%
Bachelor’s Degree	1,522	1,619	1,753	2,129	2,312	51.9%
15 SCH of Dual Credit ²	53,099	54,670	56,047	57,233	59,331	11.7%
Institutional Credential leading to Licensure or Certificate ²	13,346	14,334	15,433	18,690	24,957	87.0%
Occupational Skills Award ²	8,957	9,572	10,132	11,970	16,622	85.6%
Advanced Technical Certificate ²	419	420	420	420	430	2.5%

- 1. Forecasted outcomes
- 2. Outcomes not funded prior to FY 2024-25

6. **Base Tier Formula Calculation: Tuition and Fee Revenue.** To calculate the amount of tuition and fees an institution could potentially generate to fund its instruction and operations need, the Base Tier formula uses the statewide average of tuition and fees charged to full-time equivalent students residing within the district of the community college they attend, as determined by THECB.

For those institutions who charge tuition and fees below the statewide average, the formula overestimates tuition and fee revenue and therefore underestimates their funding need. This in turn could potentially serve as a disincentive for the institution to keep its tuition and fees below the statewide average, and the opposite would apply to institutions who charge above the statewide average.

The table below provides an example of two institutions to illustrate the concept – the first charges tuition and fees above the statewide average and the second charges tuition and fees below the statewide average. As shown, the formula overfunds the first institution’s need and underfunds the second institution’s need.

	Instructions and Operations Need	Actual Tuition and Fee Revenue	Resulting Base Tier Funding Need	Estimated Tuition and Fee Revenue using Formula Methodology	Resulting Base Tier Funding	Base Tier Overfund/(Underfund)
Community College A – Charges Tuition and Fees above the Statewide Average	\$5,000,000	\$4,000,000	\$1,000,000	\$2,500,000	\$2,500,000	\$1,500,000
Community College B – Charges Tuition and Fees below the Statewide Average	\$5,000,000	\$1,000,000	\$4,000,000	\$2,500,000	\$2,500,000	(\$1,500,000)

7. **Exceptional Item Requests for One-Time Funding.** Seven institutions have requested exceptional items totaling \$97.4 million for capital costs associated with implementing or expanding health, technology, manufacturing, and skilled trade programs; the majority of the requests are for funding in only the 2026-27 biennium. Because the Performance Tier Formula constitutes ninety-five percent of formula funding and is based solely on outcomes, the requesting institutions have expressed challenges in funding programs that would eventually award credentials to generate funding in the formula. Furthermore, there is a wide range in non-state revenue and dependence on state funding across all institutions to fund such startup costs. The table below lists the requesting institutions, the programs associated with the request, and amount requested.

Institution	Program	Requested Amount (in millions)
Houston Community College ¹	Nursing and allied health, construction trades, plumbing, electrical, cybersecurity, engineering technicians and mechanics, smart manufacturing operators and programmers, machining, welding, aviation maintenance, heavy vehicle and industrial mechanics	\$57.6
Howard College	Dental lab technology, welding	\$0.1
Laredo Community College	Plumbing technology, powerline technician	\$1.7
San Jacinto College ²	Biopharmaceutical and biotechnology manufacturing	\$10.0
San Jacinto College	Cybersecurity	\$4.5
Temple College	Semiconductor manufacturing	\$8.2
Tyler Junior College	Electrical power transmission, plumbing technology, HVAC, welding	\$7.2
Tyler Junior College	Nursing and allied health	\$3.5
Wharton Junior College ²	Plumbing, pipefitting, construction trades, forklift operation, rigging, high-voltage electricity, hazardous material and waste response, electrical technician	\$3.0
Wharton Junior College ³	Emergency medical services, health information technology, nursing, medical and patient care assistants, phlebotomy	\$1.6

1. The institution intends to request a total of \$70.4 million in fiscal years 2028-30 for capital costs related to subsequent phases of the project (\$128.0 million total).

2. Funding included in recommendations.

3. The institution's total request for the item is \$2.3 million, the remainder of which will be ongoing costs for salaries related to the degree programs.

8. **Financial Aid for Swift Transfer (FAST).** The FAST program, which was created in House Bill 8, Eighty-eighth Legislature, provides funding for public institutions of higher education to offer dual credit courses to educationally disadvantaged students, defined as students eligible for the national free/reduced-price lunch program, at no cost. **Recommendations for THECB included \$165.2 million in transfers from the Foundation School Program for the 2026-27 biennium.** Because student completion of dual credit is a funded outcome the Performance Tier Formula, participation in the FAST Program will increase the likelihood that a community college will receive funding for the outcome. The table below lists funding amounts that participating institutions received for eligible semester credit hours during the 2023-24 school year. THECB anticipates that these amounts will increase once the last dual credit enrollments for spring and summer are certified and funding is disbursed.

Institution	2023-24 School Year Funding	Institution	2023-24 School Year Funding	Institution	2023-24 School Year Funding
Alvin Community College	\$285,835	Northeast Lakeview College (Alamo Community College)	\$515,570	Lamar Institute of Technology	\$731,775
Amarillo College	\$475,970	Northeast Texas Community College	\$442,200	Lamar State College-Orange	\$540,595
Angelina College	\$749,063	Northwest Vista College (Alamo Community College)	\$788,370	Lamar State College-Port Arthur	\$1,157,860
Austin Community College	\$2,022,144	Odessa College	\$1,839,750	Texas State Technical Colleges	\$371,690
Brazosport College	\$409,145	Palo Alto College (Alamo Community College)	\$1,719,520	Angelo State University	\$725,505
Cisco College	\$332,585	Panola College	\$192,748	Sul Ross State University	\$89,375
Clarendon College	\$219,835	Paris Junior College	\$654,438	Tarleton State University	\$102,795
Dallas County Community College	\$10,964,910	Ranger College	\$224,840	Texas A&M-Kingsville	\$198,000
Del Mar College	\$1,153,451	San Antonio College (Alamo Community College)	\$742,390	Texas A&M-San Antonio	\$93,170
El Paso Community College	\$4,580,015	San Jacinto College District	\$3,882,120	University of Texas at Austin	\$5,828,295
Frank Phillips College	\$465,025	South Plains College	\$878,460	University of Texas Permian Basin	\$52,415
Grayson College	\$258,907	South Texas College	\$7,774,745		
Houston Community College	\$4,435,475	Southwest Texas Junior College	\$1,507,605		
Howard Collage	\$193,971	St. Philip's College (Alamo Community College)	\$1,257,355		
Kilgore College	\$1,076,846	Tarrant County College District	\$4,073,520		
Laredo Community College	\$2,659,704	Temple College	\$173,690		
Lee College	\$562,540	Texarkana College	\$776,875		
Lone Star College System	\$6,581,726	Texas Southmost College	\$2,540,945		
Navarro College	\$814,770	Trinity Valley Community College	\$1,048,575		
North Central Texas College	\$360,085	Vernon College	\$158,493		
		Total Community College Funding:	\$69,794,211	Total GAI and Technical College Funding:	\$9,891,475
				Total Funding for All Institutions:	\$79,685,686

**Public Community/Junior Colleges
Rider Highlights - House**

Modification of Existing Riders

19. **Wharton County Junior College – Economic Development Trade School.** Rider modified to reflect funding recommendations.
20. **Public Junior College State Finance Program.** Rider modified to clarify that the basic allotment rate and contact hour funding in the Base Tier formula are set by the General Appropriations Act or other legislative appropriation and legislative appropriation, respectively.

The following riders include recommendations to remove obsolete language, make conforming changes such as updating fiscal years and amounts to reflect funding recommendations, and clarify deadlines: Rider 5, Appropriation: Unexpended Balances; Rider 9, Informational Listing of Other Appropriations; Rider 10, Approved Elements of Expenditure and Non-formula Support Item Expenditures; Rider 12, Grayson County College – Viticulture & Enology; Rider 13, Hill College – Heritage Museum; Rider 15, Alamo Community College – Veteran’s Assistance Centers; Rider 16, Houston Community College – Regional Response Emergency Training Center; Rider 17, North Central Texas College – Texas Medal of Honor Museum; Rider 18, Southwest Texas Junior College – Technical Program Expansion; Rider 21 – Appropriation of Audit Adjustments, Settle-Up Funds and Data Elementa; Rider 22, Additional Transfer Authority to Implement House Bill 8; Rider 23, Unexpended Balance Authority for House Bill 8.

New Riders

24. **Base and Performance Tier Formula Rates.** Rider listing the rates for the Base and Performance Tier formulas to be used to determine each formula’s appropriations.
25. **Base and Performance Tier Formula Weights.** Rider listing the funding weights, as determined by the Texas Higher Education Coordinating Board, that are applied to the inputs of the Base and Performance Tier formulas
26. **Reporting Requirement.** Rider requiring the Texas Higher Education Coordinating Board to annually submit information related to public community/junior college formula funding to the Legislative Budget Board.
27. **San Jacinto College – Center for Biotechnology.** Rider providing funding in fiscal year 2026 and unexpended balance authority into fiscal year 2027.

Deleted Riders

20. **Formalization of House Bill 8.** Intent rider providing instructions on the formalization of House Bill 8. As the provisions of House Bill 8 have been incorporated into the 2026-27 Community/Junior College bill pattern, rider is no longer needed.

**Public Community/Junior Colleges
Items Not Included in Recommendations - House**

		2026-27 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2028-29
		GR & GR-D	All Funds	FTEs			
Agency Base Requests Not Included							
A)	Angelina College - Texas Community College Consortium service expansion	\$1,125,000	\$1,125,000	NA	N	N	\$0
B)	Dallas County Community College - Small Business Development Center service expansion	\$1,053,914	\$1,053,914	NA	N	N	\$1,053,914
C)	Dallas County Community College - STARLINK	\$287,664	\$287,664	NA	N	N	\$287,664
D)	Hill College - Heritage Museum and Genealogy Center restoration to 2009-10 funding	\$100,000	\$100,000	NA	N	N	\$100,000
E)	Houston Community College - construction of facility for multiple allied health and skilled trade programs	\$57,600,000	\$57,600,000	NA	Y	Y	\$57,600,000
F)	Howard College - faculty pay, equipment for dental technician and welding programs, deferred maintenance	\$665,280	\$665,280	NA	N	N	\$700,000
G)	Laredo Community College - equipment for development programs in plumbing technology, powerline technicians, court reporting, and forensic and investigative technologies	\$1,720,000	\$1,720,000	NA	N	Y	\$0
H)	San Jacinto College - equipment for cybersecurity program	\$4,500,000	\$4,500,000	NA	N	Y	\$0
I)	Temple Junior College - equipment for semiconductor and advanced manufacturing programs	\$8,200,000	\$8,200,000	NA	N	Y	\$0
J)	Tyler Junior College - expansion of workforce/technology program campus	\$7,200,000	\$7,200,000	NA	N	Y	\$0
K)	Tyler Junior College - funding to address deficiencies in campus safety and security	\$8,000,000	\$8,000,000	NA	N	Y	\$0
L)	Tyler Junior College - construction and launch of facility for nursing/allied health programs	\$3,500,000	\$3,500,000	NA	N	Y	\$0
M)	Wharton County Junior College - funding for facility renovation and salaries related to nursing/allied health programs	\$2,290,000	\$2,290,000	NA	Y	N	\$720,000
TOTAL Items Not Included in Recommendations		\$96,241,858	\$96,241,858				\$60,461,578

Note: For Community Colleges that have not submitted updated exceptional item requests, items listed above reflect exceptional items as of the Legislative Appropriations Request and may be updated in future documents.