

Legislative Priorities 82nd Legislative Session

Overview

As the state of Texas experiences a budgetary shortfall and the nation seeks to recover from a gripping recession, Houston Community College's ("HCC") economic role has become more critical. The need for retraining and advancing the skills of our workforce continues to translate into an enrollment increase of 35% since 2008. As unemployment approaches double digits, displaced workers are enrolling to re-tool their work skills for the purpose of transitioning back to work. Accordingly, it is essential to our community's and our state's economic recovery to meet this existing demand.

HCC, a state-supported provider of higher education, appreciates the support that the Texas Legislature provides to public community colleges. We look forward to working with the Legislature and the governor during the 82nd legislative session to enhance educational opportunities and to help advance our collective efforts toward Closing the Gaps – ensuring an educated population and workforce for the future.

HCC has six regional college campuses and **serves more than 72,000 students** each semester – preparing individuals, our region and the state of Texas for long-term economic growth and opportunity. In Texas, HCC is the #1 community college for placing students in jobs when they graduate, #1 in Associate Degree transfers to the University of Houston, and #1 for international student enrollment. Our institution also has five nationally recognized "exemplary" Early College High Schools that operate in partnership with Houston Independent School District.

HCC has 25 exemplary workforce programs identified and recognized by the Texas Higher Education Coordinating Board ("THECB") – more than any community or technical college in Texas. These top-rated programs are a positive testament to the quality of educational services and commitment made by HCC to its students and the business community.

Past HCC students contribute \$1.7 billion annually in added regional income to our local community. Additionally, 95% of HCC alumni remain in Texas and contribute to its economic growth. Students also receive 14.9% annual ROI (factoring tuition, fees and lost income), and taxpayers save \$15.8 million annually in costs the government would otherwise allocate to health, medical, crime and welfare services. We are indeed an excellent present value to the community and our students.

HCC's vision is to be the most relevant community college in the country – the opportunity institution for every student we serve – essential to our community's success. As we pursue this vision, HCC identifies its 2010 legislative priorities for consideration by the 82nd Legislature and the governor. The following identified legislative priorities are critical to the general advancement of our economy and of education in the state of Texas and the greater Houston community.

Appropriations – To prevent the erosion of the community and technical colleges' mission of providing quality higher education and workforce preparation for all Texans, HCC urges the 82nd Legislature to adopt the level of funding recommended by the *Texas Association of Community Colleges* ("TACC") at the Joint Budget hearing. The three components of that request are: (1) restoration of the 5% reduced from base funding, (2) restoration of the general revenue that was supplanted with federal ARRA funds, and (3) full funding of base year student growth. HCC agrees with the concerns raised by TACC regarding Momentum Points Funding, and also urges the Legislature to ensure that the implementation of any such plan does not negatively impact programs designed to educate large numbers of disadvantaged and non-traditional students. HCC has similar concerns regarding prior proposals to change the basis of formula funding from contact hours to completions, and supports maintaining current levels of funding for student financial aid, adjusted for the growth in the number of eligible students.

Employee Benefits – To provide an excellent educational experience for all students, community colleges must hire and retain talented and dedicated faculty and staff. Preservation of quality employee benefits is critically important to accomplishing this goal. Accordingly, the 82nd Legislature should maintain its historical commitment to Texas community colleges by fully funding employee benefits rather than shifting a portion of the cost onto local property taxpayers and students by changing the definition of proportionality.

New Campus Funding – To meet the increasing demand for higher education and to enhance the economic vitality of our region and state, HCC will construct new and expand existing facilities during the fiscal biennium 2012-2013. With the opening of these facilities, there is an anticipated increase in our student enrollment and correspondingly the need for timely contact hour reimbursement. Accordingly, HCC urges the 82nd Legislature to fully fund the anticipated additional student contact hours.

Professional Nursing Shortage Reduction – To meet expected demand for nurses in 2020, HCC urges the 82nd Legislature to adequately address the nursing shortage by continuing to fund this initiative at current levels. In addition, HCC asks for modification of existing guidelines to give more colleges access to the previously expanded funding and to provide timely access to funding for expansion of nursing programs.

Dual Credit Classes, TEKS and End of Course Exams – The Texas Essential Knowledge and Skills ("TEKS") curriculum and the new End of Course Exams for high school students are intended to promote and assess college readiness. Dual Credit classes are college-level courses for which students may also receive high school credit. Adjusting college courses to include high school level curriculum is duplicative in nature and would burden students with two final exams. A reasonable solution would be to make it permissible to substitute the final college grade earned in either a Dual Credit or Early College course taken at an accredited institution for the End of Course Exam grade.

Community colleges have become the key provider of education and training for Texans seeking to attain or regain employment in the face of a severe recession. Our ability to rebound and grow economically depends on how well we fulfill this responsibility. Despite the critical nature of our mission, community colleges are being asked to educate almost 30% more students with state aid that may be 7.5% less than four years ago.

Background

Over the past 12 years, state support for community colleges continued to decrease as a percentage of total revenue. In 1998-1999, 46% of HCC's revenue came from state formula funding. By 2003-2004, state revenue to HCC declined to less than 30%. As of 2010-2011, state aid represents only about 25% of HCC's revenue.

During the 81st legislative session, HCC received an initial increase of \$13.4 million (10.5%) over the state general revenue ("GR") funding for the 2008-2009 biennium. This amount merely represented reimbursement for HCC's 10.5% growth in base year contact hours, with no additional formula funding for higher costs. Appropriations conferees then replaced about \$1.2 million of that GR with federal stimulus funds. The subsequent 5% reduction to appropriations reduced state GR by an additional \$7 million, leaving HCC with about \$5.3 million (4.2%) more state aid, as reimbursement for the already-incurred expense of educating the 10.5% student increase the prior biennium. With that money, HCC had to educate and train 12.5% more students in 2009-2010, and 10% more as of fall 2010.

HCC complied with the request to submit its Legislative Appropriations Request for the biennium 2012-2013 that assumes the continuation of the 5% reduction and non-replacement of \$1.2 million in substituted stimulus funds. Also, the request projects an additional reduction of 10%, or \$13.3 million. This would leave HCC with a total net reduction of \$21.4 million (15.2%) in the face of student growth of more than 35% over three years. At the same time, HCC's projected property values will decline by 3.7%, resulting in an additional loss of \$4.5 million in local tax revenue at our current tax rate.

To avoid reducing our desperately needed educational and training programs, replacing the \$8.2 million in already-reduced revenue would require a tuition increase of 10% or a property tax increase of 8.2%. If the additional 10% state reduction occurs – resulting in the \$21.4 million funding loss – the balancing tuition or property tax increases are 28% or 22%, respectively.

State Legislative Action Sought

HCC supports the TACC request for full restoration of the 5% and stimulus funding reductions and full funding of student contact hour growth for the biennium 2012-2013. While this would provide no funding for increased costs over the past four years, it would minimally maintain the level of support, per student contact hour at 2008 levels. Under this proposal, HCC's base funding is approximately \$170 million, as compared to the LAR baseline general revenue target amount of \$132,540,944.

Impact

The requested state appropriations are necessary for HCC and other community colleges to meet the state's economic development needs and the policy goals identified in Closing the Gaps by 2015 and to prevent reductions in services and tuition and property tax increases that would be particularly damaging to Texas' economic recovery.

During the 81st Legislature, the THECB recommended changing the basis for formula funding from "attempted contact hours" to "completed contact hours." This proposed policy change emphasizes funding outcomes rather than inputs. Because not all "inputs" – students – are the same, this could result in underfunding disadvantaged and non-traditional students – including older, working students with families.

Background

The cost of educating students in community colleges is largely a function of the number of students enrolled in a college's classes. A student's failure to complete a course does not reduce those costs in any significant manner. Formula funding traditionally has been based on attempted contact hours in recognition of the link between enrollment and cost.

Some contend that shifting funding to a "completions" basis would give colleges a significant incentive to encourage students to finish what they started – complete the course. Others counter that colleges have little ability to influence students' decisions to complete a course, particularly in the case of disadvantaged or non-traditional students who often are more susceptible to outside factors (e.g., economic and family pressures). The latter group also contends that colleges that serve these students need higher, not reduced, funding to achieve successful outcomes.

A preliminary analysis of data from the THECB during the 81st Legislature appeared to support the latter position. Six of the seven largest community colleges, all located in urban areas with high concentrations of disadvantaged and non-traditional students, would have lost a total of about **\$14 million** if the 2008-2009 biennium's funding were redistributed based on completions. The one large college that would not have lost money would likely have gained approximately \$600,000, or only one-third of one percent of its funding.

State Legislative Action Sought

HCC urges the Legislature to continue to recognize the link between enrollment and costs by retaining enrolled contact hours as the basis for formula funding. In particular, HCC urges the rejection of any change to even a portion of the basis for formula funding, unless the new basis includes significant safeguards to adjust for and prevent anticipated adverse consequences on colleges with high concentrations of disadvantaged and non-traditional students.

Impact

Maintaining the enrolled contact hour basis would avoid the adverse impact that the completions method would have on disadvantaged and non-traditional students and on the colleges they attend. Fully funding community colleges will help Texas better achieve its *Closing the Gaps* goals.

The commissioner of higher education and the THECB recommend shifting some funding of higher education from cost-based formulas to an outcomes-based system called "Momentum Points Funding" ("MPF"). This is a significant extension of the principle behind changing the formula funding basis to completions. Under MPF, the outcomes move from classes completed to a broader group of criteria, including completion of a certain number of hours (15 or 30) and degrees/certificates and transfers completed, but still without adequate safeguards. This shift could increase the underfunding of economically disadvantaged and non-traditional students as described below.

Background

MPF represents a significant expansion beyond previously-suggested "outcomes-based-funding" plans. The commissioner proposes withholding 10% (\$217.6 million) from community college formula funding, adjusted for contact hour growth – about 62% of the estimated \$353.3 million total cost of that growth. Since that amount represents reimbursement for the unreimbursed expense of educating those students in the prior biennium, this could leave HCC and many other colleges with those expenses permanently unfunded.

Prior incentive plans were part of larger proposals that called for full formula funding. These proposals recognized that demanding outcomes without providing the means to accomplish them is punitive, not an incentive. As designed, the MPF proposal is not an incentive because it denies funds already earned under the existing formula funding method. It gives those "already earned" funds back based on prior "achievement" of goals that were unknown at the time.

The MPF plan has the same liability as awarding funds based on completions versus contact hours. By way of observation, disadvantaged and non-traditional students are less likely to meet the completion targets within the arbitrary time-frames, complete degrees or transfer to four-year institutions. Therefore, without substantial safeguards, incentive funding could hurt community colleges with higher concentrations of these students. Initial estimates put HCC's potential loss at over \$6 million.

Furthermore, urban colleges like HCC serve a disproportionate number of students enrolled at fouryear institutions who are trying to complete a few credits but are not seeking certificates. Because they would not generate points under most of the commissioner's outlined plan, the proposed system would provide less funding for such students than regular formula funding. If enrolling such students becomes a financial liability, causing HCC and others to discourage their enrollment, it could have the detrimental financial result of driving them back into university courses that are more expensive to the state.

By creating incentives for primarily educational "safe bets" – students who are likely to generate Momentum Points – the proposed plan discourages schools from casting wider nets that, while not producing high success percentages, would nonetheless increase the total numbers of Texans advancing their learning and productivity through higher education. In other words, the proposed plan makes reaching the numerical goals of Closing the Gaps much less likely.

State Legislative Action Sought

HCC urges the Legislature to continue recognizing the link between enrollment and costs by appropriating full formula funding before allocating any funds for incentives. HCC also urges including significant safeguards to prevent disfavoring colleges with high concentrations of disadvantaged and non-traditional students.

Impact

Fully funding the formula and providing incentive funding safeguards help ensure that community colleges have sufficient funding to help Texas better achieve its Closing the Gaps goals.

Affordability is critical to achieving the state's desired goal of increasing student enrollment by 2015. However, current Texas financial aid policy is not aligned with this goal, particularly at a time when most new students will enroll at one of the state's community colleges. Many students who do enroll are also being saddled with substantial student loan debt due to the absence of adequate financial aid.

Background

State aid makes up less than 10% of grant funding to community college students. Of the approximately 290,000 students who are eligible for the Texas Educational Opportunity Grant ("TEOG") – the financial aid program aimed directly at students attending two-year institutions – only about 11,000 received state funding despite an increase last biennium from \$7 million per year to \$12 million per year. Students eligible for a Texas Grant will likely grow by more than 105,000, the number of grant recipients will decrease by more than 6,000, if the state fails to increase funding. Overall, the commissioner estimates that as many as 64,000 students could lose financial aid under the proposed cuts. The THECB made increased funding for TEOG and Texas Grants its primary exceptional item request to prevent these reductions.

In response to the potential shortfall, the commissioner recommended the possibility of limiting Texas Grant eligibility based on test scores, class rank and high school curriculum, in addition to the current need-based restrictions. Data indicates that this would have a negative impact on disadvantaged and non-traditional students who make up a substantial portion of HCC's student population.

Additionally, financial aid that students receive at a community college does not always follow students when they transfer to four-year institutions (e.g., TEOG). Also, transferring community college students who receive financial aid face additional barriers because some aid programs are available only to "first-time" students following graduation from high school.

State Legislative Action Sought

Expand grant funding rather than loan programs to help community college students mitigate and/ or avoid the burdens of post-graduation debt. Specifically:

- 1 Increase TEOG funding from \$24 million to \$34 million as the THECB recommends allows serving an additional 2,630 students, per the THECB;
- 2 Increase Texas Grant funding sufficient to cover the effects of inflation and the growth in eligible students the THECB requests \$62 million in additional funding in FY2012 and \$110.3 million in FY2013;
- 3 Adopt a grant aid policy position that does not adversely impact disadvantaged and non-traditional students; and
- 4 Make grant aid follow students by removing barriers that transferring community college students face when seeking financial aid at four-year institutions.

Impact

Expanded financial aid will help the state achieve its Closing the Gaps goals by providing access and affordability to students who desire higher education opportunities. Increased TEOG and Texas Grant funding will also lessen financial burdens that often restrict higher education access for certain students, particularly at a time when many laid-off workers require retraining and higher educational attainment to regain employment.

¹ http://www.thecb.state.tx.us/index.cfm?objectid=71E20E40-D789-B87A-D03B6685124F6FC1

² Citing Texas Higher Education Coordinating Board Overview: Texas Educational Opportunity Grant, January 2010, at page 2.

The 80th and 81st Legislatures rejected the proposed expanded definition of proportionality that would shift the cost of funding a portion of employee group health insurance to tuition and local property taxes in proportion to their increasing share of operating costs. Following the governor's veto of all funding for employee group insurance benefits for FY2009, the Legislature restored the vetoed funds to the respective community colleges in the supplemental appropriations bill and fully funded benefits for FY2010 and FY2011. However, with the state facing a significant revenue shortfall, the issue remains under discussion. SB1 also contained a rider which explicitly states that all eligible employees would have coverage, but legislation seeking to place this in statute failed to pass.

Background

Historically, there has been a shared costs arrangement between the state of Texas and local communities regarding the financing of local community colleges. Under law, the state funded the salaries of the educational and administrative employees, while local community colleges assessed and collected property taxes to fund physical facilities.

The 1985 General Appropriations Act included a rider instructing institutions to apply for and use federal funds for group insurance premiums for salaries paid from federal funds to prevent outside funding sources from increasing the burden on state taxpayers. Also, all physical plant employee benefits are paid from local funds based on community colleges' traditional responsibility to pay for physical plant expenses and a Texas Performance Review recommendation. In each case, tuition and property tax revenues used to pay instructional expenses were considered state funds in assigning proportionality.

The proposed expanded definition of proportionality sought to assign the cost of employee benefits to each revenue source in proportion to the relative share each pays for general operating expenses, including instruction. Effectively, it would shift a portion of those costs from state appropriations to tuition and local property taxes. The adoption of this definition abandons the historical arrangement between the state and local community colleges that provides for fully funding insurance coverage for all eligible employees (i.e., those employees not funded by federal or private grants). Community colleges contend that the expanded definition of "proportionality" forces them to pay a disproportionate share of employee benefits and would restrict their ability to attract and retain quality faculty.

State Legislative Action Sought

Resolve any lingering questions about the appropriate definition of proportionality by passing a statute confirming the historical commitment to fully funding benefits for all eligible community college employees and by fully funding them in the 2012-2013 appropriations bill, including adjustments for inflation and growth in employment.

Impact

Confirming the historical commitment to fully fund employee benefits provides assurances that allow community colleges to attract and retain talented and dedicated faculty and staff to provide an excellent educational experience for all students. The commitment also signals to local property tax payers and students that the state will not shift a tax burden or related fees to the local community, particularly at a time when they can least afford it.

Due to explosive population growth, inadequate and limited space and facilities, HCC recognizes the need to update and expand in its service area to meet the educational needs of the community it serves. The "Enrollment Growth" rider may be sufficient to cover the needs of smaller institutions, where few additional students would trigger the funding provided for that purpose. However, at large community colleges like HCC, it would take thousands of new students, for whom HCC would receive no funding for two years, before HCC would receive a single dollar of aid under the enrollment growth provision. The traditional "New Campus" rider approach recognizes that a new campus serves students who are not there in the base year and provides funding accordingly.

Background

HCC is continuing upon an aggressive new campus building and expansion campaign to meet the educational needs of the community, including the following new facilities: New Alief Center Expansion, Coleman Westside Health Sciences Center, Southeast Career and Technology Center, Stafford Fine Arts Center and the Audio/Visual, Broadcasting and Film Center at the Central campus.

HCC purchased and is renovating a four-story, 300,000 square feet facility in the fast-growing Alief area of Houston, creating a major HCC campus site that provides needed space for educational services within the Alief community. The full use of the facility has been delayed in part by the loss of new campus funds appropriated during the 80th legislative session. Initially, the first floor (70,000 square feet) only was operational with an expansion to an additional 70,000 square feet funded for the biennium 2010-2011. The requested appropriation would permit the build-out of the remainder of the building to accommodate the expanding enrollment that will result from the successful annexation of Alief into the HCC taxing district, while correspondingly eliminating out-of-district fees to students.

Additionally, HCC plans to open the 80,000 square feet Coleman Health Sciences Westside Center in Fall 2011, housing programs for dental hygiene, nursing, renal dialysis technicians and medical assisting and the 65,000 square feet Southeast Career and Technology Center in Fall 2011. HCC also anticipates opening the 35,209 square feet Stafford Fine Arts Facility in Fall 2011, when the HCC Central College will also open a 10,000 square feet facility for its expanded and consolidated Audio/Visual, Broadcasting and Film program.

Anticipated enrollment resulting from building and/or expanding these facilities is approximately **5,700 new students in FY2012, growing to nearly 7,000 in FY2013**. These students will add almost 2.5 million additional contact hours over the biennium. Each of the aforementioned facilities will help deliver educational services based on an identified need.

State Legislative Action Sought

Provide full formula funding, estimated at a biennial cost of just over \$12 million, for the estimated 2.5 million new contact hours resulting from the building and/or expansion of HCC facilities.

Impact

Desired funding will address inadequate space to accommodate existing needs, make dual credit opportunities available, prepare people for high-skills jobs in the knowledge-based economy and make higher education more accessible to the community, particularly to persons from historically underserved communities, furthering the state supported goal of *Closing the Gap by 2015*.

The *Texas Center for Nursing Workforce Studies* estimates the state's nursing programs need to increase the number of its graduates to 25,000 by 2020 to meet expected demand for nurses. This is especially true in the Houston region, home to the largest medical complex in the country. HCC plays a key role in educating nurses and seeks to partner with others in reducing this shortage by identifying and training a highly skilled workforce of nurses through its professional nursing program and partnerships.

Background

The basic appropriations structure provides no formula funding for expansion of a nursing program since an increase in the number of students will not be reflected in the "base year" contact hours used for formula funding. As a result, the Texas Legislature appropriated funds over the last several legislative sessions to help expand nursing programs and increase graduation rates. In 2003, Rider 15 provided funding for expansion of nursing programs by designating that a RN professional nursing program was a separate institution for purposes of eligibility for rapid growth rider funding.

The Legislature subsequently expanded the funding to \$7,350,000 each year of the biennium and allotted up to 40% of this money to community colleges. However, distribution was based on the number of graduates in the prior school year, discouraging its use for expanding or creating new nursing programs.

Because the first students added through program expansion will not graduate until the end of the second year of the biennium, they would not generate rider funding until the following year – in the next biennium. Therefore, any funding for program expansion under that rider language was totally retrospective and dependent upon actions of a future Legislature.

The 81st Legislature dramatically increased funding for the biennium 2010-2011 to almost \$50 million, but the rider dedicated most of the increased funding to a few designated two-year and four-year programs selected solely on their 2008 graduation percentages. HCC was not on that selected list. The THECB is requesting continuation of that funding.

The current rider language also provides little funding for program expansion at any of the non-select institutions. It continued the prior \$7.35 million of rider funding, with the same problematic language as in the prior biennium. For FY2011, all but \$2.5 million of the increased appropriation was designated only for the institutions on the selected list. The increase also was linked to the number of additional graduates, although some could be received for graduates of one-year programs and, therefore, a one-year program that opened in the first year of a biennium could receive funding in the second year.

To help address the nursing shortage, in the coming biennium, HCC plans to open a satellite nursing program in the recently annexed Alief community located in West Houston. Such expansions require timelier funding for the students added to the program.

State Legislative Action Sought

As requested by the THECB, fund the nursing shortage by appropriating **\$49.7 million** for the biennium 2012-13. Additionally, include a rider change that provides timely funding for expansion of nursing programs and removal of restrictions placed on qualifying programs. Alternatively, via a rider, provide that funding for expansion of nursing programs is a separate institution (i.e., new campus") for purposes of eligibility for rapid growth rider funding that is consistent with Rider 15 in the year 2003.

Impact

Funding will help reduce the nursing shortage, increase the number and percentage of students graduating from professional nursing programs, and help increase nursing faculty positions that are critical to increasing the number of RN graduates in Texas.

End of Course Exams, mandated by House Bill 3 during the 81st Legislature, by design seek to demonstrate a high school student's college and career readiness and are a prerequisite for high school graduation. At issue, however, is the duplicative effect that such exams have on students who already demonstrated their "college readiness" based on successful completion of dual credit courses through a Texas institution of higher education.

Background

Students enrolled in Dual Credit and Early College programs must first demonstrate "college readiness" by meeting the requirements of the Texas Success Initiative just like other students desiring to enter a Texas-based college. Dual Credit and Early College students successfully complete the same college courses taught on regular college campuses. Effectively, these students exceed the "college readiness" objective sought via End of Course Exams. Relevant to this matter, House Bill 3 charged the Commissioner of Higher Education and others to "study the feasibility of allowing students to satisfy end of course requirements...by successfully completing dual credit courses through an institution of higher education."

Potential negative consequences resulting from the failure to allow Dual Credit and Early College students to substitute their course grades for the End of Course Exam include the following:

- 1. Limiting college courses available for Dual Credit and Early College students to those that contain course content paralleling high school TEKS will reduce the number of courses offered by colleges and correspondingly limit the opportunity for students to take up to 12 college-credit hours before they graduate from high school.
- 2. Requiring End of Course Exams will result in Dual Credit and Early College students taking two final exams for each course: one for the college course and one for a high school End of Course Exam.

State Legislative Action Sought

Support waiver of taking an End of Course Exam by denoting in any existing relevant law or bill filed that it is permissible to substitute the final college grade earned in either a Dual Credit or Early College course taken at an accredited institution in place of the End of Course Exam grade. Also, mandate that colleges and universities should not be required to modify college curricula to include TEKS (i.e., high school goals and objectives) in college courses offered in Dual Credit and Early College Programs.

Impact

The proposed action sought would permit the continued use and expansion of Dual Credit and Early College programs in Texas that effectively improves college completion rates and helps create significant savings in state appropriations.



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Our Vision

Houston Community College will be the most relevant community college in the country. We will be the opportunity institution for every student we serve - essential to our community's success.

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