



Legislative Priorities

81st Legislative Session



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Overview

Houston Community College (“HCC”), a state-funded provider of higher education, appreciates the support that the Texas Legislature provides to public community colleges. HCC looks forward to working with the Legislature and the governor during the 81st 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 60,000 students each semester – preparing individuals, our region and the state of Texas for long-term economic growth and opportunity. HCC offers two-year academic and workforce training programs, continuing education and adult basic education courses. Our institution also has four nationally recognized 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.

The workforce educated by HCC has earned an estimated 10.6 million credit hours of past and present HCC training. These skills translate into a \$2.4 billion increase in local income and another \$1.7 billion increase in associated or indirect income. Altogether, the regional economy benefits from roughly \$4.1 billion in annual income directly attributable to HCC and its students. This figure represents approximately 1.4% of the region’s total annual income.¹

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 2009 legislative priorities for consideration by the 81st Legislature and the governor. In sum, the subsequent identified legislative priorities are critical to the general advancement of education in the state of Texas and specifically to the greater Houston community.

¹ *Citing Economic Impact – Houston Community College Regional Economic Growth and Investment Analysis Report.*

Appropriations

To fulfill the mission of community and technical colleges (i.e., providing quality higher education and workforce preparation for all Texans), HCC asks the 81st Legislature to adopt the New Community College Compact with Texas – consisting of three components: sufficient base funding, incentive funding and financial aid. **HCC also asks the Legislature to ensure that the implementation of these components does not negatively impact programs designed to educate large numbers of disadvantaged and non-traditional 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 81st Legislature should maintain its historical commitment to Texas community colleges by **fully funding employee benefits** rather than shifting a portion of the cost onto 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 2010-2011 fiscal biennium. 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 asks the 81st 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 81st Legislature to address adequately the nursing shortage by **renewing and expanding funding for Rider 40**. In addition, HCC asks that **funding for expansion of nursing programs** be included within any line item and that the rider directing funding for new campuses provides that expansion of nursing programs to new locations be treated as new campuses, as was done in 2003.

Issue

Community colleges recognize the urgency in acting to achieve the goals of *Closing the Gaps*, and the state's interest in seeing results from its investment in community colleges. The THECB indicates that only by sharply increasing Texas' *enrollment and graduation rates ... can the state compete with other states and the nation*. Accordingly, it is imperative that the state and community colleges establish a new relationship – *The New Community College Compact with Texas*. *The New Compact* would establish a **new approach to funding community colleges** that will help ensure meeting the goals set forth in *Closing the Gaps*, a state-supported objective.

Background

The THECB adopted *Closing the Gaps by 2015* in October 2000 with strong support from the state's educational, business, and political communities. The plan's four goals seek to close the gaps in student participation, student success, excellence, and research. Community colleges are essential to the state's efforts in meeting these goals. In recognition of this fact, the Commissioner of Higher Education recommends to the Legislature that community colleges receive full formula funding (*i.e.*, \$2.473 billion, exclusive of incentives) to help accomplish the goals set forth in *Closing the Gaps by 2015 and keep tuition affordable*.

During the 80th legislative session, Texas community colleges proposed *The New Community College Compact with Texas* that establishes a new approach to funding community colleges. Under *The New Compact*, community colleges would receive the above-recommended full formula funding. The New Compact identifies three components (*i.e.*, **base funding**, **incentive funding**, and **financial aid**) that recognize the urgency in acting to achieve the goals of *Closing the Gaps* and the state's interest in seeing results from the state's investment in community colleges.

State Legislative Action Sought

Adopt the THECB Commissioner's recommendation of full formula funding as modified by *The New Community College Compact with Texas*, and include appropriate safeguards protecting disadvantaged and non-traditional students. The total full formula recommendation is **\$2.573 billion**, including incentives. Under either proposal, HCC would receive approximately **\$180 million** in *base funding* and incentive funding.

Impact

The requested state appropriations are necessary for community colleges to meet the state's policy goals identified in *Closing the Gaps by 2015* and further recognize the state's interest in seeing results from its investment in community colleges.

Issue

The THECB recommends 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.**

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, etc.). The latter group further contends that colleges that serve these students need higher, not reduced funding to achieve successful outcomes.

A preliminary analysis of data from the THECB appears 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 lose a total of about **\$14 million** if the 2008-09 biennium’s funding were redistributed based on completions. The one large college that would not lose money would likely gain approximately \$600,000, or one-third of one percent of its funding.

State Legislative Action Sought

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 Legislature to reject 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 and adequately funding community colleges will help Texas better achieve its *Closing the Gaps* goals.

Issue

The governor, the THECB and TACC recommend shifting some funding of higher education from cost-based formulas to incentives based on outcomes. This is a significant extension of the principle behind changing the formula funding basis to completions. With incentives, the outcomes move from classes completed to degrees/certificates completed without adequate safeguards. This shift could increase the **underfunding of economically disadvantaged and non-traditional students**.

Background

During the 80th legislative session, the governor requested that \$86 million be moved from formula funding to incentive funding for community colleges. Funds would have been awarded based on the following: certificates earned in approved programs and associate degrees completed; students completing at least 30 hours with a GPA of 2.5 or higher who transfer to a four-year state college; and high scores on a general education or licensure exam, with added funding for graduates identified as at-risk and for degrees earned in critical fields. For the coming biennium, the THECB proposes \$100 million in incentive funding for community colleges, although there is no indication of adjustments for “at-risk” students.

TACC proposes withholding 10% or \$254 million from community college funding. One half of this amount would be awarded to institutions for developing innovative educational programs. Each college would receive a base of \$500,000 with the remainder allocated according to regular formula funding. The other half would be used to fund incentives through an unspecified mechanism based on expected recommendations from the Governor’s Task Force on Incentive Funding and from the THECB.

The THECB and TACC incentive plans are parts of larger proposals that call for full formula funding. They recognized that demanding outcomes without providing the means to accomplish them is a punishment not an incentive. All of these plans have the same liability as awarding funds based on completions versus contact hours. The potential liability associated with all three plans is adopting the proposed change of awarding funds based on completions versus contact hours. Disadvantaged and non-traditional students are less likely to complete degrees or transfer to 4-year institutions. Therefore, without substantial safeguards, incentive funding could hurt community colleges with higher concentrations of these students.

State Legislative Action Sought

Continue recognizing the link between enrollment and costs by appropriating full formula funding before allocating any funds for incentives. HCC also urges the Legislature to include 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 will help ensure that community colleges have sufficient funding to help Texas better achieve its *Closing the Gaps* goals.

Issue

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 being saddled with substantial student loan debt due to the **absence of adequate grant aid**.

Background

State aid makes up less than 10% of need-based grant funding to community college students. Of the 160,000 students who are eligible for the Texas Educational Opportunity Grant ("TEOG") – the financial aid program aimed directly at students attending two-year institutions – only 6,000 received state funding. Moreover, funding for the largest grant program, the Texas Grant, provides aid to less than half the eligible students.

In response to the shortfall, a THECB-commissioned study considered 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 indicate that this would have a negative impact on disadvantaged and non-traditional students who make up a substantial portion of HCC's student population.

Financial aid that students receive at a community college does not always follow students when they transfer to 4-year institutions. Also, transferring community college students who receive financial aid face adverse consequences because some aid programs are limited 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 \$14 million to \$50 million that TACC recommends;
- (2) Increase Texas Grants funding sufficient to cover the effects of inflation and to significantly expand the number of participating students;
- (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 4-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 to certain students.

Issue

The 80th Legislature rejected the Legislative Budget Board's proposed expanded definition of proportionality (*i.e.*, *the relative share of each revenue source applied to the total employee benefits costs*). Following the governor's veto of all **funding for employee group insurance benefits** for fiscal 2009, the governor and leaders of both houses agreed to restore the vetoed funds and provided that "*proportionality will be subject to review by the Legislature for the FY 2010-11 budget.*"

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* (*i.e.*, local taxes, tuition and fees and state appropriations) in proportion to the relative share each pays for general operating expenses, including instruction. The adoption of this definition abandons the historical arrangement between the state and local community colleges. 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. In essence, the expanded view of proportionality, according to community colleges, shifts a current state cost onto local property taxpayers and students by forcing community colleges to alleviate shortfalls resulting from the expanded definition.

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 2010-11 appropriations bill, including adjustments for inflation and growth in employment.

Impact

Adopting the proposed expanded definition of proportionality lessens the opportunity to provide an excellent educational experience for all students, and inherently provides disincentive for future Legislatures to fully fund the formula. It also restricts the ability of community colleges to attract and retain quality personnel. Applying the expanded definition would shift more state cost onto local property taxes at a time when taxpayers can least afford it and force tuition increases that would make a college education less affordable for many students.

Issue

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 we 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 embarked 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, Drennan Center, Southeast Workforce Center, Northline Center, Missouri City and the Northeast Academic/Workforce Center.*

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. Presently, only the first floor (70,000 square feet) is operational with expansion into an additional 70,000 square feet contingent on funding for the 2010-11 biennium.

HCC also plans to open the 65,000 square feet *Drennan Center* in fall 2010, housing academic and workforce programs and dual credit classes and the 5,678 square feet *Southeast Learning Hub* in fall 2009. Another 72,000 square feet of facilities will be opening in various locations in January of 2009, so their students will not be fully reflected in base year totals, HCC is also planning a 40,000 square feet academic facility near of the North-east Houston area.

Anticipated enrollment resulting from building and/or expanding these facilities is approximately *9,100 new students*. Each of the aforementioned facilities will help deliver educational services based on an identified need.

State Legislative Action Sought

Provide full formula funding for the estimated 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, provide in-service training to those needing first-responder skills and/or make higher education more accessible to the community, particularly to persons from historically underserved communities, and further the state-supported goal of *Closing the Gap by 2015*.

Issue

The *Texas Center for Nursing Workforce Studies* estimates the state's nursing programs need to increase the number of its graduates from 6,674 in 2005-06 to 25,000 in 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.**

Background

The Texas Legislature appropriated money over the last several legislative sessions to expand nursing programs and increase the graduation rate. In 2001, the Legislature began funding growth in nursing programs beyond a specified percentage. In 2003, Rider 15 provided that a *RN professional nursing program is a separate institution for purposes of eligibility for rapid growth funding*. In 2005, Rider 47 significantly changed the basis from growth in contact hours to *increases in numbers of nursing students graduating*. The rider effectively increased the appropriation and added restrictions that limited the use of funds.

Responding to Rider 47, HCC increased its nursing program graduation rate from less than 60% to about 70%, and in FY2006 qualified for \$83,060 under the new formula. In 2007, Rider 40 continued this same methodology and greatly expanded funding from \$2,850,000 to \$7,350,000 each year of the biennium – allotting up to 40% of this money to community colleges. Now, THECB is requesting a \$10.3 million increase in funding for the 2010-11 biennium.

The current appropriations structure provides no formula funding for expansion of a nursing program. An increase in the number of students will not be reflected in the FY2009 “base year” contact hours used for formula funding in the coming biennium. The current rider language also provides no funding for program expansion. Rider funding in each fiscal year is based on the number of graduates in the prior school year. The first students added through program expansion will not graduate until the end of the second year of the biennium and would not generate rider funding until the next year. Therefore, any funding for program expansion would be totally retrospective and dependent upon actions of a future Legislature. HCC has requests for the opening of satellite nursing program locations throughout its service area. Such an expansion would require timelier funding for the students added to the program.

State Legislative Action Sought

Fund the nursing shortage by appropriating the \$25 million requested by the THECB for the 2010-11 biennium and renew Rider 40, including the allotment to community colleges. HCC asks that funding for expansion of nursing programs be included within any line item and that a rider funding new campuses provides that expansion of nursing programs be treated as new campuses, as was done in 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.



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.

HCC Administration

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