Agenda Materials
Community and Technical Colleges
Formula Advisory Committee (CTCFAC)
for the 2016-2017 Biennial Appropriations

November 2013
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Meeting of the Community/Technical Colleges Formula Advisory Committee  
Texas Higher Education Coordinating Board  
Lone Star Room, Second Floor  
1200 East Anderson Lane, Austin  
Tuesday, November 5, 2013  
9:00 a.m.

Agenda

I. Call to Order

II. Consideration to approve the minutes of October 15, 2013 meeting.

III. Discussion, review, and consideration of the Commissioner’s 2016-2017 Biennium charges.
   a. Charge # 1
   b. Charge # 2 - Recommendation of the Metrics Task Force
   c. Charge # 3
   d. Charge # 4 (Recommendation approved 10-15-2013)
   e. Charge # 5
   f. Charge #6 Draft Recommendation

IV. Planning for subsequent meetings

V. Adjournment
DRAFT Minutes

Attendees: Ms. Erma Johnson Hadley, Chair, Ms. Diane Snyder, Vice-chair, Ms. Kelli Shomaker, Mr. Brad Johnson, Ms. Wendy Gunderson, Dr. Greg Powell, Dr. Paul Illich, Dr. Mark Escamilla, Mr. Eleazar Gonzalez, Dr. Richard Rhodes, Dr. Paul J. Szuch Dr. Gregory Williams and Dr. Dusty Johnston.
THECB Staff: Mr. Gary Johnstone, Mr. Thomas Keaton, Ms. Susan Brown, Mr. John Wyatt, and Mr. Paul Turcotte
Also in attendance: Emily Deardorff, Legislative Budget Board; Don Hudson, Texas Association of Community Colleges; and Jenny Goerdel, Representative Diane Patrick’s office. There were several other attendees who did not sign-in.
1. The meeting was called to order at 11:00 a.m. The chair expressed her appreciation for everyone’s attendance.
2. The chair asked if there were any corrections to the minutes of the September 17, 2013 meeting. There being no corrections, the minutes were approved.
3. The chair asked the members leading the review of charges to report on the progress made by the groups.
   - **Charge 1** – Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding. Ms. Shomaker reported that the group had met by conference call. They would like to hear from charge # 2 workgroup before making a recommendation.
   - **Charge 2** – Study and make recommendations for an allocation system for student success points for the 2016-17 biennium. The allocation system should allocate funds to college districts for improvement in student achievement. The allocation system shall be developed in a manner that compares the performance of the college district to itself using the allocation for student success points in the 2014-15 biennium as the baseline for comparison. Mr. Illich reported that the group had met prior to this meeting to hear the results of the Metric Taskforce appointed by TACC. Mr Illich presented to the committee the proposal that is being discussed for changes to the student success model for the 2016-17 biennium. Following the presentation there was discussion of the proposal specifics and on how the changes would impact other formulas. Concerns were expressed as to how the proposal will be written to convey the intent of the recommendation. The workgroup intends to have the recommendation ready for the committee to consider at the next meeting.
   - **Charge 3** – Study and make recommendations on changes to the funding model of developmental education that will increase the effectiveness of the programs delivered including the development of a funding formula recommendations on a weighted contact hour basis, under Sec. 61.059, Education Code, for semester length and non-semester length developmental education interventions (including course-based, non-course based, alternative-entry/exit, modules, paired courses, and competency based courses, and other intensive developmental education
activities) based on existing developmental education cost studies, ongoing research studies, and survey data. Mr. Johnston reported that the group had met prior to the committee meeting. Following a discussion of non-course remediation and reporting of the interventions, and a January 2013 THECB report, there was a discussion of how there is a relationship between competency-based and non-course based remediation. Jenny Goerdel, Representative Diane Patrick’s office spoke briefly on the need for more data to prove that good developmental education takes more money to be effective. Mr. Johnston indicated that the workgroup should have a recommendation ready for the next committee meeting.

- **Charge 4** – Study and make recommendations on a funding methodology that excludes semester credit hours related to physical education courses for students who are registered to receive both high school and college credit. Dr. Powell moved that the recommendation included in the meeting materials be adopted by the committee. The motion was seconded by Dr. Escamilla, and approved unanimously.

- **Charge 5** – Study and make recommendations on the treatment of competency-based courses in formula allocations. Dr. Escamilla discussed the charge and the need for more data from South Texas College and SACS. He has discussed the charge with staff at the THECB and South Texas College. Implementation of the new program has been delayed.

- **Charge 6** – Study and make recommendations on changes to the funding model that will improve success of colleges to meet the goals of *Closing the Gaps* in areas of critical need to the state. Dr. Szuch reported for the group. The draft recommendation was included in the meeting materials. Following discussion of suggested changes to the proposal, Dr. Szuch agreed to make those changes and send the proposed recommendation to the Mr. Johnstone.

4. There being no further business to conduct, the meeting was adjourned at 12:35 p.m. until November 5, 2013 at 11:00 a.m.

Prepared by Gary Johnstone
Commissioner’s Charges

The Community and Technical Collection Formula Advisory Committee (CTCFAC), conducted in an open and public forum, is charged with proposing a set of formulas that provide the appropriate funding levels and financial incentives necessary to best achieve the four major goals of Closing the Gaps. A preliminary written report of its activities and recommendations is due to the Commissioner by December 3, 2013, and a final written report by February 3, 2014. The CTCFAC’s specific charges are to:

1. Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding.

2. Study and make recommendations for an allocation system for student success points for the 2016-17 biennium. The allocation system should allocate funds to college districts for improvement in student achievement. The allocation system shall be developed in a manner that compares the performance of the college district to itself using the allocation for student success points in the 2014-15 biennium as the baseline for comparison.

3. Study and make recommendations on changes to the funding model of developmental education that will increase the effectiveness of the programs delivered including the development of a funding formula recommendations on a weighted contact hour basis, under Sec. 61.059, Education Code, for semester length and non-semester length developmental education interventions (including course-based, non-course based, alternative-entry/exit, modules, paired courses, and competency based courses, and other intensive developmental education activities) based on existing developmental education cost studies, ongoing research studies, and survey data.

4. Study and make recommendations on a funding methodology that excludes semester credit hours related to physical education courses for students who are registered to receive both high school and college credit.

5. Study and make recommendations on the treatment of competency-based courses in formula allocations.

6. Study and make recommendations on changes to the funding model that will improve success of colleges to meet the goals of Closing the Gaps in areas of critical need to the state.
<table>
<thead>
<tr>
<th>Full Name</th>
<th>Job Title</th>
<th>College</th>
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<tr>
<td>Erma Johnson Hadley</td>
<td>Chancellor</td>
<td>Tarrant County College District</td>
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<tr>
<td>Snyder, Diane</td>
<td>Vice Chancellor for Finance and Administration</td>
<td>Alamo Colleges</td>
</tr>
<tr>
<td>Richard M. Rhodes, Ph.D.</td>
<td>President/CEO</td>
<td>Austin Community College District</td>
</tr>
<tr>
<td>Richard Rhodes (Assistant)</td>
<td>Executive Assistant</td>
<td>Austin Community College District</td>
</tr>
<tr>
<td>Kelli D. Shomaker, CPA</td>
<td>CFO/Sr. VP for Finance and Administrative Services</td>
<td>Blinn College</td>
</tr>
<tr>
<td>Wendy Gunderson</td>
<td>Professor of History - Preston Ridge Campus</td>
<td>Collin College</td>
</tr>
<tr>
<td>Dr. Mark Escamilla</td>
<td>President</td>
<td>Del Mar College</td>
</tr>
<tr>
<td>Dr. Paul Szuch</td>
<td>President</td>
<td>Lamar Institute of Technology</td>
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<tr>
<td>Eleazar Gonzalez</td>
<td>Chief Administrative and Financial Officer</td>
<td>Laredo Community College</td>
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<tr>
<td>Dr. Paul Illich</td>
<td>Director, Institute Effectiveness</td>
<td>McLennan Community College</td>
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<tr>
<td>Dr. Bradley W. Johnson</td>
<td>President</td>
<td>Northeast Texas Community College</td>
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<tr>
<td>Gregory Williams</td>
<td>President</td>
<td>Odessa College</td>
</tr>
<tr>
<td>Dr. Gregory Powell</td>
<td>President</td>
<td>Panola College</td>
</tr>
<tr>
<td>Dusty Johnston</td>
<td>President</td>
<td>Vernon College</td>
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CTCFAC – Charge #3 DRAFT Recommendations

THECB Funding Formula Advisory Committee
- Charge 3 Subcommittee
  o Dusty R. Johnston
  o Brad Johnson
  o Greg Powell
  o Mark Escamilla
  o Eleazar Gonzales

**Charge 3** – Study and make recommendations on changes to the funding model of developmental education that will increase the effectiveness of the programs delivered including the development of a funding formula recommendations on a weighted contact hour basis, under Sec. 61.059, Education Code, for semester length and non-semester length developmental education interventions (including course-based, non-course based, alternative-entry/exit, modules, paired courses, and competency based courses, and other intensive developmental education activities) based on existing developmental education cost studies, ongoing research studies, and survey data.

**Information**
Through various discussions, including input from Jenny Goerdle (staff for Representative Patrick), the charge is narrowed to a possibility of funding developmental education, regardless of delivery format, on a weighted contact hour basis. The following THECB report was analyzed:
- Educational and General Expenditures Summarized by Elements of Institutional Costs
  - Part A Fundable Operating Expenses
    - Section 1 Instructional Programs
      - This part of the report produces the instructional portion of contact hour value for the various disciplines collecting the following for each discipline:
        o Contact hours
        o Faculty salaries
        o Other salaries and wages
        o Staff benefits
        o Other operating expense
    - Section 2 Other Fundable Staff Benefits
      - This part of the report produces a portion of the contact hour value
    - Section 3 Other Allocated Administration Expenses
      - This part of the report produces a portion of the contact hour value collecting cost information on the following:
        o Institutional Support
        o Student Services
        o Academic Support
        o Research
        o Scholarships and Fellowships
        o Equipment Depreciation
Comments

- Given that the current contact hour formula is truly an allocation model and not a formula that produces funding, any particular cost component that is given a weighted value will take funding from one, some, or all of the other components unless specific funding for developmental education is added to the final appropriation. A solution would be the distribution of funds identified specifically for development education and the distribution of all other funds for all other instructional programs. This not deemed a practical solution in the current legislative process of appropriation.

- Cost associated with developmental programs that are not reported in the Section 1 as instructional costs are reported in some component of Section 3. The concern that the contact hour values do not reflect tutoring, mentoring, computer labs, etc. is offset by the fact that those costs are captured in Section 3 and computed as a portion of the contact hour value for each discipline.

- There is great variance in the instructional cost per contact hour among the institutions for developmental education. In the most recent cost study, the average for Developmental Math is $7.85 while the range was $4.27 to $14.81. The average for Developmental English/Reading was $8.17 while the range was $3.77 to $14.82. If one assumes that the reporting of faculty salaries, other salaries and wages, and staff benefits is consistent among the institutions, then another assumption is that the reporting of “other operating expenses” is inconsistent. Again, any costs not reported as “other operating expenses” are being reported in some component of Section 3.

Recommendation
The current contact hour funding methodology for disciplines should continue until a development education appropriation can be secured in addition to the current appropriation.

- There should be clarification of expectations and NACUBO standards on reporting for the “other operating expenses” for Section 1 to ensure consistency among the institutions and to reduce the wide variance in reported instructional costs for developmental math and developmental English/Reading.
CTCFAC – Charge #6 DRAFT Recommendations

**Commissioner’s Charge:**
Study and make recommendations on changes to the funding model that will improve success of colleges to meet the goals of *Closing the Gaps* in areas of critical need to the state.

**Draft Response:**
Upon review of this charge and initial discussion, the subcommittee members of the CTCFAC tasked with Charge #6 recommend that the THECB continue to request that the “Legislature fund identified critical fields contact hours with a premium of 10% over and above the full formula funding rate determined by the RFOE cost study. The critical fields shall include computer science, engineering, mathematics, physical science, nursing, allied health and life sciences.”¹ In addition, funding for non-college-credit workforce development contact hours should include provisions for funding “local identified needs” as established by the area workforce boards and local colleges for the specific regions of the state. This will account for the proposed 90% of formula funding derived from attempted contact hours and aligns with the CTG goals in areas of critical need to the state. Given the movement towards Outcome Based Funding, the Charge #6 subcommittee members also recommend that the Charge #2 subcommittee members² evaluate the inclusion of a 2.25 weight for credentials awarded in STEM fields as part of the CTC Milestones. This mirrors the Committee on Affordability, Accountability and Planning (CAAP) vote to modify the previously adopted outcomes-based formula funding proposal to reflect the recommendation from TACC. Moreover, this will account for the proposed 10% of formula funding derived from outcomes based milestones and aligns with the CTG goals in areas of critical need to the state.³

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¹ THECB Formula Funding Recommendations 2012 – Recommendation 5: Critical Fields
² Commissioner’s Charge #2: Study and make recommendations for an allocation system for student success points for the 2016-17 biennium. The allocation system should allocate funds to college districts for improvement in student achievement. The allocation system shall be developed in a manner that compares the performance of the college district to itself using the allocation for student success points in the 2014-15 biennium as the baseline for comparison.
³ Legislative Proposal 83rd Texas Legislature, 2013: Rider Formula Funding Methodology for Public Community/Junior Colleges - Student receives from the institution an associate’s degree, a Bachelor’s degree, or a certificate recognized for this purpose by the Coordinating Board in the fields of Science, Technology, Engineering or Mathematics (STEM).
The 83rd Texas Legislature provided three revenue strategies for funding instructional programs at public community colleges ($1.77 billion for the 2014-15 biennium):

1. **Core Operations** ($500,000 each fiscal year per district; $50 million total for the 2014-15 biennium)
2. **Student Success** ($172 million for the 2014-15 biennium; 10 percent of instructional funds appropriated after first deducting the core amount)
3. **Contact Hour Funding** ($1.548 billion for the 2014-15 biennium; 90 percent of instructional funds appropriated after first deducting the core amount)

Student Success funding is based on a student achievement points system. Success points are earned as students progress along a continuum from successful completion of college readiness courses to intermediate success measures (e.g., pass 1st college math course) to successful outcome metrics (e.g., degree awarded; transfer to university). For the 2014-15 biennium, the student success appropriation was distributed to the fifty college districts by the following method:

- $172 million was appropriated for student success points.
- 929,188 student success points were earned by the 50 public community/junior college districts (3-year average of student success points; the 3-year average was based on FY10-FY11-FY12).
- The appropriated amount ($172 million) was divided by the total number of points (929,188) to determine the dollar amount per point ($185).
- Each district was funded $185 per point for the 2014-15 biennium.

Rider #23 in the Public Community/Junior College section of the General Appropriations Act passed by 83rd Texas Legislature states:

“The Public Community/Junior Colleges and the Texas Higher Education Coordinating Board shall jointly develop recommendations for an allocation system for student success points for the 2016-17 biennium. The allocation system should allocate funds to college districts for improvement in student achievement. The allocation system shall be developed in a manner that compares the performance of the college district to itself using the allocation for student success points in the 2014-15 biennium as the baseline for comparison. The Texas Higher Education Coordinating Board shall report these recommendations to the Legislative Budget Board and the Governor no later than August 1, 2014” (p. III-200).

Rider #23 requires a new methodology for student success point distribution for the 2016-17 biennium. As stated in the rider, student success points for the 2014-15 should be viewed as a baseline for the 2016-17 distribution. A description of a new distribution methodology for use in the 2016-17 biennium is provided below. This methodology was developed by the Metrics Task Force of the Texas Association of Community Colleges with funding provided by the Texas Success Center. The Task Force is chaired by Dr. Brenda Hellyer, Chancellor, San Jacinto
College. The Task Force is comprised of community college leaders (CEOs, Business Officers, Registrars, Institutional Researchers) and Coordinating Board staff. A complete list of Task Force members is provided in Appendix B (page 5).

**Proposed Student Success Points Methodology for the 2016-17 Biennium**

For the 2016-17 biennium, student success points should be funded at a rate that is no less than the rate student success points were funded for the 2014-15 biennium ($185 per student success point). A 3-year average of success points (FY12-FY13-FY14) should be the basis for determining how many points each college district has earned for the 2016-17. Since FY 2014 certified data will not be available at the beginning of the 84th Legislature, a preliminary 3-year average of success points (FY11-FY12-FY13) should be used in the introduced versions of the General Appropriations Act.

As shown in Appendix A (pages 3-4), the proposed methodology compares the student success performance of each college district to itself.

**Notes**

- This recommendation is for the 2016-17 biennium only. A similar method may be appropriate for future biennia, but issues such as whether the baseline for success points should be reset and what the time period should be for the baseline are issues that will need to be resolved in the future.
- This recommendation assumes the use of identical metrics for the comparison between 2014-15 and 2016-17. Adjustments should be made for any changes in the metrics for 2016-17.
Appendix A

Illustration of 2016-17 Biennium Methodology (Hypothetical Example)

The second column in Table 1 shows the number of student success points earned by the 6 hypothetical colleges for the 2014-15 biennium. The third column shows the Student Success amount appropriated for each college ($185 multiplied by the number of points). The points earned during the 2014-15 biennium will be used as a baseline for the 2016-17 Student Success appropriation.

Table 1. 2014-15 Biennium Points & Dollars Appropriated

<table>
<thead>
<tr>
<th>College</th>
<th>2014-15 Points</th>
<th>2014-15 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>20,000</td>
<td>$3,700,000</td>
</tr>
<tr>
<td>B</td>
<td>5,000</td>
<td>$925,000</td>
</tr>
<tr>
<td>C</td>
<td>40,000</td>
<td>$7,400,000</td>
</tr>
<tr>
<td>D</td>
<td>12,000</td>
<td>$2,220,000</td>
</tr>
<tr>
<td>E</td>
<td>7,000</td>
<td>$1,295,000</td>
</tr>
<tr>
<td>F</td>
<td>30,000</td>
<td>$5,550,000</td>
</tr>
</tbody>
</table>

In Table 2, the second column provides the student success points earned by each of the 6 hypothetical colleges for the 2016-17 biennium. The student success points for 2014-15 are provided in the third column and the last two columns show the increase/decrease in student success points for the 2016-17 biennium. College A had an increase of 1,000 student success points (+5%). By contrast, College B had a decrease of 50 student success points (-1%). The net increase for these 6 hypothetical colleges is 1,000 points (+1%). Overall, there is a 1,000 point increase (+1%) for the 6 hypothetical colleges.

Table 2. Comparing Student Success Points in 2016-17 Biennium with Baseline 2014-15 Points

<table>
<thead>
<tr>
<th>College</th>
<th>2016-17 Points</th>
<th>2014-15 Points</th>
<th>difference from 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>21,000</td>
<td>20,000</td>
<td>+1,000 (+5%)</td>
</tr>
<tr>
<td>B</td>
<td>4,950</td>
<td>5,000</td>
<td>-50 (-1%)</td>
</tr>
<tr>
<td>C</td>
<td>41,000</td>
<td>40,000</td>
<td>+1,000 (+3%)</td>
</tr>
<tr>
<td>D</td>
<td>11,800</td>
<td>12,000</td>
<td>-200 (-2%)</td>
</tr>
<tr>
<td>E</td>
<td>7,250</td>
<td>7,000</td>
<td>+250 (+4%)</td>
</tr>
<tr>
<td>F</td>
<td>29,000</td>
<td>30,000</td>
<td>-1,000 (-3%)</td>
</tr>
<tr>
<td>Total</td>
<td>115,000</td>
<td>114,000</td>
<td>+1,000 (+1%)</td>
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In Table 3, the application of the $185 per student success point recommendation is made.

Table 3. 2016-17 Biennium Points & Dollars Appropriated

<table>
<thead>
<tr>
<th>College</th>
<th>2016-17 Points</th>
<th>$ per point</th>
<th>2016-17 Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>21,000</td>
<td>$185</td>
<td>$3,885,000</td>
</tr>
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Table 4 compares the appropriated dollars between the two biennia. The pattern for increase/decrease is identical to the percentages in Table 2. Using this methodology, each college is compared to itself. If the college’s student success points increase in 2016-17 from 2014-15, then the student success appropriation also increases. If there is a decline in the student success points in 2016-17, then the student success appropriation will be lower in 2016-17 than in 2014-15.

**Table 4. Comparing Student Success Appropriation in 2016-17 Biennium with 2014-15 Appropriation**

<table>
<thead>
<tr>
<th>College</th>
<th>2016-17 Dollars</th>
<th>2014-15 Dollars</th>
<th>difference from 2014-15</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>$3,885,000</td>
<td>$3,700,000</td>
<td>+$185,000 +5%</td>
</tr>
<tr>
<td>B</td>
<td>$915,750</td>
<td>$925,000</td>
<td>-$9,250 -1%</td>
</tr>
<tr>
<td>C</td>
<td>$7,585,000</td>
<td>$7,400,000</td>
<td>+$185,000 +3%</td>
</tr>
<tr>
<td>D</td>
<td>$2,183,000</td>
<td>$2,220,000</td>
<td>-$37,000 -2%</td>
</tr>
<tr>
<td>E</td>
<td>$1,341,250</td>
<td>$1,295,000</td>
<td>+$46,250 +4%</td>
</tr>
<tr>
<td>F</td>
<td>$5,365,000</td>
<td>$5,550,000</td>
<td>-$185,000 -3%</td>
</tr>
<tr>
<td>Total</td>
<td>$21,275,000</td>
<td>$21,090,000</td>
<td>+$185,000 +1%</td>
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Appendix B
Metrics Task Force Membership

Chair: Brenda Hellyer, Chancellor, San Jacinto College District

Susan Brown, Assistant Commissioner, Planning and Accountability, Texas Higher Education Coordinating Board
Serkan Celtek, Director of Research and Analytical Services, South Texas College
Dennis Crowson, Vice President for Student Services, Blinn College
George Gonzalez, Director of Institutional Research, San Jacinto College
Don Hudson, Vice President - Data & Research, Texas Association of Community Colleges
Paul Illich, Vice President - Research, Planning, and Information Technology, McLennan Community College
Gary Johnstone, Deputy Assistant Commissioner, Planning and Accountability, Texas Higher Education Coordinating Board
Kenneth Lynn, Vice Chancellor of Fiscal Affairs, San Jacinto College
Staci Martin, Registrar and Director of Admissions, Kilgore College
Tom Martin, Associate Vice President for Research & Institutional Effectiveness, Collin College
Betty McCrohan, President, Wharton County College
Van Miller, Vice President, Administrative Services and Chief Financial Officer, Temple Community College
Wanda Munson, College Registrar, San Jacinto College
Paul Turcotte, Program Director, Planning and Accountability, Texas Higher Education Coordinating Board
Neil Vickers, Associate Vice President - Finance & Budget, Austin Community College
Donald Wood, Vice President for Institutional Advancement, Odessa College
Community College Formula Funding Levels:
Potential Additional Elements

Dr. Lee Holcombe
Director
Texas Higher Education Policy Institute
Lee.Holcombe@thech.state.tx.us
(512) 427-6434
Potential Advantages

- The additional elements, and their projected values, are proposed for consideration by the committee
- Provide a more systematic and strategic basis for formula funding level recommendations
This table illustrates how the additional elements could modify the funding level recommendation. It uses HEPI example projections, which should be evaluated and modified by the committee. The work of the committee would be to come to a consensus regarding which additional elements to include and their corresponding projections.

Includes the past element of inflation, a modified growth element and a consideration of cost efficiency effects.

Additionally, a consideration of state proportion of educational costs could be taken into account. This estimate is based upon student share of costs prior to the economic downturn of 2009.
Leaver is a student who was enrolled in a given year, did not earn a CC credential or transfer, and did not return the following year.

Institutional strategies to retain students have impacts on estimated funding levels.

Projected values are subject to committee modification.
Completer is a student who was enrolled in a given year, earned a CC credential or transferred, and did not return the following year.

Institutional strategies to graduate/transfer students have impacts on estimated funding levels.

Projected values are subject to committee modification.
Institutional strategies to increase cost efficiency have impacts on estimated funding levels.

Projected values are subject to committee modification.
In addition to the elements discussed in the previous slides, an additional potential consideration for recommended funding levels is the proportion of educational expenses covered by the state.

A possible consideration in determining state proportion is 2008, the year prior to the economic downturn.

Total education cost per student are consistently less than their peers.