



# EMERGENCY RULEMAKING FOR HOUSE BILL 8 (88R)

The Texas Higher Education Coordinating Board (THECB) recently considered and adopted emergency rules governing House Bill 8, the outcomes-based funding formula for community colleges. **This model provides \$684M in additional funding in the first biennium (a 23% increase in state formula funding)** with the potential to increase as outcomes improve. A spreadsheet with the colleges' initial estimated funding allocations can be found [here](#).

## EXECUTIVE SUMMARY

These [emergency rules](#) will largely be in effect for the 2023-24 school year, with FY 25 rules adopted in April 2024. THECB is planning to review and update HB 8 rules on an annual basis going forward in order to maintain a dynamic system that is responsive to our state's changing workforce needs. Notable aspects of the emergency rules include:

- **Performance Tier**

- To incentivize student-focused outcomes aligned with state and workforce needs, performance funding is calculated based on **the number of credentials of value (COV) the college awards**, with an emphasis on **high-demand fields (HDF); \$3500 per student** for the number of students who earn at least **15 credit hours and transfer** to (or are co-enrolled in) a Texas four-year public university; and **\$1700 per student** for the number of high school students who earn at least 15 credit hours **through academic and workforce dual credit programs**. These outcomes compound, providing colleges opportunities to maximize funding. The funding rates for credentials are as follows:

Credentials of Value	Standard Rate	High-Demand Fields Rate
Licensure/Certification (no credential)	\$1000	\$1250
Institutional Credential leading to Licensure	\$1000	\$1250
Occupational Skills Award (OSA)	\$750	\$1,000
Certificate I or II	\$1,750	\$3,500
Advanced Technical Certificate	\$1,750	\$3,500
Associate Degree	\$3,500	\$4,500
Bachelor's Degree	\$3,500	\$4,500

- **Base Tier**

- **Foundational funding:** Colleges whose local share of funding (sum of tax revenue and tuition/fees) is not sufficient to support a basic level of instruction and operations will receive supplemental support from the state with additional weighting for small colleges to offset the higher cost of operating without economies of scale. Notably, this represents only 5% of the total appropriations for the community college funding formula.

- **Weighting Based On Student Type For Performance And Base Tiers**

- **Weighting is additive** if multiple categories apply.
- **Economically disadvantaged is weighted at 25%** and is defined as Pell recipient, though THECB has indicated other qualifiers to ensure all financially eligible students can participate may be considered in future rulemaking.
- **Academically disadvantaged is weighted at 25%** and is defined as students who have not met the college-readiness standard in one or more Texas Success Initiative (TSI) assessments and who are not either waived or exempt.
- **Adult learners are weighted at 50%** and are defined as 25 years or older.

- **Financial Aid for Swift Transfer (FAST)**

- Participating institutions must ensure **eligible students get access to dual credit at no cost** including providing anything students need to participate (i.e., books, materials, fees, access to a laptop and hotspot for online courses).
- **Participating institutions may charge a school district for course-related expenses**, other than tuition, for an eligible student or address through cost-sharing agreements.
- **Students are eligible** if they were qualified for free reduced-price lunch (FRPL) in any of the four school years before enrolling in the dual credit course
- **Maximum allowable tuition rate** for dual credit courses is \$55 per semester credit hour to participate in FAST.



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## PERFORMANCE TIER FUNDING

- **Modernized funding model focused on outcomes:** Performance tier funding is based on measurable, student-focused outcomes aligned with state and regional workforce needs. This funding is calculated based on the number of credentials the college awards using the outcome funding rates below:
  - **Credentials of Value (COV):** Fundable credentials must meet the value calculation noted below. Funding rates are by student and vary by the type of credentials awarded, with additional funding for high-demand fields:

Credentials of Value	Standard Rate	High-Demand Fields Rate
Licensure/Certification (no credential)	\$1000	\$1250
Institutional Credential leading to Licensure	\$1000	\$1250
Occupational Skills Award (OSA)	\$750	\$1,000
Certificate I or II	\$1,750	\$3,500
Advanced Technical Certificate	\$1,750	\$3,500
Associate Degree	\$3,500	\$4,500
Bachelor's Degree	\$3,500	\$4,500

- **Transfers: \$3500 per student** for the number of students who earn at least 15 semester credit hours and subsequently transfer to a Texas public four-year university within a 4-year time period, and
- **Dual Credit: \$1700 per student** for the number of high school students who earn at least 15 semester credit hours or the equivalent through academic and workforce dual-credit programs.
- **Funding weights based on student type for COV and transfer outcomes:**
  - Economically disadvantaged students, defined as Pell recipients, receive an **additional weight of 25%**.
  - Academically disadvantaged students, defined as students who have not met the college-readiness standard in one or more Texas Success Initiative (TSI) assessments and who were not classified as either waived or exempt, receive an **additional weight of 25%**.
  - Adult learners, defined as 25 years or older, receive an **additional weight of 50%**.
  - These weights are additive if multiple categories apply to a student.
- **Credentials of Value Methodology:**
  - Defined as credentials earned by a student that would be expected to provide a **positive return on investment**, meaning that cumulative wages must exceed a student's initial investments and be greater than that of an average Texas high school graduate within ten years of earning the credential while also taking student opportunity cost into consideration.
- **High Demand Fields Methodology:**
  - Currently defined as a statewide list of 42 academic disciplines for FY24 represented by federal Classification of Instructional Program (CIP) codes that are denoted as High Demand Fields based on their satisfaction of either:
    - (A) **Inclusion on the list of Critical Fields** under the FY23 Student Success Point strategy; or
    - (B) Identified by meeting at least one of the following criteria:
      - (i) **Top 25 occupations for each higher education region as ranked by their ten-year projected number of new openings** that exceed the statewide median wage and require an entry credential beyond high school but below a bachelor's degree;
      - (ii) **Occupations appearing on at least seven of the ten resulting regional lists;**
      - (iii) **Any occupations appearing among the top five of one or more regional lists** but not yet on the statewide list; and
      - (iv) Generating a list of CIP codes populated by each four-digit CIP code associated with an occupation on the statewide list per the crosswalk promulgated by the National Center for Education Statistics of the U.S. Department of Education.

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## BASE TIER FUNDING

- **Foundational funding:** Colleges whose local share of funding (sum of tax revenue and tuition/fees) is not sufficient to support a basic level of instruction and operations (sum of basic allotment and contact hours) will receive base tier funding using the rates below. Notably, this represents only 5% of the total appropriations for the community college funding formula.

Base Tier Funding = Greater of [(Instruction & Operations – Local Share), 0]		
Instruction & Operations = Basic Allotment (Weighted FTSEs*Basic Allotment Rate) + Contact Hours	Basic Allotment Rate	\$1,275
	Small College Scale Adjustment	0.4
	Contact Hour Funding Rate	21.3%
Local Share = Tax Revenue + Enrollment (tuition/fees)	M&O Tax Rate for Estimate (per \$100)	\$0.05
	Average Tuition/Fees (non-dual credit FTSE)	\$2,828

- **Funding weights based on student type:**
  - Incorporated into the basic allotment portion of a college’s Instruction & Operations funding are full-time student equivalents (FTSE’s) weighted by the following compounding characteristics: economically disadvantaged students (**additional weight of 25%**), academically disadvantaged students (**additional weight of 25%**) and adult learners (**additional weight of 50%**).
  - **Small college equitable adjustment:** For colleges with less than 5,000 FTSEs, the difference between 5,000 and the college’s FTSEs is multiplied by **0.4** and added to the Weighted FTSE total to offset the higher costs of operating small colleges that lack economies of scale.

## FINANCIAL AID FOR SWIFT TRANSFER (FAST) PROGRAM

- The FAST program establishes an **entitlement to dual credit financial aid with a new allotment in the Foundation School Program** funded at **\$78.6M in the first biennium** to allow any community colleges and/or 4-year public institutions to offer dual credit or dual enrollment courses to educationally disadvantaged students at no cost to these students.
- The maximum allowable tuition rate for dual credit courses is **\$55 per semester credit hour (SCH)** for institutions participating in FAST and these institutions will receive an allotment of funding equal to the FAST tuition rate for each semester credit hour or equivalent of dual credit coursework taken by an eligible student.
- Students are eligible under the FAST program if they (1) enrolled in and eligible for Foundation School Program funding at a high school in a Texas school district or charter school, (2) enrolled in an eligible dual credit course at a participating institution of higher education (IHE), and (3) were qualified for free reduced-price lunch (FRPL) in any of the four school years before enrolling in the dual credit course.
- “Dual credit” includes courses that a high school student may earn college credit toward satisfaction of:
  - (A) a requirement necessary to obtain an industry-recognized credential or certificate or an associate degree;
  - (B) a foreign language requirement at an IHE; (C) a requirement in the core curriculum at an IHE; or (D) a requirement in a field of study curriculum developed by the Coordinating Board under Texas Education Code (TEC), §61.823.
  - Notably, all college courses taken by students enrolled in an approved Early College High School (ECHS) program are included in the definitions for fundable dual credit under the Performance Tier rules, however, in order to be funded under FAST, ECHS courses must meet the narrower definition above.

## COLLEGE CONNECT DUAL CREDIT/DUAL ENROLLMENT PROGRAM

- Similar to OnRamps, the purpose of this program is to encourage and authorize IHEs to deliver innovatively designed dual credit or dual enrollment courses that **integrate both college-level content in the core curriculum of the institution alongside college-readiness content and skills instruction**. This will allow students the maximum flexibility to obtain college credit and provide integrated college readiness skills to students who are on the continuum of college readiness and will benefit from exposure to college-level content.
- **This is an optional program** that allows any IHE to enter into an agreement with a secondary school to offer a College Connect course where a student receives a secondary-level grade as well as a separate college grade that does not necessarily need to be the same grade. An institution may determine how a student enrolled in this course may earn college credit, whether through college-level course completion or successful completion of a recognized college-level assessment.

# EMERGENCY RULEMAKING FOR HOUSE BILL 8 (88R)

## COLLEGE CONNECT DUAL CREDIT/DUAL ENROLLMENT PROGRAM (CON'T)

- Participating **colleges are encouraged to provide as much flexibility as possible to allow students to drop the college-level course component** beyond the census date, while still giving the student an opportunity to earn credit toward high school graduation requirements.
- **IHE's may exempt a non-degree-seeking or non-certificate-seeking student from meeting college-ready/TSI thresholds** in order to enroll in a College Connect course.
- College credit earned through College Connect courses count towards the community college performance tier outcome. FAST may be used to fund these courses for eligible students and IHEs may waive a student's tuition.

## OTHER PROVISIONS

- **Three-Pay Schedule:** Half of formula funding will be distributed by October 15 for FY ; one-quarter of formula funding will be distributed by February 15; and the remaining quarter will be distributed by June 15. This front-loading for the payment schedule is responsive to colleges' need to cover more expenses during the fall.
- **Funding amounts for the FY 2024 formula will be calculated based on the greater of FY 2022 completion counts or the average of FY 2022, FY 2021, and FY 2020 counts** to provide colleges with predictability and stability with funding levels year to year.
- **Colleges will receive transitional funding (a hold harmless)** for FY 2024 if the new formula results in a college receiving less in General Revenue formula funding than the college received in FY 2023.
- The budget rider supporting HB 8 includes **expanded funding for TEOG grants** increasing the funding level from 28% to 70% of qualified students. Additionally, HB 8 amended TEOG to allow for Pell to be utilized to meet institutional match requirements which will free up funds for colleges.

## RESOURCES

- [FAST Overview](#) and [FAST FAQ's](#)
- [Formula Funding Overview](#) with link to FY 24 Formula Runs
- [Formula FAQ's](#)

## APPENDIX

Fundable credentials of value in the following Classification of Instructional Program codes qualify for the "High-Demand" bonus in the Performance Tier for FY 2024:

CIP CODE	CIP CODE FIELD NAME
11	Computer and Information Sciences and Support Services
14	Engineering
15	Engineering/Engineering-Related Technologies/Technicians
27	Mathematics and Statistics
40	Physical Sciences
101	Agricultural Business Management
102	Agricultural Mechanization
302	Environmental/Natural Resources Management and Policy
1302	Bilingual, Multilingual, and Multicultural Education
1312	Teacher Education and Professional Development, Specific Levels and Methods
1314	Teaching English or French as a Second or Foreign Language
1907	Human Development, Family Studies, and Related Services
2200	Non-Professional Legal Studies



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## APPENDIX (CON'T)

CIP	CIP CODE FIELD NAME
2203	Legal Support Services
3001	Biological and Physical Sciences
4102	Nuclear and Industrial Radiologic Technologies/Technicians
4103	Physical Science Technologies/Technicians2
4302	Fire Protection
4604	Building/Construction Finishing, Management, and Inspection
4701	Electrical/Electronics Maintenance and Repair Technologies/Technicians
4702	Heating, Air Conditioning, Ventilation and Refrigeration Maintenance Technology/Technician (HAC, HACR, HVAC, HVACR)
4703	Heavy/Industrial Equipment Maintenance Technologies/Technicians2
4706	Vehicle Maintenance and Repair Technologies
4707	Energy Systems Maintenance and Repair Technologies/Technicians
4902	Ground Transportation
5102	Communication Disorders Sciences and Services
5106	Dental Support Services and Allied Professions
5107	Health and Medical Administrative Services
5108	Allied Health and Medical Assisting Services
5109	Allied Health Diagnostic, Intervention, and Treatment Professions
5110	Clinical/Medical Laboratory Science/Research and Allied Professions
5118	Ophthalmic and Optometric Support Services and Allied Professions
5123	Rehabilitation and Therapeutic Professions
5126	Health Aides/Attendants/Orderlies
5127	Medical Illustration and Informatics
5131	Dietetics and Clinical Nutrition Services
5132	Health Professions Education, Ethics, and Humanities
5133	5133 Alternative and Complementary Medicine and Medical Systems
5134	5134 Alternative and Complementary Medical Support Services
5138	5138 Registered Nursing, Nursing Administration, Nursing Research and Clinical Nursing
5139	Practical Nursing, Vocational Nursing and Nursing Assistants
5203	Accounting and Related Services