



**REPORT & POLICY
RECOMMENDATIONS**

PROPOSED FOR CONSIDERATION BY
THE TEXAS COMMISSION ON
COMMUNITY COLLEGE FINANCE

July 2022



Recommendations prepared by the following signatories.



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EDUCATE TEXAS
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EXECUTIVE SUMMARY

After thoughtful deliberation, the signatories above are pleased to submit the following report and policy recommendations for consideration by members of the Texas Commission on Community College Finance (TxCCCCF). The report outlines the major challenges faced by our state's community colleges and 6 proposed policy recommendations to significantly improve the state of Texas' community college finance system and, more importantly, its resulting educational and occupational outcomes for the 650,000 students currently attending a public community or technical college (Texas Higher Education Coordinating Board, 2022).

These recommendations were made in the belief that Texas' community college finance system does not adequately focus on and drive outcomes, which are critical to ensuring that our state can sustain our current and future workforce, economy, and quality of life. **At present, 54% of jobs in Texas are considered middle-skill** — meaning that they require a postsecondary credential beyond high school but less than a bachelor's degree — but only **45% of Texans are sufficiently trained for these types of jobs** — which leaves us with a 9-percentage point **“middle skills gap” comprised of roughly 1.4 million Texans** (National Skills Coalition, 2020). We believe strongly that, without significant, immediate action, the current system will fail to provide Texas employers with the skilled workforce they need while simultaneously putting an entire generation of Texans at risk of becoming a “lost unskilled cohort.”

SUMMARY OF RECOMMENDATIONS

The signatories are proposing a series of recommendations to fundamentally improve Texas' community college finance structure. The recommendations are intended to build upon, support, and advance the state's new “Building a Talent Strong Texas” goals. Taken in their totality, we believe that they will:

- Strategically increase available outcomes-based funding to more effectively drive improved results and advance statewide postsecondary and workforce goals.
- Substantially increase equity with significantly greater investments in low-income, rural, adult, and other historically underserved populations to markedly grow their educational and occupational outcomes by 2030.
- Facilitate and incentivize community colleges to work as a coordinated network of institutions to increase efficiencies across the districts.
- Support and expand programs that deliver credentials of value, as defined in the state's “Building a Talent Strong Texas” goals, through direct state funding incentives (grants, tax breaks, etc.) to employers and community colleges.
- Establish deadlines for the dissemination of state data to community colleges to support their program development, alignment to critical workforce needs, and overall improved student outcomes.
- Expand dual credit offerings that meet local workforce needs and reduce cost barriers to students — especially among those from underrepresented groups or low-income backgrounds.
- Incentivize regional collaboration to support student PS success and workforce alignment.

The recommendations in this report reflect a comprehensive, collaborative effort to fundamentally reform community college finance in Texas to reflect the needs of the 21st century. These recommendations should be viewed as a package that seeks to (1) ensure that every Texan has an equal opportunity to participate in our state's prosperity via equitable access to an affordable, high-quality education, (2) ensure that state funds are spent most efficiently and effectively, and (3) resolve the underlying structural flaws of our current finance system.

The recommendations, detailed later in subsequent sections of this report, are as follows.

1. **Revise Student Success Points (SSP) to better incentivize the outcomes Texas seeks.**
 - a. **Establish a tiered system of SSPs tied to value, as defined by “Building a Talent Strong Texas” goals and labor market needs.** Highest points would be awarded for the completion of all credentials of value in high-demand fields, especially those in terminal programs such as continuing education, industry-recognized credentials, and apprenticeships/work-based learning. SSPs would be awarded for completion of other credentials, including short-term credentials and/or degree programs (credit and non-credit) following a tiered system, based on relative value.
 - b. **Revise SSPs such that they are no longer a fixed, competitive allocation.** Rather, SSPs ought to be funded as a **non-competitive formula-based calculation** to ensure that funds are distributed based on standardized statistical criteria for specific outcomes.

2. Incentivize and resource community colleges to bolster critical advising and other student supports by (i) adding additional SSP weights for higher-needs students who make academic progress or complete/transfer, including students who are academically and/or economically disadvantaged, learning disabled, adult learners, and students at rural serving institutions and (ii) increasing state investments in contact hour funding for each student who is economically disadvantaged or attends a rural serving institution.

3. Strategically invest in more direct state funding incentives (grants, tax breaks, etc.) to employers and community colleges that partner to support community college programs delivering credentials of value to meet local workforce demands.

4. The Legislature should set a deadline for the dissemination by the Tri-Agencies of timely and actionable data to community colleges to support **program development aligned to regional critical workforce needs and overall improved student outcomes.** The Tri-Agencies should also use these improved data to identify statewide priorities and to guide the prioritization of workforce education and outcomes funding as described in our other recommendations here.

5. Leverage the authority of the THECB and its Commissioner to facilitate and incentivize community colleges to work as a coordinated network of institutions to increase efficiencies across the districts. This coordination could include: (i) facilitating the sharing of best practices among colleges (with the THECB providing technical assistance to scale those practices); (ii) facilitating partnerships among institutions to expand access to programs and to share certain services to reduce costs; and (iii) investing in innovation grants and seed funds for colleges to develop new programming to address local skills gaps and outcomes funding to reward successful programs (borrowing relevant elements from the TSTC model).

6. Given the strong, positive effects of dual credit on student success, the state should (i) **incentivize the expansion of dual credit offerings that meet local workforce needs and (ii) reduce cost barriers to students — especially among those from underrepresented groups or low-income backgrounds, so that, regardless of zip code, all students have access to strong dual credit programs aligned to local workforce needs.**

7. **The THECB should administer a competitive grant that provides outcomes bonuses for regional partnerships** among feeder high schools, community colleges, four-year institutions, and a coordinating entity to ensure regional alignment for postsecondary attainment that includes high quality advising and strong case management to support application, enrollment, and completion, aligned to local workforce demand

INTRODUCTION: CURRENT POSTSECONDARY OUTCOMES AND THEIR IMPACT ON TEXAS' ECONOMY

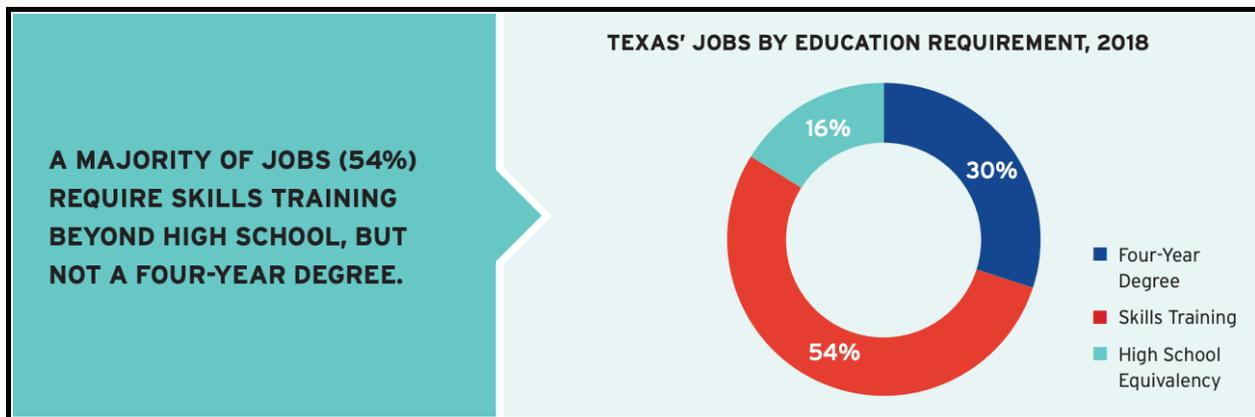
In 2021, Commissioner Harrison Keller and the Texas Higher Education Coordinating Board released a refreshed strategic plan for higher education: “Building a Talent Strong Texas” (BTST), reinforcing the need to develop a homegrown skilled, career-ready workforce. The new plan raises the bar by building on the successes and progress of the state’s previous plan, *60x30TX*, by widening the lens for higher education to expand attainment goals to include all working-age Texans. It establishes an inspirational and aspirational goal of having **60% of Texans ages 25-64 with a degree, certificate, or other postsecondary credential of value by 2030.**¹ Yet, today **only 47.9% of Texans have earned a postsecondary credential of any kind** (Lumina Foundation, 2022a). **Only a quarter of Texans have obtained a credential beyond high school by the age of twenty-four. Texas ranks last among its 12 peer states in terms of degree attainment** for young adults aged 25-34 and ranks **8% below the national average with respect to median income** (Texas 2036, 2021). Both rankings place the Lone Star State a disappointing 38th (i.e., top of the bottom quartile) in both categories nationally.

The success of our state is closely linked not only to the capacity of our education and workforce systems to meet the labor needs of Texas businesses but also to our ability to empower Texans to obtain the knowledge and skills they need to attain meaningful, gainful employment. Yet, even with the significant progress we’ve achieved in postsecondary access, completion, and innovation, and despite having one of the longest sustained economic expansions in American history, Texas is facing a pronounced decline in workforce competitiveness due — in large part — to a lack of postsecondary attainment among working aged adults. Today, an estimated 86% of all good full-time jobs in the U.S. require a postsecondary credential (Carnevale et al., 2015).² By 2030, 62% of all Texas jobs will require the same (ibid). Texans will need to earn a credential beyond a high school diploma to meaningfully participate in our state’s economy.

To accomplish this, Texas must respond now. **One core data point highlights Texas’ primary challenge:** According to the Texas Workforce Commission, **54% of jobs in Texas are considered middle-skill** — meaning that they require a postsecondary credential beyond high school but less than a bachelor’s degree — but only **45% of Texans are sufficiently trained for these types of jobs** — which leaves us with a 9-percentage point **“middle skills gap” comprised of roughly 1.4 million Texans** (National Skills Coalition, 2020). Without significant, immediate action, the current system fails to provide Texas employers with the skilled workforce they need while simultaneously putting an entire generation of Texans at risk of becoming a “lost unskilled cohort.”

¹ Whereas the previous *60x30TX* plan focused exclusively on 25-34-year-olds, the new plan expands the state’s commitment to serve all working-age Texans.

² The GCEW defines “good jobs” as those “that are in the upper-third by median wages of occupations in which they are classified. These good jobs pay more than \$53,000 annually for a full-time, full-year (FTFY) worker. This pay level is more than 26 percent above the median earnings of all full-time, full-year workers, which is \$42,000 per year. A two-earner household in which both are employed in good jobs would have annual household earnings of more than \$100,000. In addition, a majority of these good jobs are full-time (86 percent), offer health insurance (68 percent), and provide an employer-sponsored retirement plan (61 percent). On average, the employer-provided benefits add more than 30 percent on top of the employees’ reported annual wages and salary.”



Source: National Skills Coalition (2020), *Texas Skills Mismatch*.

For our state economy to continue to thrive, we will need to meet our state attainment goals and close chronic gaps that currently exist by income, race/ethnicity, and location. Our objectives *can* be accomplished, **but they will require bold, comprehensive state policies that address the sources of our current troubling outcomes.**

Despite both the urgency and the opportunity represented by the challenges we face, it is also clear that **Texas' community and technical colleges offer the best solution to our state's workforce challenges.** Achieving our statewide goal of having 60% of all working-aged Texans with a degree, certificate, or other postsecondary credential of value by 2030 is critical to accelerate job creation, grow the Texas economy, and expand the state's tax base through the contributions of a more skilled, productive workforce. Because the two-year colleges are a main source for the current and future workforce — for what we call “new-collar jobs” — with proper supports, they are uniquely positioned to nimbly develop new and expand existing workforce education programs to address many of the workforce challenges we face.

UNDERLYING ROOT CAUSES HINDERING POSTSECONDARY ATTAINMENT

Because no single determinant drives our current postsecondary outcomes, there is no silver bullet that can resolve all our challenges. Indeed, the Texas Commission on Community College Finance (TCCCF) has identified a number of systemic challenges that must be addressed if we hope to improve the state's postsecondary outcomes, including:

- **Increased Pressure on Local Property Tax Payers and Students.** Over the past 40 years, the state's investment in community colleges has declined from 68% to 26%, with the balance paid for by students (in the form of higher tuition) and taxpayers (via property taxes, which have increased staggeringly from 16% to 44%). The transposition of costs from the state to students and taxpayers is affecting student outcomes, especially considering that the number one reason students drop out is cost (UPCEA, 2021). Perhaps unsurprisingly, analysis shows that community colleges with a higher proportion of their funding coming from student tuition also tend to have lower completion rates (Texas Higher Education Coordinating Board, 2018). As economic and technological trends have made it increasingly difficult to obtain a good-paying job without a postsecondary education, Texans must be able to reskill and upskill affordably.
- **Insufficient and Poorly Structured Outcomes Funding.** “Show me the incentive, and I'll show you the outcome,” once quipped American investor Charlie Munger. In short, incentives and reinforcement drive performance because human behavior is extrinsically

motivated by a system of rewards. This principle underlies the performance-based piece of Texas' general revenue formula funding appropriations to community colleges: Student Success Points (SSPs). Historically, from its inception, state investment in higher education institutions in Texas had been allocated strictly for enrollment. Yet, in a bid to improve community college outcomes, the 83rd Texas Legislature (2013) implemented SSPs to reward community colleges for improvement in student outcomes and show "that higher education is an accountable, efficient, and innovative steward of public funds" (cited in Natale 2014). Yet, despite the many advantages associated with SSPs, it is nevertheless susceptible to three main challenges that need to be addressed. First, it comprises a miniscule proportion (~1-3%) of community colleges' total revenue. As a consequence, the amount allocated for SSPs is not sufficiently large enough to change community college behaviors and drive improved results. Second, its structure is overly complicated, more often rewarding achievement benchmarks that do not result in a student achieving a valuable outcome. In particular, most of the current SSP achievement benchmarks are not sufficiently aligned with outcomes that meet workforce needs and the state's goals (e.g., credentials of value, such as those tied to in-demand fields). Lastly, SSP funding is not consistently provided in a manner that truly rewards increases in outcomes, which prevents colleges from having the needed assurance and clarity that their actions and resulting improved outcomes will be rewarded.

- **Inequitable Funding.** Unlike Texas' K-12 schools, state investment in community colleges is not adjusted for student characteristics, such as being economically and/or academically disadvantaged. These students often lack basic needs, such as food, transportation, and housing, and they need increased advising and other supports to increase their ability to succeed. The state finance system's lack of attention to student characteristics will have a negative effect on the state's ability to meet employer demand for skilled workers considering that these Texans comprise a significant portion of the state's population and, therefore, the state's workforce – both present and future.
- **Zip Codes Determine Access to an Affordable Postsecondary Credential.** Community colleges reflect tremendous variation in funding per student across the state, thereby affecting student tuition rates, access to dual credit, and the ability to receive high-quality workforce training that meet existing demands from businesses. Where a student lives in Texas strongly affects his or her educational opportunities and, therefore, their ability to fully participate in the state's economic prosperity. This also exacerbates issues faced by regions, especially Texas' rural areas, where community colleges often lack ready, widespread access to resources (e.g., philanthropic contributions, a sizable tax base) which help urban and larger community colleges fill state funding deficiencies. As a result, businesses in rural and other underserved communities have less access to strong workforce pipelines to meet their labor demands. This places training burdens on businesses and constrains economic growth in these regions.
- **Current Community College Structures Embed Inefficient Spending and Little Collaboration.** The state is not benefitting from the obvious advantages that would arise from the 50 districts working strategically together, guided by state leadership and state higher education and workforce goals, to continually seek cost efficiencies and develop solutions that take advantage of what each district can offer, to the significant detriment of both students and the state's workforce pipeline.
- **Lack of coordination among regional public schools, colleges, and employers create large-scale inefficiencies.** Region by region, the various public schools, postsecondary institutions, and workforce entities often work in a siloed, uncoordinated fashion and sometimes unguided by labor market intelligence, data systems, and a backbone architecture to collectively improve outcomes and re-engage students who fall off the postsecondary/workforce path. This is a detriment in Texas given the expansive

diversity of our economy across the state's regions. While our economic diversity is certainly a strength, the lack of coordination of regional education and workforce systems to tackle the unique workforce needs of each region can hamper further economic growth.

- **Misaligned Financial Incentives Promote Misaligned Outcomes.** Community colleges do not receive outcomes funding for students who enroll at a four-year university immediately after graduating high school with an associate degree provided by that two-year institution. Additionally, four-year institutions are not incentivized to proactively provide “reverse transfers” to retroactively award students with an associate degree from the community college at which they began earning college credit.

RECOMMENDATIONS

1. Refocus Community Colleges to the Primary Goal of Closing Statewide Talent Gaps by (a) Linking Student Success Points to Regional Workforce Demand and (b) Shifting Away from the Allocation Model

Current Challenges: Texas voters recently expressed strong support (87%) for community colleges to focus on course offerings that match the needs of their local workforce (Texas 2036, 2022). As the value of higher education is becoming more strictly defined through returns on investments, the state's BTST plan recognizes that our education system needs to help more Texans attain credentials of value that are tied to in-demand jobs with strong earning potential and no gaps attributable to income, race, or place.³ At the same time, BTST is also responding to employers' workforce needs by providing clear markers to both students and employers regarding which credentials have proven market value. With improved data available and new short-term credential programs being offered, SSPs ought to be updated to address the state's needs, define and meet varying regional needs, and incentivize better outcomes.

However, one of the main problems with Texas' current SSPs is that they are neither sufficient in terms of total investments in community colleges (including ad valorem and tuition and fee revenues) nor are they structured to effectuate the goals of BTST. Currently, SSPs approximate merely 1-3% of total community college funding (May, 2022). On top of that, they reward inputs that are effectively proxies for enrollment (e.g., college-readiness benchmarks, completion of first college-level courses), not valuable, workforce-aligned outcomes (e.g., completion of degrees or certificates of value, transfer of credits toward a bachelor's degree). Further, because the state can arbitrarily reduce the economic value of each success point every biennium, community colleges are often hesitant to invest in actions to grow outcomes if the resulting return on that investment (in the form of state outcomes funding) cannot be guaranteed. Moreover, SSP funding for critical fields (i.e., the educational programs linked to actual labor market needs) account for only 0.2% of community colleges' total annual operating revenues — and these fields are not set up to accommodate the varying workforce needs of the state's regions. This makes the current SSP formula only marginally responsive, at best, to the state's rapidly-evolving economy and its corresponding workforce needs.

SSPs, in addition to being insufficient to incentivize behaviors aligned with workforce needs and desired outcomes, are structured as a fixed, competitive allocation in which colleges vie for a

³ In alignment with the state's “Building a Talent Strong Texas” goals, we consider “strong earning potential” to mean graduating with no undergraduate debt or manageable levels of debt in relation to a student's potential earnings.

portion of a “fixed funding pie.” This structure reduces the certainty that increased outcomes will be financially rewarded while further reducing the ability of SSPs to drive desired actions necessary to meet workforce demand and state higher education goals. Colleges are required to fight for a fixed pie, which drives them to strive for outcomes growth relative to other colleges’ performance rather than focusing on internal outcomes growth in areas aligned with their region’s workforce needs. While SSPs were devised to incentivize colleges to improve outcomes for students, the current allocation structure actually incentivizes institutions to effectively inflate their points through enrollment rather than better serve students.

Recommendation: Revise Student Success Points to better incentivize the outcomes Texas seeks.

1a. Establish a tiered system of SSPs.

Under this new consideration of a credential’s value, student success points would be tied to labor market needs in outcomes by

1. providing success points through a tiered system for student attainment of a credential aligned with regional workforce needs and state higher education goals, and
2. providing additional success points for student attainment of a job passing a minimum value threshold that puts Texas postsecondary graduates on a path to a job with strong earning potential.

More specifically, these points would be awarded for the completion of all credentials of value, especially those serving as terminal programs such as continuing education, industry-recognized credentials, and apprenticeships/work-based learning. SSPs would be awarded for completion of short-term credentials and/or degree programs (credit and non-credit programs) following a tiered system:

A: High-value, in-demand Credentials of Value (critical field aligned with regional labor demand or critical statewide priorities).

Value: (TBD) points

B: Credentials of Value

Value: (TBD) points (50% less than Tier A)

C: Credential in Any Field

Value: (TBD) points (50% less than Tier B)

Awarding institutions would also receive an additional points if graduates held jobs and earned wages beyond a minimum value in alignment with the BTST plan’s focus on postsecondary credentials of value. It is critical to link these recommendations because some credentials only hold value if a student pursues further education (e.g., via transfers). This way, colleges are rewarded upfront for helping a student earn a credential and helping the state make progress on its attainment goals, then again in the future for providing value to both the student and the state.

State investments in these value-added credential incentives may come partly from a reduced emphasis on “seat time” SSPs currently given for the initial hours obtained by all community college students for their first 15 or 30 semester credit hours. Many of these students do not currently obtain a credential, and it is desirable to move more investments to completion of the final hours of a degree program or to obtaining a more valuable certificate or credential.

1b. Revise the SSPs portion of the state's funding formula such that it is no longer a fixed, competitive allocation. Rather, we suggest that SSPs ought to be funded as a **non-competitive formula-based calculation to ensure that designated colleges receive funds based on standardized statistical criteria for specific types of performance or outcomes.** The amount of funding available for SSPs should be sufficient to incentivize community colleges to prioritize actions that will maximize success points (vs. the 1-3% of total funding that it currently comprises). We believe that SSPs that account for a minimum of % of total funding would be sufficient to incentivize the outcomes we seek.

Further, the success point model should be significantly simplified to incentivize the key outcomes that we seek from our community colleges: e.g., successful transfer to a four-year institution or completion of a regionally in-demand credential, with added weights for economically and academically disadvantaged students to ensure community colleges prioritize and provide the additional supports those students need, as is the case with College Career and Military Readiness weights that have already been implemented in the public K-12 system.

2. Contact Hour and Student Success Point Weights for Focus Populations

Current Challenges: Over 3.2 million of the state's 5.4 million public school children (60%) are considered economically disadvantaged (Du et al., 2021). While these students receive support at the K-12 level to complete a high school diploma at high rates (74% HS diploma completion), they are not seeing the same levels of success at the postsecondary level (14% degree/certificate attainment for the 8th grade cohort data). The data are clear: our state's pipeline to educate and train talented workers is not providing the supports needed by the majority of young Texans who are in that pipeline. As a result, the pipeline isn't situated appropriately to support local Texans who will comprise a significant portion of the state's workforce — an issue that negatively affects Texas employers' ability to fill existing jobs and produce further jobs. These individuals who do not complete their postsecondary education comprise a significant population that is not — but *could* be — participating in the workforce. As a consequence, this is significantly contributing to the chronic worker shortages that employers report.

From fall 2019 to fall 2020, only 63% of Texas community college students persisted (ibid). There are a number of factors that contribute to community college students' inability to complete their education. Research shows that personal finances are a key predictor of credential completion. In winter 2020, 64% of Texas community college students reported basic needs insecurity, an amount that was seven percentage points higher than the national average. More than 10% of Texas college students reported not eating for a whole day because they could not afford food (The Hope Center, 2021). Basic needs include access to food, housing, transportation, and/or childcare. A support system is crucial for students because they provide important opportunities for academic development, assistance with basic college requirements, emergency financial aid support, motivation toward the successful completion of a postsecondary education, individualized counseling designed to acquaint students with career options, and the resilience to weather challenges and obstacles to complete one's degree.

Reducing financial barriers for basic needs (e.g, via emergency grants), along with high touch academic and career advising, have proven to significantly increase student completion.

Alamo Colleges' AlamoADVISE is a high-touch, intentional case management model that matches all students with a certified advisor to help students formalize an academic plan and set personal academic and career goals (Alamo Colleges District). Alamo Colleges prioritized

the hiring of advisors as part of their support strategy and lowered their student-to-advisor ratio from 1:900 to 1:350. In fewer than six years, AlamoADVISE has achieved all intended program measures, including

- increasing the number of program participants who graduate within four years from 9% in 2005-06 to 25% in 2017-18.
- decreasing participants' average time-to-completion from 4.6 years to 3.9 years.
- reducing excessive semester credit hours from 92 to 82.
- saving students an average of \$8,802 at public universities and \$52,767 at private institutions by ensuring the applicability of courses for transfer.

Amarillo College is nationally recognized for its robust web of social services and student supports and the positive results of those supports. They have adopted significant, scaled student success reforms and focused on lifting students out of poverty. As a result of their efforts, they have been recognized by the Aspen Institute as one of the Top five community colleges nationally and received Aspen's Rising Star Award, which recognizes colleges with rapidly improving student outcomes. Between 2014 and 2018, graduation rates at Amarillo College rose 18 percentage points, from 27% to 45%. Over that same period, the graduation rate for students of color increased 20 percentage points, from 23% to 43%, surpassing the national average of 37%.

Elsewhere in the U.S., rigorous evaluations of successful student support programs implemented in other states strongly suggest that student supports are closely tied to student success. For example, the **City University of New York's (CUNY) Accelerated Study in Associate Programs (ASAP)** is a comprehensive program designed to help associate degree-seeking students earn their degrees as quickly as possible, with a goal of graduating at least 50% of students within three years. CUNY ASAP works by taking a comprehensive approach to student support, which is based on leveraging students' strengths and removing structural barriers to timely associate degree completion. Multiple studies of CUNY ASAP show promising results (CUNY, 2020, 2022; Scrivener et al. 2015):

- ASAP students graduate at nearly double the rates of non-ASAP students, and the program had a positive and significant effect on enrollment and credits earned.
- The ASAP graduation rate is more than three times the national three-year graduation rate of 16% for urban community colleges (IPEDS).
- ASAP's current cross-cohort three-year graduation rate is 53% vs. 24% for comparison group students.
- ASAP participation increased degree attainment by 1618.3 percentage points. If this result were scaled nationally, we would see an estimated 1.56 million more associate degree holders than current trends predict.

CUNY ASAP's success has resulted in a number of replications of the ASAP model in community colleges across the country — most notably in Ohio. Ohio's ASAP program resulted in an overall 16 percentage point increase in three-year graduation rates. After three years, 34.8% of program group students earned a degree from any college, compared to only 19.2% in the control group. Program participants, on average, earned 32.1 cumulative credits, compared with only 23.8 credits for the control group.

Adult Learners: Typically, adult learners are defined as students aged 25 and older. These individuals make up nearly half of all students currently enrolled in colleges and universities nationwide and nearly a quarter (24.3%) of Texas community college enrollment in fall 2021

(Lumina Foundation, 2022b, EAB, 2019; NCES, 2021). Workers over the age of 25 continue to be the most economically impacted during the COVID-19 pandemic (Gould & Kassa, 2020). Many adults are looking for opportunities to return to college to upgrade their skills or to start degree programs to improve their job prospects long-term. Nevertheless, recruiting and retaining adult learners, in particular, is challenging and requires extra resources.

- Recruiting adult learners is particularly difficult, as the adult learner market is large and diffuse, especially compared to a cohort of high school seniors. Identifying adult learners — including adults with no college credit, some credit or an associate degree, or a bachelor’s degree but no graduate degree — requires sophisticated consumer analytics and targeting that many colleges cannot afford (ibid).
- Adult learners are particularly sensitive to the costs of higher education, often because these individuals must balance school with their jobs and family responsibilities. In fact, 38% of students with outside financial, work, or family obligations leave within their first year (Lumina Foundation, 2018), making financial support, flexible scheduling, and affordable, on-campus child care particularly important options for degree completers (EAB, 2020).

Developmental Education and College-Readiness: Many, if not most, of the students in Texas’ pipeline are unable to complete higher education due to economic and/or academic disadvantages, and therefore, businesses cannot rely on our state’s pipeline to fill their workforce needs.

- In 2019, 58% of high school graduates who attended a higher education institution in Texas enrolled in at least one developmental (remedial) education course (Texas Education Agency, 2021).
- Less than half (43%) of 2019-2020 high school graduates met Texas Success Initiative (TSI) criteria for college-readiness in both mathematics and English Language Arts, which is the primary indicator of academic disadvantage at the postsecondary level.
- Only one-in-three 2020 graduates experiencing poverty in high school demonstrated college-ready scores (ibid).
- As the first pandemic-affected high school class, 2020 graduates faced disruptions to their senior year instruction compounded by delays or lack of access to TSIA testing. Students deemed “unprepared” for college-level math and placed into standalone remedial courses have about a 10% chance of achieving their goals. For Black and Hispanic students who place into at least one remedial course, that slim chance is reduced even further: Approximately one fifth of these students are considered “on track,” and only 5% are “on pace;” the persistence rate is about 60%, meaning that two-fifths of Black and Hispanic students stay only one semester at community college (Kadlec, 2021; Belfield et al., 2019). Additionally, Black and Hispanic students completed college-level math in their first year at half the rate of Asian and White students, and for some educational milestones, Black and Hispanic students’ attainment rates are only one third those of Asian and White students (ibid).⁴

Recommendation: Recognizing both the added cost of supporting academically and economically disadvantaged community college students, as well as adult learners, and the significant ROI those investments can reap in terms of increased completion, we recommend

⁴ The article uses the terms “remedial” and “developmental” and here we refer only to “remedial” education for the sake of consistency.

investing in resources and incentivizing community colleges to bolster critical student supports by

1. increasing contact hour funding by ___% for each student who is economically disadvantaged or attends a rural serving institution.
2. adding a weight of ___ Student Success Points for higher-needs students who make academic progress or complete/transfer, including students who are academically and/or economically disadvantaged, learning disabled, adult learners, and students at rural serving institutions. Additionally, consider increasing weighting if a student meets more than one higher need factor. Higher need populations are defined as follows:
 - a. “Economic disadvantage” would be based on free-and-reduced lunch eligibility (for direct-from-high school-to-college enrollees) or Pell-eligible.
 - b. Learning disabled would be determined using annual data provided by IPEDS on students formally registered as having a learning disability.

“Academic disadvantage” could be determined using a student’s/TSI-A-derived status.

3. Workforce-Higher Education Partnerships

Current Challenges: Texas businesses are negatively affected by our sizable “middle-skills gap,” which has led to a lack of readily-available and talented workers. Too often, this forces businesses to figure out how they will train their own workers, which can be a costly endeavor and, at worst, serve as a disincentive for businesses to operate in Texas. This was the case when Austin and Dallas lost the bid for Amazon’s HQ2, for example, with Amazon senior executives stating, “It turns out that tech talent was the biggest driving factor for us... Both tech talent on day one, but also tech talent in the future” (Cohn, 2019). The state must develop strategies that allow it to respond more nimbly to the evolving and diverse workforce needs of the businesses of today and tomorrow. Community colleges are critical partners who can help implement these strategies.

Recommendation: Given the critical nature of achieving a postsecondary education that is aligned with regional workforce demand, and to better incentivize improved employer-college partnerships, **we recommend providing more direct state funding incentives (grants, tax breaks, etc.) to employers and community colleges that deliver credentials of value. These funds should be used to support and expand programs, such as:**

- Competitive outcomes-focused grants for collaborative career training programs that include work-based learning hosted by employers and community college instruction.
- Stipends to community colleges to support a Career Education Collaboration director.
- State participation in national employer collaboration model programs, such as the National Skills Coalition’s Work-Based Learning Policy Academies, which includes SkillSPAN in which United Ways of Texas is participating.⁵ The intention would be to select a limited number of Texas community college districts each year for intensive program planning and launch on a rotational basis among the districts each year or biennium.
- State incentive funding for more community college districts to participate in the American Council on Education’s (ACE) Prior Learning Assessment program and to recognize employer-based instruction that is validated by ACE. This could include a

⁵ <https://www.nga.org/work-based-learning-resources/>

requirement for statewide or locally-based employer groups to examine and approve the validation of such credits.

- Invest in direct funding to expand the Texas Workforce Investment Council's Texas Skills Standards program to include a certain number of new community college-based programs each year.⁶ The program has validated over 50 career occupational fields in response to industry-led proposals which enables federal funding to be spent on training programs which use these skills standards. No such funding exists currently to launch community college based employer driven skills training. This should be directed at a clearer definition of the most critical occupational gaps in Texas between current supply and projected demand (see Workforce Data recommendations below.)
- New employer incentives for hosting or advancing hiring commitments for proven work-based learning programs and evidence-based practices that lead to validated skills credentials.
- A statewide technical assistance model (e.g., Achieving the Dream) that works through cohorts on an "X model" of engagement to reduce costs.
- Covering student costs for prior learning assessments, particularly in cases where an institution requires a portfolio assessment. Often costs associated with these assessments pose a barrier to students, as they are not typically covered by Title IV funds.
- Small Business Development Centers (SBDC), which are partnership programs between the U.S. Small Business Administration and certain community colleges designed to provide small businesses with the practical assistance needed to survive, grow, and prosper. The SBDC program links the resources of federal, state, and local governments to those of colleges to meet the specialized needs of small businesses and help them remain competitive in the complex marketplace of the ever-changing global economy. Attention to small businesses is especially critical given small business owners' chronic reporting of worker shortages and the fact that most people are employed at small to mid-sized companies. For instance, NFIB's February 2022 report shows that small businesses continued to struggle to increase their workforce, with 11% of owners reporting that labor costs were their top business problem. Additionally, 22% of owners cited labor quality as their top business problem. Forty-eight percent of all owners reported job openings they could not fill in the current period, up one point from last month and only slightly lower than 48-year record-high reading. The number of unfilled job openings is more than double the 48-year historical average of 23% (NFIB, 2022).

4. Workforce Data Sharing

Current Challenges: The regional labor market data collected and provided by local workforce boards are not sufficient or timely enough to empower community colleges to plan their programming according to local market demand or to understand the efficacy of their programs in supporting students in obtaining good-paying jobs. For example, unlike data that can be purchased from third parties like Burning Glass, data provided by local boards is specific to their region, which does not always align with the relevant labor market geography for the community college based on their taxing districts and service areas. Many community colleges do not have

⁶ The U.S. Department of Labor requires Texas to have a Skills Standard process with industry involvement. All 50 programs developed thus far have been generated by trade groups or educational institutions, not by state prioritization or funding. The Texas Workforce Investment Council does not receive funds to establish prioritization, yet have made legislative appropriations requests but have never obtained any. We believe Texas could have more meaningful prioritization and performance metrics if the state directs some funds into this; as it is, the state uses only WIOA minimum standards of performance.

the capacity or funds to acquire these data themselves; it is also inefficient for each college to collect these data separately. Both the Texas Higher Education Coordinating Board (THECB) and Texas Workforce Commission (TWC) are improving their databases to make labor market information and data on wage and employment outcomes more transparent and usable while maintaining data security and privacy. Community colleges should benefit from these improvements.

Recommendation: We believe that improving and disseminating these data is critical to program development, alignment to critical workforce needs, and overall improved student outcomes. The Legislature should set an aggressive but reasonable deadline for the dissemination of these data by the Tri-Agencies to community colleges. Working together, the Tri-Agencies should prioritize and coordinate the dissemination and analysis of regional workforce and labor market data to each community college district and local workforce board, reflecting the best, most current data on wage outcomes, career paths, and projected job growth and supply gaps. For the community colleges, these data must be customized to their labor market area/counties, which, in most cases, are not the same as the relevant local workforce development board geographies. The Tri-Agencies should use these improved data to identify statewide priorities and to guide the prioritization of workforce education and outcomes funding as described in our other recommendations here. If executed properly, these data improvements could lift all institutions, including those that are under-resourced.

5. Incentives for Statewide Community College Systems to Collaborate and Cost-Share

Current Challenges: With 50 disparate systems reflecting 50 different funding amounts per student, Texas lacks the critical collaborative environment to ensure that all of the state's assets are deployed effectively and efficiently. Instead, underfunded districts are disincentivized from collaborating and cost-sharing, perceiving that pursuing those efforts could lead to diminution of enrollment and revenues and potential consolidation. As a result, districts with more cost-efficient course delivery models due to efficiencies of scale and access to faculty with critical expertise can't deliver classes to students in other parts of the state lacking those efficiencies and access. There is also no need for 50 different IT, HR and finance systems across Texas — yet, again, there is little incentive to take advantage of the resulting cost savings and redeployment of those resources toward student tuition reductions or increased student supports due to fear of merger/takeover and a lack of trust among institutions.

Unlike community colleges, Texas' public K-12 system is led by a Commissioner armed with significant technical assistance and state incentive funding. Along with a state accountability system, the Commissioner is empowered to encourage significant behavioral changes across the system.

Among the state's public four-year institutions, its 35 campuses are grouped and governed within six separate "systems" led by chancellors reporting to appointed boards who are responsible for driving collaboration and cost savings among their campuses.⁷

⁷ Texas State University System (TSUS), University of Texas System (UT), Texas A&M System (A&M), University of Houston System (UH), Texas Tech System (Tech), and University of North Texas System (UNT). Together they educate 95% of Texas' public four-year university students. The institutions in each system are governed by a Board of Regents, each of which has nine members appointed by the Governor. Among other things, each board is responsible for the employment and discharge of systemwide executive officers (e.g., Chancellor) and local campus leadership and administration. The system Chancellors are vested with the power to oversee individual Presidents and administrators at their

By contrast, while the state's community colleges are the workhorse of higher education, enrolling nearly half of all Texas undergraduates, there is no systematic entity in place to ensure that all students have the opportunity to earn an accessible and affordable higher education credential. Rather, the community college sector is a highly diverse, disparate network of 50 institutions with locally elected boards that drive each college's individual priorities with no effective state-level method of ensuring they respond in a concerted manner to state priorities. Each local district is governed by an elected local board (similar to the state's K-12 system) but without either (i) a state-level executive officer given significant powers and funding to help guide all local systems toward state outcome goals (similar to K-12) or (ii) a set of regional systems leaders, each overseeing a group of campuses around aligned goals (similar to Texas' public university systems).

The net result of this disparate community college governance structure is a set of 50 siloed institutions with little incentive to share costs or collaborate to meet statewide goals. Community college districts that are able to offer credits and credentials to students who reside outside their legally recognized service area are dissuaded from doing so, and districts are reluctant to share in the development and expenses of common back-end operations despite the cost effectiveness of doing so.

Recommendation: To this end, **we recommend leveraging the authority of the THECB and its Commissioner to facilitate and incentivize community colleges to work as a coordinated network of institutions to increase efficiencies across the districts.** This coordination could include: facilitating the sharing of best practices among colleges and providing technical assistance to spread those practices; providing state-level resources and support to facilitate shared services, creating cost efficiencies; facilitating partnerships among institutions to expand access to programs for students and reduce costs; and investing in innovation grants and seed funds for colleges to develop new programming to address skills gaps for local workforce needs and outcomes funding to reward successful programs (borrowing relevant elements from the TSTC model).

Small-scale examples of increased efficiencies already exist in Texas — and these models ought to serve as the blueprint for an expanded, statewide network of community colleges. For instance, the Texas Community College Consortium (TC3) is a collective of small- to mid-sized Texas community colleges who formed a partnership to gain economies of scale in the implementation of a new Enterprise Resource Planning (ERP) System including student information and financial information software. The colleges collaborate in the implementation of other technology and other shared services, as well, and they receive lower pricing due to the size of the Consortium in student numbers. The ultimate goal of the partnership is to work together for improved student outcomes, lowered administrative costs, and improved insights from institutional data. The Consortium was originally formed by five East Texas community colleges and has now grown to seven, including Northeast Texas Community College, Texarkana College, Paris Junior College, and Kilgore College.

TC3 works to provide staff services, maintain and support hardware and software for the organization, as well as facilitate group purchasing. The Consortium's highest goal, however, is to provide smaller institutions the same competitive bargaining and data management capabilities larger institutions enjoy.

respective campuses. Among the six systems, enrollment ranges from 45,000 to 228,000, with the UT and A&M system chancellors alone collectively overseeing 57% of the state's public university students.

6. Standardizing Dual Credit Offerings

Current Challenges: In recent years, dual credit programs have become an increasingly popular and important means of making postsecondary education more accessible, affordable, and attainable for all students.

Additional notable benefits of dual enrollment programs include (Troutman, David, et al. 2018, E3 Alliance):

- **Improved college retention rates.**
 - Dual credit students are *2x more likely* than non-credit bearing students to be retained during the first 2 years of college.
 - Dual credit students are *3x more likely* than non-credit entering students to graduate in 4 years.
- **Increased graduation rates.**
 - Students who have 16-30 (1.4x), 31-59 (1.9x), 60 (4.9x) dual credit hours are *1.4x, 1.9x, and 4.9x more likely*, respectively, to graduate in 4 years than students who had 1-15 dual credit hours.
- **Improved student performance in college courses.**
 - Dual credit students' GPAs for subsequent courses are comparable to GPAs of students who took the prerequisites at a UT institution — indicating comparable rigor and quality between dual credit and UT prerequisite courses.
- **A reduction in students' time-to-degree and student debt.**
 - On average, dual credit students complete a four-year degree *one semester earlier* than students with no prior college credit.
 - Students with 31-59 hours *save 2 semesters*; students with 60+ hours *save 3 semesters*.
- **Dual credit is key to job creation and economic growth.**

Students with any postsecondary education are *3.6x more likely* to be employed than individuals without any postsecondary education.

Yet, while an increasing number of students have turned to dual credit programs to earn college credit in high school, there are a number of challenges associated with the state's concurrent enrollment offerings. Most notably, dual costs for students vary from district to district, with a range as low as \$0 to as high as \$4,140 (Texas Higher Education Coordinating Board, 2018). Decisions about who pays tuition, fees, and other costs for dual credit, such as textbooks and transportation, are left to the local decision-makers through interlocal or contractual agreements. Depending on the location, these costs are paid by state appropriations, local tax funds, or students and their families. Additionally, students and high school advisors often don't have access to information on which dual credit courses will be most applicable to a future degree plan leading to in-demand fields. This exacerbates challenges related to excess credit hours.

Recommendation: Given the strong, positive effects of dual credit on student success, we recommend that the state (i) **incentivize the expansion of dual credit offerings that meet local workforce needs and (ii) reduce cost barriers to students — especially among those from underrepresented groups or low-income backgrounds.** Where coordination and collaboration among community colleges is not sufficient to ensure all students have access to strong dual credit programs aligned to local workforce needs, we recommend the state create opportunities for third party providers to partner with or white label programs for community colleges, to **expand access so that, regardless of their zip code, all students have access**

to strong dual credit programs aligned to local workforce needs. THECB could be empowered to address dual credit inequities, while ensuring maximum efficiency.

7. Incentivize Regional Collaboration to Support Student Success and Workforce Alignment.

Current Challenges: Research shows that students who do not enroll at a higher education institution directly after graduating high school are 64% less likely to complete a bachelor's degree and 18% less likely to obtain any college credential. Thus, removing silos and supporting the transition from high school to higher education is critical. Several regions have formed collaboratives wherein high school feeders work closely with the community colleges and four-year institutions to more effectively support students in their transition to a postsecondary institution, including by sharing data, increasing coordination, improving advising, and providing additional supports. For example, Harris County high schools participating in such a collaborative experienced a **22% increase in direct postsecondary enrollment** in fall 2020 over the previous year, whereas non-participating high schools saw enrollment declines. Similarly, Alamo Colleges saw a **net gain of roughly 500 students** in fall 2020 from participating high schools. In 2019 Dallas County high schools participating in the collaborative increased their enrollment by seven percentage points while the rest of the state saw modest decline.

Recommendation: We recommend that the THECB administer a competitive grant that provides outcomes bonuses for regional partnerships among feeder high schools, community colleges, four-year institutions, and a coordinating entity to ensure regional alignment for postsecondary attainment that includes high quality advising and strong case management to support application, enrollment, and completion, aligned to local workforce demand.

8. Annual Report by Community Colleges to Provide Strategic Plans with Disaggregated Goals in Pursuit of Statewide Goals

Current Challenges: To achieve statewide goals, it is critical that community colleges establish goals consistent with Texas's Building a Talent Strong Texas strategic plan and align local community college board goals and interim progress measures with these outcomes. Ensuring that all Texas students have the opportunity to graduate from college with a credential of value that has prepared them to enter a career — and that they are supported in making that transition — should be the guiding principle around which a revised community college finance system is designed.

Recommendation: We recommend that each community college district be required to establish at least a three-year and five-year locally developed board completion goals, disaggregated by and within various student groups, including by family income, native language, race/ethnicity, gender, and special population. Community colleges ought to annually report their progress publicly toward these goals along with any other board goals against which they measure their progress to the Legislature and the THECB. These data should be made available at the campus and state levels. Pursuant to HB 1016, enacted by the Texas Legislature in 1999, state agency reports required by law must be made available to members of the Legislature in an electronic format specified by the Texas Legislative Council.⁸ Community colleges would also be required to make their plans publicly available by posting them on their institution's website.

⁸ <https://capitol.texas.gov/tlodocs/76R/billtext/html/HB01016F.htm>

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