Name: ROGER C. SCHUSTEREIT

Source of info: Hill College

Date: 8-14-07

# Impact of Governor's Veto on Hill College

The veto will adversely impact our college and the economy of Hill and Johnson counties. Hill College has a very positive role in the five county communities which we serve: access, opportunity, and economic development. The veto will affect these areas and Closing the Gaps with loss of access, fewer workforce programs, and will impact the economy by reduction in force for Hill County's largest employer.

### Results of Governor Perry's veto of health care funding for Hill College

To provide comparable services with a $1,000,000 cut in funding, we have been forced to:

| | |
|---|---|
| **Increase tuition by 20%** | This will severely impact access for the poor, rural area that we serve. |
| **Raise taxes** | We will raise taxes to rollback rate <u>every year.</u> |
| **Cutback programs** | For example, we cut the number of *Nursing* students from 90 to 30 per class. The drastic nursing shortage in Texas will not improve. |
| **Cancel programs** | Workforce and transfer program cancellations will be implemented this fall. |
| **Layoff employees** | We have outsourced one department and plan to outsource at least one other one this fall. This impacts 30+ employees and their families. |

**Campuses closing and/or cutback under consideration**

<u>Hill College Service Area affected:</u> Hill, Johnson, Bosque, Somervell, and Hood Counties.

Statement of Dr. Jimmy Goodson, President of The Victoria College, on behalf of the College, to the Senate Higher Education Subcommittee, August 14, 2007

Name: Jimmy Goodson
Source of info: Victoria College Data
Date: 8-14-07

Good morning, Senators,

On behalf of The Victoria College, thank you for allowing us to present comments during this process.

Thank you for your strong and consistent support of the Texas public community colleges. We especially appreciate your leadership in trying to find a solution to Governor Perry's veto of the second year community college health insurance funds and avoid its devastating consequences for our institutions. This veto would cost The Victoria College more than $1.5 million in employee health insurance funds, one third of which provides insurance for our retired employees.

During the 2007-2008 College budget development process in spring 2007, the College staff and Board of Trustees agreed to purchase a new management/student information system with a cost of $2.5 million to replace the seriously obsolete system currently used at The Victoria College. This system would be financed over several years with revenue from tuition and tax increases. To this end, The Victoria College Board of Trustees approved modest increases in student tuition and fees at its regular meeting on May 21, 2007, and planned for a slight increase in the 2007 college tax rate.

The Governor's veto has caused the plan for the information system to be placed on hold until some reconciliation of the issue is determined. It is our intent to use the increased student tuition and fee and local tax revenue first to offset any funding loss caused by the veto and then as funds are available, move forward with the information system purchase. We are taking care to inform our community during the required public hearings that we are not increasing taxes and tuition at present solely as a direct result of the veto.

If the veto stands, not only will we not be able to purchase the information system, but another round of tuition and fee and tax increases will be necessary to cover the lost funds.

The Texas Association of Community Colleges is providing leadership for our colleges on this issue and we support their efforts to work with you and other state leaders to find an equitable solution.

Thank you again for your support of the public community colleges.

Texas AFT
*A Union of Professionals*
www.texasaft.org

Name: Patty Quinzi
Source of Info: Am. Federat. of Teachers
Date: 8-14-07

3000 S. IH-35
Suite 175
Austin, TX 78704

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# Testimony to the Senate Subcommittee on Higher Education Regarding Community College Group Health Insurance Funding

August 14, 2007

*Patty Quinzi, Legislative Counsel*

Affordable and accessible community colleges are essential to the Texas economy, serving students seeking marketable skills for the workplace and serving as a gateway for students seeking a bachelor's degree or other advanced degrees. Community colleges are an integral component of the Texas Higher Education Coordinating Board's *Closing the Gaps* plan, which addresses the economic necessity of increasing student participation and success in higher education to ensure an educated population and workforce for the future. Failure to restore the $154 million in cuts from community college funding would send a loud, clear message that Texas does not really value education as its highest priority and is not really serious about *Closing the Gaps.*

Community college employees will be a crucial factor in reaching Texas' goal of *Closing the Gaps*. The health-care benefits those workers earn for themselves and their families ensure that they have access to modest, affordable health benefits through employment, a goal supported by almost every Texan. During the recent legislative session, "proportionality" was discussed explicitly in open committee, and budget writers were very clear and specific that they were choosing not to apply that formula to community college employees' health-care funding. The rationale for the cuts is ironic, considering that the very reason "proportionality" has risen to the surface as a funding issue is the state's history of dramatically cutting funding to community colleges. The Texas Association of Community Colleges reports that in 1985 the state provided 64.5 percent of the budget for community colleges, while by 2005 the state provided only 31.1 percent. The drastic shrinkage of state support coupled with growing enrollment left community colleges with no choice but to use local revenue for employee benefits to make up for the shortfall. Now their reliance on that local revenue to cover health-care costs is in turn being used as a reason for the state to reduce its contribution even further in the name of "proportionality." Effectively, community colleges are being punished twice for the state's neglect of community college funding.

If the available $154 million that the legislature already appropriated to community colleges is not restored, the impact will be felt not only by students and employees but also by local taxpayers. Already we see community colleges responding with planned tuition and fee increases, cuts in instructional services, compensation cutbacks, and local tax hikes. These impacts will compound the damage that has resulted from tuition deregulation at other institutions of higher education, making affordable access an even bigger problem. In other words, the new cut in community college funding from the state actually amounts to a policy of opening "the gaps" even wider.

The Legislative Budget Board and all legislators who understand the importance of community colleges should take all steps necessary to reverse the effects of the ill-considered veto of community college employees' health-care funding. Restoring fully the $154 million that was cut will help to restore the state's commitment to an accessible and affordable higher education for all Texans.

NAVARRO COLLEGE

Office of the President

Name: Richard M. Sanchez

Source of info: Testimony related to Governor's Veto

Date: 8/14/07

NAVARRO COLLEGE

Senate Higher Education Subcommittee Hearing

Governor Perry's Veto

Tuesday, August 14, 2007

Thank you, Senator Zaffirini, for scheduling this hearing for Texas Community Colleges. We appreciate your concern related to the situation in which community colleges are presently involved, and we acknowledge your willingness to be instrumental in bringing this matter to a positive conclusion. I am Dr. Richard M. Sanchez, District President of Navarro College in Corsicana, Texas. With me today is Mr. Homer G. Wasson, Chairman of the Navarro College Board of Trustees, and Dr. James Price, Secretary-Treasurer. They are concerned, as I am, relative to the veto by the Governor and the effect it may have on our ability to serve the ever expanding needs of our constituency. The Chairman, Mr. Homer Wasson, would also like to give testimony on this subject.

Navarro College is a rural community college dedicated to serving the needs of our constituency in the five counties we serve – Navarro, Ellis, Limestone, Freestone and Leon Counties. Ellis County is one of the fastest growing counties in the state of Texas and the Navarro College District faces several challenges in serving the expanding needs of this population. This veto by the Governor further constrains our ability to serve these expanding needs in Ellis County and the other counties as well.

You have requested that we provide testimony related to the effect the Governor's veto will have on our colleges. I am pleased to provide this information.

Your first question asks, "What impact will the veto have on a community college if the veto is not resolved?" In conversation with several individuals, primarily staff and community leaders, there is an overwhelming belief that the Governor's veto could have dramatic effect upon the future of community colleges. The greatest concern is for the people in the State of Texas. For example, Closing the Gaps has repeatedly conveyed that over the next several years, thousands of Texans will continue to seek access to higher education. Sixty percent of these students will look to the community colleges to begin their higher education experience. Without adequate funding, it will be very difficult to meet our obligation in serving this impending need.

Several other implications lie before us if this situation is not resolved. There is concern that the image of community colleges as a career choice could be negatively affected. Community colleges already have a difficult time competing for faculty as independent school districts and four year colleges and universities offer higher compensation packages. In addition, our employees are insecure as they wonder what precedent this action by the Governor may have on their future health insurance benefits.

It has also affected employee morale. Retirees who have served the State of Texas with years of distinction are also concerned that their health insurance benefits may be in jeopardy during the most important phase of their life, and at a time when health insurance benefits are of primary importance.

Finally, increases in tuition and fees and ad valorem taxes are being contemplated, as is curtailing expenses related to equipment purchases, improvement in staff compensation and funding new programs and initiatives. It may even come to pass that some institutions may declare financial exigency followed by a reduction in staff.

Community colleges have been required to "do with less" for the past several years due to decreased state funding. We have stretched our dollar to the breaking point. The Governor's veto places community colleges in a very precarious funding position as the dollar is losing its elasticity and is near the breaking point.

The second question asks "What action will be necessary if the issue is not resolved?" Discussion by the Navarro College Board of Trustees suggests they will likely approve an increase in tuition and fees for the 2008-09 year. It is unknown at this time the amount students will be assessed. The determination will be made during the budget development process in March 2008. In addition, the ad valorem tax rate will likely be approved at the rollback rate to ensure increased revenue for the district.

The final question asks for "….possible solutions to the problem, namely, the best options for restoring the money to community colleges in a way that ensures the support of a majority of the LBB Senate and House members and of the Governor." The Navarro College Board of Trustees supports the short and long term strategy recommended by The Texas Association of Community Colleges. The Navarro College Board of Trustees desires to stress the importance of returning these funds to community colleges without delay.

Thank you for giving us this opportunity to provide testimony related to the critical and negative impact the Governor's veto will have upon our colleges in 2008-09. The Navarro College Board of Trustees also thanks you and the subcommittee for your sincere interest and concern in resolving this very critical issue.

Name: Homer G. Wasson

Source of info: Testimony related to Governor's Veto

Date: 8/14/07

NAVARRO COLLEGE

Board of Trustees

# NAVARRO COLLEGE

## Senate Higher Education Subcommittee Hearing

## Governor Perry's Veto

## Tuesday, August 14, 2007

## Board of Trustees Testimony

Thank you, Senator Zaffirini, for this opportunity to provide testimony on the Governor's veto of community college health insurance benefits for 2008-09. As you can imagine, the Navarro College Board of Trustees is quite upset over what appears to be a bad decision based on faulty logic.

As stewards of the public trust, the Navarro College Board of Trustees insures that the College follows established protocol in all matters, regardless. As it relates to the Governor's veto, attached to this testimony is information included in the Navarro College Legislative Appropriations Request for 2007-2009. The committee will see that Navarro College complied with the requirements the Governor states we failed to acknowledge. The Navarro College Board of Trustees believes that our sister colleges also complied with the requirements and we fail to understand the rationale compelling the Governor's action as it pertains to the veto.

While Governor Perry has impacted the operation of community colleges in Texas, his veto will have an even greater impact on the people of Texas and the economy of Texas as well.

The Navarro College Board of Trustees urges the Senate Higher Education Subcommittee and the remainder of the State Legislature to find a way the vetoed funds can be restored to community colleges.

The Governor's veto has caused a great deal of turmoil unnecessarily.

Thank you, Senator Zaffirini, and members of the subcommittee for your sincere interest in this matter and your willingness to find a solution to the problem and have the vetoed funds restored.

Enclosures

3200 WEST 7TH AVENUE / CORSICANA, TEXAS 75110 / 903-875-7309 / FAX 903-874-4353

**Schedule 3C: Group Insurance Data Elements (Community Colleges)**
80th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)



Wasson, page 2

Agency Code: **972** Agency Code: **Navarro College**

| | State General Revenue | | Non-state Funds | | Total, All Funds | |
|---|---|---|---|---|---|---|
| | **Full-Time** | **Part-Time** | **Full-Time** | **Part-Time** | **Full-Time** | **Part-Time** |
| **I. Number of "active employees," as of December 1, 2006, for whom the institution is required to make a contribution for faculty and staff group insurance under Section 1551.103 of the Insurance Code.** | | | | | | |
| A. Of the amount in I. above, number enrolled in an "Employee Only" health plan. | 110 | 0 | 29 | 0 | 139 | 0 |
| B. Of the amount in I. above, number enrolled in an "Employee and Children" health plan. | 47 | 0 | 13 | 0 | 60 | 0 |
| C. Of the amount in I. above, number enrolled in an "Employee and Spouse" health plan. | 23 | 0 | 9 | 0 | 32 | 0 |
| D. Of the amount in I. above, number enrolled in an "Employee and Family" health plan. | 58 | 0 | 15 | 0 | 73 | 0 |
| E. Of the amount in I. above, number eligible but not enrolled in a health plan. | 2 | 0 | 1 | 0 | 3 | 0 |
| **Total** | **240** | **0** | **67** | **0** | **307** | **0** |

Wasson, page 2

**NOT STATE ELIGIBLE DEPARTMENTAL/GRANT**

| NAME | | MO | MS | MC | MF |
|---|---|---|---|---|---|
| ANDREWS, DEBORAH | NSE-D | 343.48 | | | |
| ARMSTRONG, LEXIA | NSE-D | | | 474.86 | |
| BAKER, JOHN A | NSE-D | | 539.70 | | |
| BOBECK, NICKOLAS - TERMED - OPEN | NSE-D | X | | | 671.08 |
| CASTILLO, DESI | NSE-D | 343.48 | | | |
| CHAPMAN, CAROLYN WARD | NSE-D | 343.48 | | | |
| CHOINA, TROY | NSE-D | 343.48 | | | |
| DAVIS, CHRISTOPHER L. | NSE-D | 343.48 | | | |
| DEARY, SIERRA | NSE-D | 343.48 | | | |
| ELDREDGE, KELLY | NSE-D | 343.48 | | | |
| GARZA, ANDY | NSE-D | | 539.70 | | |
| GIBBS, CLAUDINE | NSE-D | 343.48 | | | |
| GUARDADO, ADA CRISTINA | NSE-D | 343.48 | | | |
| HACKER, MARY - TERMED - OPEN | NSE-D | X | | | 671.08 |
| HAILEY, MARY ANN | NSE-D | | | 474.86 | |
| HARRIS, JEFFERY | NSE-D | 343.48 | | | |
| HEALD, JILL LYNN | NSE-D | 343.48 | | | |
| HIERHOLZER, GAIL J. | NSE-D | 343.48 | | | |
| HINES, TAMMIE (Slack) - TERMED - OPEN | NSE-D | X | | | 671.08 |
| HUFFMAN, ALENE | NSE-D | | 539.70 | | |
| JACKSON, MARLA K. | NSE-D | | | | 671.08 |
| JOHNSON, LOVERA | NSE-D | 343.48 | | | |
| JOHNSON, STACY | NSE-D | | | 474.86 | |
| JONES, BETTIE | NSE-D | | 539.70 | | |
| KIRKWOOD, PAULA | NSE-D | 343.48 | | | |
| KITCHEN, GEORGE | NSE-D | 343.48 | | | |
| LINDSEY, VICKIE S | NSE-D | 343.48 | | | |
| MARTIN, KENNETH | NSE-D | | 539.70 | | |
| * MENDOZA, OPHELIA | NSE-D | | | | |
| NAIL, SUSAN J. | NSE-D | | 539.70 | | |
| ORTEGA, ANTONIO | NSE-D | | | 474.86 | |
| PACE SR., WILLIE | NSE-D | | 539.70 | | |
| RAYE, SHANNON | NSE-D | 343.48 | | | |
| SCOTT, TERESA | NSE-D | 343.48 | | | |
| STEELE, KIM - TERMED - OPEN | NSE-D | | | X | 671.08 |
| SUMNER, LEESA | NSE-D | | | | 671.08 |
| TAIMANAO, SINA | NSE-D | | | 474.86 | |
| TAMAYO, TRINIDAD | NSE-D | 343.48 | | | |
| UEBERROTH, DOTTIE | NSE-D | 343.48 | | | |
| VAIZ, DALILA | NSE-D | 343.48 | | | |
| WALKER, KRISTIN | NSE-D | | | | 671.08 |
| WALKER, MAE | NSE-D | 343.48 | | | |
| WHEAT, AVELINA | NSE-D | 343.48 | | | |
| WHITE, JULIE | NSE-D | 343.48 | | | |
| WOLAVER, LOU | NSE-D | | | | 671.08 |
| NEW POSITION - RESIDENCE LIFE- Filled by Jennings | NSE-D | | | | 671.08 |
| Open-BLAIR, C. - Replacement | NSE-D | | | | 671.08 |
| Open-DICKERSON, MARY - Replacement | NSE-D | | | | 671.08 |
| Open-FARMER, F. - Replacement | NSE-D | | | | 671.08 |
| Open-JERRY-WILLIAMS, M. - Replacement | NSE-D | | | | 671.08 |
| Open-WILSFORD, A. - Replaced by Hinojosa | NSE-D | | | | 671.08 |
| TOTAL NSE-D | | 8,243.52 | 3,777.90 | 2,374.30 | 9,395.12 |
| | | 24 | 7 | 5 | 14 |

Total NSE-D 50

1 - mendoza

51

Wasson, page 3

**NOT STATE ELIGILE**

| NAME | | MO | MS | MC | MF |
|---|---|---|---|---|---|
| ALDAMA, ROBERT A. | NSE | | | 474.86 | |
| BAMBURG, ARNOLD | NSE | | | 474.86 | |
| BIBB, JESSE | NSE | 343.48 | | | |
| CASTILLO, PETE | NSE | | | 474.86 | |
| HARRISON, ELTON (TODD) | NSE | | | 474.86 | |
| HUMPHRIES, KARL | NSE | | | 474.86 | |
| KEELE, BRYAN | NSE | 343.48 | | | |
| [redacted] | NSE | [redacted] | | | |
| NELSON, TERRY | NSE | | | 474.86 | |
| PHILLIPS, CASSIAS | NSE | | | 474.86 | |
| SUMMERS, B. DIANNE | NSE | 343.48 | | | |
| WARD, HAROLD | NSE | | 539.70 | | |
| WEBB, PHILLIP | NSE | | 539.70 | | |
| WELLBORN, ANTHONY | NSE | 343.48 | | | |
| YBARRA, JOE | NSE | | | 474.86 | |
| NEW POSITION - BUILDING MAINTENANCE | NSE | | | | 671.08 |
| TOTAL NSE | | 1,717.40 | 1,079.40 | 3,798.88 | 671.08 |
| | | 5 | 2 | 8 | 1 |

Total NSE

16

NSE - 16

NSED - 51

67

ne: Dr. Mary Spangler
rce of info: HCC
713-718-7452

Houston
Community
College

# TESTIMONY

# AND

# TALKING POINTS

# SUBCOMMITTEE ON HIGHER EDUCATION

HOUSTON COMMUNITY COLLEGE

# Testimony
# Senate Subcommittee on Higher Education

## *$157 Million Funding Shortfall*

## August 14, 2007

Madame Chairperson and members of the Committee, my name is Mary Spangler. I am Chancellor for Houston Community College System, also known as HCC, and I am testifying on its behalf. Thank you for the opportunity to share HCC's concerns regarding the recent line-item vetoes. I am also providing written testimony, but I want to touch on the highlights so that I may respond to any questions you might have.

HCC provides affordable and accessible education for approximately 30,000 students each semester, and is expected to double in size over the next ten years. I seek your assistance in restoring the $157 million appropriated for community colleges and subsequently vetoed by the governor. Please consider the following:

Due to the two line-item vetoes, we will experience a total biennial loss of just under $12 million, about $10.3 million from the Group Insurance veto and nearly $1.3 million appropriated to cover contact hours at our new Alief campus from the New Campus funding veto.

1. The combined biennial loss represents over 9% of our total biennial state formula funding.

2. Our loss is the equivalent of 45.1% of the tuition revenue HCC generated in 2006. It would take a tuition increase of nearly 23% in each of the next two years, or double that amount if we wait until 2008.

3. Other alternatives would be to increase taxes by 16% in 2008 or a 12% payroll reduction, but resulting reductions in faculty and course offerings could result in a loss of over 3,000 students.

These alternatives would reduce student access to higher education at a time when it is universally acknowledged that we must be doing more, not less, to increase the number of enrollees and graduates.

A permanent solution should be adopted that will not leave us subject to similar reductions in future appropriations. In the meanwhile, without rapid action on a temporary restoration of funds, we will have to adopt some combination of these mission-endangering actions.

## VETO OF THE NEW CAMPUS RIDER FUNDING

Although this hearing is focused on alternatives for the vetoed group insurance funds, I want to call your attention to the vetoed funds for new campuses. Rider 15, which implements the remaining Enrollment Growth line item, *only funds contact hours that are 5% higher than 2006 levels in FY2008 and 8% higher in FY2009.*

For HCC with over 30,000 students, the threshold is above 1,500 new students in FY2008 and 2,400 in FY2009. The reality is that HCC will likely receive none of the $1.3 million needed to fund students at our new Alief campus for this biennium. Furthermore, the combined appropriation for enrollment growth and new campuses over the three previous budgets has averaged over $12 million per biennium and the $3.5 million now remaining is clearly inadequate.

For HCC, this veto is the equivalent of a 1% reduction in appropriated funds each year. Therefore, I urge you to find a way to restore these funds as well, or at a minimum, increase the total amount you replace by the $3 million in vetoed funds for new campuses, so that we may at least recoup a portion of our loss.

## PROPOSED PUBLIC POLICY SOLUTION

You made the proper policy decisions in HB1. Funds should be restored in the manner and pattern originally appropriated, combined with appropriate amendments to the statutory and rider language. We also ask that the same be done for the new campus funding. If this cannot be done as a short-term solution, we ask that the full $157 million in vetoed funds be re-appropriated and distributed either through a revised "proportionality" structure, as TACC has asked, or that you increase the Fiscal 2009 formula appropriations proportionately by the $157 million in vetoed funds.

Madame Chairperson, members of the Committee, HCC, like the remainder of Texas community colleges, is committed to helping students reach their educational goals and Closing the Gaps by 2015. We desire to partner with you in devising a tenable solution to offer affordable access to education for all Texans. Accordingly, on behalf of HCC, we extend our offer to help work with each of you in effectively meeting the needs of our students and taxpayers. We are hopeful that part of the solution includes fully restoring the $157 million appropriated by the 80th Legislature for the benefit of the communities we serve.

In closing, if the funds are not restored, HCC will do all it can to mitigate the devastating impact by first doing what it can to **control expenditures and utilize other resources**. Most of the budget reductions that could be achieved without seriously affecting our mission have already been utilized. We will try to employ temporary measures, such as **deferring maintenance and purchases and drawing down fund balances**, to reduce further the negative consequences of the vetoes, but these will eventually have to be paid through some combination of the measures I have described.

Thank you for your time and interest in this important issue. I am happy to respond to any questions the Committee may pose regarding this matter.

# HOUSTON COMMUNITY COLLEGE

## TALKING POINTS
## SUBCOMMITTEE ON HIGHER EDUCATION

### FISCAL IMPACT DUE TO VETO

**Due to the line-item veto of the group health insurance appropriation, HCC will experience a total biennial loss of over $10 million.**

1. Overall, this amount represents about 8 % of HCC's total state appropriation.

2. Of the almost $154 million vetoed for Group Insurance, HCC's share equals about $10.2 million.

3. The biennial loss of over $10 million equals 40% of the $25.5 million HCC generates in tuition revenue.

4. Additionally, because of another line-item veto, HCC will also lose all of the nearly $1.3 million appropriated to cover contact hours at its new Alief campus, about 40% of the total New Campus appropriation.

### HCC RESPONSE DUE TO LOSS OF HEALTH BENEFITS APPROPRIATION

**To mitigate the negative consequences of the $154 million shortfall, HCC will do the following:**

1. Reduce expenditures from the HCC general fund by $5 million in 2007-08 and in 2008-09.

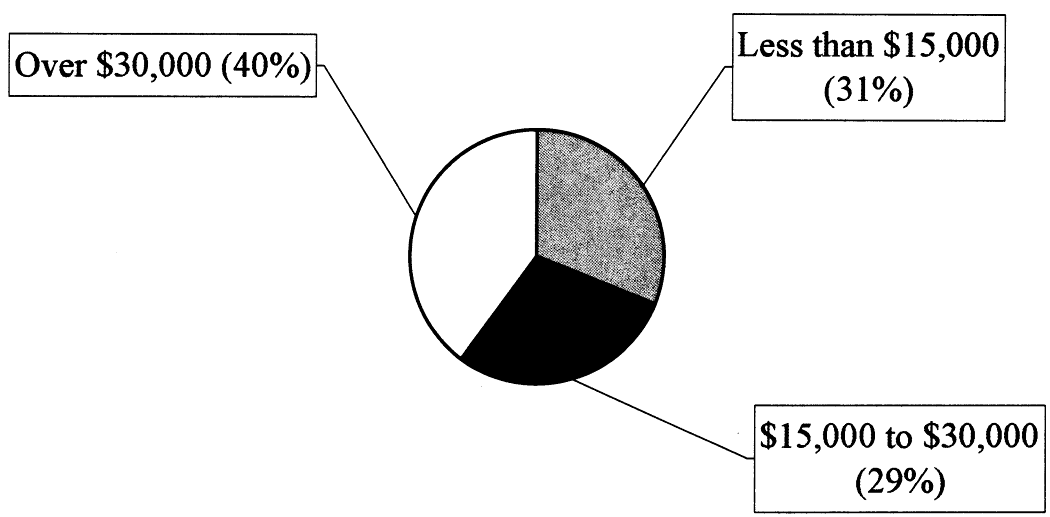
2. **The 2007-08 reductions** include:

   a. Defer purchasing instructional equipment ($1M)
   b. Reduce fund balance above 10% ($2M)
   c. Salary reduction by .5% ($500K)
   d. Auxiliary (non-state appropriation or local taxes) fund transfers ($1.6M)

3. **Other 2008-09 options** include:
   a. Ad valorem tax rate increase of $.0025 ($2.3M)
   b. Tuition rate increase of $1.00 per semester credit hour ($840K)
   c. General fee increase of $1.00 per semester credit hour ($840K)
   d. If necessary, we will include a second ad valorem tax rate increase of $.0025 ($2.3M)

Thank you for your consideration of our concerns regarding the impact on the community colleges resulting from Governor Perry's veto of health benefits.

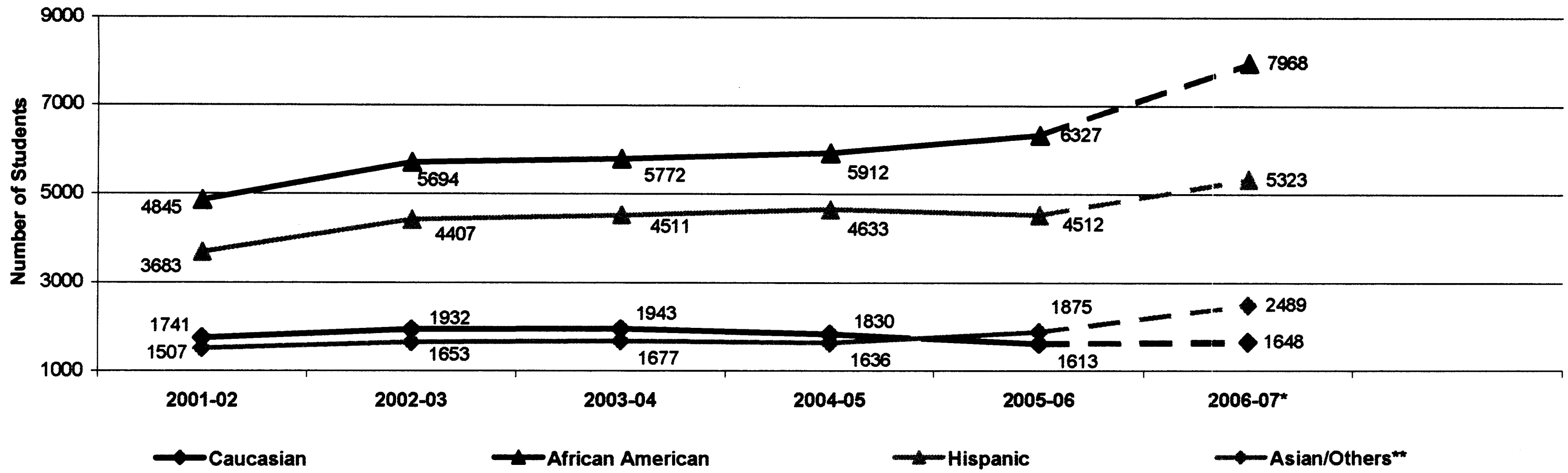
## HCC Student Profiles, Household Income Levels, Fall 2006




**Notes:**
1. Only half of HCC students declare their household income levels and
2. Percentages are based on ONLY the students who declare their household income levels.
Of these, about two-thirds (60%) of the students at HCC come from households with income levels that are less than $ 30,000.

Data Source: *HCC OIR DataMarts, Fall 2006.*

## Students Accepting Financial Aid Awards by Ethnicity



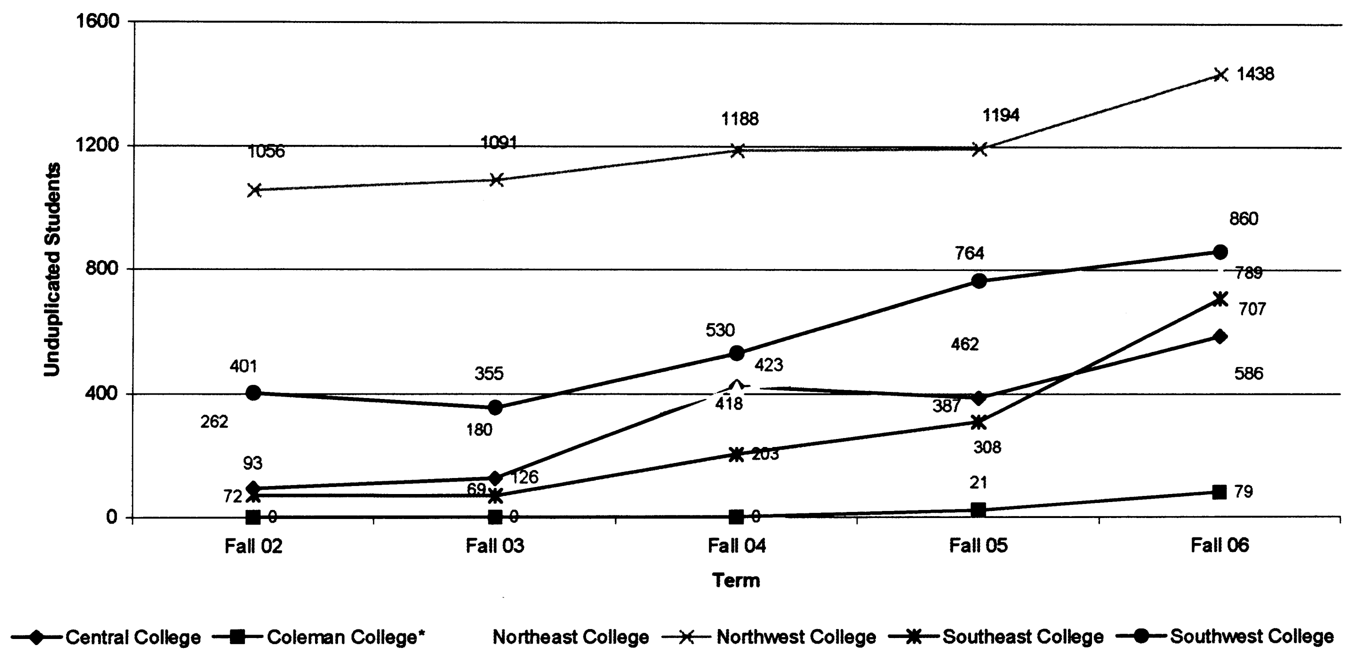

**Notes:**

1. * Estimated.
2. ** Others includes Pacific Islander, American Indian, Alaska Native, and Other/Unknown/Unspecified Ethnicities.

There has been an increase in financial aid acceptance especially among African Americans and Hispanics.

Data Source: HCC OIR Financial Aid DataMarts for AY 2001, 2002, 2003, 2004, 2005, 2006, and 2007estimates.

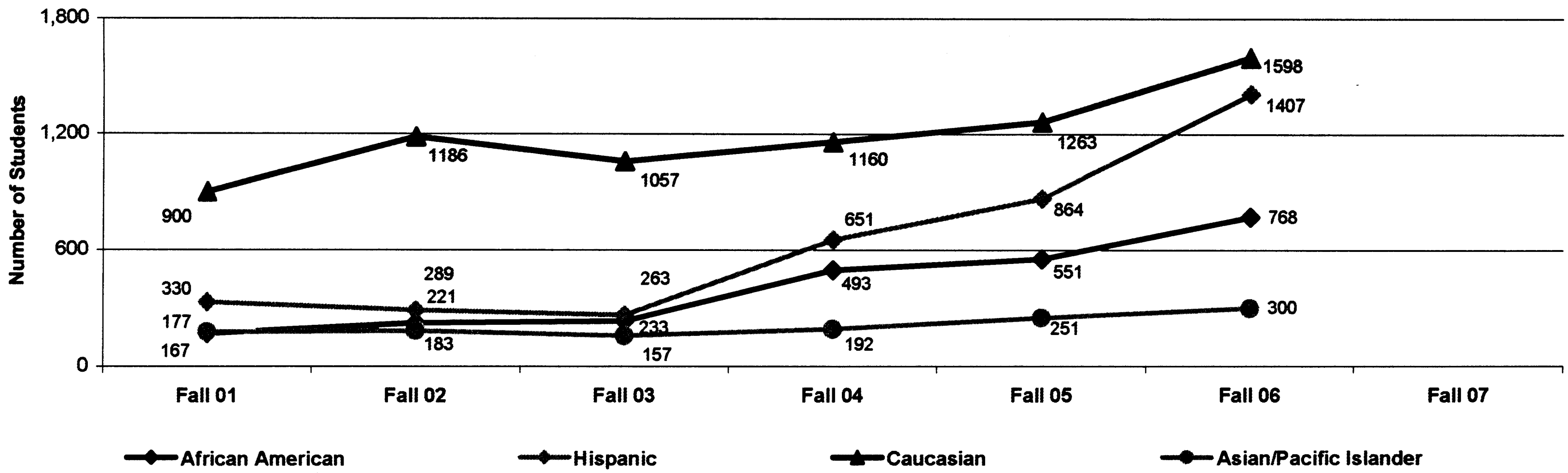
## Dual Credit Student Enrollment by College



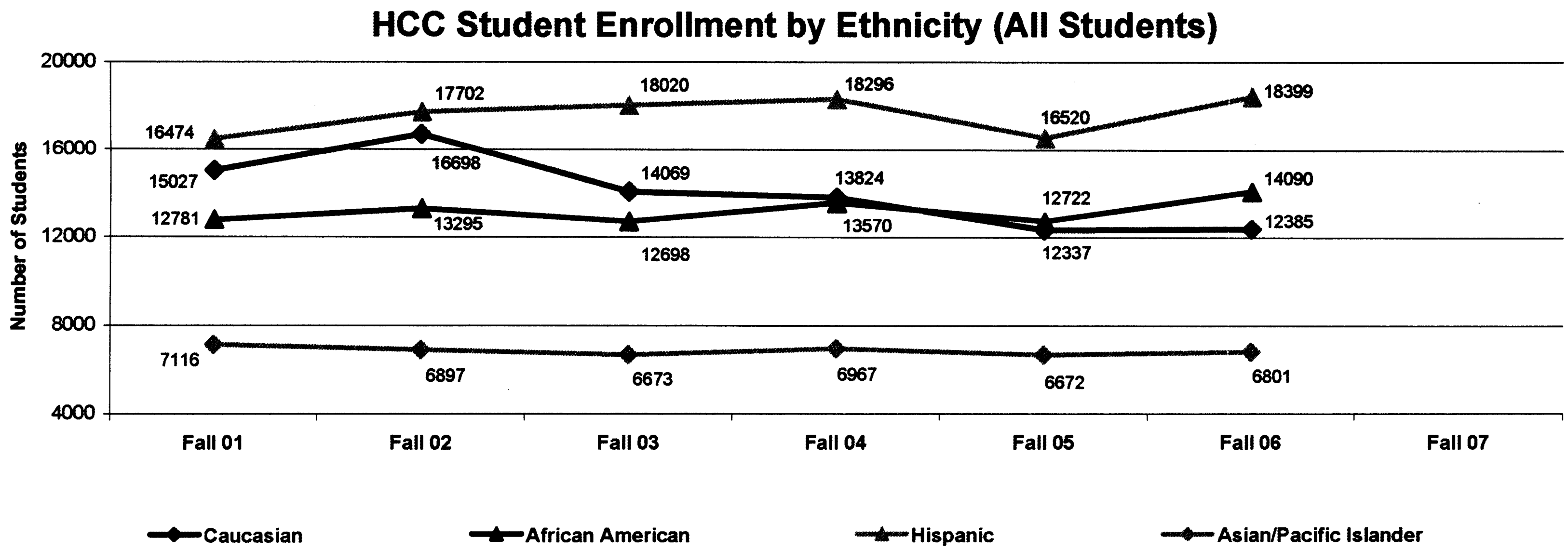

**Notes:**
All colleges have significantly increased dual credit enrollments especially Northwest and Southwest Colleges.
*Coleman College for Health Sciences was created in Summer of 2005.

Data Source: FMR (Fiscal Management Report) HCC OIR11c: 021e, 031e, 041e, 051e, 061e, & 071e.

## Dual Credit Student Enrollment by Ethnicity




**Notes:**
Dual credit enrollment trend by ethnicity is highest among Caucasians followed by Hispanics.




**Notes:**
Enrollment increases have been significant among Hispanics and African Americans.

# The San Jacinto College District

4624 Fairmont Parkway, Suite 200, Pasadena, Texas 77504-3398
(281) 998-6100 Fax (281) 479-8127

OFFICE OF THE CHANCELLOR

Name: William H. Lindemann
Source of info: SAN Jacinto College

Date: 8-14-07

August 13, 2007

The Honorable Judith Zaffirini:
Texas Senate
P.O. Box 12068
Austin, Texas 78711-2068

Dear Senator Zaffirini:

The attached fact sheet outlines the financial impact of the Governor's Veto. I have also included several other fact sheets concerning San Jacinto College, including two slides from a power point presentation that I am currently presenting to local Rotary Clubs, Chambers of Commerce, Industry Councils, Economic Development groups, and Community Town Hall meetings. In all, over the next three months, I will make dozens of community presentations.

When the Governor of Texas accused San Jacinto College of committing fraud—as his press office told two of my local newspaper editors and then released an editorial to our local media—it requires me to set the record straight. My response to the Governor's Guest Commentary explains the underlying issues, namely "full formula" funding. Please read my response that appeared in all our local newspapers.

During these Community presentations, I show my audiences how our mission and scope of programming has grown significantly since 1982, when the state funded over 65% of San Jacinto College's operating costs. I also show where we have reduced our expenditures by millions of dollars over the past five years. Yet, with all our cost cutting efforts and after several reorganizations that eliminated many positions, the Governor's veto will still force us to ask both our taxpayers and students to fund these cuts with local dollars. We may also be forced to reduce some of our new programming that is specifically aimed at helping our highest risk students succeed at San Jacinto College.

In my presentations, I help our local voters see how if the state funded our colleges in accordance to the original agreement, proportionality would not even be an issue. It is an issue of the state's paying its fair share of our funding, which currently it does not.

As one of my local newspaper editors put it; "the people in our communities desperately need San Jacinto College. Without San Jacinto College our industry would not have a trained workplace. Our people understand what you are saying, Chancellor, why don't our representatives in Austin understand this?" I tell them I know many of our state senators, including Senator Zaffirini, and the Senate Higher Education Subcommittee absolutely understand the issues and fully support community colleges. I also know our local representatives support Texas Community Colleges. The time has come to get this whole veto fund-cutting issue behind us. We need to find a way to help our Governor see this issue and focus on the "big picture" namely the future of the Texas Workforce.

Sincerely,

William H. Lindemann, Jr., Ed.D.
Chancellor
San Jacinto College District

## San Jacinto Community College District

## Presentation to the Senate Higher Education Subcommittee

## August 14, 2007

The following are the impacts that Governor Perry's veto of the community college health insurance appropriation for the 2008-2009 year will have on the San Jacinto College District (SJCD):

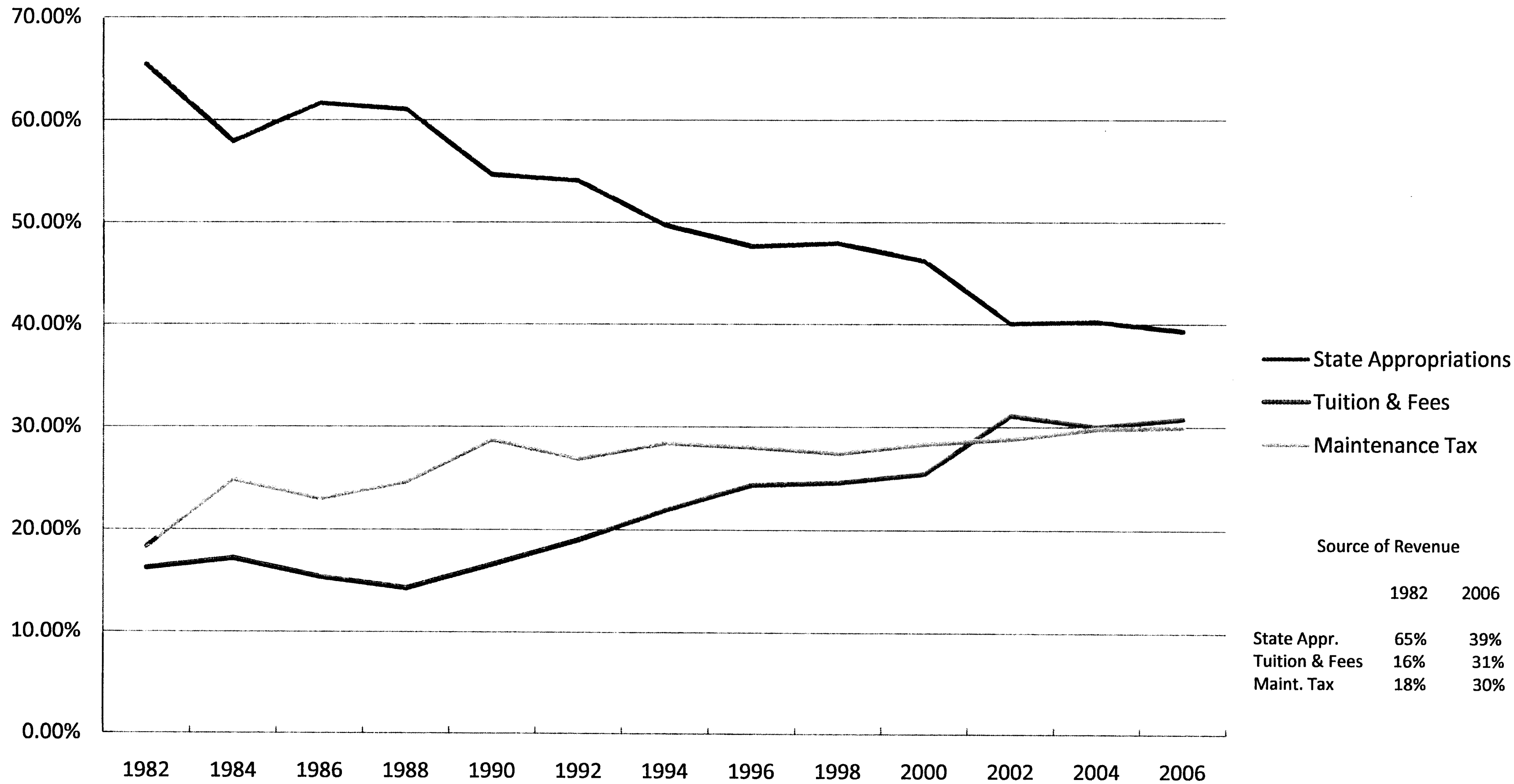
- The vetoed appropriation amount for SJCD is $6.629M

- Local funds will be required to replace the vetoed health insurance appropriation. Available options to raise approximately $6.6 million over two years:
  - Increasing property taxes by nearly 8% in 2007 will generate approximately $2.9M per year or $5.8M over two years - $800,000 short of the veto.
  - Increasing tuition and fees approximately 10% in 2007 will generate approximately $3.2M or $6.4M over two years - $200,000 short of the veto.
    - ***In perspective – asking local taxpayers to provide more than $6.6M over a 2 year period (whether in the form of property taxes or tuition and fees) is more than the state has provided in operating cost increases during the 7 years from 2000 to 2006.***

- Providing local funds to replace a state obligation further widens the gap between current state funding and the proportion of funds the state has traditionally provided
  - ***In perspective - the state funded 65% of SJCD operating costs in 1982 and funded approximately 39% for the fiscal year ended in 2006. <u>See attached Chart of Revenue Sources as a Percentage of Operating Costs 1982-2006</u>. (According to TACC projections, formula pay by the State will further decline to approximately 31% statewide by the end of fiscal year 2009.)***

- Based on the current fiscal year budget $6.6 million represents the direct instructional cost for approximately 4,400 student FTE's.
- Some facts about the community San Jacinto College serves:
  - Caucasian 44%
  - Hispanic 42%
  - African American 9%
  - Asian 4%
  - Other 1%
  - 35% speak Spanish as their primary language
  - 50% of the households have an estimated income of less than $50,000
  - Education Levels:
    - 11% have less than a 9th grade education
    - 14% have some high school but no diploma
- San Jacinto College Student body facts:
  - Hispanic-serving institution (At least 30% of the total student body must be Hispanic to be a Hispanic-serving institution)
  - Approximately 6.5% of the student body are the first in their family to attend College
  - Approximately 23% of the student body are in developmental education courses
  - Fall 2006 enrollment: 23,914 credit students

# San Jacinto College District
# Operating Revenues by Source
# 1982 through 2006




Source of Revenue

| | 1982 | 2006 |
|---|---|---|
| State Appr. | 65% | 39% |
| Tuition & Fees | 16% | 31% |
| Maint. Tax | 18% | 30% |

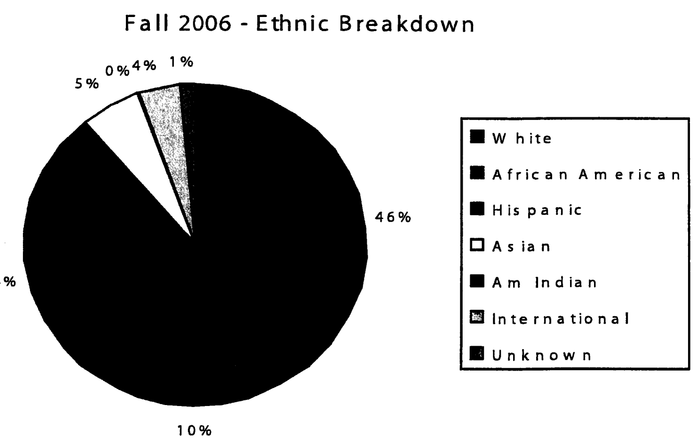
# San Jacinto College

## FAST FACTS

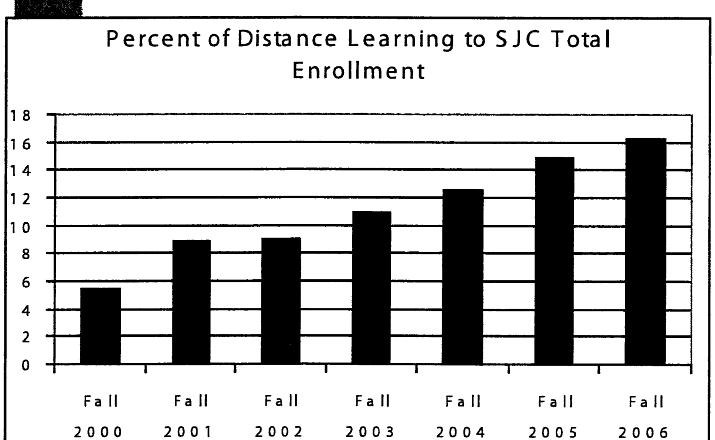
### Demographic Snapshot of Student Population

*(Source: Target Market Report: http://www2.sjcd.edu/research/enrollment_management/enrollment_reports/Target_Market_Fall_02-06.pdf)*

- There were 23,914 students enrolled at San Jacinto College in fall 2006 reporting term.
- Overall enrollment has increased 14.6 percent from fall 2000 to fall 2006.
- Moreover, Hispanic enrollment has increased 54.8 percent from fall 2000 to fall 2006.
- 57.6 percent of the students at SJC are female.




- In fall 2006, SJC served 1,670 dual credit students.
- 4,365,188 contact hours were generated in fall 2006 by credit courses. Of the 9,386 students who graduated from local high schools in May of 2006, more than one-forth (28.3 percent) enrolled at SJC the following fall semester.
- The majority of students at SJC are between 18 and 21 years old.
- The majority of students attend part-time.




- In fall 2006, 16.3 percent of the overall enrollment at SJC consisted of students classified as distance education students. This figure represents a 10 percent increase over the past five years.
- 50 percent of SJC students are classified as in district, while 36 percent pay out of district fees and 4 percent of students are non-residents.

More detailed information regarding enrollment trends can be accessed at: http://www2.sjcd.edu/research/enroll_reports.htm

### Estimated Student Tuition (2007 – 2008 Academic Year)

- In-district tuition for the 2007-2008 academic year will be $33 per credit hour, representing an increase of three dollars per hour from the 2006-2007 academic year.

- Students who are out-of-district will begin paying $58 per credit hour, while out-of-state students will be charged $108 dollars per hour.

- Effective fall 2007, students who register for a course for the third or subsequent time will be charged an additional $50 per credit hour.

More detailed information regarding tuition and fees at SJC can be accessed in the 2007-2008 catalog.

### Comparison of Performance Measures among Local Community Colleges

*(Source: LBB Performance Measures 2006)*

| Performance Measure | Percentage of Course Completers | Number of Students who Transfer to a University | Number of Academic Degrees Awarded (FY 04-05) | Number of Technical Certificates Awarded (FY 04-05) |
|---|---|---|---|---|
| San Jacinto College Central Campus | 82.4% | 1,833 | 313 | 387 |
| San Jacinto College North Campus | 82.0% | 694 | 112 | 378 |
| San Jacinto College South Campus | 80.9% | 1,684 | 232 | 245 |
| College of the Mainland | 74.9% | 709 | 130 | 157 |
| Houston Community College | 82.8% | 8,139 | 980 | 1,508 |
| Lee College | 78.0% | 698 | 103 | 776 |

### Demographic Snapshot of SJC Faculty

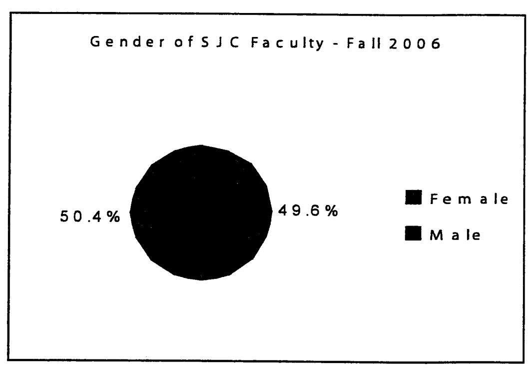
*(Source: Fall 2006 Faculty Report currently being developed by RIE)*

- San Jacinto College currently employs 1,036 full and part-time faculty.

- 58.8 percent of the faculty members are classified as full-time.

- Roughly half (49.6 percent) of the faculty members are women.

- The majority (77.5 percent) of faculty is Caucasian. However, a growing number of faculty is African American (9.3 percent), Hispanic (8.3 percent) or Asian American (4.0 percent).




- More than half (53.0 percent) of the faculty has a Master's degree, while 13.8 percent of the faculty members have also earned their Doctoral degree.

## Highlights of San Jacinto College

*(Source: SJC 2007-2008 Catalog and SJC website)*

- SJC offers programs leading to over 140 degrees and certificates.
- San Jacinto College is one of 57 participating colleges in the nation-wide Achieving the Dream, a multiyear national initiative to help community college students succeed.

***Detailed information about SJC's involvement with Achieving the Dream can be accessed at: http://www2.sjcd.edu/research/AtD.htm*

- SJC offers Associate of Arts, Associate of Science and Associate of Applied Science degrees and a variety of Certificates of Technology.
- San Jacinto College is proud to offer many reputable programs including our highly competitive nursing, paralegal and automotive programs.
- San Jacinto College offers lower tuition fees than many of the local colleges and universities. San Jacinto College is tax supported both by the State of Texas and the college tax district; therefore, students pay only a fraction of the total cost of their education.
- SJC offers a variety of schedules including a large selection of day, evening, and weekend classes. Moreover, SJC offers a growing number of distance learning courses.
- Our Advanced Interactive Learning Centers provide students and faculty access to state-of-the-art technology.
- The University Connection at San Jacinto College North offers students the opportunity to complete a baccalaureate degree at San Jacinto College. The University of Houston, University of Houston-Clear Lake, University of Houston-Downtown, LeTourneau University, and Texas A&M University all offer courses through the University Connection.
- San Jacinto College has guaranteed admissions programs with Texas A&M University College Station and Galveston, and Sam Houston State University.
- Student services includes childcare centers, financial aid, job placement, veterans'information, bookstores, libraries, counseling, testing services and assistance for special populations.
- Students can develop leadership qualities in activities such as recreational sports, religion, music, speech, debate, journalism, lyceum programs, civic and social clubs, academic programs, athletics and student government.
- San Jacinto College offers both day and evening classes for the fall, spring, and summer terms at each of the three campuses and at the extension centers.
- San Jacinto College provides technical education programs that prepare students for specific careers and vocations. Faculty work with students to help them acquire the skills they will need to meet the changing demands of the job market.
- San Jacinto College Continuing and Professional Development offers educational solutions to those seeking job skills, professional development and/or personal growth opportunities.
- San Jacinto College provides customized contract training services--including assessments, training and technical assistance, and grant support--for the business and industry communities.
- Recognizing the diversity of the communities we serve, San Jacinto College offers non-credit courses in English, English for Speakers of Other Languages (ESOL), reading, mathematics and study skills to prepare our students for success in all college-level educational programs.
- San Jacinto College encourages the use of Blackboard, an e-Education platform designed to transform the Internet into a powerful environment for the educational experience.
- Each San Jacinto College Library provides a broad range of instructional support services; up-to-date collection of resource materials, including books, magazines, newspapers and electronic databases. Our Online Library offers: the Online Catalog, a Library Tutorial, Special Collections and TexShare Database links.

- San Jacinto College has a tuition agreement with the University of Texas at Dallas where students are guaranteed tuition rates through graduation when they enter the program.
- San Jacinto College has six competitive NJCAA sports teams, all of which made regionals last year. We are one of only three community colleges in the country to achieve this.

More detailed information regarding SJC can be accessed at: http://www.sjcd.edu/about_us.html and http://www.sjcd.edu/about_us_1405.html

## SJC Administration

Chancellor: Dr. Bill Lindemann - http://www.sjcd.edu/about_us_chancellor.html

Central Campus President: Dr. Monte Blue

North Campus President: Dr. Charles Grant

South Campus President: Dr. Maureen Murphy

Vice Chancellor of Instruction and Student Services: Dr. Laurel Williamson

Vice Chancellor of Fiscal Affairs: Mr. Kenneth Lynn

Vice Chancellor of Human Resources: Mr. James E. Fowler

Vice Chancellor of Administration: Dr. Ron Rucker

Organizational Charts by Campus are available to SJC employees at: http://www2.sjcd.edu/intranet/index.htm

## San Jacinto College Board of Regents

- Marie Spence Flickinger, Chair
- Dan Mims, Vice Chair
- Ben Meador, Secretary
- Larry Wilson, , Assistant Secretary
- Dr. Ruede Wheeler, Member
- J.D. Bruce, Member
- C. Wayne Slovacek, Member

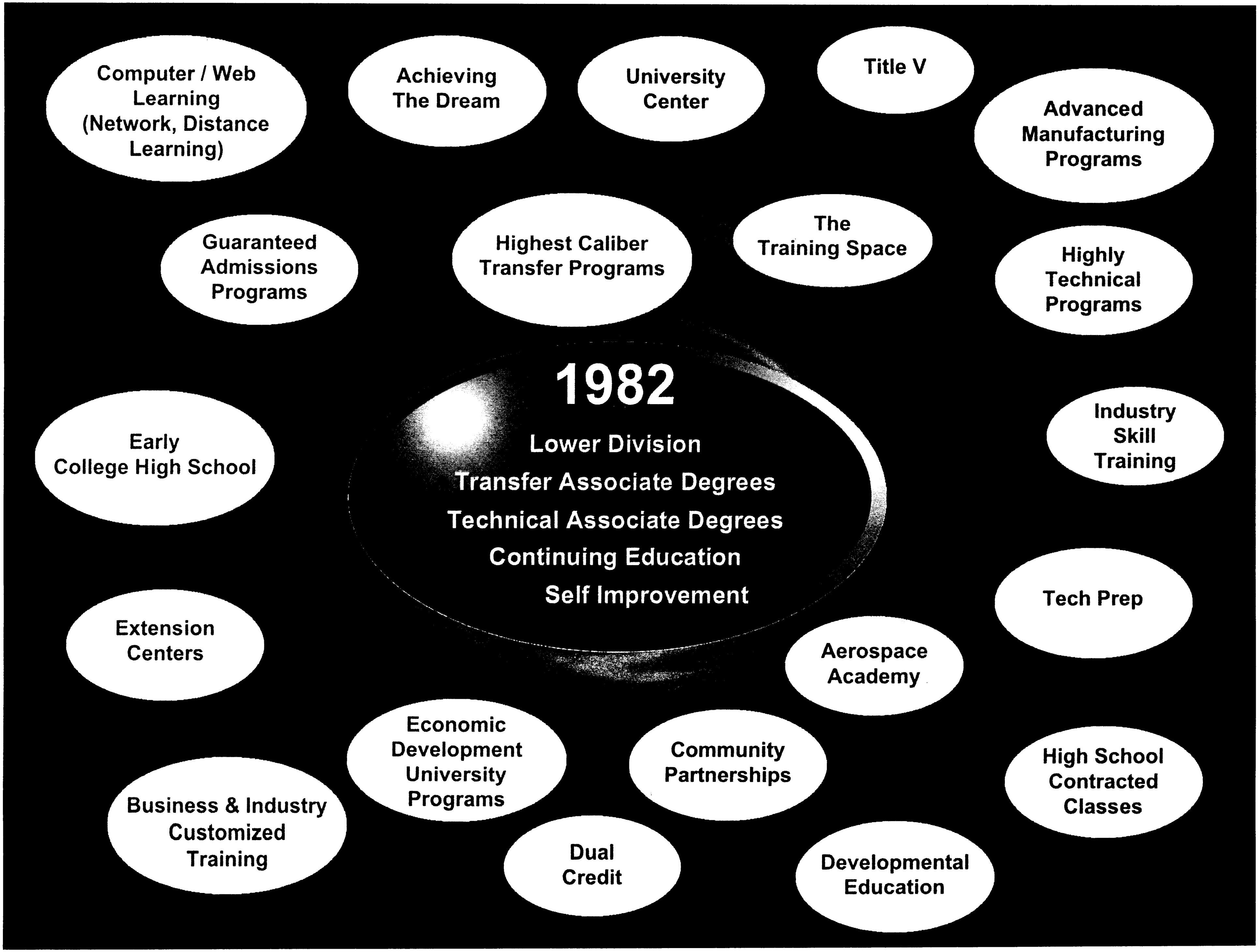
Additional Information about each Board Member can be accessed at: http://www.sjcd.edu/about_us_board.html

## SJC Contact Information

| San Jacinto North | San Jacinto Central | San Jacinto South |
|---|---|---|
| 5800 Uvalde Road | 8060 Spencer Highway | 13735 Beamer Road |
| Houston, TX 77049 | Pasadena, TX 77505 | Houston, TX 77089 |
| 281.998.6150 | 281.998.6150 | 281.998.6150 |

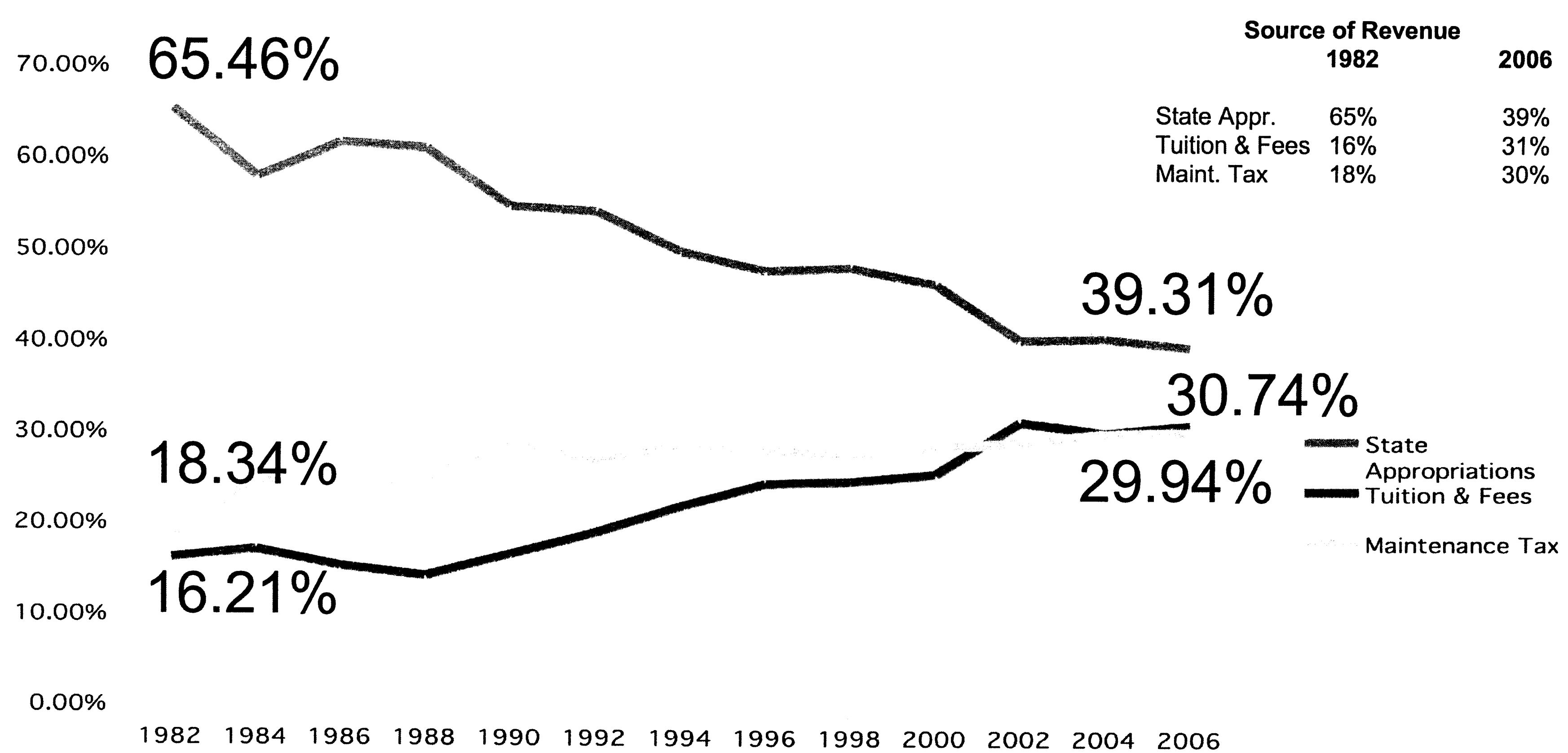
**Website:** www.sanjac.edu
**General E-mail:** information@sjcd.edu
**Call Center:** 281.998.6150

San Jacinto College



San Jacinto College

# Revenue Sources as a Percentage 1982 Through 2006 Budget




**Source of Revenue**

| | 1982 | 2006 |
|---|---|---|
| State Appr. | 65% | 39% |
| Tuition & Fees | 16% | 31% |
| Maint. Tax | 18% | 30% |

# SAN JAC CHANCELLOR: Let's set the record straight

**EDITOR'S NOTE:** For weeks The Pasadena Citizen has been asking Gov. Perry to clarify why he accused the community college districts of fraud when he vetoed their health benefits package. In Sunday's edition of The Citizen, the governor responded with a less than stellar commentary. We offered the college district space on this page to respond to the governor's allegations and their answer is below.

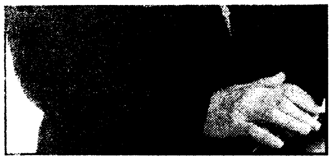
After reading the recent editorial that came out of the Governor's press office titled "Community Colleges Must Follow State Law When Paying for Health Benefits," I was reminded of the famous line from the 1967 movie Cool Hand Luke. The line was, "what we got here is failure to communicate."

Yes, my fellow residents of the San Jacinto College District, this recent editorial failed to communicate the accurate background and facts behind the ill-advised decision by Governor Rick Perry to veto 100 percent of the Texas Community Colleges' 2008-2009 Health Care Benefit appropriation.

Permit me to set the record straight. At the heart of the reasoning behind the Governor's veto and the accusations that he made at that time accusing community colleges of 'fraud' while violating Texas State law is the concept known in Austin jargon as "proportionality." Simply put, the State has to fund only health benefits to the same degree as the salaries of community college employees paid from state monies.

To begin, let's get our facts straight. Were any laws broken by community colleges? The concept of "proportionality" is not defined in any Texas statute of State law. This concept of "proportionality" was first introduced by Governor Perry in his 2003 budget message. While NOT a law, it is a budget rider which is simply a directive to the Texas legislators. This "budget directive" was considered by both the House and the Senate in 2005 and again in 2007. The issue was included in reports by the staff of the Legislative Budget Board. Both times the Texas legislature-- knowing full well what they were doing-- considered the issue and set it aside. Now, you might ask, why would the Texas legislature knowingly choose not to follow a budget directive? While I cannot speak for all our duly elected Texas Senators and Representatives, there are several factors that I know influenced those Legislators who represent San Jacinto College's district.

First, our State Senators and Representatives know



LINDEMANN

full well the original commitments made by the State of Texas to our local communities in the 1960's when community colleges were formed. They know the agreement called for local communities to assess property taxes as a way of funding physical facilities, while the State was to fund the cost of education, instructional support, and administration. Our elected officials also know that the state's portion of the partnership has, in the last 20- year period alone, been reduced from the state's contribution of 64.5 percent of the community college total budget in 1985 to the state's provision of only 31.1 percent of our budget resources. Yes, our Governor is right: in the past 20 years, community colleges have been forced to raise local tuition and tax dollars to fill in the revenue gap created by the shrinking state commitment to its share of community college funding.

I find it just a bit ironic for any state leader who understands that the reason why community colleges are unable to fund 100 percent of state eligible employee salaries with state funds and must supplement salaries with local funds would suggest that we need to make even greater cuts.

The fact that our State Legislature actually increased the state appropriations for health care benefits, even after studying the proportionality budget directive, suggests that these knowledgeable Texas Legislators believe implementing the "proportionality" budget directive further moves yet more of the tax burden to the local property taxpayer. Perhaps, they also understand this budget directive dramatically reduces even further the state's financial commitment to the local property taxpayers. Perhaps, they see this veto action clearly as adding insult to injury; and that this is why our State Senators and Representatives have voiced such shock over and disagreement with the Governor's veto and the subsequent unsubstantiated accusations that have come out of his office.

I suspect that our State Legislators more fully understand what the 1960's state visionary leaders had in mind when they created this unique state and local community higher education partnership. They understand that if community colleges were to receive "full formula" state funding-- as all other post-secondary colleges and universities in Texas do and, by the way, what the Texas Commissioner of Higher Education proposed in his budget recommendation this session-- this "proportionality" issue would not exist. Therefore, the Senate and House would not have had to set it aside and, most importantly, community colleges would not have to ask local property taxpayers to pay for yet another portion of state funding.

Governor Perry, if the state would keep its part of the partnership and its original promise to the local taxpayers who voted to establish community colleges, three things could immediately happen: (1) Community colleges could return to our local taxpayers the local property tax dollars we currently are forced to collect to pay the state's full share of costs; (2) Your staff would be happy because their budget directive could be followed by our Senators and Representatives; and (3) Your legacy as Governor would change from the Governor who vetoed community college funding and in so doing forced community colleges to once again raise local tax rates to the Governor who kept a state's promise and his personal promise to reduce local property taxes.

In conclusion, we are asking you, Governor Perry, to take the lead in redefining proportionality "Texas-style." This new budget directive would be to fully fund the formula for all Texas higher education institutions, so that together we can assure the economic vitality of all our citizens.


Send us your news, opinions and story ideas. Letters to the editor must be no longer than 300 words. Letters will be edited for spelling, grammar, brevity, clarity and questionable taste. No letters to the editor are printed without a signature and day telephone for verification purposes. No anonymous letters are printed. Please email your opinions to: dtaylor@hcnonline.com; or fax them to 713-477-9090; regular mail is 102 S. Shaver, Pasadena, TX 77502.

## Wayne Roberts

**From:** Rey Garcia [rgarcia@tacc.org]
**Sent:** Thursday, April 05, 2007 3:34 PM
**To:** Wayne Roberts
**Subject:** Re: Physical Plant Employee Insurance

**Name:** ARMBRISTER
**Source of info:** Gov's Office

**Date:** 8/14/07

Wayne,

Thanks for taking the time to explain your position. I'm not trying to agitate you, just trying to understand the statements you made - this all started with comments you made about physical plant employees. You have gone beyond that beginning point to the more fully developed position in your last e-mail.

Frankly, I don't see the analogy between Priscilla Slade and community colleges using group health insurance dollars to provide group health insurance. We do not have any qualms about discussing this issue in the press or in the Capitol, but that is besides the point.

We disagree on this matter for multiple reasons but my goal is not to engage you in further debate but to know where you stand. You have made your position clear and for that I do thank you. The colleges have a different position (one that we understand you do not accept). We will go forward with that mutual understanding.

I do look forward to working with you on other issues on which I hope we can find mutual agreement.

Best,

Rey

On 4/5/07 2:22 PM, "Wayne Roberts" <wroberts@governor.state.tx.us> wrote:

> You say that your data is not wrong. The LAR instructions clearly
> state: "Proportionality requires staff benefits to be paid from the
> same source as salaries." If the data submitted is different from
> what is requested, and community colleges have testified that it is,
> then it is wrong. Maybe you think the LAR instructions request the
> wrong data. If so, the solution is to work through the appropriate
> channels to get them changed, not to ignore the instructions and
> submit whatever you want, just so you can get what you think is "your
> fair share."
>
> You say your interpretation of proportionality is different from ours.
> I've heard your interpretation and it is based on what you call a
> "historical perspective." This perspective is not consistent with
> current law, and as you know, current law prevails. Just ask
> Priscilla Slade. Much of her defense has been based on a historical
> perspective, and look where that's gotten her. I wouldn't want to be
> a community college president when this hits the press. Taxpayers
> aren't fond of people who misuse state funds.
>
> You say that the Legislature has "affirmatively accepted" the way you
> have submitted insurance data. If they have, then why hasn't the LBB
> changed the LAR instructions to comply with your interpretation, and
> more importantly, why hasn't the legislature modified Section 6.11?
> It hasn't been affirmatively accepted unless it's been signed into
> law, and it hasn't been.
>
> You suggest that if Section 6.11 is to be interpreted strictly, then
> the state owes you for other benefits. This section does not
> appropriate money for benefits, nor does it obligate the state to do

> so; it only restricts the use of funds appropriated elsewhere.
>
> This rider applies to all entities that receive appropriated funds,
> and since you do, it applies to you. If it didn't, it would say so.
> You suggest that none of the rider applies to you since you don't
> receive GR for everything mentioned. That makes about as much sense
> as an agency saying that none of it applies to them because they don't
> receive indirect cost recovery, which is also mentioned in the rider.
>
> You suggest that you are paying your fair share of benefits. You've
> missed the point. Legislators, not community college presidents, are
> elected to decide how much community colleges should receive. And
> they have decided that you shouldn't receive anything for other
> benefits and that you shouldn't use GR to pay for the health insurance
> of non-GR paid employees. You may not think it is fair, but it's the
> law.
>
> The Governor's support for funding for community colleges is
> conditional on this issue for the same reason that his support for
> Texas Southern University is conditional upon them cleaning up their
> act.
>
> Wayne R. Roberts
> Senior Advisor for Higher Education
> Office of the Governor
> wroberts@governor.state.tx.us
> 512-463-5318
>
> Unless otherwise indicated or obvious from the nature of this
> transmittal, the information contained in this email is confidential
> and excepted from disclosure by the exceptions incorporated into,
> Texas Government Code, Sections 552.101 through 552.1425, including
> without limitation the attorney-client privilege and deliberative
> process exceptions. Any unauthorized review, use, disclosure or
> distribution is prohibited without the express authorization of the
> Office of the Governor.
>
> -----Original Message-----
> From: Rey Garcia [mailto:rgarcia@tacc.org]
> Sent: Wednesday, April 04, 2007 4:34 PM
> To: Wayne Roberts
> Subject: Re: Physical Plant Employee Insurance
>
> Wayne,
>
> Well, the data is not wrong. I would agree it is submitted with a
> different interpretation. Given that the Legislature has considered,
> debated, and affirmatively accepted the method by which we submit our
> group insurance data over the last three sessions I would be willing
> to take a friendly wager on "authorized."
>
> The rider language in Sec. 6.11 refers to the costs of ALL benefits,
> not just group health. If you are arguing for strict interpretation
> then wouldn't the state owe us for the other benefit costs for our GR
> funded employees that are currently paid for entirely from local
> funds? Is the state on dangerous ground as well? There is the law,
> and there is a rider in the General Appropriations Act - we both know
> they are not the same.
>
> By their decisions noted above the Legislature acknowledges that it
> handles our benefits in a different manner than state agencies and
> other institutions of higher education. It seems to me that the point
> of the rider is to ensure that each entity pays its fair share for the
> cost of benefits. Again, if you look at the big picture on benefits
> costs (not just
> group health), you will find we are paying our fair share. I think we

> get
> to the same end point by a different path.
>
> There are a number of other aspects to this issue that I have not gone
> into. I understand we have a gentleman's disagreement.  I do want to
> understand
> why the Governor would make support for community colleges conditional
> on
> this issue.
>
> Best,
>
> Rey
>
>
> On 4/4/07 3:30 PM, "Wayne Roberts" <wroberts@governor.state.tx.us>
> wrote:
>
>> "Appropriated" is not the same as "authorized."  Here's why:
>>
>> The appropriated figures can't be any better than the underlying data
>> submitted by the community colleges in Schedule 3C, Group Insurance
> Data
>> Elements.  If the data is wrong, then the appropriations will also be
>> wrong.
>>
>> Based on testimony given at the joint Governor's Office/LBB budget
>> hearing on October 2, 2006, community colleges include employees in
> the
>> "GR" column of Schedule 3C who are not paid from GR.  Colleges that
>> do so are submitting fraudulent data.  The LAR instructions
>> specifically
>> state: "Proportionality requires staff benefits to be paid from the
> same
>> source as salaries.  The method of financing for group insurance
>> premiums shall be proportional by fund to employees' salaries and
>> wages."  These instructions are very clear.
>>
>> Section 6.11 of Article IX of the general appropriations act (SB 1,
>> Seventy-ninth Legislature) states that "the funds appropriated by
>> this Act out of the General Revenue Fund may not be expended for
>> employee benefits costs, or other indirect costs, associated with the
>> payment
> of
>> salaries and wages, if the salaries or wages are paid from a source
>> other than the General Revenue Fund."  Based on their own testimony,
>> community colleges aren't complying with this provision.  Or, to be
>> blunt, they are violating the law.
>>
>> According to this section of the GAA, colleges aren't necessarily
>> authorized to expend all of their appropriations for staff benefits.
>> They are authorized to do so only to the extent that they comply with
>> this provision.
>>
>> Even if the community colleges think they are under funded, the law
>> is still the law.  They are walking on dangerous ground.
>>
>> Wayne R. Roberts
>> Senior Advisor for Higher Education
>> Office of the Governor
>> wroberts@governor.state.tx.us
>> 512-463-5318
>>
>> Unless otherwise indicated or obvious from the nature of this
>> transmittal, the information contained in this email is confidential
> and

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> is
>> prohibited without the express authorization of the Office of the
>> Governor.
>>
>> -----Original Message-----
>> From: Rey Garcia [mailto:rgarcia@tacc.org]
>> Sent: Wednesday, April 04, 2007 1:09 PM
>> To: Wayne Roberts
>> Subject: Re: Physical Plant Employee Insurance
>>
>> Yes, GR funds health insurance for formula eligible employees in the
>> amounts appropriated by and authorized by the Legislature.  It is a
>> different method
>> than other agencies, but so are other benefits that are fully funded
> at
>> a
>> local level for which we receive no state funds while other
> institutions
>> of
>> higher education have state funds for these benefits - e.g. OASI,
>> Medicare, UE, Worker's Comp., etc.  When you look at the big picture
>> it is a fairly
>> even distribution of responsibility between the state and the locals.
>>
>> Rey
>>
>>
>> On 4/4/07 12:48 PM, "Wayne Roberts" <wroberts@governor.state.tx.us>
>> wrote:
>>
>>> Yes, but they still use GR to pay the benefits of employees who are
>> paid
>>> from non-GR sources.  Minor distinction.
>>>
>>> Wayne R. Roberts
>>> Senior Advisor for Higher Education
>>> Office of the Governor
>>> wroberts@governor.state.tx.us
>>> 512-463-5318
>>>
>>> Unless otherwise indicated or obvious from the nature of this
>>> transmittal, the information contained in this email is confidential
>> and
>>> excepted from disclosure by the exceptions incorporated into, Texas
>>> Government Code, Sections 552.101 through 552.1425, including
>>> without limitation the attorney-client privilege and deliberative
>>> process exceptions. Any unauthorized review, use, disclosure or
>>> distribution
>> is
>>> prohibited without the express authorization of the Office of the
>>> Governor.
>>>
>>> -----Original Message-----
>>> From: Rey Garcia [mailto:rgarcia@tacc.org]
>>> Sent: Wednesday, April 04, 2007 11:19 AM
>>> To: Wayne Roberts
>>> Subject: Physical Plant Employee Insurance
>>>
>>> Wayne,
>>>
>>> It has been reported to me by several people that you commented to
> the

>>> Greater Houston Partnership that the Gov. was not likely to help
>>> community colleges because he does not like to pay for the insurance
>>> for
>> physical
>>> plant employees.
>>>
>>> Just to clear up the record, the local colleges fully pay for group
>>> health insurance benefits for all non-instructional or
>>> administrative
>> employees
>>> -
>>> that includes physical plant employees, auxiliary enterprise
>> employees,
>>> and
>>> grant funded employees.  This has been the case for the last three
>>> biennia. State group health funds appropriated to community colleges
>>> are
> solely
>>> for
>>> formula eligible employees, unless they are grant funded (in which
>> case
>>> the
>>> grant pays the cost of benefits).
>>>
>>> I would be glad to discuss this further should you like.  Thanks.
>>>
>>> Rey
>>>
>>>
>>>
>>
>>
>>
>
>
>

Name:

Source of info:

Date:

Larry Phillips
Angelina College
8/14/07

# Angelina College

P.O. Box 1768 • Lufkin, Texas 75902-1768 • 936/639-1301 • FAX 936/639-4299

Dear Senate Higher Education Subcommittee Members:

Thank you for the opportunity to comment on the effects of the veto of The F.Y. '09 health insurance appropriation.

Angelina College will have to raise tuition by $13 - $15 per semester hour for 2008 - 2009 in order to raise the 1.3 million dollars necessary to offset the impact of the health insurance veto. This does not seem to be a huge number compared to university tuition rates but it would be more than a 35% increase in tuition costs to our students. We estimate that we would lose between 400 - 500 of our 5,000 students. The most impacted would be the older, working students who due to federal needs - based methodology do not qualify for federal or state financial aid as "independent" students. The most affected would be the underemployed, the single parents, and the students attempting to upgrade skills for a more technical economy.

We have taken no action to date to offset the loss of health insurance funding, but will have to take action on 2008 - 2009 tuition by February, 2008. Our Board of Trustees will act in September to raise tuition by $4 a semester hour for Spring 2008. We are also projecting an increase of 7% over our effective tax rate for 2007 - 2008 instructional operations and maintenance. These 2007 - 2008 increases have nothing to do with the health insurance veto, but are needed for increased instructional cots since Angelina College is one of the 15 community colleges that will receive no additional state funds in this biennium.

The only option that will prevent hundreds of our students, and thousands across the state from being denied access to higher education due to unaffordable tuition is to REVERSE THE VETO.

A deeper crisis exists in the conditions that contributed to the proportionality issue in the first place - The Under Funding of Community Colleges. Community colleges are funded at only a fraction of the per/student appropriations given to other sectors of higher education. Local colleges and local taxpayers have done more than their proportionate share of making higher education available for all Texans. Even as the issues of proportionality are studied we must work together to correct the under funding of community college instructional costs.

Sincerely,

Dr. Larry Phillips
President, Angelina College

# TEXAS COMMUNITY COLLEGE TEACHERS ASSOCIATION

State Office: 5113 Southwest Parkway, Suite 185 — Austin, Texas 78735
Toll-Free 1-800-288-6850 In Austin (512) 328-2044 Fax (512) 328-1086 E-mail: stateoffice@tccta.org




**HAND DELIVERED**

Name: TERRY MOUCHAYLEH

Source of info: TCCTA

August 14, 2007

Date: 8/14/07

Subcommittee on Higher Education
Senate Committee on Education
State Capitol

Dear Members:

I represent the Texas Community College Teachers Association, a professional association consisting of approximately 6,000 faculty, administrators, counselors, librarians, and other educators on the campuses of all community and technical colleges in Texas. We are by far the largest organization of two-year college educators in the state. I am the Director of HR Professional Development and Evaluation programs at Austin Community College.

Governor Perry's veto of $154 million in appropriations for health benefits for community college employees was a devastating blow to every college in Texas. We are in full accord with the Texas Association of Community Colleges in asking that these funds be restored as soon as possible. Despite the good efforts of the Legislature, state funding for community colleges is low; it is inevitable that the veto will result in tax and tuition increases at the local level. Virtually all authorities, including Commissioner of Higher Education Raymund Paredes, have stated repeatedly that low rates of tuition are crucial to the Closing the Gaps initiative. Furthermore, many schools have reached their legal limit for local property tax increases.

We find the governor's claim that community college leaders "falsified" their budget requests wrong and deeply disturbing. TCCTA members or staffers were present for all revenue hearings and we must respond emphatically that the data our colleges reported was discussed thoroughly and openly, and our methodology was understood and affirmed by the Legislature. Certainly, there were differences of perspective expressed regarding the issue of "proportionality," but college leaders were consistently straightforward and factual in their presentations, and members of the House and Senate ultimately embraced the community college point of view in crafting the budget. We urge you to review the official record of the hearings of October 2 (the initial LAR request presented to the combined hearing of the LBB and Governor's staff), the hearing of the House Committee on Appropriations Subcommittee on Education on February 7, and the Senate Finance Committee hearing on February 8. With some deeper research you will discern readily that the position of community college leaders has not changed on proportionality since the concept first arose in 2003.

It is certainly legitimate to discuss and debate the issue of proportionality. However, we believe the proper forum for such complex policy discussions is the biennial legislative budget process, in tandem with the Texas Higher Education Coordinating Board and the Employees Retirement System, which administers group benefits for higher education employees. It is our view the appropriate resolution to this sort of dispute is found in the administrative remedies available through these state agencies—not through a veto, which circumvented the normal budgeting process, and disregarded the role of the Legislature in allocating state dollars. The veto—the broadest of policy tools—should not have been used in place of the administrative review process at the agency level.

Community college faculty and administration have traditionally assumed that, while their salaries may not always reach the level they could earn in the private sector, the state would faithfully do its part in treating these individuals equivalently to other higher education employees, just as community college educators participate fully in state retirement programs. We ask that, whatever remedy may be discovered to restore the vetoed revenue, community college educators remain as equal partners within the ERS framework of coverage.

Thank your for your consideration and for your hard work and dedication. Please don't hesitate to contact our state office for any assistance or further information.

Sincerely,

Terry Mouchayleh

Terry Mouchayleh


**RICHARD MOORE**
Executive Director

**CAROL FRICKE**
Administrative Assistant

Name: Darrell Edge

# Benefits Proportional by Fund (APS 011)

Source of Info: Comptroller

Date: 8/14/9

## Who should read

All state agencies and institutions of higher education.

## Policy

The Texas Comptroller of Public Accounts, under the authority of the General Appropriations Act, requires agencies and institutions to ensure that payments of benefit costs are proportional to a state agency's or institution of higher education's funding from appropriated funds and federal receipts, unless another legal provision prohibits proportionality.

## FMX

This document and any other Comptroller documents referenced are available on Fiscal Management's FMX at *https://fmx.cpa.state.tx.us/fmx*.

## Legal cite

General Appropriations Act, Art. IX §§ 6.11, 8.02 (c), 79th Leg., R.S., §§ 51.009 (a) and (c), EDUCATION CODE.

## Last updated

Through the acts of the 79th Legislature, 2nd Called Session.

## In this document

This document discusses the following topics.

# Policy Overview

## Introduction

The General Appropriations Act (GAA) requires that payments of benefit costs be proportional to a state agency's or institution of higher education's funding from appropriated funds and federal receipts, unless another legal provision prohibits proportionality.

This document should be used to determine the proportionality of an agency's or institution's funding from appropriated funds and federal receipts, and calculate the proper amount of benefit payments to be paid from each of these sources.

## All funding types included

General revenue (GR) is specifically prohibited from paying the benefits associated with salaries and wages paid from other funding sources. When it is determined that GR paid more than its proportionate share, an adjustment must be made to achieve a proportional benefit distribution.

All funds disbursed from the State Treasury are included in the assessment of the benefits proportional requirement regardless of whether the funds are:

- State funds
- Federal funds
- Other educational and general funds, or
- Trust funds.

There may be restriction(s) on the level of salaries that can be paid from a particular source of funding. These restriction(s) must be reported when completing the *Benefits Proportional by Fund Report.*

## Exemption from completing this report

Agencies and institutions funded with a single appropriated fund that do not receive any federal receipts are not required to complete the proportionate benefits calculation. Such agencies are required to submit a letter by **November 19** confirming this status to the Comptroller's office and the State Auditor's Office (SAO). Institutions are also required to send a letter to the Legislative Budget Board (LBB).

## Agencies and institutions that must comply

Agencies and institutions with multiple appropriated funds or federal receipts must complete the *Benefits Proportional by Fund Report* and submit it to the Comptroller's office and the SAO. Institutions are also required to submit the report to the LBB. This report must be submitted by **November 19** of each year, and any required benefit payment adjustments between appropriated funds or federal receipts must be completed by November 19 each year.

### Related document, "Sources of Revenue Required to Pay Benefit Cost"

This document concerns ensuring proper proportionality of benefit payments between appropriated funds and federal receipts. A related document, *Sources of Revenue Required to Pay Benefit Cost (001)*, concerns the requirement in the current GAA that certain types of revenues that fund salaries also pay for the corresponding benefit payments.

**For example**, if salaries are paid from federal receipts, then the corresponding benefit payments must also be paid from federal receipts.

Compliance with *Sources of Revenue Required to Pay Benefit Cost (APS 001)* does not ensure that the federal receipts paid their proportional share of benefits; it requires that if salaries are paid from federal receipts, the corresponding benefits payments will be charged to the federal receipts.

## Definitions and Legal Cites

### Introduction

This section includes definitions and legal cites relating to this policy statement.

### Definitions

**Appropriated funds**: Funds created by the state constitution or statute. The Comptroller assigns a fund number and creates the appropriated fund in USAS on the USAS D22 profile. Agencies with appropriations in the General Appropriations Act (GAA) fund their appropriations with one or more appropriated funds. Appropriated funds are grouped into General Revenue (GR), General Revenue Dedicated (GR-Ded), Federal Funds (FF), and Other special funds (OF).

**Appropriation years (AY)**: Refers to the appropriations made for a particular fiscal year (September 1 through August 31). The *Benefits Proportional by Fund Report* applies only to payments of benefit costs for the prior appropriation year budgets.

**Federal Receipts (also called federal funds)**: All revenues received from the federal government either directly or from a pass through that funds an agency or institution's appropriation. Federal receipts may be deposited to an appropriated fund containing only federal receipts or to an appropriated fund with both state and federal receipts, such as Fund 0001 or Fund 0006. Receipts identified as Earned Federal Funds according to the definition in Article IX of the GAA are not considered federal receipts for purposes of this policy statement.

**Reporting Period**: The reporting period for this report is the prior appropriation year.

### Legal cites

**Local funds and educational and general funds:** §§ 51.009 (a) and (c), EDUCATION CODE.
**Proportionality Requirement:** GAA (Art. IX) § 6.11 (a), Page IX-31.
**Federal funds/block grants:** GAA (Art. IX) § 8.02 (c), Page IX-49.

# Comptroller's Role in Ensuring Payment Proportionality

### Introduction

The Comptroller's office will assist agencies to ensure proper proportionality of benefit payments between appropriated funds and federal receipts.

### Verifying information

The Comptroller's office will verify information reported in the *Benefits Proportional by Fund Reports* submitted by state agencies and institutions of higher education.

### Working with other oversight agencies

When necessary, the Comptroller's office will work with the Legislative Budget Board, the Employees Retirement System (ERS), the Teacher Retirement System (TRS) and the State Auditor's Office (SAO) to determine if benefit payments are proportional.

### Reducing appropriations

Upon receipt of notification from the SAO, the Comptroller's office will reduce current-year GR appropriations for amounts disproportionately paid from GR.

# Agencies' Reference for Exemption or Completion of Benefits Proportional by Fund Report

### Report exempt or required

This table provides guidelines to use as a reference in determining whether or not an agency is exempted from completing the *Benefits Proportional by Fund Report.*

| State agencies that are... | Must... |
|---|---|
| Single funded and *did not receive federal funds* | confirm their status by letter to both the Comptroller's office and the SAO annually by **November 19**. |
| Funded from a single fund that includes federal receipts | submit the Benefits Proportional by Fund Report (State Agencies) annually by **November 19**. |
| Funded from multiple appropriated funds or federal receipts | submit the Benefits Proportional by Fund Report (State Agencies) annually by **November 19**. |

**Note:** All benefit payment adjustments are due by **November 19** — including *both over- and under-payment adjustments.*

# Institutions' Reference for Exemption or Completion of Benefits Proportional by Fund Report

## Report exempt or required

This table provides guidelines to use as a reference in determining whether or not an agency is exempted from completing the *Benefits Proportional by Fund Report.*

| Institutions of higher education that are... | Must... |
|---|---|
| Single funded and whose appropriations did not include federal funds | confirm their status by letter to the Comptroller's office, the SAO and the LBB annually by **November 19**. |
| Funded from a single fund that includes federal receipts | submit the Benefits Proportional by Fund Report (Institutions of Higher Education) annually by **November 19**. |
| Funded from multiple appropriated funds or federal receipts | submit the Benefits Proportional by Fund Report (Institutions of Higher Education) annually by **November 19**. |

**Note:** All benefit payment adjustments are due by **November 19** — including *both over- and under-payment adjustments.*

# Agencies' Instructions for Completing the Benefits Proportional by Fund Report

## Report in two sections

The *Benefits Proportional by Fund Report* is divided into two sections.

**Section I**

This section determines the proportion of total funding for each appropriated fund or federal receipts.

**Section II**

In this section, percentages calculated in Section I are used to determine the amount of benefit charges that should be paid by each appropriated fund or federal receipts.

**Note:** All benefit payment adjustments are due by **November 19**.

## Section I:Funding Proportionality Calculation

Section I groups agency appropriation funding into the appropriated funds and federal receipts that fund state agency appropriations. The fund groups are GR, GR-Ded, Other Funds (OF), and Federal Receipts (FF). Within each fund group, such as GR, financing sources such as GR, Appropriated Receipts, Interagency Receipts, etc., that may have provided financing are listed.

Follow the instructions provided for each column to complete the funding proportionality calculation. For agencies electing to use the electronic forms, *Benefits Proportional by Fund Report (State Agencies)*, the calculations for columns four and five are automated.

| Column | Instructions |
|---|---|
| 1 | **Financing Sources:**<br>Within each fund group (i.e., GR, GR-Ded) identify the financing sources (i.e., Appropriated Receipts, Interagency Receipts, etc.) that provided financing by entering the respective fund number to which the financing source was deposited. In situations where an agency has multiple GR-Ded accounts or OF, a separate appropriated fund financing source itemization must be completed. When riders are included in the financing sources, the rider number should be identified. |
| 2 | **Financing Sources Amount:**<br>Enter the total amount for each financing source identified in Column 1. (Include only revenues collected in the prior appropriation year. For estimated appropriations, the amounts reported should be consistent with information reported in the annual financial report for the appropriation year.) |
| 3 | **Exclude Funds with Salary Restrictions:**<br>If any financing source(s) should be excluded from the proportionality calculation, report the amounts in Column 3. When an agency excludes a financing source from the proportionality calculation, the financing source and the legal cite (or explanation) authorizing the salary restriction or other basis for exclusion must be documented in the space at the bottom of Section I of the *Benefits Proportional by Fund Report.*<br>Examples of items that *should* and that *may* be excluded are listed below.<br>Deficiency grant appropriations, emergency appropriations or other legislation making an appropriation are not subject to proportionality and should be shown as excluded in Column 3 for the respective financing sources.<br>**Note:** The following funding may be excluded due to restrictions.<br>• Constitutional funds (non-operational) such as general obligation bonds in the Method of Finance (MOF).<br>• Statutorily restricted funds that restrict or limit the use of funds to certain programs, such as special revenue funds. For example, if expenditures for salaries are limited due to program staff requirements or specified levels of salary expenditures, the salary payments would be restricted to the level of staffing specified under the program restriction. The financing source restricted from making salary payments, or which is limited to a specific program or level of salary expenditures, should be fully or partially excluded from the proportional benefits calculation. The amount to be excluded should be recorded in Column 3. Any benefits paid as a result of salaries paid from the excluded source must also be shown as excluded in Section II of the report. |
| 4 | **Funding Subject to Proportionality Requirements:**<br>To determine the funding subject to proportionality requirements:<br>• Subtract Column 3 from Column 2 and enter the amount in Column 4.<br>• Total the amounts of financing sources in Column 4 for each fund or federal receipts and enter the sum in the Total field for the respective fund or federal receipts.<br>• Add the totals for each fund or federal receipts in Column 4 and enter the sum in the Grand Total field at the end of Section I.<br>This is the total amount of funding subject to proportionality requirements. |

| Column | Instructions |
|---|---|
| 5 | **Required Proportion:** To determine the appropriated fund or federal receipts' proportionality, divide the Total for each appropriated fund or federal receipts by the Grand Total at the end of Section I. Enter the percentage in the box provided in Column 5. The percentages should total to 100 percent. These percentages are used to calculate the proportional amount of benefit payments (See Section II: Benefits Worksheet). |

## Section II: Benefits Worksheet

This section of the *Benefits Proportional by Fund Report* determines the *actual* amount of each benefit that each fund or federal receipts should pay based upon the proportional amounts calculated in Section I. For agencies electing to use the electronic forms, *Benefits Proportional by Fund Report (State Agencies)*, the calculations for columns four, five, and six are automated.

The following table identifies the section of the Benefits Worksheet for each benefit type and the source agency from which the benefit appropriations are transferred.

| Section | Explanation |
|---|---|
| II.a | **Social Security, State Employee Match (Benefits Worksheet II.a):** The state match appropriation is made to the Comptroller's office. Appropriation authority is transferred to agencies for GR and other funding sources. |
| II.b | **Group Insurance (Benefits Worksheet II.b):** The Employees Retirement System (ERS) acts as the state's trustee agency for state employee insurance benefits. Appropriation authority is transferred to agencies insured through ERS for both GR and other funding sources.<br><br>**Retiree Group Insurance:** The salaries and benefits proportionality concept also applies to retiree group insurance, even though this benefit is no longer tied to an employee's salary. An employee may have worked for multiple employers and may have been paid from various sources throughout his or her career. The equitable way to allocate the retiree insurance cost is to base it on an agency's current salaries and benefits calculation and not simply on the last fund from which a retiring employee was paid. The consequence may be that a fund pays a proportional share of a retiree's insurance benefit today when it did not pay the retiree's salary as an active employee. However, it ensures that as an agency's funding structure changes over time, no fund ever pays a disproportionate share of the retiree insurance cost. |
| II.c | **State Employees Retirement System (Benefits Worksheet II.c):** The appropriation for the state match for employee retirement is made to ERS. Appropriation authority is transferred to agencies for both GR and other funding sources. |
| II.d | **Benefit Replacement Pay (Benefits Worksheet II.d):** For eligible state employees and state-paid judges, the Benefit Replacement Pay (BRP) appropriation is made to the Comptroller's office for allocation to agencies.<br><br>**Note:** The *Salary Benefit Appropriation Allocations (APS 019)* document provides information on BRP. |

| Column | Instructions |
|---|---|
| 1 | **Classifications (Appropriated Funds)**<br>For each benefit type, enter the applicable fund number(s) subject to proportionality. |
| 2 | For each benefit type, enter the amount actually paid from the appropriated funds identified in Column 1. If a benefit is not applicable to your agency enter N/A.<br><br>**Benefits Calculation for Actual Social Security, State Employer Match (II.a):**<br>Go to the 46 Inquiry screen in USAS and enter Agy XXX, AY XX, Appn Num 91142, Appd Fund XXXX, COBJ 7043, and leave FY blank. The amount listed for COBJ 7043 in the Total Cash Expenditures field represents actual benefits paid.<br><br>**Benefits Calculation for Actual Group Insurance (II.b):**<br>Go to the 46 Inquiry screen in USAS and enter Agy XXX, AY XX, Appn Num 99327, Appd Fund XXXX, COBJ 7041, and leave FY blank. The amount listed for COBJ 7041 in the Total Cash Expenditures field represents actual benefits paid. ERS will continue to provide a report with Retiree data.<br><br>**Benefits Calculation for Actual Retirement Contributions (II.c):**<br>Go to the 46 Inquiry screen, enter Agy XXX, AY XX, Appn Num 90327, Appd Fund XXXX, COBJ 7032, and leave FY blank. The amount listed for COBJ 7032 in the Total Cash Expenditures field represents actual benefits paid. ERS will continue to provide a report with Membership Fees and Service Purchases data.<br><br>**Benefits Calculation for Benefit Replacement Pay (II.d):**<br>Go to the 46 Inquiry screen, enter Agy XXX, AY XX, Appn Num XXXXX, Appd Fund XXXX, COBJ 7050, and leave FY blank. Enter each appropriation number that has BRP expense. The amount listed for COBJ 7050 in the Total Cash Expenditures field represents actual benefits paid. Sum these amounts for each appropriation by fund.<br><br>**Note:** The 46 Inquiry screen has FY as available selection criteria. By leaving this field blank, expenditures for the requested AY displayed and represented in the Total Cash Expenditures field will include all FY expenditures occurring in the requested AY. This is important due to the August payroll liquidating in September. The 49A Inquiry screen can be substituted for the 46 Inquiry screen in all the above examples. The FY explanation noted above is also applicable to the 49A Inquiry screen. Additionally, the 56 Inquiry screen used with General Ledger Account 5500 may also be substituted for the 46 Inquiry screen. Since FY is required on the 56 inquiry screen, manual calculation will be needed to include both fiscal year amounts. |
| 3 | **Benefits Excluded:**<br>When funding is shown in the Exclude Funds column of Section I, benefits paid from GR on behalf of that funding source must also be shown excluded in the benefits calculation in Section II. List the benefits to be excluded in Column 3, and provide an explanation or legal cite. |
| 4 | **Benefits Subject to Proportionality:**<br>To determine the benefits subject to proportionality, subtract Column 3 from Column 2 and enter the difference in Column 4. For each type of benefit (II.a-II.d), total the amounts in Column 4 and enter in the Total field of the column. |
| 5 | **Calculated Proportional Benefits**<br>Multiply the percentages calculated for each appropriated fund (Section I, Column 5) by the amounts in the Total field in Column 4 to calculate the proportional benefits. Enter the calculated proportional benefits in Column 5 for each appropriated fund for each applicable benefit. |
| 6 | **Required Adjustment**<br>For each applicable benefit, determine the required adjustment by subtracting Column 5 from Column 4 and entering the difference in Column 6. If an adjustment is required, enter the current document number in the field below. |

### Submission of certified report

The chief fiscal officer must sign the report certifying that the report is in compliance with GAA requirements and was completed according to this document's guidelines. Send copies of the completed reports or correspondence to the Comptroller's office and to the SAO at the following addresses:

**Comptroller of Public Accounts**
Fund Accounting Division
Appropriation Control Section
111 East 17th Street, Room 901
Austin, Texas 78774-1440
FAX: 512-936-5972

**State Auditor's Office**
Central Files
Attn: Laura Taylor-Woods
1501 North Congress Ave., Suite 4-224
Austin, Texas 78701-1429
FAX: 512-936-9400
E-mail: *LTaylor-Woods@sao.state.tx.us*

# Institutions' Instructions for Completing the Benefits Proportional by Fund Report

### Introduction

The *Benefits Proportional by Fund Report* consists of three sections. In Section I, the percentage of total appropriation funding from appropriated funds or federal receipts is determined. In Section II, the percentages from Section I are used to calculate the amount of benefits that should be paid from each appropriated fund or federal receipts. Section III must be completed by institutions with group insurance or retirement adjustments.

All benefit payment adjustments are due by **November 19.**

### Section I: Funding Proportionality Calculation

This section groups agency appropriation funding into four funding groups: General Revenue (GR), General Revenue-Dedicated Accounts (GR-Ded), Other Funds (OF), and Federal Receipts (FF). Within each of these *funding groups*, the financing sources that provided financing are listed.

Follow the instructions provided for each column to complete the funding proportionality calculation. For institutions electing to use the electronic forms, *Benefits Proportional by Fund Report (Institutions of Higher Education)*, the calculations for columns four and five are automated.

| Column | Instructions |
|---|---|
| 1 | **Financing Source**<br>For each funding group, identify each financing source that provided financing by entering the fund numbers in the space provided. (For institutions with multiple non-GR financing sources, each appropriated fund must be identified.)<br>Rider appropriations should include the rider or appropriation number. |

| Column | Instructions |
|---|---|
| 2 | **Financing Source Amount:**<br>Enter the total amount for each financing source identified in Column 1. (Include only revenues collected in the prior appropriation year. For estimated appropriations, the amounts reported should be consistent with information reported in the annual financial report for the appropriation year.) |
| 3 | **Exclude Funds with Salary Restrictions:**<br>If any financing source(s) should be excluded from the proportionality calculation, report the amounts in Column 3. When an institution excludes a financing source from the proportionality calculation, the financing source and the legal cite (or explanation) authorizing the salary restriction or other basis for exclusion must be documented in the space at the bottom of Section I of the *Benefits Proportional by Fund Report*.<br><br>The following are examples of items not subject to proportionality and should be shown as excluded in Column 3 for the respective financing sources:<br>• Tuition remissions and exemptions (as they are non-monetary revenue and are not a funding source for salaries or benefits)<br>• Deficiency grant appropriations, emergency appropriations and legislation other than the GAA making an appropriation<br>• Transfers from the Texas Higher Education Coordinating Board (e.g., Advanced Technology Program, Advanced Research Program, Work Study, and Texas Grants)<br>• GR appropriations for tuition revenue bond debt service<br>• Texas Public Education Grants (TPEG)<br>• Available University Funds appropriated to the Board of Regents of The University of Texas System and the Texas A&M University System for enhanced operations of the University of Texas, Texas A&M University and Prairie View A&M University<br><br>**Note:** Available University Funds appropriated to the Board of Regents of The University of Texas System and the Texas A&M University System for administrative operations of the systems' administrative offices are not restricted and are therefore subject to proportionality.<br><br>• Constitutional funds (non-operational) such as general obligation bonds in the Method of Finance (MOF), and<br>• Statutorily restricted funds that restrict or limit the use of funds to certain programs, such as special revenue funds. For example, if expenditures for salaries are limited due to program staff requirements or specified levels of salary expenditures, the salary payments would be restricted to the level of staffing specified under the program restriction. The funding source restricted from making salary payments, or which is limited to a specific program or level of salary expenditures, should be fully or partially excluded from the proportional benefits calculation.<br><br>**Note:** Any benefits paid as a result of salaries paid from the excluded source must also be shown as excluded in Section II. |
| 4 | **Funding Subject to Proportionality Requirements:**<br>To determine the funding subject to proportionality requirements:<br>• Subtract Column 3 from Column 2 and enter the amount in Column 4;<br>• Total the amounts in Column 4 for each financing source and enter the sum in the Total field for that financing source; and<br>• Add the total of Column 4 for all financing sources and enter the sum in the Grand Total field at the end of Section I.<br>This is the total amount of funding subject to proportionality requirements. |
| 5 | **Required Proportion:**<br>To determine each financing source's proportionality, divide the Total for that financing source by the Grand Total at the end of Section I. Enter the percentage in the box provided in Column 5. The percentages should total to 100 percent. These percentages are used to calculate the proportional amount of benefit payments (Section II). |

## Section II: Background

This chart provides background information about the benefits subject to proportionality.

| Section | Background |
|---|---|
| II.a | **Social Security, State Employee Match (Benefits Worksheet II.a):**<br>The state match appropriation (OASI) is made to the Comptroller's office. Appropriation authority for all appropriated fund sources is transferred to institutions' appropriation 91142. |
| II.b | **Group Insurance (Benefits Worksheet II.b):**<br>The University of Texas System component institutions and the Texas A&M University System component institutions are self-funded for group insurance, and receive a GR appropriation allocation from the Comptroller's office. To maintain fund equity, payments must be made from other funding sources appropriated to these institutions in the proportions established in the funding proportionality calculation. For all other institutions, the Employees Retirement System (ERS) acts as the state's trustee agency for state employee insurance benefits. ERS pays all group insurance premiums on behalf of these institutions. The funding for these expenditures comes from a sum certain GR appropriation allocated to ERS on behalf of each institution, as well as reimbursements from the institutions for any non-GR benefits (see *Reimbursing Retirement Contributions and Insurance Premiums (APS 005)*).<br><br>**Retiree Group Insurance** – The salaries and benefits proportionality concept also applies to retiree group insurance even though this benefit is no longer tied to an employee's salary. Employees may have worked for multiple employers and may have been paid from various sources throughout their careers. The equitable way to allocate the retiree insurance cost is to base it on an institution's current salaries and benefits calculation and not simply on the last fund from which a retiring employee was paid. The consequence may be that a fund pays a proportional share of a retiree's insurance benefit today when it did not pay the retiree's salary as an active employee. However, it ensures that as an institution's funding structure changes over time, no fund ever pays a disproportionate share of the retiree insurance cost. |
| II.c | **Teacher Retirement System (Benefits Worksheet II.c):**<br>The appropriation for institutions' teacher retirement state match is made to the Teacher Retirement System (TRS). Appropriation authority for expenditures from OE&G non-GR appropriated fund sources only is transferred to the institutions' appropriation 99323. Institutions must reimburse TRS for the amount TRS pays from GR for non-GR funded employees (see *Reimbursing Retirement Contributions and Insurance Premiums (APS 005)*). |
| II.d | **Optional Retirement Program (Benefits Worksheet II.d):**<br>The appropriation for institutions' Optional Retirement Program (ORP) is made to the Comptroller's office. Appropriation authority for the 6 percent state match for all appropriated fund sources is transferred to the institutions' appropriation 97646.<br><br>**Note:** Included in the appropriation to institutions of higher education in the GAA are GR amounts to offset local funds used for the ORP employer contributions between 6 percent and 7.31 percent of salaries for employees who were on the state payroll as of August 31, 1995. These GR amounts are included in the funding formulas for general academic institutions and are included in the base funding formulas for other institutions of higher education. Therefore, show this differential amount as excluded in Section I of the *Benefits Proportional by Fund Report* (see GAA, Art. III-248, § 32).<br><br>Local funds or other sources of funds may be used to supplement amounts needed to provide the same employer contributions for the reporting period that employees who were on the state payroll at August 31, 1995 received during the 1994-95 biennium. Since any source may be used for these supplemental amounts they are not subject to proportionality and should not appear on the *Benefits Proportional by Fund Report* (see Art. III-35, Rider 2). |

## Local funds adjustment

Since GR benefit appropriations are not included in the institution's GR total in the MOF calculation in Section I of the Benefits Proportional by Fund Report, then Other Educational & General (OE&G) income may be adjusted to compensate for matching benefits paid from this source. (OE&G income is classified as GR-Ded on the proportionality schedules.) The amount of the adjustment may be calculated using the procedure below.

**Note:** If the electronic forms, *Benefits Proportional by Fund Report* (Institutions of Higher Education), are used for data entry in Sections I and II, no additional data entry is required for the Local Funds Adjustment. The information entered in Sections I and II automatically populates the required fields.

| Step | Action |
|---|---|
| 1 | Complete the Funding Proportionality Calculation in Section I of the *Benefits Proportional by Fund Report.* |
| 2 | Multiply the percentage calculated for GR-Ded Funds by the total benefits paid from all funds less exclusions. This is the amount that GR-Ded Funds may be adjusted. |
| 3 | Subtract this amount from GR-Ded Funds and recalculate financing sources percentages. |
| 4 | Use these percentages to calculate how proportional benefits should be paid. |
| 5 | Include documentation of calculations as an addendum when submitting the *Benefits Proportional by Fund Report.* |

## Example of local funds adjustment calculation

This example shows:

A. Initial Funding Proportionality calculation:

| | Funding | Financing Source Proportional Percentage |
|---|---|---|
| GR | $7,000,000 | 70.00% |
| GR-Ded | $3,000,000 | 30.00% |
| Federal | $0 | 0.00% |
| Other Funds | $0 | 0.00% |
| Total | $10,000,000 | 100.00% |

B. Identify total benefit expenditures from all sources for OASI, GIP, TRS, and ORP (do not include Workers' Compensation or Unemployment Insurance):

| Benefit | Actual Expenditures |
|---|---|
| Social Security, State Employer Match (OASI) | $275,000 |
| Group Insurance (GIP) | $380,000 |
| Retirement Contributions (TRS) | $200,000 |
| Optional Retirement Program (ORP) | $450,000 |
| Total Benefits | $1,305,000 |

C. Multiply total benefit expenditures by GR-Ded proportional calculation in Step A on the previous page: $1,305,000 x 30% = $391,500

D. Reduce GR-Ded Total in funding proportionality calculation by amount calculated in Step C above and recalculate proportional percentages:
GR-Ded $3,000,000 – $391,500 = $2,608,500

Adjust calculation:

| | Funding | Percent |
|---|---|---|
| GR | $7,000,000 | 72.85% |
| GR-Ded | $2,608,500 | 27.15% |
| Federal | $0 | 0.00% |
| Other Funds | $0 | 0.00% |
| Total | $9,608,500 | 100.00% |

E. Apply adjusted percentages (see *Benefits Proportional by Fund Report,* Section II). For example, the Social Security, State Employer Match calculation would look like this:

| | Expended | Proportional Percentage | Calculated Proportional Benefits |
|---|---|---|---|
| GR | | 72.85% | $200,337.50 |
| GR-D | | 27.15% | $74,662.50 |
| Federal | | 0.00% | $0.00 |
| Other Funds | | 0.00% | $0.00 |
| Total | $275,000 | 100.00% | $275,000.00 |

## Section II: Benefits Worksheet (instructions)

Follow the steps below for Sections II.a-II.d for each benefit applicable to your institution to determine the proportional amount of benefits to be paid from each financing source. For institutions electing to use the electronic forms, *Benefits Proportional by Fund Report* (Institutions of Higher Education), the calculations for columns four, five, and six are automated.

| Column | Instructions |
|---|---|
| 1 | **Appropriated Funds:**<br>For each benefit type (Sections II.a-II.d), enter the applicable fund number(s) subject to proportionality. If a benefit is not applicable to your institution, enter N/A. |
| 2 | **Actual Benefits Paid**<br>For each benefit type, enter the amount actually paid from the appropriated funds identified in Column 1. To locate the actual amounts paid for each benefit type from the applicable appropriated funds follow the instructions below.<br><br>**Determining Actual Benefits for Social Security, State Employer Match (OASI)**<br>Go to the Cash Basis Inquiry (46) screen in USAS and enter Agy XXX, AY XX, Appn Num 91142, Appd Fund XXXX, COBJ 7043, and leave FY blank. The amount listed for COBJ 7043 in the Total Cash Expenditures field represents actual benefits paid.<br><br>**Determining Actual Benefits for Group Insurance (GIP)**<br>UT System component institutions and Texas A&M System component institutions should go to the Cash Basis Inquiry (46) screen in USAS and enter Agy XXX, AY XX, Appn Num 95002, Appd Fund XXXX, COBJ 7041, and leave FY blank. The amount listed in the Total Cash Expenditures field represents actual benefits paid.<br><br>For institutions whose group insurance benefits are paid by ERS, total GR expenditures should be extracted from the institutions' payroll systems. As for group insurance expenditures from GR-Ded funds, go to the Cash Basis Inquiry (46) screen in USAS and enter Agy XXX, AY XX, Appn Num 10XXX, Appd Fund 02XX, COBJ 7041, and leave FY blank. The amount listed in the Total Cash Expenditures field represents actual benefits paid.<br><br>**Determining Actual Benefits for Teacher Retirement Contributions (TRS)**<br>Total GR expenditures should be extracted from the institutions' payroll systems. As for teacher retirement expenditures from GR-Ded funds, go to the Cash Basis Inquiry (46) screen in USAS and enter Agy XXX, AY XX, Appn Num 99323, Appd Fund 02XX, COBJ 7909, and leave FY blank. The amount listed in the Total Cash Expenditures field represents actual benefits paid.<br><br>**Determining Actual Benefits for Optional Retirement Program (ORP)**<br>Go to the Cash Basis Inquiry (46) screen in USAS, enter Agy XXX, AY XX, Appn Num 97646, Appd Fund XXXX, COBJ 7086, and leave FY blank. The amount listed for COBJ 7086 in the Total Cash Expenditures represents actual benefits paid. |
| 3 | **Benefits Excluded:**<br>When funding is shown in the Exclude Funds column of Section I, benefits paid from GR on behalf of that funding source must be shown excluded in the benefits calculation in Section II. Benefits paid from GR on behalf of pass through funding sources should also be shown as excluded. List the benefits to be excluded in Column 3, and provide an explanation or legal cite. |
| 4 | **Benefits Subject to Proportionality:**<br>To determine the benefits subject to proportionality, subtract Column 3 from Column 2 and enter the difference in Column 4. For each type of benefit (II.a-II.d), total the amounts in Column 4 and enter in the Total field of the column. |

| Column | Instructions |
|---|---|
| 5 | **Calculated Proportional Benefits:**<br>Multiply the percentages calculated for each appropriated fund (see Section I, Column 5, Required Proportion) by the amounts in the Total field in Column 4 to calculate the proportional benefits. Enter the calculated proportional benefits in Column 5 for each appropriated fund for each applicable benefit. |
| 6 | **Required Adjustment:**<br>For each applicable benefit, determine the required adjustment by subtracting Column 5 from Column 4 and entering the difference in Column 6. If an adjustment is required, enter the current document number.<br><br>If the benefit appropriations are transferred to the institution, then adjustments between GR and other funding sources are made by expenditure transfer. The document number used to process the transfers must be listed in Section II of the *Benefits Proportional by Fund Report.* To avoid large adjustments or other difficult situations for financial reporting purposes, institutions should periodically review benefit payments for proportionality and make corrections as needed. Prior to August 31, use T-Codes 407 and 408. After August 31 but prior to the fiscal year close, adjustments should be made using T-Codes 468 and 467 with an effective date of August 31 of the reporting period.<br><br>When GR overpays benefits for salaries paid from OE&G funds, a check for the overpayment must be drawn from the institution's local bank account and deposited as a refund of expenditure to the institution's appropriate benefit account. Use T-Code 180, with the applicable COBJ (e.g., 7043 for Social Security state employer match). If GR underpaid benefit expenditures, a reimbursement should be processed to produce a warrant that can then be deposited to the institution's local bank account. Use T-Code 246 and 903 or T-Code 247 and 904. |

## Section III: *Adjustment Notification/ Refund Request Form*

The Adjustment Notification/Refund Request Form is Section III of the *Benefits Proportional by Fund Report* for institutions of higher education. Institutions with group insurance or retirement adjustments must complete the *Adjustment Notification/Refund Request Form* and send it to the appropriate retirement system, the Comptroller's office, the SAO and the LBB. The form notifies ERS or the TRS of proportional adjustments required or refunds requested. (Negative adjustments in Section II indicate the amount owed to GR. Positive adjustments indicate the amount to be refunded from GR.)

**Group Insurance:**

Institutions that are not self-insured for group insurance and require an adjustment between OE&G income and the Employees Retirement System (ERS) GR appropriation should submit the *Adjustment Notification/Refund Request Form* to ERS, and enter the adjustment according to *Reimbursing Retirement Contributions and Insurance Premiums (APS 005)*, including the document number on the *Adjustment Notification/Refund Request Form.* The adjustment amount cannot cause total expenditures to exceed the GR sum certain amount appropriated on behalf of each institution. Questions regarding the method of adjustment may be referred to Debbie Woodward with ERS at 512-867-7202 or Mari Queller with ERS at 512-867-7197.

**Retirement:**

Institutions that require adjustments for proportionality for TRS should prepare the *Adjustment Notification/Refund Request Form*. Institutions that under-reimbursed TRS should remit their payment using the methods of reimbursement identified in *Reimbursing Retirement Contributions and Insurance Premiums (APS 005)*, and record their document number on the *Adjustment Notification/Refund Request Form*. Institutions that over-reimbursed TRS should record the amount of the refund request, their vendor number and their TRS district number on the form. (Submission of revised payroll reports to TRS is not required.)

**Refund vs. adjustment:**

A refund applies only for funds held outside the Treasury, where GR has underpaid benefit expenditures, and TRS owes money to the institution. An adjustment applies to funds held in the Treasury where an adjustment between GR and other funding sources must be accomplished with an expenditure transfer for either TRS or ERS.

**Where to send the forms**

Institutions that are not self-insured should send a completed *Adjustment Notification/Refund Request Form* to the Employees Retirement System (Attention: Finance and Administration Division, FAX number 512-867-7491), with copies sent to the Comptroller, SAO and LBB (see addresses listed in the Submission of Certified Report section below).

Institutions participating in the Teacher Retirement System of Texas should send a completed *Adjustment Notification/Refund Request Form* to the Teacher Retirement System (Attention: Benefit Accounting, FAX 512-542-6471), with copies sent to the Comptroller, SAO and LBB (see addresses listed in the Submission of Certified Report section below). Refund requests submitted to TRS must contain the institution's TRS four-digit district number. If you do not know the district number, please call 1-800-433-5734 or 512-370-0592.

## Submission of certified report

The chief fiscal officer must sign the report certifying that the report is in compliance with GAA requirements and was completed according to this document's guidelines. Send copies of the completed reports or correspondence to the Comptroller's office, the SAO, and the LBB at the following addresses:

**Comptroller of Public Accounts:**
Fund Accounting Division
Appropriation Control Section
111 East 17th Street, Room 901
Austin, Texas 78774-1440
FAX: 512-936-5972

**State Auditor's Office:**
Central Files
Attn: Laura Taylor-Woods
1501 North Congress Ave., Suite 4-224
Austin, Texas 78701-1429
FAX: 512-936-9400
E-mail: *LTaylor-Woods@sao.state.tx.us*

**Legislative Budget Board:**
E-mail: *john.wielmaker@lbb.state.tx.us*

# For More Information

## Resources

The following resources are related to this document.

- *Benefits Proportional by Fund Report* (State Agencies)
- *Benefits Proportional by Fund Report* (Institutions of Higher Education)
- *Sample Benefits Proportional by Fund Report* (State Agencies)
- *Sample Benefits Proportional by Fund Report* (Institutions of Higher Education)
- *Sample Letter For Single Funded Agencies That Do Not Receive Federal Receipts*
- *Sample Letter For Single Funded Institutions of Higher Education That Do Not Receive Federal Receipts*
- *Adjustment Notification/Refund Request Form* (See Section III of the *Benefits Proportional by Fund Report* for institutions of higher education)
- *Sources of Revenue Required to Pay Benefit Cost (APS 001)*
- *Reimbursement of Retirement Contributions and Insurance Premiums (APS 005)*
- *Salary Benefit Appropriation Allocations (APS 019)*

These resources can be accessed at ***https://fmx.cpa.state.tx.us/fm/pubs/aps/11/index.php.***

## Questions

Questions regarding this policy statement should be directed to your agency's appropriation control officer in the Fund Accounting Division at 512-463-4850.

# BENEFITS PROPORTIONAL BY FUND REPORT (*Institutions of Higher Education*)

**For Appropriation Year 200 __ as of Fiscal Year 200 __**

| Institution Name | Agency Number |
|---|---|
| | |

## SECTION I - FUNDING PROPORTIONALITY CALCULATION

**Financing Sources for Appropriated Funds and Federal Receipts**

| COLUMN 1<br>GENERAL REVENUE FINANCING SOURCES | COLUMN 2<br>FINANCING SOURCES AMOUNT** | - | COLUMN 3<br>EXCLUDE FUNDS WITH SALARY RESTRICTIONS*** | = | COLUMN 4<br>FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT | COLUMN 5<br>REQUIRED PROPORTION (reflects local funds adj) | |
|---|---|---|---|---|---|---|---|
| General Revenue*<br>(Appd Fund # 0001) | | | | | | | |
| GR Riders<br>(Appd Fund # 0001) | | | | | | | |
| Appropriated Receipts<br>(Appd Fund # 0001) | | | | | | | |
| Interagency Receipts<br>(Appd Fund # 0001) | | | | | | | |
| Other Sources<br>(Appd Fund # 0001) | | | | | | | |
| | | | GR Total and Percentage of Grand Total | | 0.00 | ~~#DIV/0!~~ | B<br>#DIV/0! |

| COLUMN 1<br>GENERAL REVENUE-DEDICATED FINANCING SOURCES | COLUMN 2<br>FINANCING SOURCES AMOUNT** | - | COLUMN 3<br>EXCLUDE FUNDS WITH SALARY RESTRICTIONS*** | = | COLUMN 4<br>FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT | COLUMN 5<br>REQUIRED PROPORTION (reflects local funds adj) | |
|---|---|---|---|---|---|---|---|
| GR-Dedicated<br>(Appd Fund # 02XX ) | | | | | | | |
| Other E & G Indirect Cost Income<br>(Appd Fund # ) | | | 0.00 | | | | |
| Other E & G Income<br>(Appd Fund # ) | | | | | | | |
| Appropriated Receipts<br>(Appd Fund # ) | | | | | | | |
| Interagency Receipts<br>(Appd Fund # ) | | | | | | | |
| GR-D Riders<br>(Appd Fund # ) | | | | | | | |
| GR-D Local Funds Adjustment<br>(Appd Fund # ) | | | #DIV/0! | | #DIV/0! | | |
| | | | GR - Dedicated Total and Percentage of Grand Total | | ~~0.00~~<br>#DIV/0! | ~~#DIV/0!~~ | C<br>#DIV/0! |

| COLUMN 1<br>FEDERAL FUNDS FINANCING SOURCES | COLUMN 2<br>FINANCING SOURCES AMOUNT** | - | COLUMN 3<br>EXCLUDE FUNDS WITH SALARY RESTRICTIONS*** | = | COLUMN 4<br>FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT | COLUMN 5<br>REQUIRED PROPORTION (reflects local funds adj) | |
|---|---|---|---|---|---|---|---|
| Federal (Appd Fund # ) | | | | | | | |
| FF Riders (Appd Fund # ) | | | | | | | |
| | | | Federal Fund Total and Percentage of Grand Total | | 0.00 | ~~#DIV/0!~~ | #DIV/0! |

| COLUMN 1<br>OTHER FUNDS FINANCING SOURCES | COLUMN 2<br>FINANCING SOURCES AMOUNT** | - | COLUMN 3<br>EXCLUDE FUNDS WITH SALARY RESTRICTIONS*** | = | COLUMN 4<br>FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT | COLUMN 5<br>REQUIRED PROPORTION (reflects local funds adj) | |
|---|---|---|---|---|---|---|---|
| Other Funds (Appd Fund # ) | | | | | | | |
| Appropriated Receipts (Appd Fund # ) | | | | | | | |
| Interagency Receipts (Appd Fund # ) | | | | | | | |
| Other E & G Patient Income (Appd Fund # ) | | | | | | | |
| Other Local Funds Adjustment (Appd Fund # ) | | | #DIV/0! | | #DIV/0! | | |
| OF Riders (Appd Fund # ) | | | | | | | |
| | | | Other Funds Total and Percentage of Grand Total | | ~~0.00~~<br>#DIV/0! | ~~#DIV/0!~~ | #DIV/0! |
| | | | Grand Total | | ~~0.00~~<br>#DIV/0! | ~~#DIV/0!~~ | #DIV/0! |

Legal Cites and Documentation: ______________________________

______________________________

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______________________________

______________________________

______________________________

* The amount listed as GR in the MOF of the GAA.

** If the sources of funding are estimated, enter the actual revenues.

***Provide statutory or other cite for excluded funds.

# SECTION II - BENEFITS WORKSHEETS

## IIa - Social Security, State Employee Match (OASI)

| COLUMN 1<br>APPROPRIATED FUNDS | COLUMN 2<br>ACTUAL BENEFITS PAID | - | COLUMN 3<br>BENEFITS EXCLUDED | = | COLUMN 4<br>BENEFITS SUBJECT TO PROPORTIONALITY | - | COLUMN 5<br>CALCULATED PROPORTIONAL BENEFITS | = | COLUMN 6<br>REQUIRED ADJUSTMENT ** |
|---|---|---|---|---|---|---|---|---|---|
| General Revenue<br>(Appd Fund # 0001 ) | | | | | | | | | |
| GR-Dedicated<br>(Appd Fund # ) | | | | | | | | | |
| Federal **<br>(Appd Fund # ) | | | | | | | | | |
| Other<br>(Appd Fund # ) | | | | | | | | | |
| | | | Totals | | 0.00 | | 0.0000 | | 0.00 |

Adjustment made with Current Doc Number __________

## IIb - Group Insurance (GIP)

| COLUMN 1<br>APPROPRIATED FUNDS | COLUMN 2<br>ACTUAL BENEFITS PAID | - | COLUMN 3<br>BENEFITS EXCLUDED | = | COLUMN 4<br>BENEFITS SUBJECT TO PROPORTIONALITY | - | COLUMN 5<br>CALCULATED PROPORTIONAL BENEFITS | = | COLUMN 6<br>REQUIRED ADJUSTMENT ** |
|---|---|---|---|---|---|---|---|---|---|
| General Revenue<br>(Appd Fund # 0001 ) | | | | | | | | | |
| GR-Dedicated<br>(Appd Fund # ) | | | | | | | | | |
| Federal **<br>(Appd Fund # ) | | | | | | | | | |
| Other<br>(Appd Fund # ) | | | | | | | | | |
| | | | Totals | | 0.00 | | 0.0000 | | 0.00 |

Adjustment made with Current Doc Number __________

## IIc - Retirement Contributions (TRS)

| COLUMN 1 APPROPRIATED FUNDS | COLUMN 2 ACTUAL BENEFITS PAID | - | COLUMN 3 BENEFITS EXCLUDED | = | COLUMN 4 BENEFITS SUBJECT TO PROPORTIONALITY | - | COLUMN 5 CALCULATED PROPORTIONAL BENEFITS | = | COLUMN 6 REQUIRED ADJUSTMENT ** |
|---|---|---|---|---|---|---|---|---|---|
| General Revenue (Appd Fund # 0001 ) | | | | | | | | | |
| GR-Dedicated (Appd Fund # ) | | | | | | | | | |
| Federal ** (Appd Fund # ) | | | | | | | | | |
| Other (Appd Fund # ) | | | | | | | | | |
| | | | Totals | | 0.00 | | 0.0000 | | 0.00 |

Adjustment made with Current Doc Number ____

## IId - Optional Retirement Program (ORP)

| COLUMN 1 APPROPRIATED FUNDS | COLUMN 2 ACTUAL BENEFITS PAID | - | COLUMN 3 BENEFITS EXCLUDED | = | COLUMN 4 BENEFITS SUBJECT TO PROPORTIONALITY | - | COLUMN 5 CALCULATED PROPORTIONAL BENEFITS | = | COLUMN 6 REQUIRED ADJUSTMENT ** |
|---|---|---|---|---|---|---|---|---|---|
| General Revenue (Appd Fund # 0001 ) | | | | | | | | | |
| GR-Dedicated (Appd Fund # ) | | | | | | | | | |
| Federal ** (Appd Fund # ) | | | | | | | | | |
| Other (Appd Fund # ) | | | | | | | | | |
| | | | Totals | | 0.00 | | 0.0000 | | 0.00 |

*Benefits Excluded:* ____

Adjustment made with Current Doc Number ____

** Amounts may differ due to rounding.*

*** Federal Funds must pay benefits on salaries paid from federal funds. See "Sources of Revenue Required to Pay Benefit Cost".*

**I certify that this report demonstrates compliance with S.B.1., 79th Legislature, R.S., Sec. 6.11 (Art IX-31) and has been completed in accordance with the guidance provided in Fiscal Policies and Procedures for "Benefits Proportional by Fund".**

____ **Signature** ____ **Date**

____ **Chief Financial Officer or Designee**

Name: Darrell Edge

Source of Info: Comptroller



Date: 8/14/7

# Instructions for Completing and Submitting the *Fiscal 2006 Community/Junior College Benefits Proportional by Fund Report*

The *Community/Junior College Benefits Proportional by Fund Report* is submitted via an electronic spreadsheet. To complete the spreadsheet, record the data requested from your institution's 2006 *Annual Financial Report* (AFR) and your *Fiscal 2006 Report of Fundable Operating Expenses* in the first three sections of the report. This information is used to perform the calculations in the final section. **Please use this specially formatted report, and submit it by November 20, 2006, via e-mail or fax.** See the Completed Sample Report for a sample of a completed form and copies of Schedules A, B and C from a sample AFR.

> The information requested in this report is based on financial data from your 2006 Annual Financial Report (AFR). If your AFR is not complete by November 20, 2006, use estimates to complete the *Benefits Proportional by Fund Report.* If the amounts reported in your 2006 AFR are materially different from those reported on the *Fiscal 2006 Community/Junior College Benefits Proportional by Fund Report*, you must submit an amended report by January 20, 2007.

## *Section 1 – Schedule of Current Funds Revenues*

From your 2006 AFR, enter into the report form the current funds revenues as they appear on Schedule A – *Schedule of Operating Revenues*, and Schedule C – *Schedule of Non-Operating Revenue and Expenses.*

Schedules A and C list all sources of funding available for the fiscal year, according to the Texas Higher Education Coordinating Board's (THECB) classifications from the *FY2006 Budget Requirements and Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. These classifications and their descriptions may be found at <www.thecb.state.tx.us/reports/pdf/1213.pdf>.

## *Section 2 – Schedule of Operating Expenses*

Include the following information on the report form:

1 Total salaries and wages and state and local staff benefits by educational activity (columns A, D and E) as they appear on Schedule B – *Schedule of Operating Expenses by Object* of your 2006 AFR.

> **Note:** The total for staff benefits includes payments from state and local funds for employees' group insurance and employer payments, and other benefits for employees participating in either optional retirement or teacher retirement programs.

2 General revenue (GR) allowable salaries and wages for instruction, academic support, student services and institutional support (column B) as reported on the current AFR.

**The spreadsheet automatically calculates other salaries and wages (column C) by subtracting GR allowable salaries from total salaries.**

## *Section 3 – Allocation of Staff Benefits*

Allocate and enter the total staff benefits reported in Section 2 by group insurance, optional retirement, teacher retirement and other benefits.

| **Note:** The totals identified in this section should equal the sums for state and local staff benefits in Section 2. They should also tie to the sum of state and local benefits from Schedule A. |
|---|

## *Section 4 – Analysis of State Allocations*

The spreadsheet uses the information entered in Sections 1–3 to automatically calculate various ratios of state allocations to current funds, revenues and expenditures.

## *Submitting the Report*

E-mail your completed *Fiscal 2006 Community/Junior College Benefits Proportional By Fund Report* to christy.bearden@cpa.state.tx.us by **November 20, 2006** or fax it to Christy Bearden at 512-936-5972.

Mail or fax copies of your completed report to:

The State Auditor's Office
Central Files
Attn: Laura Taylor-Woods
1501 North Congress Ave., Suite 4-224
Austin, TX 78701
FAX: 512-936-9400

Legislative Budget Board
P.O. Box 12666
Capitol Station
Attn: Higher Education
Austin, TX 78711
FAX: 512-475-2902

SAMPLE REPORT

# FISCAL YEAR 2006 COMMUNITY/JUNIOR COLLEGE BENEFITS PROPORTIONAL BY FUND REPORT

**JUNIOR/COMMUNITY COLLEGE NAME:** SAMPLE COMMUNITY COLLEGE
**CONTACT PERSON:** Jane Doe
**TELEPHONE NUMBER:** 555-555-1212

## SECTION 1: SCHEDULE OF CURRENT FUNDS REVENUES

(As reported on Schedule A and C of the current Annual Financial Report)

| | A | B | C | D | |
|---|---|---|---|---|---|
| | Unrestricted | Auxiliary Enterprises | Restricted | Total | |
| STATE ALLOCATIONS - General Revenue (1) | 55,994,039 | - | 16,115,518 | 72,109,557 | 1 |
| TUITION AND FEES | 53,628,481 | - | - | 53,628,481 | 2 |
| TAXES FOR CURRENT OPERATIONS | 51,156,426 | - | 2,145,210 | 53,301,636 | 3 |
| FEDERAL GRANTS AND CONTRACTS | - | - | 60,324,461 | 60,324,461 | 4 |
| STATE GRANTS AND CONTRACTS | - | - | 4,398,206 | 4,398,206 | 5 |
| LOCAL GRANTS AND CONTRACTS | - | | 19,688 | 19,688 | 6 |
| PRIVATE GIFTS, GRANTS AND CONTRACTS | - | - | 610,002 | 610,002 | 7 |
| NET INCREASE/DECREASE IN FV OF INVESTMENTS | - | - | - | - | 8 |
| INTEREST/ENDOWMENT INCOME | | - | | - | 9 |
| INVESTMENT INCOME | 997,683 | - | 213,117 | 1,210,800 | 10 |
| SALES AND SERVICES OF EDUCATIONAL ACTIVITIES | - | - | - | - | 11 |
| SALES AND SERVICES OF AUXILIARY ENTERPRISES | - | 2,933,777 | - | 2,933,777 | 12 |
| OTHER MISCELLANEOUS INCOME | 1,151,022 | - | - | 1,151,022 | 13 |
| **TOTAL CURRENT FUNDS REVENUE (2)** | **162,927,651** | **2,933,777** | **83,826,202** | **249,687,630** | 14 |

## SECTION 2: SCHEDULE OF OPERATING EXPENSES

(Salaries and wages, and benefits as reported on Schedule B of the current Annual Financial Report)

| | A | B | C | D | E | |
|---|---|---|---|---|---|---|
| | Salaries and Wages | | | Staff Benefits | | |
| | Totals (3) = | GR Allowable (4) + | Other | State (3) | Local (3) | |
| INSTRUCTION | 72,709,789 | 63,620,104 | 9,089,685 | 10,016,207 | 7,486,892 | 15 |
| PUBLIC SERVICE | 1,286,786 | | 1,286,786 | 177,264 | 278,433 | 16 |
| ACADEMIC SUPPORT | 10,900,357 | 9,325,026 | 1,575,331 | 1,501,589 | 1,174,346 | 17 |
| STUDENT SERVICES | 13,982,909 | 11,454,689 | 2,528,220 | 1,926,228 | 1,667,239 | 18 |
| INSTITUTIONAL SUPPORT | 14,252,997 | 10,806,218 | 3,446,779 | 1,963,435 | 2,346,955 | 19 |
| OPERATION AND MAINTENANCE OF PLANT | 5,912,167 | | 5,912,167 | 530,795 | 1,077,276 | 20 |
| SCHOLARSHIPS AND FELLOWSHIPS | | | - | | | 21 |
| **TOTAL EDUCATIONAL ACTIVITIES** | 119,045,005 | 95,206,037 | 23,838,968 | 16,115,518 | 14,031,141 | 22 |
| **AUXILIARY ENTERPRISES** | 904,374 | - | 904,374 | | 220,978 | 23 |
| TOTAL | 119,949,379 | 95,206,037 | 24,743,342 | 16,115,518 | 14,252,119 | 24 |

(1) State Allocations for Benefits (GIP, ORP, and TRS) are reported as Restricted Funds
(2) Information reported here should come from Schedules A and C of the current AFR.
(3) The totals identified here for Salaries and Wages and State and Local Benefits should tie to Schedule B of the current AFR
(4) GR allowable salaries and wages must tie to amounts reported in the current All Funds Expenditure Report.
for the following functions: Instruction, Academic Support, Student Services, and Institutional Support.

**JUNIOR/COMMUNITY COLLEGE NAME:** SAMPLE COMMUNITY COLLEGE


## SECTION 3: ALLOCATION STAFF BENEFITS

| | A | B | C | |
|---|---|---|---|---|
| | Staff Benefits | | | |
| | State | Local | Total | |
| GROUP INSURANCE | 10,674,233 | 8,199,133 | 18,873,366 | 25 |
| OPTIONAL RETIREMENT | 2,799,923 | 1,135,121 | 3,935,044 | 26 |
| TEACHER RETIREMENT | 2,641,362 | 620,557 | 3,261,919 | 27 |
| OTHER BENEFITS | | 4,297,308 | 4,297,308 | 28 |
| **TOTALS (5)** | 16,115,518 | 14,252,119 | 30,367,637 | 29 |

(5) The sum of benefits identified here should tie to the sum of State and Local Benefits from Schedule B and identified in Section 2 above.

## SECTION 4. ANALYSIS OF STATE ALLOCATIONS IN RELATION TO CURRENT FUNDS REVENUES AND EXPENDITURES

| | Percentage | Cell Formula |
|---|---|---|
| GR as % of Total Current Funds Revenue **(6)** | 23.97% | =A1/(D14-C1) |
| Local Revenue as % of Total Current Funds Revenue | 76.03% | =(D14-C1-A1)/(D14-C1) |
| | 100.00% | |
| GR as % of Total Current Funds Salaries | 46.68% | =A1/A24 |
| GR Allowable as % of Current Funds Salaries<br>(GR Allowable=Instruction/Academic Support/Student Services/Institutional Support) | 79.37% | =B24/A24 |
| State Paid Benefits as % of Total Benefits | 53.07% | =A29/C29 |
| Local Paid Benefits as % of Total Benefits | 46.93% | =B29/C29 |
| | 100.00% | |
| State Paid GIP as % of Total Current Funds Salaries | 8.90% | =A25/A24 |
| % of Total Current Funds Salaries Receiving State ORP Contribution | 2.33% | = A26/A24 |
| % of Total Current Funds Salaries Receiving State TRS Contribution | 2.20% | = A27/A24 |
| | 4.54% | |
| % of Current Funds Salaries Receiving State Retirement Contribution | 75.61% | = (A26+A27)/A24)/6% |

**(6)** GR equals State Allocations less State Retirement Matching and State Group Insurance.

**Senate Subcommittee on Higher Education**

**August 14, 2007**

Name: Robert Shepard

Source of info: THECB

Date: 8/14/07

**Testimony of**

**Robert W. Shepard**

**Chairman of the Texas Higher Education Coordinating Board**

I have been asked to update the Subcommittee regarding developments concerning the line-item veto of $154 million for FY 2009 for Texas community college employee group insurance contributions and the Coordinating Board's involvement in working towards reinstating those funds in some manner. Our concern is that a failure to resolve this issue will result in costs being transferred to the most cost-vulnerable students. Increases in tuition and fees at our two-year institutions affect students much more dramatically than increases at our four-year institutions, so it is critical for the state and the community colleges to come together and agree on a solution that will keep costs down for students.

Since the veto proclamation was released, Commissioner Raymund Paredes and I have met several times in person or by telephone with senior staff of Governor Perry's office to discuss the possibility of exploring options to restore this funding. We also have had conference calls with the current officers of the Texas Association of Community Colleges and conversations with many community college presidents to listen to their ideas and concerns, and to let them know that the door was still open to positive dialog between the Governor's Office and the community colleges. We have also talked to the leadership in the legislature to see if we could be helpful in finding a solution.

As a result of the veto, total community college funding will decrease by $32.7 million, or 1.7 percent compared to last biennium. Since community college enrollments have declined by almost one percent as well, a roughly equivalent reduction in funding might be expected. However, the Governor had urged higher levels of funding for community colleges through the formulas than were actually adopted by the 80th Legislature. The issue is two-fold: how to increase funding for community colleges and how to deal with the issue of proportionality and the method of covering employee benefits.

Our understanding is that the basis of the veto was derived from the Legislative Budget Board's (LBB) staff recommendations in their *Texas State Government Effectiveness and Efficiency* reports from January 2005 and January 2007. The 2005 version indicated that the community colleges were over-funded by $106 million for the biennium. In the 2007 report, the amount was decreased to $54.2 million due to changes in how non-general revenue eligible employees were reflected in the formula used to calculate how much community colleges should have received. The Governor's Office believes the January 2005 report more accurately reflects the amount over-funded.

It appears that at least two possible options could be implemented to address this issue, both of which would require approval by the Governor. These options relate to the Governor's and the Legislative Budget Board's statutory authority to take necessary budget execution actions (Section 317, Government Code; Article 8, Section 22, Texas Constitution). Under this authority, the LBB could find that an emergency exists and issue a budget execution order for an emergency appropriation that would either:

1) Restore the amount of proportionality funding, specifically the section dealing with proportional cost-sharing of state contributions for community college employee benefits. According to the LBB staff report, *Texas State Government Effectiveness and Efficiency (p.412)*, this action could result in approximately $127.2 million in general revenue funds distributed to the colleges for FY2009 for employee group insurance benefits, leaving a balance of $27.1 million to be paid by the community colleges from non-state income sources; or,

2) Appropriate $154 million to community colleges in a different manner. For example, the LBB could allocate the full amount of the appropriation to community college formula funding based on a recommendation from the Coordinating Board.

Any budget execution order proposal can be initiated by either the LBB or the Governor, but each must agree on the proposal for it to be effectuated. If an agreement can be reached to restore the funds, either as a direct appropriation for health benefits, an increase in formula dollars, or for some other purpose, the LBB could direct the transfer of the funds to, for example, the Coordinating Board or the Employees Retirement System, and further direct that the pertinent agency adopt rules to allocate and distribute the funds to the community colleges.

As I mentioned before, we have been participating in discussions with the Governor's office, the LBB, and community college officials to work toward a solution. From our discussions with all concerned, I genuinely believe that an acceptable solution regarding the funding could be reached in the near future. Commissioner Paredes and I are also prepared if asked to coordinate among the Governor's office, the Comptroller's office, the LBB staff, and key legislators during the interim to develop a clearer understanding of the standard methodology use for determining proportional cost-sharing contributions between the state and the community colleges for payment of group health insurance benefits. This may require changes to the rider in the General Appropriations Act that governs the reporting of salaries and the proportion of benefits to be paid by general revenue, as well as further development by the Comptroller of rules to administer this section. The Coordinating Board staff will provide any necessary assistance for this interim study.

Once again, the central concern surrounding this funding issue is the impact it will have on students, and any solution should consider the most favorable result for students. Restoration of this funding to the community colleges for FY 2009 would have the desired effect of ending the pressure for increased tuition or taxes as a result of the veto, or cutting academic programs to accommodate the reduction in funding. Maintaining affordability is critical to the mission of community colleges, which are expected to enroll over 70 percent of the student population and play a key role in *Closing the Gaps by 2015*.

We will continue to work on this process as long as we can contribute in a positive way. Thank you for the opportunity to provide written testimony.

**Amarillo College**

Name: Steven Jones

Source of info: AC

Date: 8/14/07

**SENATE HIGHER EDUCATION HEARING**
**Testimony presented by Amarillo College**
**Dr. Steven W. Jones, President**
**August 14, 2007**

Thank you for this opportunity to provide testimony regarding the impact of the Governor's veto on the state's community colleges. And thank you, Senator Zaffirini, for leading in the efforts to restore the $154 million that had previously been evaluated and approved by the State Legislature for those colleges. Texas community colleges are grateful for your advocacy and encouragement.

You have asked how Amarillo College will be impacted by the loss of $3.8 million in state funds as a result of this action. In a word, it would be, devastating! These funds represent 18% of the college's total state funding for FY08 and 8% of its total operating budget.

The AC Board of Regents feels that it is limited in the immediate actions it can take to address these lost revenues if this action is not reversed:

- As you know, the veto came unexpectedly, long after student tuition rates had been set for this fall semester. Therefore, our Regents will not adjust the previously published rates at this late date.
- Likewise, prior to the Governor's veto, the Board of Regents had publicly stated that local tax rates would not be increased for FY08. Again, the Regents will not increase taxes after citizens have been told otherwise.
- However, student tuition and fees will likely increase for subsequent enrollment periods by as much as 20%, and local taxes will be increased to the maximum roll back levels in the future should this veto stand.
- Even so, these actions will only replace 62% of the lost state funding. Adjustments for the remaining $1.44 million will require eliminating programs and services. Since higher education institutions are largely labor intensive, this will require eliminating personnel.

Such actions will be necessary at most colleges. Ironically, this will further entrench the "economics of diminishing returns" at Texas community colleges. As tuition and fees increase, and as programs and services are eliminated due to state funding cuts, student enrollment will decline. As college enrollment declines, the state will further reduce funding to colleges based on its current implementation of the funding formula.

Those additional funding cuts will require additional tuition increases and program elimination – which will further reduce enrollments – and the downward spiral will continue.

As you all know, Texas needs its two-year colleges to provide access to education for increasing, not decreasing, numbers of Texans. State lawmakers understand that our State depends on its two-year colleges to provide workforce development in order to assure economic growth for the future.

And yet, since I've been President of Amarillo College, Texas has cut community college funding twice. When adjusted for inflation, Amarillo College received less state funding per student in 2005 than it did in the 1960s. This recent $3.8 million cut in state funding will further exacerbate the funding crisis.

Since 2003, Amarillo College has increased its student population to record levels and has expanded its workforce training programs. It has increased the percentage of Hispanic students to record levels in the continuing effort to close the gaps in college participation and success.

As I see it, Amarillo College, its employees and its Regents, have done their best to meet every obligation and requirement placed on it by the State of Texas. All we ask is that Texas honors its commitment to Amarillo College by fully funding the formula established for community colleges. If this was being done, issues like this one would not even exist.

In FY07, Amarillo College received only 37% of the funds that would have been available if the State was funding the formula. We fully endorse the recommendations of the Texas Association of Community Colleges regarding the resolution of the problems caused by this unanticipated veto.

Finally, Amarillo College does not use state revenues to fund health insurance benefits for non-state employees. AC has followed all instructions for requesting, utilizing, and reporting the use of state funds for employee health insurance. As a result, we strongly deny the allegations that Texas community colleges, including Amarillo College, have falsified funding requests. And we deeply resent the accusations of fraud stated by the Governor's staff in the veto proclamation.

Please restore the $3.8 million in vetoed funding to Amarillo College. Restore the $154 million to Texas community colleges. Fund the formula – and give Texas community colleges the resources they must have to do the job that Texas has assigned them to do.

Name: Shirley Reed

Source of info: South Texas College

Date: 8/14/07

STC
South Texas College

# Impact of Governor's Veto of State Appropriations to Fund Health Insurance for South Texas College Employees for FY 2009

## BACKGROUND:

The State of Texas mandates that community colleges pay 100% of medical insurance premiums for employees and 50% of premiums for dependents. This mandate, unlike state universities, has historically been funded by the state for all employees paid from the unrestricted fund, except for employees paid from the operations and maintenance of plant function. The unrestricted fund functions covered are instruction, public service, academic support and institutional support. The state universities funding mechanisms have historically differed vastly from those for community colleges. In the event the state fails to continue to fund this benefit, South Texas College (STC) must provide local funds for the mandated health insurance coverage. With the Governor's veto and reduction in state funding for the FY 2008-FY 2009 biennium, South Texas College will have the responsibility of identifying and earmarking an additional $4,000,000 in local funds to provide the mandated medical insurance premium coverage. This money will have to come from increased local taxes, increased student tuition and fees, and reduced programs and services for students.

This loss of state funding for employee health insurance has been a concern for the last four years. It has been debated in the Legislature for the last two sessions. The 2006-07 General Appropriations Act, Article III Education, included two sections related to the benefit proportionality issue. Section 14, Reporting Requirements, indicated that the Benefits Proportional By Fund Report was required from each community college and Section 15, Proportionality for Public Community/Junior College, indicated that the Legislative Budget Board (LBB) was to use funds appropriated by the act to implement proportionality for community colleges starting in the 2008-09 biennium. The LBB failed to appropriately place the community colleges in a position to implement proportionality. No notification or clear instructions were issued to the community colleges regarding this critical change.

Community colleges have prepared the benefit proportionality report since at least FY 2003. The report clearly reflects that state appropriations cover only 53% of South Texas College's total salaries. The Legislative Appropriation Request (LAR) report prepared by the College, however, reflects that the state insurance appropriation covered 88.63% of total insurance contribution. This variance has historically been accepted and recognized by the LBB. The LBB did not notify the College that this variance was not acceptable and that the LAR should be modified to take proportionality into account. No announcement was issued by the LBB regarding a change of methodology.

In addition, in the Staff Performance Report to the 79th Legislature, the LBB indicated that Texas could realize significant savings by applying proportionality to community colleges. The LBB provided comments and recommendations in this report. The report also included, for each community college, an "over-funded" percentage. The percentage determined for South Texas College was 31.9%. The College requested assistance from the LBB on two occasions to verify the allegation of over funding; however, the LBB did not act on either of these requests.

The final 2008-09 General Appropriations Bill included funding for employee health insurance for all 50 community college districts as well as for universities.

The Governor's action to line item veto funding for all 50 Texas community colleges' employee insurance benefits was not anticipated, especially since his original budget presented to the Legislature in January included full funding for community college employee health insurance.

South Texas College

# Impact of Governor's Veto of State Appropriations to Fund Health Insurance for South Texas College Employees for FY 2009

To make matters worse, the Governor is contending that using state funds to pay for employee health insurance is an inappropriate use of state funds even though funding was approved by the Legislature. Additionally, the Governor is accusing all 50 community college districts of having fraudulently used these funds in the past to fund health insurance. All 50 Texas community college districts, as mentioned previously, use state appropriated funds in the same way and for the same purpose, and have done so for decades.

STC will receive $3,985,978 to fund health insurance for FY 2008 and FY 2009, as compared to $7,777,868 received during the previous biennium, which is a shortfall of approximately $4 million. The following chart shows (by fiscal year) the total insurance cost for STC employees, the amount of state funding (without prior year reallocations or retiree funding), and the amount paid by the College for state eligible employees and dependents or paid by local or grant funds.

| | Total Insurance Cost | State Funding | STC Contribution for State Eligible Employees and Dependents | STC Local/Grant Contribution for Non-Eligible Employees and Dependents |
|---|---|---|---|---|
| FY 2005 | $ 3,825,861 | $ 2,579,618 | $ 804,292 | $ 441,951 |
| FY 2006 | $ 4,393,769 | $ 3,779,017 | $ 97,986 | $ 516,766 |
| *FY 2007 | $ 4,873,586 | $ 3,998,851 | $ 317,415 | $ 557,320 |
| *Projected cost through 8/31/2007 | | | | |

Over the past thirteen years, since STC's inception, the fall semester headcount enrollment has increased from 1,058 students in Fall 1993 to over 18,000 students in Fall 2006. As South Texas College's enrollment increases and additional faculty and staff are hired, state funding for insurance premiums does not keep pace with the cost of the mandatory insurance premiums for employees and their dependents. As a result, the College is forced to use greater amounts of local funds to pay for employee insurance premiums. In addition to the shortfall in state contributions for insurance premiums, the cost of insurance premiums for all employees has increased over the years.

The projected cost of the insurance benefit for FY 2008 and FY 2009 is as follows:

| | Total Insurance Cost | State Funding | STC Contribution for State Eligible Employees and Dependents | STC Local/Grant Contribution for Non-Eligible Employees and Dependents |
|---|---|---|---|---|
| *FY 2008 | $ 5,501,410 | $ 3,985,978 | $ 878,212 | $ 637,220 |
| *FY 2009 | $ 6,210,110 | $ 0 | $ 5,490,803 | $ 719,307 |
| *Projected | | | | |

Aside from the above shortfall, the state contact hour appropriation provides only approximately 53% of total salaries. The funds are first allocated to faculty salaries. In fiscal year 2006, the total state contact hour appropriation only covered approximately 93% of total faculty salaries. No state contact hour funding was available to pay for non-faculty salaries and other costs. Faculty salaries in the amount of $601,750 were paid from sources other than state appropriations. The state contact hour appropriation was not used to fund any other college cost other than 93% of total faculty salaries.

South Texas College

# Impact of Governor's Veto of State Appropriations to Fund Health Insurance for South Texas College Employees for FY 2009

## UNINTENDED IMPACT, IMPLICATIONS, AND CONSEQUENCES:

- The State mandates community colleges pay the insurance premiums for employees and their dependents; thus, the state should provide the funding. If the State does not want to fund the cost, then the details of coverage and eligibility should be at the discretion of individual or collective community colleges.

- If the vetoed funding is restored to the contact hour formula, precedence may be established to eliminate state funding for community college employee group health insurance. This would be a travesty for all Texas community colleges. The State must restore the funding to cover group health insurance to retain the State's commitment to fund health insurance coverage for eligible community college employees.

- If the State does not provide funding, community colleges will be forced to revisit insurance benefits for their employees and dependents. Insurance benefits attract and retain qualified faculty and staff, which is a challenge to any Texas community college because salaries are not as competitive at community colleges as they should be and salaries in Texas are among the lowest in the nation.

- If the State does not provide funding, community colleges will be forced to re-evaluate growth in student enrollment and will be forced to consider reducing faculty and staff in the face of the State's commitment to the Texas Higher Education Plan: *Closing the Gaps.*

- If the State does not provide funding for insurance premiums for employees and their dependents, funds must come from local funds. These are primarily local property taxes, student tuition and fees, and the reallocation of resources from reduced programs and services. Since STC's maintenance and operation tax rate is presently capped at 11 cents, the College cannot increase the tax rate without voter approval; thus, a two-county election would be necessary. Additionally, any revenue increase from increased property appraisals is limited due to "truth in taxation" regulations. This places the burden squarely on the backs of students in the form of increased tuition and fees or revenue saved from reduced access to programs and services.

- Increasing tuition and fees for students will reduce affordability and access to higher education for many in deep South Texas. Tuition was increased due to other reductions in state funding during Fall 2004 by an average of $100 per full-time student or 21%. In Fall 2005, the College increased tuition by $2.00 a credit hour, implemented differential tuition for several programs and implemented an Information Technology Fee of $6.00 per credit hour. Costs cannot continue to be passed on to students. Any increase in tuition and fees will adversely affect access for many students in deep South Texas and only further delay achieving the state's commitment to "Closing the Gaps" for all students in Texas higher education.

- If the vetoed funding is not restored, South Texas College will be forced to increase tuition by 20% to offset the loss of funding.

Bill Crow
Tyler Junior College
8/14/07

# TYLER JUNIOR COLLEGE

A QUALITY EDUCATION · A VIBRANT STUDENT LIFE · COMMUNITY SERVICE

Like our many colleagues at community colleges across Texas, Tyler Junior College was shocked at the Governor's veto to remove benefits funding for our 525 eligible employees for the 2009 fiscal year.

To make up for this loss – $3.361 million in State funding – Tyler Junior College would have to add at least $16 per credit hour, per student – an increase of 30% – by the Fall 2008 semester, or implement a comparable combination of student cost increases, local tax increases and service reductions.

The College's Board of Trustees has discussed a possible phase-in of adjusted tuition and fee rates to make up for the shortfall, with the first increases set to occur for the Spring 2008 semester. Such an action would have to take place by the end of October 2007 in order to be in effect for the beginning of online registration.

The TJC Board of Trustees maintains hope that State funding can be restored so that students with limited funding, limited financial aid and limited access to higher education may continue to choose TJC.

In the event funding cannot be restored, the Board is prepared to implement a phase in of tuition and fee increases by the end of October. However, even making these adjustments, the College would enter FY 2009 needing to make up an additional $2,511,721 to offset the State benefit funding loss.

Options at that point would include an additional increase in tuition/fees and/or an adjustment in the property tax rate.

For FY 2008, the Board has expressed a desire to maintain the current tax rate of 12.7169 cent tax rate per $100 assessed property valuation. The Board has been unanimous in its resolve to retain the district's current tax rate since a successful rollback election in February 2005.

The rollback election was brought about by a petition drive that began after the Board voted to increase the tax rate by 4 cents, from 12.23 to 16.23, in August 2004, in order to set aside funding for capital improvements on a pay-as-you-go basis.

Knowing the political climate for tax rate increases beyond the rollback mark, we believe our Board will be very cautious about making any adjustment to the local property tax rate.

Locally funded employee benefits make up $4,356,349 of the College's proposed $53,644,049 budget for FY 2008, approximately 8.12%.

P. O. BOX 9020 · TYLER, TEXAS 75711-9020 · 903-510-2200 · 800-687-5680 · WWW.TJC.EDU

Pam Anglin
Paris Junior College
8/14/07


# Paris Junior College

SINCE 1924

**President**
Pamela D. Anglin, Ed.D.





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www.parisjc.edu




August 14, 2007

Senator Judith Zaffirini
Chair, Senate Higher Education Subcommittee
P.O. Box 12068
Austin, Texas 78711

Dear Senator Zaffarini:

Paris Junior College serves a five county area in northeast Texas. Two of the counties served, Red River and Delta, are among the poorest in the State of Texas. The college has historically operated with a limited tax base of the city limits of the City of Paris. The college's main campus is in Paris and the college has centers in Greenville and Sulphur Springs. The college has recently started construction of a campus in Greenville to meet the growing enrollment needs of that area.

Since 1924, Paris Junior College has focused on accessibility and affordability for the individuals of this area of the state. Over 100,000 credit students have passed through doors of Paris Junior College over the years and since 2001, PJC has experienced a 25% enrollment growth.

Almost 80% of Paris Junior College students are first generation and many are economically disadvantaged. These students transfer to four year state universities where they perform better than the native student. The college has been fortunate to receive numerous Skills Development Fund grants over the years that have helped provide training for area industries to bring additional jobs to the area and to retain current levels of employment. The college serves as an economic development engine for the area.

The veto of the health insurance appropriation for 2008-2009 was a devastating blow to the future of the college. Paris Junior College will be short $1,258,000 from the cut in the health insurance appropriation. In order for the college to make up such a deficiency, tuition would have to be increased $18 per semester credit hour, a 28% increase in tuition. Paris Junior College has worked hard to increase the college attendance rate of students in the 27 high schools within the PJC service area. A tuition rate increase of this magnitude would price us out of the reach for many area residents.

The difference could not be made up from an increase in taxes simply because taxes would have to be raised above the legal cap of 27 cents per $100 assessed valuation. In fact, any increase to attempt to help makeup the difference would quite likely result in a rollback election.

Anglin, page 2

In order to makeup a difference of $1,258,000, 8% of the college's operating budget, the college would have to increase tuition, increase taxes a limited amount, and cut services and programs at the college.

Two years ago, when I travelled with PJC students to Austin to talk with legislators on community college day, I was moved to tears when I heard a 28 year old African American male make the following statement.

> "Chance, that is all we are asking for. Every time the state cuts appropriations to community colleges and the community college has to raise tuition, someone's chance is being taken away."

This young man graduated from Paris Junior College and transferred to Texas A&M – Galveston. By reducing funding for community colleges, you are taking away the chance for many Texans. Business and industry across the state will suffer in the future from the lack of a trained workforce. I know first hand, because I am a first generation student from rural north Texas who benefitted from the local community college. I would not have the education I have today had it not been for a community college.

The investment in community colleges by the State of Texas will provide benefits to the State and to its residents for years to come. I invite you to come to the Paris Junior College campus in Paris, Greenville, or Sulphur Springs and talk to our current and former students and to local business and industry to find out first hand what Paris Junior College means to the people of the five counties the college serves.

Respectfully,

Pamela D. Anglin

Pamela D. Anglin, Ed.D.

Alan Scheibmeir
Grayson County
8/14/07

August 13, 2007

Impact of veto:

As a result of the Governor's veto Grayson County College has modified its proposed 2007-08 budget to include the following adjustments:

- Adjusted local tax rate to help compensate for the lost health insurance revenue
- Scheduled an increase in course fees beginning Spring 2008
- Did not replace retiring faculty with full-time professors
- Curtailed initiation of new career program
- Eliminated previously approved campus security positions

Funding restored:

In the event that the health insurance funds are restored the college will rescind the proposal to increase course fees, replace retired faculty with full-time professors, restore the increased security originally triggered by the Virginia Tech University experience, as well as, reinstate our new career program. Next year we will adjust the local tax rate.

Proposed solution:

Put into the law clarification of eligibility by position definition or job function rather than funding source, so that employee benefits are no longer subject to a veto.

Kelvin Sharpe
South Plains
8/14/07

# SOUTH PLAINS COLLEGE

## LEVELLAND, TEXAS

**South Plains College stands to lose $3.3 million dollars due to the Governor's veto of our health insurance for 2008-2009. This will reduce our budget by 9.2% for that fiscal year.**

**To absorb such a cut, South Plains College would have to adopt a variety of strategies, some of which would take the approval of our taxpayers in Hockley County and the Whiteface School District of Cochran County.**

**For your information, it would take these sole initiatives to maintain our current services to students and employees:**

1. **Increase our current tax rate by 50% or 10.25 cents which puts undue pressure on our local taxpayers.**
2. **Increase tuition/fees by $20 per credit hour which will price many of our prospective students out of higher education.**

**Our budget, like many others, is mostly salaries and benefits which we have an obligation to maintain. Implementing a hiring freeze, eliminating professional development travel, reducing overload and part-time pay by reducing class offerings, and freezing equipment purchases will generate a minimal amount of money, but these only set us farther behind as we attempt to meet the needs of our students, employees and communities.**

**South Plains College is still trying to restore many functions and services that were lost with the budget cut of 2003. It is certain that Levelland, Lubbock and the surrounding South Plains communities will feel the impact of another state funding reduction.**

BLINN COLLEGE
*Proven.*

Don Voelter
Blinn College
8/14/07

**Testimony of Donald E. Voelter, Ph.D.**
**President, Blinn College**
**Brenham, Texas**

I am pleased to be able to submit these remarks to the Senate Subcommittee on Higher Education concerning the impact of the Governor's veto of community college group health insurance funds.

The Governor's veto of $3,000,000 from the 2007/08 – 2008/09 budget of Blinn College will have a severe impact on the ability of the College to fulfill its mission of educating the students in its service area. Blinn College has historically operated on a very lean fiscally responsible budget due to the college district's low property tax base. The College has already raised its tuition and fees to the upper tiers compared with the other community colleges in the state. Further increases will only serve to deny access to those Texas citizens most in need of educational opportunities. The college district's budget suffered an additional setback earlier this year from a successful tax rollback election. Thus, the Governor's statement that colleges can make up the vetoed funds through additional local taxes and increase tuition are not applicable to Blinn College.

As a result of the veto, the College was left with no alternative except to reduce its already lean budget for 2007/08 by an additional $1,500,000 for each year of the biennium. This was done by eliminating professional travel and faculty and staff positions. In the most recent year for which data is available (2005) Blinn College had the 9th lowest administrative cost ratio of the Texas community colleges. In addition, it has one of the lowest rates of expenditures per student. Despite these limited financial and human resources, Blinn College has ranked at the top of the state's community colleges in the percentages of its students who transfer to senior colleges and who graduate from those institutions. The veto has served to penalize an institution that has already sacrificed to make the best possible use of its limited resources.

The Board of Trustees and the administration of Blinn College urge the Texas Legislature and the Governor to identify and implement a method to restore the group health insurance appropriations. Failure to do so will serve only to penalize the future of the citizens of our state.

BRAZOSPORT COLLEGE
500 College Dr.
Lake Jackson, Texas 77566
(979) 230-3000 FAX (979) 230-3443

Name: Mimi Valek

Source of info: Brazosport College

Date: 8/14/07

August 13, 2007

The Honorable Judith Zaffirini
P.O. Box 12068
Capitol Station
Austin, Texas 78711

Chairman Zaffirini:

Brazosport College appreciates your leadership and the opportunity to provide this written testimony to the Senate Subcommittee on Higher Education regarding the impact of Governor Perry's veto of health insurance benefits for fiscal year 2008-2009.

Brazosport College serves Southern Brazoria County which is home to Dow Chemical Company, BASF Corporation, the Port of Freeport and an array of petrochemical manufacturing industries. The college is located within an hour of the world's largest medical center. Additionally, the revival of the nuclear industry is occurring within a 60 mile radius to our campus. These businesses and industries are vital to our state's economy and rely on Brazosport College, as well as other community colleges, for the development of a skilled workforce.

**The Governor's veto has a significant impact on Brazosport College**

- The revenue loss to Brazosport College is $1.37 M for fiscal year 2008-2009

**A loss of this magnitude combined with the steady decline of state appropriations has a chilling effect on our students, taxpayers, educational programs, and financial sustainability**

**Impact on Educational Programs**

- Brazosport College is developing a Science Technology Corridor on campus with programs supporting Health Professions, the Petrochemical Industry, Nuclear Energy, and Construction Technology. An unresolved veto has the potential to stop the development of programs where there are critical workforce shortages.

**Impact of Decline in State Appropriations**

- To offset declining state appropriations, the Board of Regents has a $3 SCH tuition increase scheduled for consideration with adoption of the budget. This represents a 10.7% increase for students. A likely outcome is increased time to degree as students take fewer hours or fewer students attempt higher education.
- The college anticipates a tax rate increase for 2008-2009 to provide for educational costs no longer covered through state appropriations.

**To recoup the loss from the Governor's Veto**

- If not resolved, the college is considering an 18% reduction in net assets, effective fiscal year 09. This action, only available one time, will place the college in a vulnerable position relative to the start of hurricane season and the need for reserve funds for unforeseen circumstances brought on by acts of nature or other disasters. Reducing net assets also has a negative impact on bond ratings and the ability of the college to borrow money to carry out local responsibility for the development and maintenance of facilities.
- If not resolved, the college is also considering a tax rate increase. To offset the magnitude of the veto would require a 16.5% increase in property taxes, well above the roll back rate.

**Brazosport College supports the solutions proposed by TACC in their testimony; including solutions for reversing the veto and working toward a long-term solution**

- We feel it is vitally important to define proportionality in a way that is consistent with the long standing compact between the state and local communities is essential to ensuring a solution that will stand the test of time.

**Brazosport College remains firmly committed to working with you and all members of the Senate to finding a solution to the crisis brought on by the veto and to the larger problem of adequate funding for community colleges.**

Respectfully submitted,

Millicent Valek

Colleen Smith
Cisco College
8/14/07

# *Cisco Junior College*

***Testimony Presented to:***

***The Senate Subcomittee On Higher Education***

***August 14, 2007***

Proportionality, in theory, is a reasonable and responsible course of action. In theory, it insures that only those employees who meet the qualifications for receiving state funded compensation do so.

Formula funding for community colleges, in theory, is a reasonable and responsible course of action. It designates the necessary per student funding for quality, state supported higher education. That funding is then distributed to each community college based on its enrollment.

However, it is necessary for both of these policies to be followed in order for Texas residents to retain access to quality higher education. When the generally agreed upon formula is not funded, education in Texas is jeopardized. And regularly, the formula is not funded.

Rather than lobbying to change their charters and revise their mission statements to exclude the students unable to pay high tuition costs similar to those of colleges that do not receive state funding, Texas Community Colleges have traditionally attempted to keep tuition down, keep local taxes down and make up revenue shortfalls resulting from partial formula funding by maintaining lean administrative systems, basic student services, conservative facilities and low wages in comparison to other institutions of higher education.

Even with these conservative budgeting tactics, the lack of complete formula funding makes it impossible to fund, with state allocated resources, all of the eligible positions that are needed. In districts with large tax bases, the positions are hired with funds from other sources. In the districts with small tax bases, badly needed positions are simply not filled.

For small districts with rural tax bases, revenue from local sources is woefully insufficient to compensate for the lack of formula funding from the state. As a result, many have pared down their programs and asked their administrators and faculty to perform double duty so students in the classroom will continue to have an opportunity to achieve the exemplary learning outcomes defined by the Texas Coordinating Board of Higher Education.

Traditionally, the Texas State Legislature has recognized the difficult position in which underfunding has placed community colleges and has attempted to alleviate it somewhat. One method of support has been the state funded payment of health care benefits for all community college positions that qualify for state funding, whether or not they are actually paid by state resource allocations or not. Specific and detailed reports of employee positions and numbers are defined by the LBB and reported with accuracy by community colleges to determine which employee positions are eligible for state funded health care benefits.

Community Colleges are not opposed to paying the compensation for the proportion of their employees who do not qualify for state funding support and have been doing that for some time. In other words, Community Colleges do currently comply with proportionality. However, Community Colleges are opposed to being hit with a double jeopardy situation in which they are number one, not provided full formula funding that is necessary to support the legislatively agreed upon and mandated functions, and number two, not provided the funds to pay health care for those employees who fulfill the legislatively agreed upon and mandated functions that should be supported by state resources.

In practice, formula funding and proportionality can both be positive policies for the entire state, but only if both policies are adhered to in theory and in practice. Equal opportunity to higher education cannot be achieved as long as one policy is ignored and the other is disproportionately applied.

If the shortfall caused by the Governor's veto is not restored, Cisco Junior College will have to generate $924,722 for the 2008-2009 academic year. This is approximately 7% of the entire budget. Since many of our students had already pre-registered for the Fall 2007 semester, we did not feel that we could raise tuition until the spring. In order to begin preparations for the devastating impact of the veto, the College has taken action and made the following plans.

1. The College is currently maintaining a hiring freeze. Example: One of the open positions that has not been filled due to the veto is in Financial Aid and that office is overwhelmed. This is having a very negative impact on students trying to attend college this fall.

2. Tuition will be increased in the Spring of 2008 with an additional increase in the Fall of 2008. We are still analyzing the budget, but we believe the total impact of the increase will be 10 to 15 dollars per credit hour. This increase in tuition will have a negative impact on students, reducing their opportunity for higher education.

3. For employees who already receive wages and/or salaries in the bottom quartile of higher education wages and salaries, there will be no possibility of wage increases to offset the rapidly increase cost of living during fiscal year 2009.

4. Departmental spending will be reduced severely during this academic year. How can you reduce spending in a bare-bones budget?

5. The College will develop a retrenchment plan to cut a budget that is already very frugal. This will mean prioritizing and perhaps cutting positions and programs during the 2008-2009 year.

***Proposed Solutions:***

***Short Term***

- Restore funding lost by the veto through budget execution authority based on eligibility of an employee for state funded health benefits. Add language to the Code that makes clear that community college employees who are eligible for state funding through the formula are considered eligible for state funding of their group health insurance benefit. Make it clear to the state that community colleges do participate in proportionality as proportionality was intended.

***Future***

- Amend any future proportionality rider to clearly state that the appropriation for community college group health insurance is based on eligibility of a community college employee for state formula funding.

- Appropriately fund the previously established and agreed-upon formula for community colleges and this problem would not exist.

***In Summary:***

In practice, formula funding and proportionality can both be positive policies for the entire state, but only if both policies are adhered to in theory and in practice. Equal opportunity to higher education cannot be achieved as long as one policy is ignored and the other is disproportionately applied. Thank you for the opportunity to present this information. Those of us who work in the two-year colleges are passionate about our mission and our role in providing the educational opportunities that are critical for the citizens of Texas and that are necessary to the economic future of this great state.

Name: Wright Cassidy

Source of Info: DCCCD

Date: 8/14/07

Dallas County
Community College District

**Senate Subcommittee on Higher Education Testimony**
**August 14, 2007**

***DCCCD Background***

With seven colleges, a "virtual" campus and thousands of classes to choose from, students and community members know that the Dallas County Community College District understands how important education is to professional success. DCCCD's mission is to educate students of all ages, from all walks of life, who represent the diversity of the community so that they can become productive and responsible contributors in those communities.

More than 1.5 million students later, DCCCD serves people of all ages from all walks of life who simply want to succeed both personally and professionally. DCCCD celebrated its 40th anniversary last year; the district continues to enrich lives and build community.

In fall 2006, more than 64,000 credit students and 25,000 continuing education students filled the district's campuses: Brookhaven, Cedar Valley, Eastfield, El Centro, Mountain View, North Lake and Richland colleges, as well as the Dallas TeleCollege, a division of the R. Jan LeCroy Center for Educational Telecommunications. Administered by district offices in downtown Dallas and Mesquite (the District Service Center), DCCCD serves a diverse student population; employs faculty, staff and administrators from Dallas County and beyond; and serves as a conscientious steward of taxpayers' dollars.

***Impact of Funding Cuts***

- Since the mid-1980s, the percentage of state contributions to the Dallas County Community College District have declined by 37 percent.

- Since the mid-1980s, the percentage of contributions received from taxes by DCCCD from Dallas County taxpayers has increased by 100 percent.

- During the last 20 years, the percentage of total contributions from student tuition has risen by 8 percent.

- DCCCD trustees have adhered to a policy of low tuition for students and, instead, have passed financial burdens more often to the taxpayers of Dallas County. Those taxpayers also have shown their overwhelming support with the passage of a $450 million bond program in 2004 that will enable the district to meet its obligations to students, the community and the state by providing buildings, facilities and instruction needed to support economic development, workforce development and Closing the Gaps goals.

- Overall, of the total amount of eligible expenditures available from the state, DCCCD is underfunded by more than $115 million.

***Closing the Gaps***

- The faces, ages and backgrounds of DCCCD students accurately reflect the communities within Dallas County. In fall 2006, enrollment reflected the diversity of the student body, which comprised the following ethnic groups: 38.7 percent Anglo; 24.1 percent African American; 25.5 percent Hispanic; 8.5 percent Asian/Pacific Islander; and 0.5 percent Native American. DCCCD colleges also welcomed international students from more than 70 countries, who comprised 2.6 percent of the total student population. Emeritus programs for lifelong learners, as well as courses that meet the needs of English as a second language students, reflect the diverse nature of the district and its students.

- In order to close the gaps in learning, DCCCD must provide new buildings, facilities and an appropriate learning environment to the thousands of new students that the district expects to enroll during the next decade. DCCCD's 2004 bond program, supported overwhelmingly by taxpayers, includes five new community education campuses in underserved or fast-growing areas of Dallas County. The loss of $15.7 million potentially could hamper operations at these new campuses – places that represent access to higher education for persons who previously had never considered college as part of their future plans. Several of those new facilities are scheduled to open next year.

- This loss in funding could also impact DCCCD's efforts in remedial education and nursing programs.

- DCCCD's $15.7 million funding deficit also cuts the district's capacity to respond to changing workforce needs in north Texas.

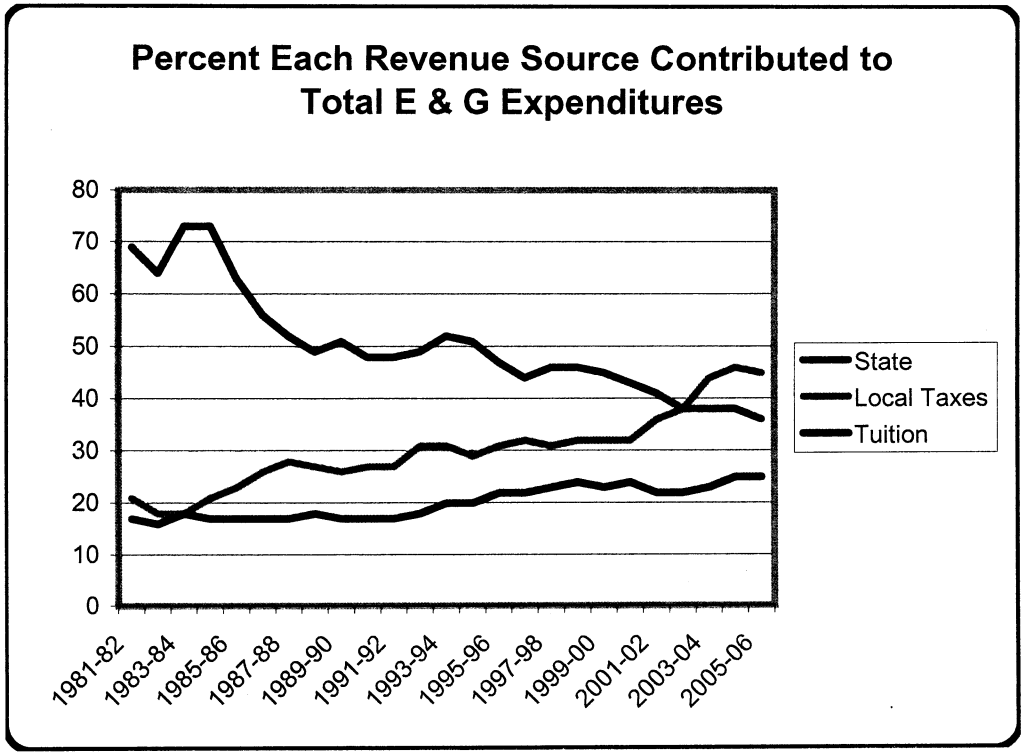
***Proposed Solutions***

- DCCCD supports TACC's proposed solutions to reverse the veto through the Legislative Budget Board's budget execution authority and to find a long-term solution moving forward.

Lassiter, page 3

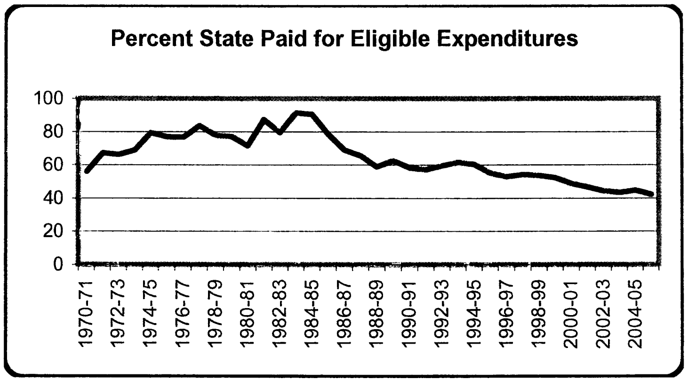
# Dallas County Community College District
## Contribution Ratios for Major Sources of Revenue
## 1981-82 Through 2005-06

| Year | Percent Contribution: State | Local Taxes | Tuition |
|---|---|---|---|
| 1981-82 | 69 | 21 | 17 |
| 1982-83 | 64 | 18 | 16 |
| 1983-84 | 73 | 18 | 18 |
| 1984-85 | 73 | 21 | 17 |
| 1985-86 | 63 | 23 | 17 |
| 1986-87 | 56 | 26 | 17 |
| 1987-88 | 52 | 28 | 17 |
| 1988-89 | 49 | 27 | 18 |
| 1989-90 | 51 | 26 | 17 |
| 1990-91 | 48 | 27 | 17 |
| 1991-92 | 48 | 27 | 17 |
| 1992-93 | 49 | 31 | 18 |
| 1993-94 | 52 | 31 | 20 |
| 1994-95 | 51 | 29 | 20 |
| 1995-96 | 47 | 31 | 22 |
| 1996-97 | 44 | 32 | 22 |
| 1997-98 | 46 | 31 | 23 |
| 1998-99 | 46 | 32 | 24 |
| 1999-00 | 45 | 32 | 23 |
| 2000-01 | 43 | 32 | 24 |
| 2001-02 | 41 | 36 | 22 |
| 2002-03 | 38 | 38 | 22 |
| 2003-04 | 38 | 44 | 23 |
| 2004-05 | 38 | 46 | 25 |
| 2005-06 | 36 | 45 | 25 |



Lassiter,
page 4

**Dallas County Community College District**
**Comparison of State Revenues to Eligible Expenditures**
**1970-71 Through 2005-06**




| Year | State Revenues | Net Eligible Expenditures | Net Difference | % State Paid |
|---|---|---|---|---|
| 1970-71 | 4,942,503 | 8,818,962 | 3,876,459 | 56 |
| 1971-72 | 7,388,722 | 10,986,768 | 3,598,046 | 67 |
| 1972-73 | 9,240,845 | 13,949,977 | 4,709,132 | 66 |
| 1973-74 | 11,035,927 | 16,016,761 | 4,980,834 | 69 |
| 1974-75 | 15,221,071 | 19,183,476 | 3,962,405 | 79 |
| 1975-76 | 18,110,169 | 23,580,774 | 5,470,605 | 77 |
| 1976-77 | 21,640,243 | 28,202,082 | 6,561,839 | 77 |
| 1977-78 | 28,050,121 | 33,556,872 | 5,506,751 | 84 |
| 1978-79 | 30,646,483 | 39,349,201 | 8,702,718 | 78 |
| 1979-80 | 31,637,319 | 41,029,111 | 9,391,792 | 77 |
| 1980-81 | 33,320,910 | 46,651,619 | 13,330,709 | 71 |
| 1981-82 | 47,208,949 | 54,118,993 | 6,910,044 | 87 |
| 1982-83 | 51,448,984 | 64,671,665 | 13,222,681 | 80 |
| 1983-84 | 62,254,591 | 68,213,798 | 5,959,207 | 91 |
| 1984-85 | 65,003,640 | 71,776,211 | 6,772,571 | 91 |
| 1985-86 | 57,627,654 | 73,401,214 | 15,773,560 | 79 |
| 1986-87 | 52,499,046 | 76,179,432 | 23,680,386 | 69 |
| 1987-88 | 52,810,869 | 80,799,557 | 27,988,688 | 65 |
| 1988-89 | 52,751,069 | 89,565,071 | 36,814,002 | 59 |
| 1989-90 | 60,242,267 | 96,240,438 | 35,998,171 | 63 |
| 1990-91 | 59,255,710 | 101,518,862 | 42,263,152 | 58 |
| 1991-92 | 62,564,705 | 109,364,178 | 46,799,473 | 57 |
| 1992-93 | 62,460,785 | 105,111,259 | 42,650,474 | 59 |
| 1993-94 | 67,506,052 | 109,623,513 | 42,117,461 | 62 |
| 1994-95 | 67,507,316 | 112,062,533 | 44,555,217 | 60 |
| 1995-96 | 61,718,681 | 112,077,968 | 50,359,287 | 55 |
| 1996-97 | 61,718,682 | 116,794,939 | 55,076,257 | 53 |
| 1997-98 | 69,299,879 | 127,591,669 | 58,291,790 | 54 |
| 1998-99 | 72,063,920 | 134,238,404 | 62,174,484 | 54 |
| 1999-00 | 76,497,690 | 146,092,487 | 69,594,797 | 52 |
| 2000-01 | 78,509,258 | 160,466,659 | 81,957,401 | 49 |
| 2001-02 | 85,993,747 | 184,434,819 | 98,441,072 | 47 |
| 2002-03 | 79,974,186 | 180,501,967 | 100,527,781 | 44 |
| 2003-04 | 83,053,974 | 191,088,908 | 108,034,934 | 43 |
| 2004-05 | 83,052,590 | 185,078,554 | 102,025,964 | 45 |
| 2005-06 | 84,752,748 | 200,289,045 | 115,536,297 | 42 |

Galveston College

Office of the President

August 14, 2007

Name: Myles Shelton

Source of info: Galveston College

Date: 8/14/07

The Honorable Judith Zaffirini, Chair
State Senator
Senate Subcommittee on Higher Education
P. O. Box 12068
Austin, TX 78711-2068

Re: The Impact on Galveston College of the Governor's Veto of Community College Group Health Insurance for FY2009

Dear Members of the Senate Subcommittee on Higher Education:

The impact on Galveston College of the Governor's Veto of Community College Group Health Insurance for FY2009 is substantial.

- The Governor's Veto will result in the loss of $943,106, dollars that the legislature intended for the use of Galveston College retirees and current employees group health insurance during FY 2009.

- Galveston College anticipates that the lack of state monies for group health insurance during FY2009 will be made up through local taxes and anticipated savings from the FY2007 and FY2008 budget years.

- The savings from the FY2007 budget year and the anticipated savings from the FY2008 budget year result from cost savings measures which reduce programs and services for students and which delay campus maintenance to future years.

In conclusion, it is our hope that the Legislature, working with the LBB and the Governor, will be able to find a way to resolve this issue and restore the funds that the Legislature intended us to have for the purposes of our group health insurance. Please keep in mind that Galveston College, like all of the other community colleges across the state, continues to be both legally and morally obligated to provide and fund group health insurance for all college retirees and current employees.

If you have any questions or if I can be of further assistance, please feel free to contact me.

Sincerely,

W. Myles Shelton

W. Myles Shelton, Ed.D.
President

Name: Clay Sherrie

Source of info: Speaks Howard College

Date: 8/14/07

# Howard College

**TESTIMONY SUBMITTED to:**
**The Senate Subcommittee**
**On Higher Education**
**AUGUST 14, 2007**

***IMPACT:*** If the veto issue is not resolved, the State of Texas' primary delivery system for freshman and sophomore level students as well as business and industry will be severely and negatively impacted due to the significant loss of funds. This same result will translate to the local areas served by each community college. In the specific case of Howard College, it will be difficult or perhaps impossible for the college to maintain the level of access, service and performance that is currently provided to its taxing district and the other 12 counties served in rural West Texas totaling some 13,000 square miles.

These funds will have to either be replaced from local sources or programs and services will have to be reduced or eliminated. Based on the current information, Howard College would lose $1.6 million which is an amount that approaches 8% of our total current unrestricted budget, equals over 40% of the tuition and tees currently collected by the district and is almost 50% of the total local ad valorem tax revenue collected by the district in 2006. To recover an amount of this magnitude in relationship to these current revenue sources, Howard College would have to take drastic measures on several fronts.

***POSSIBLE ACTIONS:*** Based on guidance from our legislators, Howard College did not take any budget action this summer to address this matter. In early spring of 2007, the college had already announced intentions to enact a minimal tuition and fee increase for the spring 2008 semester. During the budgeting workshops conducted this summer, it was determined that an increase of $2 would be necessary. Due to the recent veto, the college administration informed the Board of Trustees and the college community that this amount could increase if the veto matter was not resolved. It was determined that the final number will be addressed in the fall. In addition college employees have been advised that other significant measures such as loss of positions and/or services could be required to address the matter as well.

Some possible actions that could be considered would be:

- **<u>An increase in tuition & fees of up to 50%.</u>** This action would most certainly price higher education out of reach of many lower and middle income citizens. This would be detrimental to the State's Closing-the-Gaps initiative. In time it could have the effect of lowering the overall educational level of Texas and thereby reducing our competitive edge for job creation and retention.

- **<u>An increase of local ad valorem taxes of up to 50%.</u>** This action would increase the tax rate over five times the rollback rate. It would place an undue hardship on local taxpayers by asking them to shoulder an unfair burden of cost to cover the benefits for college employees. Although the taxpayers of Howard County have been supportive of Howard College for over 60 years, a tax increase of this magnitude could cause taxpayers to reconsider their support of Howard College and the possible closure of the institution and its service to the 13 counties and 27 rural school districts in West Texas served by the college.

- **<u>A significant reduction in programs and services.</u>** A reduction in the college workforce of up to approximately 50 employees out of 300, or a 17% reduction, would be required to fund the shortfall created by the veto. A reduction in force of this magnitude would only provide for the most basic services to the current college population. It would most likely result in sub-standard services to students, and would limit student access and success. It would almost certainly result in a myriad of problems in reporting, record keeping, and auditing.

- **A reduction in employee salaries.** Reducing salaries below current levels would place the college at a competitive disadvantage in hiring and retaining employees. Texas already trails many states in higher education salaries. Howard College further trails most other Texas community colleges in almost all salary categories. In addition, the private sector is able to pay at a much higher rate; hence many of the best employees are seeking employment outside of Texas higher education. Further lowering salaries would have a devastating effect on employee recruitment, retention and morale. To recover funds lost by the Governor's veto, Howard College salaries would have to be lowered by almost 15% from current levels.

- **Unfunded benefits cost paid by employees.** Although it would require legislative consideration for this approach, it would be economically unfeasible for many of Texas higher education employees. This would have the negative effect of leaving many employees and their families uninsured. This would place Texas community colleges at a distinct disadvantage in recruiting and retaining employees, as they can receive these benefits from many employers in the private sector and from other states' educational systems.

***SOLUTIONS:*** The most likely approach to this problem, short of resolution and reinstatement of vetoed funds by the State, would be a combination of some of the above actions. It would seem unfair to place the burden on any one segment such as local taxpayers, employees, or students. It would seem advisable for the State of Texas to invest in the future of our state by fully supporting the community college system that is considered the backbone of higher education in Texas. If this burden of students was passed to the university system, the added cost to the state might well exceed the cost of the community college fringe benefits appropriation. The net effect of this would be to cripple Texas' primary delivery system of lower division academic and workforce education. The negative economic impact to Texas would be felt for generations.

If the State implemented full formula funding, proportionality would be less of an issue because most or all eligible employees would be paid from State funds. Hence, they would be eligible to receive full benefits from the state. This would correct the trend of the last several years of pushing cost away from the State onto the shoulders of students and local taxpayers.

Ideally, the State of Texas will respond to the value of the 50 community colleges to the economy of Texas and to the betterment of the lives of thousands of Texans by ultimately fully funding these institutions of higher learning. Restoration of these vetoed funds is essential to continuing the current service being provided. Otherwise, the backbone of the Texas higher education system will be broken which will impact the strength of the entire higher education system. Thus, we recommend consideration of the proposed solution of the Texas Association of Community Colleges or another proposal agreeable to all concerned. We stand ready to work together on a solution that will not only resolve the matter but strengthen the community college segment of higher education as a whole.

Out Front with LEE COLLEGE

Name: Martha Ellis

Source of Info: Lee College

Date: 8/14/07

**The Governor's Veto has a significant impact on Lee College**

The revenue loss of approximately $2.1 million in health insurance benefits for 2008-2009 represents 21% of the college's total state appropriation for that same period.

The 2.1 million represents 30% of the $7million generated in tuition and fees during the prior academic year.

**Potential Impact based on this multimillion dollar loss:**

A $13.00 per credit hour increase in tuition is needed to cover the loss

OR

A 12.5% tax rate increase, based on today's tax roll, is needed to cover the loss

Other options that would impact the local business economy

Not implementing the 9 new workforce training programs approved by THECB to begin next year

Not hiring new faculty

Limiting class offerings and capping enrollment

Reducing hours of operation for student services including financial aid, tutoring, and job placement

In 1998 state appropriations 43%; taxes 37%; tuition and fees 16%; other 4%
In 2007 state appropriations 29%; taxes 43%; tuition and fees 20%; other 8%
This means that in 1998 43% of instructional costs were covered by the state while in 2007 only 29% of these costs were covered.

**Current consideration by Lee College for insurance veto recovery**

A $5.00 SCH tuition increase this spring

Not hiring full time faculty for next year and postponing implementation of new workforce training programs

A tax increase of 5% for 2009 (to be approved summer of 2008)

**Suggestions for Restoring the Money**

LBB uphold the 80$^{th}$ Legislature's appropriation and restore the funds

Apply proportionality consistently across sectors of higher education

Funding the formula at 100% would alleviate the problem entirely

*Martha Ellis, Ph.D., President* *Phone 281-425-6300* *Fax 281-425-6555* *E-Mail: mellis@lee.edu*

*P. O. Box 818 • Baytown, Texas 77522-0818 • 713-427-5611*

NHMCCD

*Learning without boundary...*

Richard Carpenter
NHMCCD
8/14/07

NORTH HARRIS MONTGOMERY COMMUNITY COLLEGE DISTRICT
District Services and Training Center
5000 Research Forest Drive
The Woodlands, Texas 77381-4356
832.813.6515 Fax 832.813.6570
Office of the Chancellor

August 13, 2007

The Honorable Judith Zaffrini
Senator, District 21
P.O. Box 627
Laredo, TX 78042

Dear Senator Zaffirini:



As one of the largest and fastest growing community college districts in Texas the North Harris Montgomery Community College District is presented with unique challenges as a result of the recent veto by Governor Perry. The $154 million veto will produce a reduction of $10 million in state support for the operations of our district at a time when our enrollment continues toward the growth that has produced a doubling of the number of students in each of the last two decades. We are proud of our past efforts toward the state's Closing the Gap goals, but our ability to respond is seriously threatened with the Governor's action.

The NHMCCD Board of Trustees will be faced with extremely difficult decisions in dealing with this loss of funding. A reduction of $10 million dollars in our annual budget is the equivalent of the following changes:

- An increase of 12.4% in the operations tax rate
- A hike of 35% in student tuition
- Elimination of 800 class sections representing approximately 1,600 full time equivalent students

Our board and the community they represent consider these options undesirable and unacceptable. At a time when providing affordable higher education and workforce training is critical to the state, even in the stated opinion of the Governor, we cannot accept huge increases in tuition which will effectively narrow the gap. And to reduce available course sections and enrollments would have the same chilling effect on access to educational opportunities.

And even though the Governor made it clear in his statements that local boards can raise local property taxes to make up the cuts, this is an equally undesirable alternative, and in most areas of the state not even a realistic option given tax caps or rollback provisions.

The irony of the situation is that if the state were fully funding instruction per the original agreement with community colleges instead of 52% of formula, the issue of proportionality and the veto would be a moot point. As it is, however, this is another step on a slippery slope leading toward a potential crisis for higher education opportunities and the future of the economic engine of Texas.

We appreciate the Legislature's understanding of and interest in identifying a solution to this situation.

Sincerely,

Richard Carpenter
Chancellor

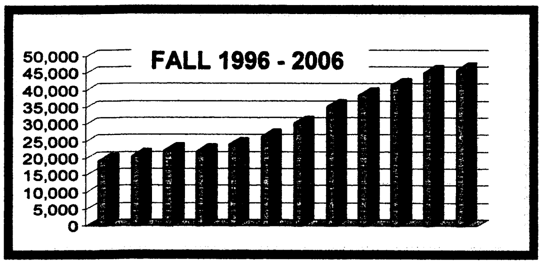
**NORTH HARRIS MONTGOMERY COMMUNITY COLLEGE DISTRICT ANALYSIS OF IMPACT OF GOVERNOR PERRY'S VETO**

## DISTRICT PROFILE

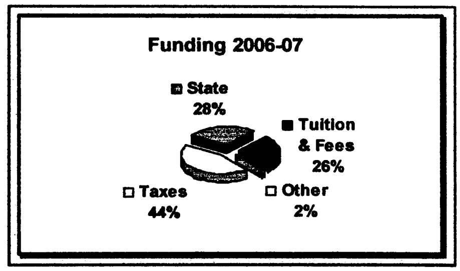
❖ NHMCCD is among the largest and fastest growing colleges in the state

- Five colleges in the system
  - Cy-Fair College
  - Kingwood College
  - Montgomery College
  - North Harris College
  - Tomball College
- Currently 46,000 credit students and 15,000 CE students each semester
- Enrollment increased from 22,000 to over 46,000 students in the last 10 years

**NHMCCD STUDENT ENROLLMENT**




**FUNDING**




## STATE OF TEXAS SUPPORT FOR COMMUNITY COLLEGES

❖ Continues to decline

- Currently appropriates approximately 52% of the formula for cost of instruction
- The state's contribution to NHMCCD operating budget has fallen from 65% to 28% in 15 years

❖ Continues to be replaced by taxing local communities beyond the original intent of taxation

- As intended, local communities currently fund 100% of the costs associated with community college facilities. For NHMCCD taxpayers, this equates to $59M annually; $25M to operate and maintain the facilities, and $34M to make the installment payments towards bonds issued to build or acquire the facilities. For 4-year institutions, these costs are funded fully by the State
- Because of the declining level of support from the state, local taxpayers now subsidize the state's portion of instructional costs with an additional $50M...three times the cost of maintaining and operating the facilities

## IMPACT OF GOVERNOR'S VETO

❖ The loss to NHMCCD is $10M for fiscal year 2008-09

❖ To recoup the loss:

- Taxpayers would have to pay 12.4% more in taxes based on today's tax rolls, OR
- Students would have to pay 35% higher tuition rates.

❖ If NHMCCD cannot raise the additional funds through tax and tuition rate hikes, the alternative is to reduce services and programs. This means that current students along with the growing number of new students could not be served. As an open enrollment institution committed to the State's own Closing the Gaps program and charged to serve all who want to better their lives, we will not be able to fulfill our mission or goals. $10 million in operating funds is the equivalent of approximately 800 class sections with an average of 20 students per section for a total of 1,600 fulltime students.

RL\VetoImpactJuly07

Panola College

1109 West Panola • Carthage, Texas 75633 • 903-693-1142 • Fax 903-693-1127 • www.panola.edu

Office of
the President


Name: Greg Powell
Source of info: Panola College
Date: 8/14/07

August 13, 2007

The Honorable Judith Zaffirini
Texas Senate Higher Education Subcommittee
P.O. Box 12068
Austin, Texas 78711

Dear Chair Zaffirini and Members of the Senate Higher Education Subcommittee:

Thank you for your leadership and efforts to remedy Governor Rick Perry's veto of $154 million for community college health insurance. As you consider options for Texas community colleges in general, I thought that articulating the impact of this veto on Panola College in particular would be helpful.

If the veto stands, Panola College will lose $945,499 in FY 2009. In hopes that a solution can be found, the Panola College Board of Trustees has not yet acted to address the profound effects of such a dramatic loss of revenue. To recoup the loss of state funds, one option available to Panola College would be a tuition increase of $25 per semester credit hour. A second option would be a property tax increase of 23.38 percent.

Panola College's legislatively assigned service area includes the following counties: Harrison, Marion, Panola, and Shelby. Only Panola County, representing 18.86 percent of the service area population, pays taxes to support Panola College. The vast majority of students attending Panola College do not reside in **any** community college's taxing district. Clearly, raising local taxes to cover the costs of reduced state funding is not fair to the tax payers of Panola County. On the other hand, raising tuition by such a dramatic amount would surely result in limited access to higher education for many potential students within our service area. I hope that this is not a choice the Panola College Board of Trustees will have to make.

Name: ____________________

Source of info: ____________

____________________

Date: ____________________

As you review health insurance options, please consider the following:

- Consider retirees separately; ERS already accounts for them separately.
- Fund premium increases in the second year of the biennium.
- Fund SKIP premiums not included in the appropriation.
- Do not penalize colleges with high percentages of full time faculty. Both the LBB and the THECB performance measures for community colleges include the percentage of contact hours taught by full-time faculty. To distribute the healthcare appropriation based on the current formula will penalize colleges that are receiving high marks for this performance measure. The FY 2009 Health Insurance appropriation of $945,499 to Panola College would amount to only $653,329 if distributed using the formula.
- As recommended by the THECB, consider awarding the small institution supplement to all two-year colleges with an enrollment of fewer than 2,500 students. Currently, only TSTC and Lamar institutions receive the supplement.

I appreciate your diligence and your good work on behalf of the citizens of Texas. Please call on me if I can provide information or any way assist you as you seek to resolve this vital issue.

Respectfully submitted,

Gregory S. Powell

Gregory S. Powell, President
Panola College

TEMPLE COLLEGE

2600 SOUTH FIRST STREET • TEMPLE, TEXAS 76504-7499
(254) 298-8282 • www.templejc.edu

August 13, 2007

Name: Marc Nicliazzo
Source of info: Temple College
Date: 8/14/07

The Honorable Judith Zaffirini
Chair, Senate Higher Education Subcommittee
The Senate of Texas
P.O. Box 12068
Austin, Texas 78711

Dear Senator Zaffirini:

On behalf of the students, faculty, staff, and trustees of the Temple College district, I wish to express our sincere appreciation for your unwavering support of our colleges, and for your willingness to address the impact of the Governor's veto of $154 million in health benefits for our faculty and staff. We are hopeful that your efforts will become the catalyst for the restoration of this critically important funding, and will provide a pathway to resolving not only the immediate issue of "proportionality," but the long-term and more critical issue of adequate funding the community colleges of Texas.

Though tuition and taxes will both increase in Fall 2007 at Temple College, neither is the direct result of the governor's veto. Our tax rate increase of 5.8% is the result of a successful bond election held in November 2006 to fund new science laboratories. Our tuition and fees increase of approximately 5% in-district and 7% out-of-district was approved by our Board of Trustees in April 2007 when it became evident that proposed state funding would be insufficient to address the 10% growth in headcount we have experienced since the last biennium, and the additional 4-6% growth projected for Fall 2007, including an ever-increasing number of out-of-district students.

With these increases already in place, further increases in tuition and taxes were simply not an option to offset the Governor's veto. The Governor's veto has cost Temple College $1.33 million in health benefits funding and has consequently required a reallocation of more than $800,000 in M/O budgeted funds, including funds intended for our nationally recognized Texas Bioscience Institute, funds crucially needed to hire additional faculty, funds previously budgeted for facilities maintenance, and funds originally intended for Student Support Services.

If the veto holds through the current biennium, additional increases in taxes and tuition will have to be considered in the second year to specifically address the shortfall, thus requiring the local taxpayer to assume an even larger portion of instructional costs while endangering access for many of our students unable to meet the rising costs of an education. A reduction in the number of courses offered and the range of services provided will be unavoidable. Nationally recognized programs on our campus such as the Health Sciences Clinical Simulation Center and the Texas Bioscience Institute will be further affected, while flourishing training programs for business and industry will be inevitably curtailed.

page 2

I have no doubt that we can begin at once to fashion a model for higher education that will be envied throughout the nation. I fear that with further rancor over the Governor's veto, we will lose days and months in fruitless adversarial encounters. Our students, our communities, and our State will ultimately pay a high cost if we cannot find common ground, and they will remember us well for either our success or for our failure.

Thank you for taking up this cause. You have our complete support and our prayers for success.

Sincerely,

Marc A. Nigliazzo

Marc A. Nigliazzo, Ph.D.
President

WEATHERFORD
COLLEGE

Established 1869

Office of the President

Name: Joe Birmingham
Source of info: Weatherford College
Date: 8/14/07

August 14, 2007

The Honorable Judith Zaffirini
Senate Higher Education Subcommittee
The Texas State Senate

Dear Senator Zaffirini,

On behalf of Weatherford College, I appreciate the opportunity to provide testimony today in regard to the Governor's veto of funding for group health insurance benefits for community college employees for FY 2009, the second year of the biennium.

If the funds are not restored, the impact on Weatherford College will be significant. The impact on the College would be as follows:

- The College would lose $1,397,289 million. This effectively is a 14.5% reduction in anticipated state funding for FY 2009.
- If the funds are not restored, the College may be required to raise tuition far above what would have been considered normal. For example, it would require a 23% increase to offset the loss of $1.397 million.
- The College will be required to consider ways to reduce programs and services, such as not filling full-time employee vacant positions.
- Compensation for faculty and staff for FY 2009 would be negatively affected.
- Finally, it will be necessary to consider an increase in property taxes.

At the time of the Governor's veto on June 15, Weatherford College had already made major decisions about its budget for FY 2008. Therefore, no decisions have been taken to address the potential loss of funds in FY 2009. I expect that the College will use a combination of the previously mentioned actions to offset the loss in funding, if that were to occur.

The Governor's veto may have far reaching affects, perhaps more than one might realize. For example, the Weatherford College Board of Trustees has approved plans to expand programs such as vocational nursing, associate degree nursing, radiologic technology, and respiratory care, and to start a new program in dental hygiene. The loss of funds because of the Governor's veto could delay our plans to expand programs that are so critical to the workforce and economic development in our region.

For the short term, our Board of Trustees and I believe that the funds for FY 2009 should be restored, *as appropriated* by the 80th Legislature. We also believe that the TACC and the Legislature should work together to find a long-term solution to this issue. We recommend that the alternatives proposed by the Texas Association Community Colleges be the starting point for discussions. We are hopeful that the solution to this problem will provide statutes and regulations that are clearly understood and fund community colleges equitably when compared to other institutions of higher education in Texas.

Thank you for providing this opportunity to speak to you today. We sincerely appreciate your leadership to help find a remedy to this problem.

Respectfully,

Joe Birmingham

Joe Birmingham, Ed.D.
President

# Wharton County Junior College

*911 Boling Highway • Wharton, Texas 77488 • (979) 532-4560*

Office of the President Phone (979) 532-6400 Fax: (979) 532-6526 email: bettym@wcjc.cc.tx.us


August 12, 2007

Name: Betty McCrohan

Source of info: WCJC

Date: 8/14/07

The Honorable Judith Zaffirini, Chair
Senate Higher Education Subcommittee
Texas Senate
Austin, Texas

Dear Senator Zaffirini,

Thank you for this opportunity to address the impact of Governor Perry's veto of Employee Health Insurance for FY2009 on Wharton County Junior College. I am optimistic that with the help of the Senate Higher Education Subcommittee, the Legislative Budget Board, and other members of the Legislature, funding for employee health insurance benefits will be restored and a resolution of the proportionality question will be reached.

IMPACT OF THE VETO FOR WHARTON COUNTY JUNIOR COLLEGE

If the veto stands, Wharton County Junior College will experience a $1,789,670 reduction in appropriations for FY2009. Employee health insurance coverage and the cost of the coverage are not an option for community colleges. Therefore, the immediate issue of a 17% loss of funding for the second year of the biennium will have to be addressed by the college in FY2008. Additional revenue from local sources will be required to cover the loss in state support for employee health insurance. The cost to the student and the community will increase.

In addition to the need to increase local support in the form of increases in student tuition and fees, the college will postpone the development of new programs, additional partnerships with business and industry, and new services for students. New initiatives focusing on the recruitment and retention of under-served students will be delayed or abandoned. Without the implementation of these initiatives and with the increased cost to students, we will inevitably lose momentum with "Closing the Gap" and "Achieving the Dream" goals.

ACTIONS THAT WILL BE TAKEN TO ADDRESS THE VETO

Wharton County Junior College has only one option: an increase in student tuition and fees. The maximum increase of 8% in local taxes would only generate approximately $300,000 in new revenue, and our agreement with the community to use the tax funds for maintenance and operation of the tax district facilities would exclude this revenue source. Therefore, the college will implement a $10.00 per semester hour increase effective the spring semester of FY2008 if the state funds for employee health insurance are not restored by October 2007. This increase could have a regressive effect on enrollment at WCJC, particularly on low income and under-served populations.

Along with increases in tuition and fees, the implementation of a new program in Power Plant Technology specifically designed to meet the needs of the energy industry in Matagorda County will be delayed and plans to increase offerings in the health professions for Fort Bend and Wharton County will be postponed until new funding sources are identified. These delays in responding to workforce needs can and will have a deleterious effect on the future of Texas.

POSSIBLE SOLUTIONS

Wharton County Junior College fully supports the recommendations of the Texas Association of Community Colleges. Reversing the governor's veto and fully restoring the appropriations for employee health benefits for FY2009 in the same manner they were appropriated by the 80th Legislature is the preferred option.

If the issue of proportionality is considered, community college revenue from tuition and fees and local support for payment of other employee benefits should be treated as general revenue when calculating proportionality. For FY2007, Wharton County Junior College received \$8,101,811 in state appropriations for the same period we generated \$11,837,202 in student tuition and fees and contributed \$1,311,300 in additional employee benefits. If these sources of revenue are included in the proportionality formula, eligible employee salaries of \$11,160,000 are fully covered by funds from general revenue.

The issue of proportionality must be resolved and codified in statute. Whether the preferred option of eligibility as presented by TACC or the alternative revenue-based approach is considered, community colleges should be treated equitably along with other institutions of higher education.

CONCLUSION

Wharton County Junior College stands ready to serve the needs of our local service area and the State of Texas. We appreciate your support and look forward to working with you to provide quality educational services to our students.

Sincerely,

Betty A. McCrohan

Betty A. McCrohan
President