

Legislative Appropriation Request

for Fiscal Years 2018 and 2019

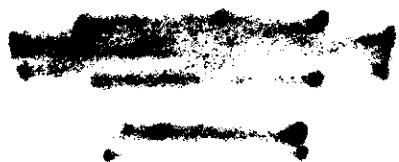
Submitted to the
Governor's Office of Budget, Planning and Policy
And the Legislative Budget Board

by

South Texas College

August 5, 2016

[REDACTED]
[REDACTED]



Legislative Appropriation Request

Table of Contents

Administrator Statement 1-6

Organizational Chart 7

Certification of Dual Submission.....8

Texas Higher Education Coordinating Board Audit of Formula Funding at South Texas College Statement9

South Texas College/Adjustment of Formula Funding Letter..... 10-14

Summary of Base Request by Strategy (2A) 15-16

Summary of Base Request by Method of Finance (2B) 17-18

Summary of Exceptional Items Request (2E).....19

Summary of Total Request by Strategy (2F) 20-21

Group Insurance Data Elements (3C) 22-24

Exceptional Item Request Schedule (4A)25

Percent Biennial Base Reduction Options (6I)26



Administrator's Statement

8/5/2016 1:33:51PM

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

948 South Texas College

Introduction:

South Texas College (STC) was established by Texas Senate Bill 251 on September 1, 1993, as a comprehensive public community college offering technical/vocational and academic programs to the people of Hidalgo and Starr Counties. STC began operations as an independent two-year institution of higher learning on September 1, 1993. The College was independently accredited by the Southern Association of Colleges and Schools to offer Associate of Applied Science Degrees in 1995 and the Associate of Art and Associate of Science Degrees in 1996. On December 7, 2004, South Texas College District was approved as a Level II bachelor degree granting institution by the Commission on Colleges of the Southern Association of Colleges and Schools, and began offering the Bachelor of Applied Technology in Technology Management in Fall of 2005.

South Texas College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award the Baccalaureate and Associate degrees. Contact the Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097 or call 404-679-4500 for questions about the accreditation of South Texas College.

South Texas College's service area is among the fastest growing areas of the United States in terms of population, business and industry. Yet, the area has often been cited as being one of the poorest, least well-educated regions in the nation and consistently ranks among the areas in Texas having highest levels of unemployment.

The SACS Commission on Colleges granted membership to South Texas College in December of 1995. South Texas College received its most recent ten year reaffirmation of accreditation in July of 2010.

Board of Trustees:

The College's Board of Trustees represents seven single member districts based on population. A community leader from each of the seven districts was originally appointed by the Texas Governor to serve on the founding Board of Trustees. Since then, elections have been held, as required by State law, and all members were elected by the year 2000. The Board of Trustees serve staggered six-year terms with elections held in May of each even-numbered year. Policymaking and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the President, who is the chief administrative officer of the District. The names, terms of office and hometowns of the members of the Board of Trustees are as follows:

Name	Term	Hometown
Ms. Rose Benavidez	May 2012 – May 2018	Rio Grande City, Texas
Ms. Graciela Farias	May 2012 – May 2018	La Joya, Texas
Mr. Paul R. Rodriguez	May 2016 – May 2022	McAllen, Texas
Mr. Gary Gurwitz	May 2016 – May 2022	McAllen, Texas
Dr. Alejo Salinas, Jr.	May 2014 – May 2020	Edinburg, Texas
Mr. Jesse Villarreal	May 2012 – May 2018	Weslaco, Texas
Mr. Roy De Leon	May 2014 – May 2020	Mercedes, Texas

Comprehensive Mission

948 South Texas College

Vision Statement

South Texas College is a world-class institution advancing regional prosperity through education for a better quality of life in our community.

Purpose Statement

South Texas College is an innovative, public, post-secondary institution providing quality education and career pathways for the people and communities of Hidalgo and Starr counties. The College achieves student success, nurtures talent development, and promotes economic vitality through collaborative and creative approaches to teaching, learning, and support services.

Core Values

1. Student Success: We promote student success and completion through the implementation of diverse strategies and initiatives.
2. Opportunity: We value providing access and opportunities to students to meet the needs of our communities.
3. Excellence: We value excellence in teaching, learning, and all support services.
4. Innovation: We encourage creativity and champion innovative approaches to teaching, learning, and services.
5. Community: We value engaging the community in students' learning experiences and in the positive transformation of our region.
6. Professionalism: We demonstrate professionalism through collegiality, respect, and recognition for each other.
7. Collaboration: We value collaboration and communication among STC employees and STC constituents.
8. Integrity: We value integrity through honest and transparent communication and courageous dialogue.

Guiding Principles

1. South Texas College shares collective responsibility for student learning, student success, and regional prosperity.
2. Students succeed through mutual engagement with the College at each stage of their educational pathways.
3. South Texas College champions innovation through its willingness to transform the College's systems to meet the educational and workforce needs and challenges of our region.
4. Collaboration with educational and business partners is key to student, college, and community successes.

Strategic Directions

(*The development of Strategic Directions incorporated the framework recommended by the American Association of Community Colleges (AACC)'s report "Reclaiming the American Dream". The changes recommended by this framework include changing from Fragmented Course-Taking to Clear Pathways, from Low Success Rate to High Success Rate, from Access to Access and Success, from a Culture of Isolation to Collaboration, and from Individual Faculty Prerogative to Collective Responsibility.)

- Clear Pathways - South Texas College provides students with clear pathways to facilitate coherent educational experiences and timely completion of post-secondary credential leading to relevant employment and/or further educational experiences.
- Access and Success - South Texas College is committed to increasing the college-going and college-completing rates in the region.
- High Success Rate - South Texas College engages in effective, proven efforts to ensure student success and positively affect the economic and social mobility of residents in our region.
- Collective Responsibility - South Texas College empowers faculty to work together within and across disciplines to design best learning experiences for students, leading to their academic success, career readiness, and timely completion.
- Collaboration - South Texas College commits to effective interdepartmental and interdivisional collaborations and advances mutually beneficial community and educational partnerships that create a collective impact on student success.

Administrator's Statement

8/5/2016 1:33:51PM

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

948 South Texas College

- Cost Efficiency - South Texas College seeks innovative redesign of college processes to promote new approaches to cost-consciousness and cost-efficiency.

South Texas College's Current and Anticipated Implementation of Its Comprehensive Mission:

South Texas College has expanded educational programs to meet the enrollment of the College and identified workforce development and transfer program needs in its service area. The College's fall enrollment has grown from just over 1,000 students in Fall 1993 to over 34,641 in Fall 2015, an increase of nearly 3,364%. This student growth represents the population growth of Starr and Hidalgo Counties, but also the previously educationally underserved that desired an opportunity for higher education. The College currently offers 118 degree and certificate programs. These include Associate of Arts degrees, Associate of Science degrees, Associate of Applied Science degrees, applied baccalaureate degrees and certificate programs.

In June of 2003, the 78th Texas State Legislature approved Senate Bill 286, Section 50. This bill granted approval for the Texas Higher Education Coordinating Board to conduct a pilot project with three community colleges to grant baccalaureate degrees in applied science and applied technology. Specifically, the Texas Legislature amended Subchapter A, Chapter 130, Texas Education Code, adding Section 130.0012 permitting three Texas community colleges to offer bachelor's degrees after acquiring Texas Higher Education Coordinating Board approval and appropriate regional accreditation. The Texas Higher Education Coordinating Board approved South Texas College as one of the three pilot colleges at their regular meeting on July 17, 2003. STC was approved as a Level II degree granting institution to offer the Bachelor of Applied Technology in Technology Management at the annual meeting of the Commission on Colleges in December of 2004. H.B. 2198 passed in the 80th Legislative Session removed the pilot status and South Texas College was granted permanent authority to offer baccalaureate degree programs in the fields of applied science and applied technology. STC currently offers four baccalaureate degree programs: the Bachelor of Applied Technology in Technology Management, the Bachelor of Applied Technology in Computer Information Technologies, the Bachelor of Applied Technology in Medical and Health Services Management, and the Bachelor of Applied Science in Organizational Leadership.

The College has created a "College going Culture" through development of dual enrollment/dual credit program, through many innovative programs developed specifically to meet the needs of the high school students wishing to earn an associate degree or a certificate prior to completion of high school. All of the high schools in the STC District have the opportunity to participate in one or all of these programs. Approximately 15,000 high school students in 78 high schools and 24 school districts have the opportunity to enroll in the dual enrollment program during the Fall 2014 semester.

In addition to these credit-bearing programs, STC's emphasis on continuing education, workforce development, workplace and customized training has intensified over the past biennium. The College served approximately 13,876 students in Continuing, Professional, and Workforce Education and 1,375 in Institute for Advanced Manufacturing programs in FY 2014-2015.

Even before the 76th Texas Legislature enacted House Bill 1678 (Texas Education Code §61.086) in 1999, STC has been committed as an open access institution to access and equity to higher education for the people of its service district. Participation in educational opportunities provided by the College, as manifested in both credit and non-credit enrollment growth, speaks to provision of access and equity to higher education opportunities through South Texas College.

In response to increasing enrollments and development of programming to serve its students (as noted above), South Texas College has assumed the responsibility to provide educational opportunity to the people of its nearly 2800-mile service district through an aggressive program of campus development. Current established and accredited campuses are as follows:

- Pecan Campus (McAllen) – Located in Central McAllen

Administrator's Statement

8/5/2016 1:33:51PM

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

948 South Texas College

- Technology Campus (McAllen) – Technology Campus located in Foreign Trade Zone
- Starr County Campus (Rio Grande City) – opened Fall 1999 to provide service and access to western portion of district
- Mid-Valley Campus (Weslaco) – opened Fall 2000 to provide service and access to eastern portion of STC district
- Nursing and Allied Health Campus (McAllen) – opened Fall 2000 adjacent to medical district and Texas A&M site to provide improved facilities and access for health occupations training and collaboration with other health service and training providers

Additions to Pecan Campus, Technology Campus, Starr County Campus, Mid-Valley Campus, and Nursing and Allied Health Campus have added over 1,512,230 square feet of classrooms and support buildings between 2004 and 2012. The eSTC Virtual Campus – launched Fall 2013 offers online access to more than 500 course sections, 29 degrees, and 8 certificates

Review of STC's enrollment targets indicates a projected enrollment of over 44,030 students by 2020. Clearly, meeting needs of such a student body will require continued planning and resources to make facilities, faculty, and support services available as they become needed.

South Texas College District is focused on providing services to students to help the state meet the goals set forth in the 60x30TX higher education strategic plan. The College must continue to expand the offerings of education opportunities to citizens of Hidalgo and Starr Counties. These counties usually top the lists showing the highest poverty and lowest education attainment.

Bond Construction Program

The voters of Hidalgo and Starr Counties approved the establishment of a taxing district for STC in August 1995. They approved a \$.08 Maintenance and Operation (M&O) tax and a \$.02 debt service tax, for a total of \$.10. This election satisfied the provision in Senate Bill 251, establishing South Texas College, "that an election be held at which a majority of the votes cast at the election favor the confirmation of the college." In an election held on September 29, 2001, the residents of Hidalgo and Starr Counties authorized the issuance of \$98,700,000 in bonds to construct, renovate and furnish instructional facilities, acquire necessary sites and pay issuance costs. The voters approved an additional \$.03 for a total of \$.11 of M&O tax. The debt rate increased from \$.0107 to \$.0676 from FY 2001-2002 to FY 2002-2003.

In a Bond and Maintenance election held on November 5, 2013, the residents of Hidalgo and Starr Counties authorized the issuance of \$159,028,940 in bonds for the construction and equipping of college buildings and a 3 cents additional annual tax for the maintenance and operation of the College. The debt rate increased from \$.04 to \$.045 from FY 2013-2014 to FY 2014-2015. The 2013 Bond Program will consist of construction or expansion of 17 buildings district-wide, 3 thermal plants, and associated parking and site-work at all locations. The bond program will establish the Regional Center for Public Safety Excellence to provide law enforcement and public safety training. The College is expected to increase its square footage by approximately 40%, or an additional 600,000 square feet.

Still, the challenge before STC is to secure facilities and funding to keep abreast of enrollment growth and its mandate to serve those who reside in its district.

Significant Changes in Policy

There have been no significant changes in operating policies at South Texas College since the last appropriations request.

Significant Changes in Provision of Service

Administrator's Statement

8/5/2016 1:33:51PM

85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

948 South Texas College

There have been no significant changes in provision of service for South Texas College since the last appropriations request.

Significant Externalities

On August 10, 2015, South Texas College and the University of Texas Rio Grande Valley (UTRGV) signed a memorandum of understanding (MOU). The MOU states that students who have successfully completed 24 semester credit hours and have a 2.0 grade-point average, or who have earned an academic associate degree (AA, AS, or AAT), will be automatically accepted to UTRGV upon completion of the Apply Texas application and receipt of their official STC transcript(s) by UTRGV. In addition, the MOU includes transfer guidelines regarding Texas Core Completion, Texas Academic Course Guide, Catalog Date Determining Graduation Requirements, Continued Work on Articulation and Reverse Transfer.

In addition, the College anticipates that educational partnership opportunities and new innovative initiatives will continue with the development of the new UTRGV and medical school. The College will play a strategic role in generating additional educational opportunities for the students of the district.

Purpose of New Funding Requests

South Texas College District endorses the \$1.83 billion request for student success funding for the 2018-19 biennium and recommends, as the July 28, 2016 Texas Association of Community Colleges letter outlines, that funding for community colleges be appropriated through three strategies: Core Operations, Student Success Points, and Instruction funding. South Texas College District also endorses the \$1.7 million request for the colleges with Bachelor of Technology (BAT) programs, as outlined in the Texas Association of Community Colleges letter dated July 27, 2016.

- Core college operations: \$75 million for the 2018-19 biennium
- Student Success Points: 10% of remaining funds; student success points should be funded at a rate that is no less than the rate student success points were funded for the 2016-17 biennium (\$185 per student success point)
- Contact Hours: 90% of remaining funds

The College has identified the following investments for FY 2017-2018 and FY 2018-2019:

- Support the growth of academic and workforce programs due to the increase in facilities associated with \$159,028,940 2013 Bond Construction Program
- Support the development and growth of the Regional Center for Public Excellence
- Utilize predictive analytics to make predictions about student performance and success to increase student progress
- Implement new online catalog and curriculum management software to increase the efficiency of the annual college catalog and curriculum update process
- Identify new student learning outcome process and software to capture course and program level data in order to improve student learning and teaching effectiveness
- Implement strategic course scheduling analysis to improve course scheduling and increase student enrollment
- Establish prior learning assessment strategies to facilitate the awarding of college credit for prior experience in order to increase student enrollment and improve progress and completion
- Implement new online faculty performance appraisal system
- Support the Dual Credit program, including Early College High Schools, and Academies
- Develop guided pathways and meta majors to facilitate transfer to Senior institutions
- Implement the New Mathways Project (NMP) to provide an accelerated route toward earning college credits and to allow students to take math courses most relevant to

948 South Texas College

their degree

- Provide holistic advising and strategies to assist ABD students in levels 1-3 to improve college readiness
- Support new strategies for teaching and learning, including for dual faculty, adjunct, and competency based instruction
- Build computer labs to support the math QEP plan to improve student college readiness
- Implement a Case Management Automated Tracking System to increase student retention
- Increase graduation rate through a web-based advising degree auditing and academic planning student integrated system
- Implement an early alert system to improve student success
- Alignment of HB 5 endorsement to dual credit post-secondary career pathway to increase enrollment and student success
- Develop new Continuing Education training programs based on demand and target occupations identified by the Local Workforce Development Board.
- Expand campus safety measures and trainings due to the implementation of the campus carry law and Title IX requirements
- Research new technologies and industry standards to update existing Continuing Education training programs.

These initiatives will increase enrollment, college readiness, student progress, completion, transfer and post-graduation success. These initiatives will increase enrollment, college readiness, student progress, completion, transfer and post-graduation success.

Ten Percent GR/GRD Reduction

South Texas College is requesting an exceptional item to restore the funding for the Bachelor of Applied Technology appropriation.

Texas Higher Education Coordinating Board Audit of Formula Funding at South Texas College

The Texas Higher Education Coordinating Board (THECB) conducted an audit of formula funding at South Texas College as reported on the Continuing Education CBM00C/00A reports for quarter 3 2014, quarter 4 2014, quarter 1 2014, and quarter 2 2015. The audit report for the Continuing Education CBM00C/00A reports for quarter 3 2014, quarter 4 2014, quarter 1 2014, and quarter 2 2015 provided by the Coordinating Board dated July 7, 2016, stated that "South Texas College did not fully comply with relevant statutes and Coordinating Board (THECB) rules for enrollment data used for formula funding, in the area of continuing education contact hour reporting." On July 21, 2016 the THECB ordered "to immediately cease any additional funding and to recoup all inappropriately provided funds in arrears." A copy of the August 2, 2016 letter from Dr. Raymund A. Paredes, Commissioner of Higher Education, in response to the Board action on July 21, 2016 is included with the Certificate of Dual Submission.

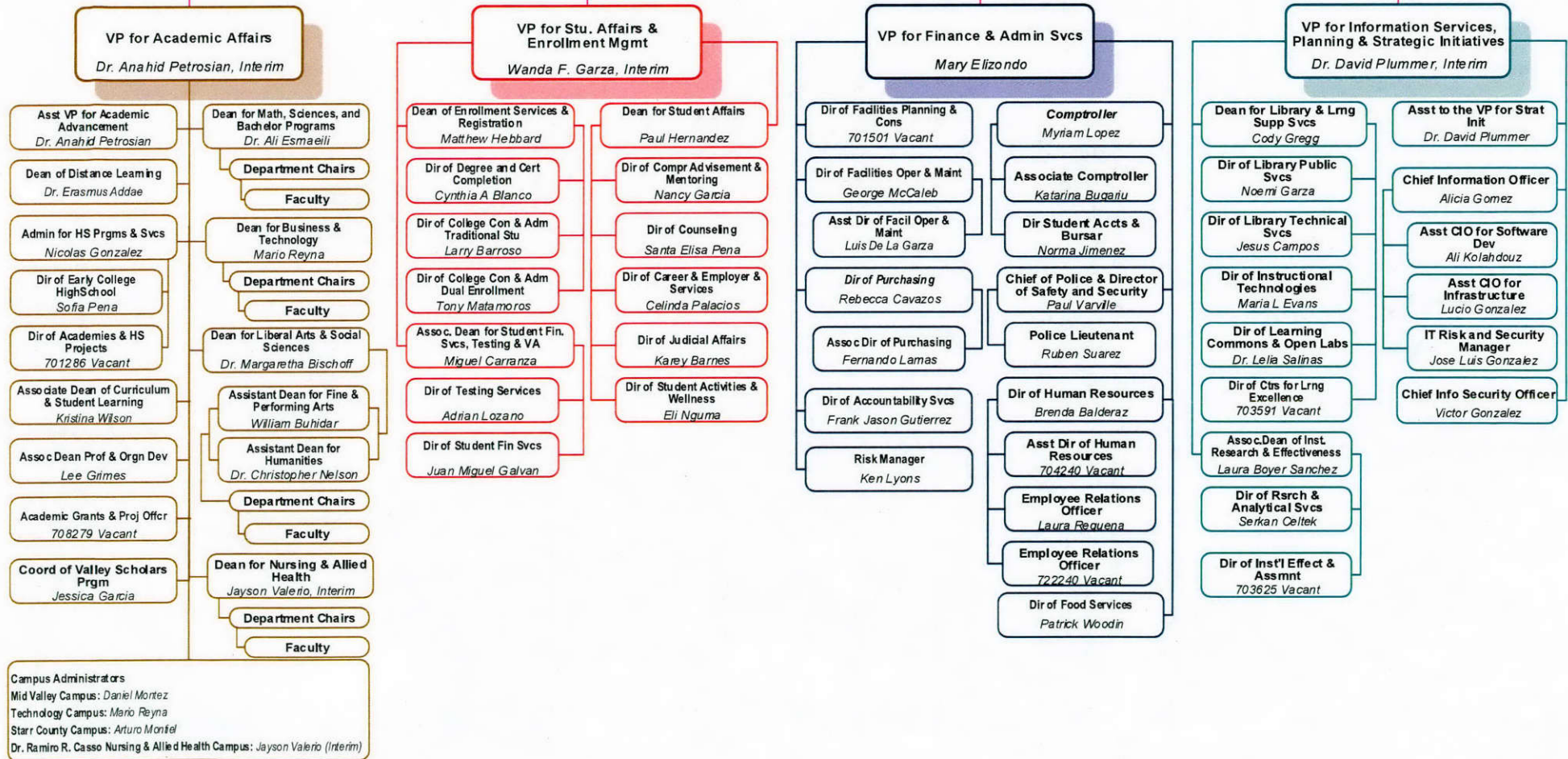
The appropriation amounts received from the Legislative Budget Board and included as the base for the 2018-2019 Biennium Legislative Appropriation Request for Biennium 2016-2017 have not been reduced by the amounts as stated on the THECB audit report and the Board Order. The audit report is available on the Texas Higher Education Coordinating Board website.

Conclusion

South Texas College District endorses the \$1.83 billion request for student success funding for the 2018-2019 biennium and recommends, as the July 28, 2016 Texas Association of Community Colleges letter outlines, that funding for community colleges be appropriated through three strategies: Core Operations, Student Success Points, and Contact Hour funding.

Updated South Texas College 2015 - 2016 Organization Chart Overview

College President
Dr. Shirley A. Reed





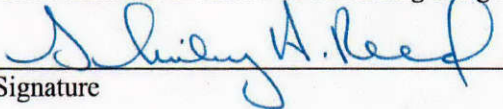
CERTIFICATE

Agency Name South Texas College

This is to certify that the information contained in the agency Legislative Appropriation Request filed with the Legislative Budget Board (LBB) and the Office of the Governor, Budget Division, is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's office will be notified in writing in accordance with Article IX, Section 7.01 (2016-17 GAA).

Chief Executive Officer or Presiding Judge

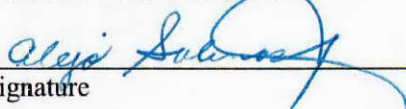

Signature

Shirley A. Reed, M.B.A., Ed. D.
Printed Name

President
Title

8/5/2016
Date

Board or Commission Chair

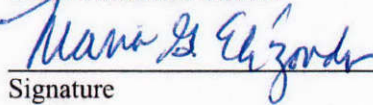

Signature

Dr. Alejo Salinas Jr.
Printed Name

Chairman, Board of Trustees
Title

8/5/2016
Date

Chief Financial Officer


Signature

Maria G. Elizondo, M.B.A., C.F.E., C.G.M.A., C.P.A.
Printed Name

Vice President for Finance and Administrative Services
Title

8/5/2016
Date

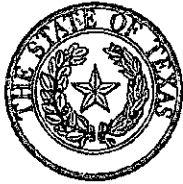
Please see attached disclosure regarding the Texas Higher Education Coordinating Board Audit of Formula Funding at South Texas College as reported on the Continuing Education CBM00C/00A reports for quarter 3 2014, quarter 4 2014, quarter 1 2015, and quarter 2 2015.

Texas Higher Education Coordinating Board Audit of Formula Funding at South Texas College

9

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TEXAS HIGHER EDUCATION COORDINATING BOARD

P.O. Box 12788 Austin, Texas 78711

10

August 2, 2016

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Shirley A. Reed, Ed.D.
President, South Texas College
P.O. Box 9701
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RE: South Texas College/Adjustment of Formula Funding

Dear Dr. Reed:

As you are aware, the Compliance Monitoring division of the Texas Higher Education Coordinating Board issued a final report on "An Audit of Formula Funding at South Texas College" dated July 7, 2016. The audit report concluded that South Texas College had not complied with State law and Coordinating Board rules for enrollment data used for formula funding in the area of continuing education contact hours. The audit determined that South Texas College did not meet the "immediate employment" requirements of 19 Texas Administrative Code §9.1(5) for continuing education contact hours reported for students 17 years of age and under. The audit also found that South Texas College violated Texas Education Code §130.003, which requires tuition and fees be charged and collected for continuing education contact hours reported for formula funding.

As a result, South Texas College received or is scheduled to receive certain formula funding for the 2016-2017 biennium for which it was not eligible. South Texas College disagreed with this conclusion and with the audit recommendations regarding limitations related to immediate employability, age, and paid tuition for continuing education contact hours reported for formula funding. You and several members of your staff made a presentation to the Coordinating Board members on July 20 explaining why South Texas College should be permitted to retain the funding for the continuing education in issue. Given the differing viewpoints between the College and Coordinating Board, including your questioning of the Coordinating Board's interpretations of its rules, some background discussion is appropriate.

Background

The key areas of non-compliant reporting found by Coordinating Board audit staff relate to the juvenile age of the students reported by South Texas College and the failure by South Texas College to assess tuition and fees for these courses and the corresponding contact hours.

First, significant numbers of students reported for contact hour funding were under the age of 18. These included, for example, 1,961 15-year-olds, 703 14-year-olds,

South Texas College Letter
August 2, 2016
Page 2

9 13-year-olds, and 3 students under the age of 13. "Continuing education" in the Texas Education Code refers to "continuing *adult* education for occupational or cultural upgrading," and the Coordinating Board rule further specifies that such continuing education is to prepare students for immediate employment. Federal and State labor laws impose various restrictions on employing juveniles. There is no provision in the Education Code or the Board's rules for "continuing juvenile education."

The vast majority of the contact hours in question were for continuing education "employability courses" specifically directed at high school students. These courses were "developed" by South Texas College finding existing high school courses that seemed suitable for modification so that both high school requirements (TEKS) and continuing education requirements (WECM) could be fulfilled with the same course. The courses are taught at high schools by high school teachers and consist of the following courses: Employability Skills - Professional Workforce Preparation (POFT 1013); Leadership Skills -Intro to Supervision (BMGT 1010); Professionalism in the Workplace (BUSG 1012); Basic Supervision (Frontline Supervisor) (BMGT 1018); and Customer Service (MRKG 1000). These courses were designed to meet the target students' identified challenges, such as poor communication skills, poor basic academic skills, and lack of work ethic.

Second, South Texas College did not charge or collect tuition and fees for the contact hours in issue. Although receiving formula funding while waiving tuition is available for dual *credit* courses, it is not available for these continuing education courses. South Texas College chose not to collect tuition because the agreements that South Texas College entered into with local school districts to teach these continuing education courses placed substantially all of the costs on the school districts. This arrangement places the State of Texas in position to pay the school districts for these courses as part of average daily attendance funding while at the same time paying South Texas College the full contact hour formula funding rate for the exact same courses. Although this practice is statutorily allowable specifically for dual *credit* courses (which these are not), the State makes some very important distinctions regarding dual credit courses, limiting such applicability to specifically qualified students and to certain credit-based courses that would allow the open transferability of those credit hours.

Finally, when confronted with the results of the audit, South Texas College contended that it relied upon a mid-level Coordinating Board employee's guidance, which was inaccurate, regarding how to report continuing education contact hours for formula funding. The specific facts surrounding that contention are set forth in the final report on "An Audit of Formula Funding at South Texas College." The Coordinating Board's response is likewise set forth in that report. Even if overall

South Texas College Letter
 August 2, 2016
 Page 3

Coordinating Board staff guidance could have been interpreted differently than the requirements of Texas Education Code § 130.003 and Texas Administrative Code §21.4, and even if it was relied upon by South Texas College initially, any such reliance on that guidance should have ceased no later than July 2015 with publication of the revised Guidelines for Instructional Programs in Workforce Education, which specifically superseded and replaced the previous guidance.

The way South Texas College reported its data is inconsistent with the claim that the erroneous data reported was the result of following a Coordinating Board staff member's inaccurate information. Its reporting practices for enrollment data used for formula funding remained unchanged after publication of the revised Guidelines in July 2015. Had South Texas College relied upon Coordinating Board guidance, its reporting practices would have changed consistent with the updated guidance. Moreover, you advised the Coordinating Board members as part of your presentation that South Texas College should be permitted to retain *all* the formula funding for the continuing education in issue – not just the portion attributable to the period of time before publication of the revised Guidelines.

Discussion of Statutes, Rules, and the Facts

State financing of higher education programs for public community colleges is provided from the State's General Revenue Fund. The Coordinating Board and the Comptroller of Public Accounts distribute these appropriations to colleges based on allocations and performance measures. Each college submits enrollment reports (called CBM Reports) to the Coordinating Board to document the number of contact hours taught by the College in each semester. The formula for state funding involves multiplying the base period contact hours submitted by colleges by the applicable funding rates.

The Coordinating Board is authorized to review the accuracy of the contact hour data reported to it by community college districts. In the event of data reporting errors, the Coordinating Board is authorized to adjust a fiscal year's formula appropriations as necessary to reflect the corrected data elements. (*See Rider 7, Adjustment of Contact Hours, p. III-211, General Appropriations Act, 84th Legislature; Texas Education Code, §61.035(g); General Appropriations Act FY 2014-15 biennium, page III-203; and General Appropriations Act FY 2016-17 biennium, page III-204*). Although staff considered a different approach, the Coordinating Board has treated this as a data reporting error.

Continuing education funding generally is designed for furthering the education of adults and to provide job training for immediate employment. Texas Education Code §130.003(e)(4) refers to continuing education programs as "continuing *adult* education programs for occupational or cultural upgrading." (Emphasis added.)

South Texas College Letter
August 2, 2016
Page 4

Workforce education, as a part of continuing education, is designed to train adults for immediate employment after they have left secondary education. 19 Texas Administrative Code §9.1(31) defines a workforce continuing education course as a course "with an occupationally specific objective...." 19 Texas Administrative Code §9.1(5) defines a career technical/workforce program as "intended to prepare students for *immediate employment* or a job upgrade in a specific occupation." (Emphasis added.) These types of education are, as noted, reflective of career improvement training after one leaves secondary education.

Importantly, in order to qualify for formula funding, tuition must be collected. South Texas College generally does not charge or collect tuition and fees from high school students enrolled in continuing education or dual credit courses. Although tuition is allowed to be waived for dual credit, there is no corresponding allowance for such a waiver for high school students taking continuing education courses outside of the dual credit course pathway. Texas Education Code §130.003 states that in order for contact hours to be eligible for formula funding, the college must "collect, from each full-time and part-time student enrolled, matriculation and other session fees...." In addition, Texas Education Code §54.051(b) provides that each institution of higher education "shall cause to be collected from students registering at the institution tuition or registration fees at the rates prescribed," with minimum rates prescribed in the Texas Education Code. *See also* Texas Education Code §§54.051(n) and 130.003(b)(4); 19 Texas Administrative Code §§9.113(a) and 21.4.

With regard to waiver, Texas Education Code §130.008(b) provides that "The junior college may waive all or part of the tuition and fees for a high school student enrolled in a course for which the student may receive joint credit under this section." The continuing education courses under review do not provide for "joint credit" and, therefore, are not eligible for a tuition waiver.

Conclusion

As a result of the aforementioned non-compliance, South Texas College has received or is scheduled to receive nearly \$2.3 million of formula funding for the 2016-2017 biennium that it was not eligible to receive.

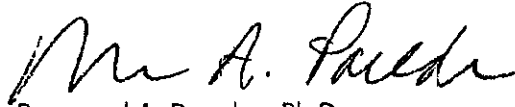
As you know, the Texas Higher Education Coordinating Board voted (1) to immediately cease all future funding (\$1,157,805) to South Texas College for these high school continuing education courses and (2) to recoup funds previously expended in error based on data provided by South Texas College. As a result, the future funding amount (yet unpaid amounts on unallowable contact hours) of \$1,157,805 will be deducted, and the \$1,112,401 adjustment (recoupment of already paid amounts on unallowable contact hours) will also be deducted, from

South Texas College Letter
August 2, 2016
Page 5

payments otherwise scheduled to be transferred to South Texas College pursuant to Chapter 130 of the Texas Education Code.

We are available at your earliest convenience to discuss a repayment schedule that takes into account not only State interests but the welfare of students at South Texas College. Should you have any questions or require additional information, please advise.

Sincerely,


Raymund A. Paredes, Ph.D.

Cc: Dr. Alejo Salinas, Jr., Chair
Board of Trustees, South Texas College
P.O. Box 9701
McAllen, Texas 78502-9701

2.A. Summary of Base Request by Strategy

8/5/2016 9:52:19AM

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

948 South Texas College

Goal / Objective / STRATEGY	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
1 Provide Instruction					
1 Provide Administration and Instructional Services					
1 BACHELOR OF APPLIED TECHNOLOGY (1)	562,473	805,107	805,107	0	0
2 CORE OPERATIONS	500,000	500,000	500,000	0	0
3 SUCCESS POINTS	3,394,950	3,670,736	3,670,735	0	0
4 CONTACT HOUR FUNDING	31,439,246	33,587,363	33,607,192	0	0
TOTAL, GOAL 1	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0
TOTAL, AGENCY STRATEGY REQUEST	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0

(1) - Formula funded strategies are not requested in 2018-19 because amounts are not determined by institutions.

2.A. Summary of Base Request by Strategy

8/5/2016 9:52:19AM

85th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

948 South Texas College

<u>Goal / Objective / STRATEGY</u>	<u>Exp 2015</u>	<u>Est 2016</u>	<u>Bud 2017</u>	<u>Req 2018</u>	<u>Req 2019</u>
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	35,896,669	38,563,206	38,583,034	0	0
SUBTOTAL	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0
TOTAL, METHOD OF FINANCING	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0

*Rider appropriations for the historical years are included in the strategy amounts.

2.B. Summary of Base Request by Method of Finance
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/5/2016 9:53:19AM

Agency code: 948

Agency name: South Texas College

METHOD OF FINANCING	Exp 2015	Est 2016	Bud 2017	Req 2018	Req 2019
<u>GENERAL REVENUE</u>					
<u>1</u> General Revenue Fund					
<i>REGULAR APPROPRIATIONS</i>					
Regular Appropriations from MOF Table (2016-17 GAA)	\$0	\$38,563,206	\$38,583,034	\$0	\$0
Regular Appropriations from MOF Table (2014-15 GAA)	\$35,896,669	\$0	\$0	\$0	\$0
TOTAL, General Revenue Fund	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0
TOTAL, ALL GENERAL REVENUE	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0
GRAND TOTAL	\$35,896,669	\$38,563,206	\$38,583,034	\$0	\$0
FULL-TIME-EQUIVALENT POSITIONS					
TOTAL, ADJUSTED FTES					

2.B. Summary of Base Request by Method of Finance
85th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/5/2016 9:53:19AM

Agency code: **948**

Agency name: **South Texas College**

METHOD OF FINANCING

Exp 2015

Est 2016

Bud 2017

Req 2018

Req 2019

**NUMBER OF 100% FEDERALLY
FUNDED FTEs**

2.E. Summary of Exceptional Items Request
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/5/2016
 TIME: 9:53:59AM

Agency code: 948

Agency name: South Texas College

Priority	Item	2018			2019			Biennium	
		GR and GR/GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds	FTEs	GR and GR Dedicated	All Funds
1	BAT Funding Restoration	\$77,291	\$77,291		\$77,290	\$77,290		\$154,581	\$154,581
Total, Exceptional Items Request		\$77,291	\$77,291		\$77,290	\$77,290		\$154,581	\$154,581
Method of Financing									
	General Revenue	\$77,291	\$77,291		\$77,290	\$77,290		\$154,581	\$154,581
	General Revenue - Dedicated								
	Federal Funds								
	Other Funds								
		\$77,291	\$77,291		\$77,290	\$77,290		\$154,581	\$154,581

Full Time Equivalent Positions

Number of 100% Federally Funded FTEs

2.F. Summary of Total Request by Strategy
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/5/2016
 TIME : 9:54:35AM

Agency code: 948 Agency name: South Texas College

<i>Goal/Objective/STRATEGY</i>	Base 2018	Base 2019	Exceptional 2018	Exceptional 2019	Total Request 2018	Total Request 2019
I Provide Instruction						
1 <i>Provide Administration and Instructional Services</i>						
1 BACHELOR OF APPLIED TECHNOLOGY	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290
2 CORE OPERATIONS	0	0	0	0	0	0
3 SUCCESS POINTS	0	0	0	0	0	0
4 CONTACT HOUR FUNDING	0	0	0	0	0	0
TOTAL, GOAL 1	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290
TOTAL, AGENCY STRATEGY REQUEST	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290

2.F. Summary of Total Request by Strategy
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/5/2016
 TIME : 9:54:35AM

Agency code: 948 Agency name: South Texas College

<u>Goal/Objective/STRATEGY</u>	<u>Base 2018</u>	<u>Base 2019</u>	<u>Exceptional 2018</u>	<u>Exceptional 2019</u>	<u>Total Request 2018</u>	<u>Total Request 2019</u>
General Revenue Funds:						
1 General Revenue Fund	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290
	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290
TOTAL, METHOD OF FINANCING	\$0	\$0	\$77,291	\$77,290	\$77,291	\$77,290

FULL TIME EQUIVALENT POSITIONS

Schedule 3C: Group Insurance Data Elements (Community Colleges)
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

8/5/2016 9:55:20AM

948 South Texas College

	Total I & A Enrollment	Local Non I & A	Total Enrollment
FULL TIME ACTIVES			
1a Employee Only	334	539	873
2a Employee and Children	133	156	289
3a Employee and Spouse	50	22	72
4a Employee and Family	95	31	126
5a Eligible, Opt Out	8	2	10
6a Eligible, Not Enrolled	18	4	22
Total for this Section	638	754	1,392
PART TIME ACTIVES			
1b Employee Only	0	0	0
2b Employee and Children	0	0	0
3b Employee and Spouse	0	0	0
4b Employee and Family	0	0	0
5b Eligible, Opt Out	0	0	0
6b Eligible, Not Enrolled	4	0	4
Total for this Section	4	0	4
Total Active Enrollment	642	754	1,396

948 South Texas College

	Total I & A Enrollment	Local Non I & A	Total Enrollment
FULL TIME RETIREES by ERS			
1c Employee Only	31	5	36
2c Employee and Children	2	0	2
3c Employee and Spouse	22	2	24
4c Employee and Family	0	0	0
5c Eligible, Opt Out	1	0	1
6c Eligible, Not Enrolled	2	0	2
Total for this Section	58	7	65
PART TIME RETIREES by ERS			
1d Employee Only	0	0	0
2d Employee and Children	0	0	0
3d Employee and Spouse	0	0	0
4d Employee and Family	0	0	0
5d Eligible, Opt Out	0	0	0
6d Eligible, Not Enrolled	0	0	0
Total for this Section	0	0	0
Total Retirees Enrollment	58	7	65
TOTAL FULL TIME ENROLLMENT			
1e Employee Only	365	544	909
2e Employee and Children	135	156	291
3e Employee and Spouse	72	24	96
4e Employee and Family	95	31	126
5e Eligible, Opt Out	9	2	11
6e Eligible, Not Enrolled	20	4	24
Total for this Section	696	761	1,457

948 South Texas College

	Total I & A Enrollment	Local Non I & A	Total Enrollment
TOTAL ENROLLMENT			
1f Employee Only	365	544	909
2f Employee and Children	135	156	291
3f Employee and Spouse	72	24	96
4f Employee and Family	95	31	126
5f Eligible, Opt Out	9	2	11
6f Eligible, Not Enrolled	24	4	28
Total for this Section	700	761	1,461

4.A. Exceptional Item Request Schedule
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/5/2016
 TIME: 9:56:10AM

Agency code: 948

Agency name:
 South Texas College

CODE	DESCRIPTION	Excp 2018	Excp 2019
	Item Name: BAT Funding Restoration to initial base Item Priority: 1 IT Component: No Anticipated Out-year Costs: No Involve Contracts > \$50,000: No Includes Funding for the Following Strategy or Strategies: 01-01-01 Bachelor of Applied Technology		

OBJECTS OF EXPENSE:

1001	SALARIES AND WAGES	77,291	77,290
TOTAL, OBJECT OF EXPENSE		77,291	77,290

METHOD OF FINANCING:

1	General Revenue Fund	77,291	77,290
TOTAL, METHOD OF FINANCING		77,291	77,290

DESCRIPTION / JUSTIFICATION:

South Texas College sincerely appreciates the in funding given by the 84th Legislature for the Bachelors of Applied Technology programs. To reduce this appropriation would create a burden of these costs to the College. The College is in need of the restoration of BAT funding to meet the increasing student demand. South Texas College respectfully requests the funds needed to sustain and grow this critical education program for the community.

EXTERNAL/INTERNAL FACTORS:

Major accomplishments to date and expected over the next two years: STC currently offers four baccalaureate degree programs: the Bachelor of Applied Technology in Technology Management, the Bachelor of Applied Technology in Computer Information Technologies, the Bachelor of Applied Technology in Medical and Health Services Management, and the Bachelor of Applied Science in Organizational Leadership.

Year established and funding source prior to receiving special item funding: BAT program was established in 2004. The Formula Funding for biennium 2016-2017 was \$1,610,214.

Formula funding: LBB Proposed Formula Funding for Biennium 2018-2019 is \$1,455,633.

Non-general revenue sources of funding: Not Applicable

Consequences of not funding: Financial burden for the College which might result in tuition and fee increases for this program.

6.I. Percent Biennial Base Reduction Options
10 % REDUCTION
 85th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/5/2016
 Time: 9:56:50AM

Agency code: 948 Agency name: South Texas College

Item Priority and Name/ Method of Financing	REVENUE LOSS			REDUCTION AMOUNT			TARGET
	2018	2019	Biennial Total	2018	2019	Biennial Total	
1 10 Percent GR/GR-D Reduction							
Category: Across the Board Reductions							
Item Comment: Funding for Bachelor of Applied Technology was considered non-exempt and therefore subject to GR reduction per LBB and Governor's Office.							
Strategy: 1-1-1 Bachelor of Applied Technology							
<u>General Revenue Funds</u>							
1 General Revenue Fund	\$0	\$0	\$0	\$77,291	\$77,290	\$154,581	
General Revenue Funds Total	\$0	\$0	\$0	\$77,291	\$77,290	\$154,581	
Item Total	\$0	\$0	\$0	\$77,291	\$77,290	\$154,581	
FTE Reductions (From FY 2018 and FY 2019 Base Request)							
AGENCY TOTALS							
General Revenue Total				\$77,291	\$77,290	\$154,581	\$154,581
Agency Grand Total	\$0	\$0	\$0	\$77,291	\$77,290	\$154,581	
Difference, Options Total Less Target							
Agency FTE Reductions (From FY 2018 and FY 2019 Base Request)							



