

**General Academic Institutions Formula
Advisory Committee (GAIFAC)
FY 2022-2023 Biennial Appropriations
Report on the Commissioner's Charges**

December 10, 2019

The General Academic Institutions Formula Advisory Committee (GAIFAC), organized in August 2019 (Attachment A), met to address the charges identified by the Commissioner relating to formula funding for the 2022-2023 biennium (Attachment B). The GAIFAC met on the following days: August 19, September 19, October 17 and November 18, 2019.

Charge 1:

Study and make recommendations for the appropriate funding levels for the operations support and space support formulas and the percent split between the "utilities" and "operations and maintenance" (O&M) components of the space support formula. (TEC, Section 61.059 (b))

Recommendation:

Recognizing the funding for growth provided in the last legislative session, the GAIFAC is recommending continued support of higher education with a reasonable increase based on the funding levels appropriated for the 2020-2021 biennium plus growth and inflation. These increases are vital if Texas is to reach the goals of 60X30TX, the state plan for Texas Higher Education. Institutions will see increasing costs in order to retain and timely graduate the increased numbers of economically disadvantaged and first-generation college students that will comprise a large portion of the required gains.

The GAIFAC recommends the Legislature fund growth and inflation for the 2022-2023 biennium. Using a growth rate of 2.8%, an inflationary rate of 2.6% and a projected increase of 4.8% in predicted square feet, formula funding for the 2022-2023 biennium would be \$5,217 million; this represents an increase of \$280 million (5.7%). The committee believes this increase is necessary to move toward the goals of 60X30TX, while preserving the quality and affordability of higher education. Regarding each portion of the formula:

- Fund the Operations Support formula and Teaching Experience Supplement at a rate of \$57.28 per WSCH for the 2022-2023 biennium.
 - ❖ This rate would fund the Operations Support formula and Teaching Experience Supplement at approximately \$4,371 million, an increase of \$226 million or 5.4%;
 - ❖ The recommended rate would increase \$1.43, or 2.6%, to account for inflation, compared to the \$55.85 rate funded for the 2020-2021 biennium;
 - ❖ The overall funding level assumes a 2.8% increase for growth in WSCH between the 2018 and 2020 base years using the recommended rate of \$57.28 per WSCH;
 - ❖ The recommendations would allocate available funding using a relative weight matrix based on the three-year average of expense per semester credit hour to include fiscal years 2018, 2019 and 2020.

- Fund the Space Support formula at an average adjusted rate of \$5.47 per square foot for the 2022-2023 biennium.
 - ❖ This rate would fund the Space Support formula at \$818 million, an increase of \$54.3 million or 7.1%;
 - ❖ The recommended rate would increase \$0.14, or 2.6%, to account for inflation, compared to the \$5.33 rate funded for the 2020-2021 biennium;
 - ❖ The rate assumes a 4.8% increase for growth in square feet between fall 2018 and 2020;
 - ❖ Split the recommended space support rate between “utilities” and “operations and maintenance” components using FY 2020 utility rates, update the utility rate adjustment factors using the FY 2020 utilities expenditures, and allocate the space support formula using the fall 2020 space model predicted square feet. The GAIFAC recommends that utilities data for Sul Ross State University – Rio Grande College (RGC) be reported separately from Sul Ross State University. Creating a separate reporting line for the institution’s utility expenses will generate space support utility funding in the formula for Sul Ross – RGC.
 - ❖ Fund the Small Institution Supplement for the 2022-2023 biennium using the same methodology used for the 2020-2021 biennium with a 2.6% inflation adjustment, which would increase the annual rate from \$1,316,566 to \$1,350,797.

Charge 2:

Review the expenditure study that is used for the cost matrix, including determining and reviewing the growth of costs affiliated with higher education and its consequent impact on higher education institutions, and make recommendations for improvements to better reflect the actual expenditures of the institutions. (General Appropriations Act, HB 1, 86th Texas Legislature, Special Provisions Sec. 26 (page III-257 to III-259)).

Recommendation:

The GAIFAC recommends that a consistent methodology needs to be used for the cost expenditure study with respect to the allocation of Department Operating Expenses (“DOE”). To the extent possible, DOE should be directly allocated with remaining DOE expenditures allocated based on faculty salaries rather than allocations based on semester credit hours (“SCH”). The spreadsheet to collect DOE should default to faculty salaries and not SCH, as it is today. Additionally, the GAIFAC recommends that the TASSCUBO working group continue their discussion and analysis of the expenditure study, related instructions, and impact on the cost matrix keeping the THECB informed of any additional recommendations that may be considered by a future GAIFAC.

Charge 3:

Review the Space Projection Model as it relates to distance education courses, including the different physical space and technology needs between traditional courses, online courses, and distance education courses, as well as information on associated costs of each course type, and recommend changes to the Space Projection Model (General Appropriations Act, HB 1, 86th Texas Legislature, Special Provisions Sec. 26 (page III-257 to III-259)).

Recommendation:

The GAIFAC acknowledges the timeliness of this charge and recognizes the reasonable perception that the cost of online instruction appears to be lower than that of the traditional classroom model, due to the apparent lack of physical space required. However, the committee agrees that there are actual costs required to provide online education that are substantially similar or even exceed that of the traditional classroom delivery.

Online instruction has introduced a modality that is not as structured as traditional instruction where we could assess direct costs and measure fill rates and capacity. Online instruction begins with an investment in instructional designers, sound-proof studios with videographers, sound technicians and closed captioning services. Faculty invest significant time upfront to develop the courses. There is an investment in marketing, recruiting, call centers to respond to students 24/7, additional admissions personnel and transcript evaluators to support student enrollment. Once a student begins an online program, tutors must be made available along with dedicated IT personnel and librarians with potentially increased costs related to cybersecurity and proper student identification.

To invest in and support quality online courses and degree programs, institutions must provide the infrastructure and space support for all functions from development through student engagement. In addition, physical space is still required for some online courses, such as clinical space for nursing students and hybrid courses.

Additionally, the formula should not only be a mechanism for attributing costs, it should create incentives for desired outcomes. To meet goals of 60X30TX, institutions need to reach as many students as possible. For example, working professional students, post-traditional and stop-out students who cannot commit to a prescribed in-person class schedule make up a large percentage of students enrolled in online degree programs. The GAIFAC recommends methods to incentivizing alternative delivery to reach these students rather than creating a disincentive based on a perception that a mode of delivery might cost less.

The GAIFAC recommends that all hours be included in the Space Projection Model with no adjustment related to online courses. Consideration may be given to forming a future committee to consider whether a different formula or Space Projection Model should be developed for online course infrastructure.

Charge 4:

Study and make recommendations for an outcomes-based methodology for allocating the balance remaining in the B-On-Time account after the underutilized amount is allocated.

Recommendation:

The GAIFAC for the 2020-2021 biennial appropriations made a recommendation for a graduation bonus formula recognizing that fiscal realities may preclude an additional outcomes-based funding model at that time. The current GAIFAC reviewed the graduation bonus formula and would recommend that what was previously endorsed for outcomes-based funding would be a consistent use of the remaining funds in the B-On-Time account.

As stated in the prior committee report, for Texas to reach the completion goal of 550,000 by 2030, more low-income students and more students who are not college ready will need to graduate. These students require more services, such as advising and tutoring, but the current formulas do not account for these additional costs. The committee recommends a new graduation bonus formula to help fund these services and support advising, tutoring and the other interventions many students need to earn a degree. Funding would be based on a three-year average of undergraduate degrees awarded to both non at-risk and at-risk students. For purposes of this model, an at-risk student is someone who received a Pell grant or whose SAT or ACT score was below the national average for the year taken.

The GAIFAC recommends that the underutilized portion of the B-On-Time program funds be returned to the 27 affected institutions and that the repaid portion amount (currently estimated to be approximately \$25.6 million) be allocated to all institutions based on the graduation bonus formula described above with the funding to be used to support efforts to increase the number of at-risk students who graduate from the institutions or the rate at which at-risk students graduate from the institutions.

Attachment A
General Academic Institutions Formula Advisory Committee Roster

| Name | Institution | Contacts |
|--|--|---|
| Mr. Bob Brown (Vice Chair) (2022) VP for Finance & Administration | University of North Texas 1501 W. Chestnut St., Suite 206 Denton, Texas 76201 | bob.brown@unt.edu 940-565-2055 |
| Ms. Susan Brown (2024) AVP for Strategic Analysis & Institutional Reporting | The University of Texas - Rio Grande Valley, 1201 West University Drive, Edinburg, TX 78539 | susan.brown@utrgv.edu 956-665-2383 |
| Mr. John Davidson (2022) Associate VP – Budget, Planning & Analysis | The University of Texas at Arlington 219 West Main St. Arlington, TX 76019 | john.davidson@uta.edu 817-272-5499 |
| Mr. Danny Gallant (2022) VP for Finance & Administration | Stephen F. Austin State University P.O. Box 6108, SFA Station Nacogdoches, TX 75962 | dgallant@sfasu.edu 936-468-2203 |
| Mr. Daniel Harper (2024) Vice Chancellor & CFO | Texas State University System 601 Colorado Street Austin, TX 78701 | daniel.harper@tsus.edu 512-463-6449 |
| Dr. Robert Kinucan (2024) Associate Provost for Graduate Studies & Research | Sul Ross State University P.O. Box C-97 Alpine, Texas, 79832 | kinucan@sulross.edu 432-837-8662 |
| Dr. James Marquart (2020) Provost & VP for Academic Affairs | Lamar University PO Box 10002 Beaumont, TX 77710 | james.marquart@lamar.edu 409-880-8398 |
| Ms. Veronica Mendez (2022) Vice President for Business Affairs | The University of Texas at San Antonio One UTSA Circle San Antonio, Texas 787249 | veronica.mendez@utsa.edu 210-458-4201 |
| Dr. Juan Munoz (2024) President | University of Houston-Downtown One Main Street Houston, TX 77002 | munozj@uhd.edu 713-221-8001 |
| Dr. Karen Murray (2020) Executive VP of Academic Affairs & Provost | Tarleton State University 1333 West Washington Stephenville, TX 76402 | kmurray@tarleton.edu 254-968-9992 |
| Mr. R. Jason Tomlinson (2024) Vice President for Finance & Administration | Texas Woman’s University P.O. Box 425588 Denton, TX 76204-5588 | jtomlinson1@twu.edu 940-898-3505 |
| Dr. Larry Singell (2020) Senior Vice Provost for Resource Management | The University of Texas at Austin, 110 Inner Campus Dr STOP G1000, Austin, TX 78712-1701 | provost.office@utexas.edu 512-471-4363 |
| Ms. Noel Sloan (Chair) (2020) CFO & Vice President of Administration & Finance | Texas Tech University 2500 Broadway Lubbock, TX 79409 | noel.a.sloan@ttu.edu 806-834-1625 |
| Dr. Jerry R. Strawser (2020) Executive VP of Finance & Administration & CFO | Texas A&M University 1181 TAMU College Station, TX 77843 | jstrawser@tamu.edu 917-862-7777 |
| Ms. Angie W. Wright (2020) Vice President for Finance & Administration | Angelo State University 2601 West Ave N San Angelo, TX 76903 | angie.wright@angelo.edu 325-942-2017 |

Attachment B
Commissioner's Charge to the General Academic Institutions Formula Advisory Committee (GAIFAC) for the 2022-2023 Biennial Appropriations

Background

The GAIFAC addresses the operations and space support formulas as well as the small institution and teaching experience supplements. The general academic institution formulas were introduced in Texas in the mid-1960s, reworked during the 1998-1999 biennium, and first fully funded with an expenditure-based relative weight matrix in the 2010-2011 biennium.

The operations support formula allocates funds on weighted semester credit hours (WSCH) in support of faculty salaries, departmental operating expenses, library, instructional administration, research enhancement, student services, and institutional support. The formula operations support formula and teaching experience supplement allocated 84 percent of the total formula funding at a rate of \$55.85 per WSCH for the 2020-2021 biennium. The teaching experience supplement incentivizes the use of tenured and tenure-track faculty in undergraduate courses and allocated 2020-2021 biennium funds with a 10 percent bonus of WSCH.

The space support formula, which includes educational and general space support and a small institution supplement, allocates funds on predicted square feet (an estimate of the space needed based on activity) in support of plant-related and utility expenses. The space support formula allocated 16 percent of the total formula funding at a rate of \$5.33 per predicted square foot for the 2020-2021 biennium. The small institution supplement distributes additional resources on headcount for the reduced economies of scale associated with operating small institutions. The 2020-2021 biennium allocated \$1.5 million to each institution with fewer than 5,000 headcount. This amount is gradually reduced as the institution approaches 10,000 headcount. During the 2020-2021 biennium, the Legislature allocated an additional \$11.7 million in Small Institution Supplement funding to GAI institutions.

Commissioner's Charges

The GAIFAC, conducted in an open and public forum, is charged with proposing a set of formulas that provide the appropriate funding levels and financial incentives necessary to best achieve the four major goals of 60x30TX plan. A preliminary written report of its activities and recommendations is due to the Commissioner by December 13, 2019, and a final written report by January 28, 2020. The GAIFAC's specific charges are to:

1. Study and make recommendations for the appropriate funding levels for the operations support and space support formulas and the percent split between the "utilities" and "operations and maintenance" (O&M) components of the space support formula. (TEC, Section 61.059 (b))
2. Review the expenditure study that is used for the cost matrix, including determining and reviewing the growth of costs affiliated with higher education and its consequent impact on higher education institutions, and make recommendations for improvements to better reflect

the actual expenditures of the institutions. (General Appropriations Act, HB 1, 86th Texas Legislature, Special Provisions Sec. 26 (page III-257 to III-259))

3. Review the Space Projection Model as it relates to distance education courses, including the different physical space and technology needs between traditional courses, online courses, and distance education courses, as well as information on associated costs of each course type, and recommend changes to the model. (General Appropriations Act, HB 1, 86th Texas Legislature, Special Provisions Sec. 26 (page III-257 to III-259))

4. Study and make recommendations for an outcomes-based methodology for allocating the balance remaining in the B-On-Time account after the underutilized amount is allocated.

**Attachment C
Meeting Minutes**

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Monday, August 19, 2019
1:30 p.m.**

Minutes

Attendees: Ms. Noel Sloan (Chair), Mr. Bob Brown (Vice Chair), Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Mr. Daniel Harper, Dr. Harrison Keller, Ms. Veronica Mendez, Dr. Juan Munoz, Mr. R. Jason Tomlinson, and Ms. Angie W. Wright

Absent: Dr. Robert Kinucan, Dr. James Marquart, Dr. Karen Murray, Dr. Jerry Strawser

Staff: Dr. Julie Eklund, Ms. Jennifer Gonzales

1. The meeting was called to order at 1:30 p.m.
2. Ms. Sloan, the convening chair, called for nominations for a committee chair. Dr. Gallant nominated Ms. Sloan, Dr. Munoz seconded the nomination, and the members unanimously voted for Ms. Sloan.
3. Ms. Sloan called for nominations for a vice chair. Dr. Gallant nominated Mr. Harper and Ms. Wright nominated Mr. Brown. The committee voted individually for each nominee and Mr. Brown was elected vice chair.
4. Dr. Eklund provided a brief overview of the funding formulas and fielded questions from members.
5. The chair reviewed the Commissioner's 2022-2023 biennium charges.
 - a. Charge 1 – Funding Levels
 - i. The chair requested that members review the information provided in the meeting's agenda materials and be prepared to discuss funding levels at the September meeting.
 - b. Charge 2 – Expenditure Study
 - i. The committee discussed the charge and determined to address it by establishing a working group to explore the expenditure study in more detail. Dr. Gallant volunteered to lead the workgroup, and the following members offered to participate: Ms. Sloan, Mr. Brown, Ms. Brown, Mr. Harper, Ms. Mendez, Dr. Munoz, Dr. Strawser, Mr. Tomlinson, and Ms. Wright.

- ii. The group plans to meet by conference call before the next full committee meeting in September. Ms. Gonzales agreed to send expenditure data provided to the previous workgroup.
 - c. Charge 3 – Space Projection Model for Distance Education Courses
 - i. The committee decided that members should review all the charges and that it would address the need for a working group for this charge during the September meeting. Ms. Gonzales agreed to send additional information on the space model as adjusted for distance education, as provided to the LBB in March 2019.
 - d. Charge 4 – Additional B-On-Time Allocation Methodology
 - i. The chair requested committee members be prepared to take up this charge at future meetings. The committee determined that all members would address this charge together rather than in a working group.
- 6. The committee considered future meeting dates.
 - a. The committee agreed to the following meeting dates: September 19, October 17, December 5 (if needed), and January 9 (if needed).
 - b. Ms. Gonzales agreed to send out a Doodle pole to get consensus on the best meeting time for November and for meeting start times. Members said a later start time would allow workgroups to meet before the meetings if needed.
- 7. The meeting was adjourned at 2:30 p.m. until September 19, 2019.

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Thursday, September 19, 2019
11:00 a.m.**

Minutes

Attendees: Ms. Noel Sloan (Chair), Mr. Bob Brown (Vice Chair), Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Mr. Daniel Harper, Dr. Robert Kinucan, Dr. James Marquart, Ms. Veronica Mendez, Dr. Juan Munoz, Dr. Karen Murray, Dr. Jerry Strawser, Mr. R. Jason Tomlinson, and Ms. Angie W. Wright

Absent: Dr. Harrison Keller

Staff: Dr. Julie Eklund, Mr. David Young, Ms. Jennifer Gonzales

1. The meeting was called to order at 11:00 a.m.
2. The minutes from the August 19th meeting were unanimously approved by a motion from Dr. Munoz with a second from Ms. Brown.
3. The committee discussed, reviewed, and considered the Commissioner's 2022-2023 biennium charges.
 - a. Charge 1 – Funding Levels

The committee reviewed the projections for growth and inflation and the resulting funding levels. During the 2020-21 biennium, the Legislature appropriated an additional \$18.5 million for the Small Institution Supplement (SIS), which effectively changed the supplement rate from \$750K to \$1.3M. Mr. Harper recommended starting with the 2020-21 appropriated rate (\$1.3M), adding inflation, and maintaining the methodology that distributes a step-down approach for student headcounts between 5,000 and 10,000. The committee agreed. Ms. Gonzales will provide updated projections in October to include this recommendation.

The committee agreed that the recommendations should include growth and inflation. Ms. Brown also advocated for adding language to the committee's report that recommends against reducing the space support formula for distance education courses. The committee considered this recommendation under charge 3.

Regarding Space Support funding, Mr. Harper advocated for the formula recommendation to break out a separate line item for utilities for Sul Ross - Rio Grande. The institution's facilities are leased, but the institution does pay all utilities through a triple net lease. The committee agreed that the institution should have its own line and that language be added to the page to support the recommendation.

b. Charge 3 – Space Projection Model for Distance Education Courses

Dr. Marquart began the discussion by sharing that costs associated with distance education are unstructured, with students seeking assistance at all hours of the day. He stated that this helps meet the needs of non-traditional students and helps to meet the goals of *60X30TX*, but it's more expensive to design these courses and to have instructors and IT available at those times as well. Dr. Munoz noted that future cost may continue to grow as instructional design becomes more expensive. Mr. Davidson noted that his institution was also having to meet the technological needs of students with disabilities. In summary, the committee agreed on the need to communicate information in their recommendations about the costs and challenges of delivering distance education and to advocate against adjusting the space support formula for distance education. Ms. Sloan will summarize the points made during the discussion for the committee's final report.

c. Charge 4 – Additional B-On-Time Allocation Methodology

The committee discussed the recent history regarding the end of the B-On-Time program. Mr. Harper shared his understanding of the allocation methodology that came out of the negotiated rule-making committee, which was to distribute funds back to the donor institutions, but he understood that this charge was specific to the remaining balance after those distributions have been made. Dr. Eklund reminded the committee that statute requires a recommendation regarding outcomes-based funding, and that this charge addresses that requirement.

Ms. Brown noted that when UT-Brownsville and UT-Pan American merged as UT-Rio Grande Valley, UT-Brownsville lost its status as a donor institution, and she suggested that part of that funding should go back to UTRGV.

Mr. Brown asked whether the committee was legislatively bound to tie the remaining funds back to the outcomes-based funding. Ms. Eklund explained that Texas Education Code §61.0593 (d-g) provides more detail on what is required and that the staff would provide further details to the committee at the next meeting.

Charge 2 – Expenditure Study

Dr. Gallant shared that the Expenditure Study workgroup had a conference call on September 9, 2019. The group examined the departmental operating expense (DOE) allocation methodology. Institutions can currently allocate via direct expenses, semester credit hours, faculty salaries, or a combination of these. The workgroup members agreed that a consistent methodology would provide more stability in the weights. Dr. Gallant made a motion that DOE expenses be allocated via direct expenses, when possible, and that remaining DOE expenses be allocated via faculty salaries. Ms. Brown seconded the motion and the full committee unanimously agreed.

Dr. Gallant asked if non-funded hours were included in the study, citing that institutions still bear the expense for educating the non-funded semester credit hours. Through discussion, the committee realized that since all costs are included, but non-funded hours are not included, this would result in a decrease in the cost

per SCH. Ms. Sloan thought this might be why we are seeing compression in the weights. Dr. Gallant and Ms. Brown said these non-funded hours may be more likely when students are taking upper level courses. Dr. Eklund relayed that staff would try to examine the distribution of these non-funded hours to see if they might affect the study.

4. The committee discussed action items for the October meeting:

Ms. Gonzales will provide updated funding projections, which will include the recommended changes to the Small Institution Supplement.

Ms. Sloan will consolidate the committee's discussion and comments on the higher costs associated with providing distance education for the committee's approval.

Regarding Charge 4, the THECB will provide more information on legislative and statutory requirements. Mr. Harper also asked the THECB to run a model that would show Ms. Brown's suggested change to the B-On-Time allocation that came out of the negotiated rule-making process. In addition, Mr. Harper requested to see a model that runs the remaining \$26 million using the graduation supplement methodology for at-risk students.

5. The meeting was adjourned at 12:20 p.m. until October 17, 2019 at 11:00 a.m.

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Lone Star Room, Second Floor
1200 East Anderson Lane, Austin
Thursday, October 17, 2019
11:00 a.m.**

Minutes

Attendees: Ms. Noel Sloan (Chair), Mr. Bob Brown (Vice Chair), Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Mr. Daniel Harper, Dr. Robert Kinucan, Dr. James Marquart, Ms. Veronica Mendez, Dr. Juan Munoz, Mr. R. Jason Tomlinson, Ms. Angie W. Wright

Absent: Dr. Karen Murray, Dr. Jerry Strawser

Staff: Dr. Julie Eklund, Mr. David Young, Mr. Gordon Taylor, Ms. Jennifer Gonzales

1. The meeting was called to order at 11:00 a.m.
2. The draft minutes from the September 19th meeting were reviewed and Ms. Sloan addressed a one-word amendment under Charge 2 (page 4, sentence 2), changing the word "increase" to "decrease". The minutes were then unanimously approved by a motion from Mr. Brown with a second from Ms. Wright.
3. The committee discussed, reviewed, and considered the Commissioner's 2022-2023 biennium charges.

a. Charge 1 – Funding Levels

The committee reviewed the data it had requested regarding increasing the Small Institution Supplement for inflation, which would increase the annual rate from \$1,316,566 to \$1,347,506. The committee reviewed the projections for growth and inflation and the resulting funding levels. Mr. Brown moved to approve the funding levels on page 8 of the agenda materials, which equate to \$5.206 million, a 5.4% increase in funding over the 2020-21 biennium. Ms. Mendez seconded the motion and the committee unanimously approved.

b. Charge 2 – Expenditure Study

Staff provided the Committee with semester credit hour (SCH) data that included both funded and non-funded hours. Most of the increases from adding non-funded hours occurred at the undergraduate upper level (UGU). Since the UGU hours would increase, while the costs would remain the same, the cost of UGU per SCH would decrease and would result in further "compression" toward the undergraduate lower level (UGL) weights. Mr. Marquart asked whether distance education students were included in the unfunded counts and Dr. Eklund explained that fully distance education students would not be included. Also, regarding unfunded hours, Ms. Brown brought up the concern that some institutions do not currently report data on their unfunded students. Mr. Gallant requested that staff provide data on how including these unfunded hours in the categories of institutional support and student services would affect the weights.

c. Charge 3 – Space Projection Model for Distance Education Courses

Chair Sloan provided draft wording to address Charge 3 in the Committee’s final report. Ms. Brown suggested adding language to the report that adjusting space support funding based on distance education could harm the goals of *60X30TX*. Mr. Davidson added that the funding should drive behavior to meet those goals, rather than to penalize those efforts. Dr. Munoz added that post-traditional and stop-out students, in addition to non-traditional students, would be among the population that *60X30TX* seeks to reach. Ms. Sloan will update the language in the draft report and will have it available to approve at the November meeting.

d. Charge 4 – Additional B-On-Time Allocation Methodology

Mr. Wyatt provided the background for the B-On-Time program for the Committee, explaining the process by which the 27 institutions that had underutilized those funds will be “made-whole”. There is still expected, however, to be approximately \$27 million in excess after these distributions, due to repayments from students who received a loan but did not meet the forgiveness criteria. The funding must be spent on at-risk students, but the question becomes whether the distribution of the remaining funds should be made only to the 27 institutions or to all 37 institutions after this point. SB1504 extended the life of the B-On-Time fund through 2024 but did not change the allocation methodology. Getting the funds from the account will require an appropriation from the Legislature.

Mr. Wyatt also noted that part of the rationale for the agency recommending allocating the excess based on the graduation bonus was that institutions could use the funds for seed money for implementing outcomes-based funding, which would create the structure for having an outcomes-based methodology in place that future legislators could hopefully build upon.

Mr. Brown noted that using the Graduation Supplement methodology would be consistent with what the committee has previously endorsed for outcomes-based funding. Ms. Brown made a motion to use the graduation supplement methodology, adjusting the total dollar value based on the final remaining amount. Dr. Munoz seconded the motion and the committee unanimously agreed.

4. The committee discussed action items for the November meeting:

THECB Staff will provide the expenditure study data using unfunded hours in the methodology for the Institutional Support and Student Services expense allocations.

Mr. Brown made a motion, seconded by Ms. Brown, giving the Chair authority to complete the Committee’s report on behalf of the Committee.

The Committee determined to address the remaining item on Charge 2 via a WebEx meeting on Monday, November 18 at 11:00 a.m.

5. The meeting was adjourned at 12:07 p.m.

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
WebEx Teleconference Call
Monday, November 18, 2019
11:00 a.m.**

Minutes

Attendees: Ms. Noel Sloan (Chair), Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Mr. Daniel Harper, Dr. Robert Kinucan, Dr. James Marquart, Ms. Veronica Mendez, Dr. Juan Munoz, Dr. Karen Murray, Mr. R. Jason Tomlinson, Dr. Jerry Strawser, Ms. Angie W. Wright

Absent: Mr. Bob Brown (Vice Chair)

Staff: Dr. Julie Eklund, Mr. David Young, Mr. Gordon Taylor, Ms. Jennifer Gonzales

1. The meeting was called to order at 11:00 a.m.
2. The draft minutes from the October 17th meeting were reviewed and unanimously approved by a motion from Ms. Brown with a second from Dr. Marquart.
3. The committee discussed, reviewed, and considered the Commissioner's 2022-2023 biennium charges that had pending items.

a. Charge 1 – Funding Levels

Mr. Harper proposed that the Committee use the Higher Education Price Index (HEPI) inflation rate of 2.6% rather than the Consumer Price Index (CPI-U) inflation rate of 2.35%. The Committee agreed and requested that the THECB re-run the projections with the updated inflation rate and Ms. Sloan will update the draft report with the changes.

b. Charge 2 – Expenditure Study

The committee considered the data provided by THECB regarding unfunded hour inclusion in the categories of institutional support and student services, but the change was very minor. There were no recommendations made to make a change for this. Ms. Wright made a motion, seconded by Dr. Strawser, to add language to recommend that the Expenditure Study spreadsheet should default to faculty salaries rather than semester credit hours. The Committee unanimously approved.

4. The committee briefly discussed Chair Sloan's draft report. Dr. Marquart suggested minor language edits that he'll provide directly to Ms. Sloan that she'll then circulate.
5. With no pending items to address, the Chair cancelled the meeting date for December. The Committee concluded its work and the meeting was adjourned at 11:14 a.m.