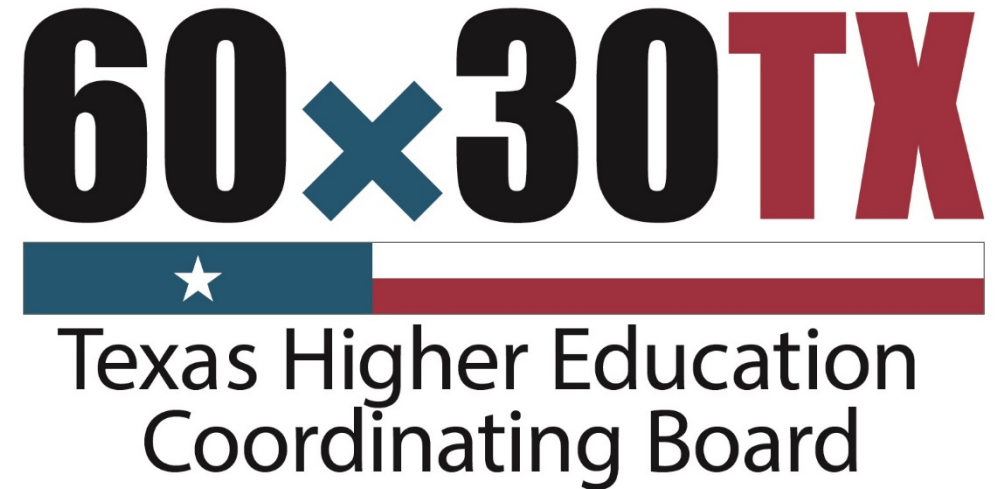


Summary of the Recommendations of the Formula Advisory Committees

Julie Eklund, PhD
Strategic Planning and Funding

Committee on Affordability, Accountability, and Planning
April 23, 2020



Formula Advisory Committees recommended rates for each formula

At the recommended rates and using projected data, the below table shows the estimated funding levels across the sectors:

Funding Levels (millions)	2020-21 Biennium	2022-23 Biennium	Change Amount	Percent Change
Community Colleges	\$1,833.3	\$2,038.6	\$205.3	11.2%
State Colleges	65.4	71.4	6.0	9.2%
Technical Colleges	163.8	164.1	0.4	0.2%
General Academic Institutions	4,937.2	5,242.5	305.3	6.2%
Health-Related Institutions	2,046.9	2,802.3	755.4	36.9%
Total	\$9,046.4	\$10,318.9	\$1,272.5	14.1%

Institutional representatives develop formula funding recommendations

- Texas law requires the THECB to review formulas and formula funding levels and make recommendations for all public institutions of higher education, which it submits to the Legislature and the Governor
- THECB is required to employ an ongoing process of committee review
 - Three advisory committees are established each summer of odd-numbered years
- Commissioner solicits recommendations for the committees' membership from university system chancellors and presidents of those not part of a system
- The Board appoints representatives of a cross-section of institutions representing each of the institutional groupings under the accountability system

Appropriations process and timeline

- Aug. 2019 – Feb. 2020: Formula Advisory Committees (FACs) draft recommendations
- Feb. 2020: FAC chairs present committee recommendations to Commissioner
- April 23, 2020: Commissioner shares his comments and FAC chairs present committee recommendations to CAAP
- April 23, 2020: Board adopts formula recommendations
- By June 1, 2020: Staff forwards formula recommendations to the Legislative Budget Board (LBB) and Governor's Office

Appropriations process and timeline (cont.)

- Nov./Dec. 2020: LBB runs formulas using preliminary base-year data for spring, summer, and fall 2020
- Jan. 2021: 87th Texas Legislature convenes and HB1/SB1 are filed
- March 2021: New formulas are run using **base year** numbers (certified summer and fall 2020 and error-free spring 2021)
- May 2021: Legislature passes General Appropriations Act
- June 2021: Governor signs General Appropriations Act

Community, State, and Technical Colleges (CTC) Formula Funding

The CTC Formula Advisory Committee makes recommendations for the three two-year sectors

- Community Colleges: 50 districts
- State Colleges: Lamar State College Orange, Lamar State College Port Arthur, and Lamar Institute of Technology
- Technical Colleges: Texas State Technical College (six campuses)

Community College Formula Funding

- Contact Hours allocate the majority of funding
- Core funding
- Student Success Points

Example of Contact Hour Formula

Contact hours*		283.4
Avg. biennial funding rate per contact hr.	X	\$5.83
Biennial Funding Level*		\$1,652.2

**in millions*

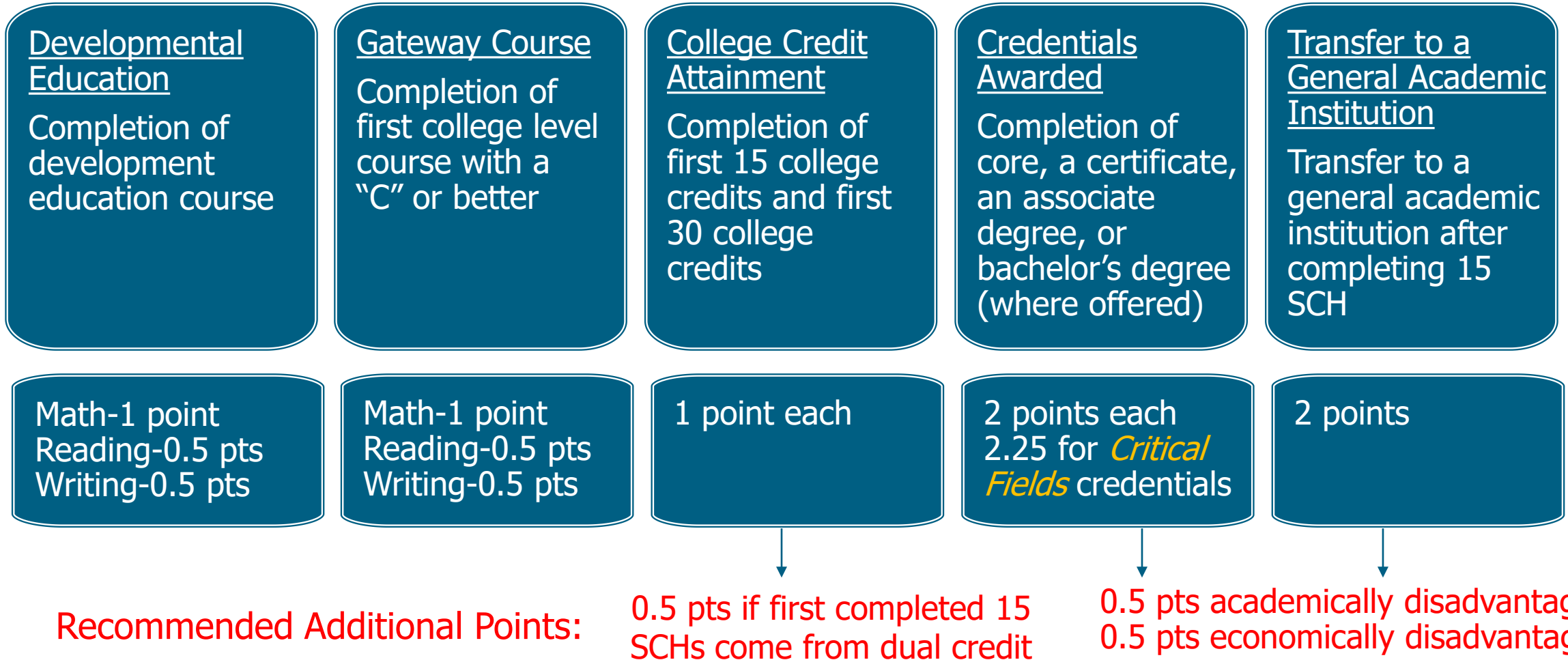
Recommendations for the community colleges include an 11.2% funding increase

Rates	2020-21 Biennium	2022-23 Biennium	Change Amount	Percent Change
Average Rate per Contact Hour (biennial)	\$5.44	\$5.83	\$0.39	7.1%
Bachelor of Applied Technology	40.70	41.66	0.96	2.4%
Student Success Points	202.53	215.00	12.47	6.2%
Funding Levels (millions)				
Community Colleges	\$1,833.3	\$2,038.6	\$205.3	11.2%

Rates are annual unless noted otherwise

- Increase Core Operations from \$1,360,812 per community college district per biennium to \$2,000,000
- Increase Student Success Points from \$202.53 per point to \$215
- Update targeted fields and add weights for selected populations for Student Success Points

The Recommendation includes adding new weights for selected Student Success Points



State College Formula Funding

- Academic and Vocational/Technical Education
 - Community College Contact Hour Formula
- Education and General (E&G) Space Support
 - General Academic Institution Formula
- Small Institution Supplement
 - General Academic Institution Formula

Recommendations for the state colleges include a 9.2% funding increase

Rates	2020-21 Biennium	2022-23 Biennium	Change Amount	Percent Change
Average Rate per Contact Hour (biennial)	\$10.23	\$10.47	\$0.24	2.3%
E&G Space Support	5.33	5.45	0.12	2.3%
Small Institution Supplement	1,316,566	1,316,566	0	0.0%
Funding Levels (millions)				
State Colleges	\$65.4	\$71.4	\$6.0	9.2%

Rates are annual unless noted otherwise

Texas State Technical College (TSTC) Formula Funding

- Instruction and Administration (Returned-Value)
- Dual Credit Courses (funded via Contact Hours)
- Education and General (E&G) Space Support
 - General Academic Institution Formula
- Small Institution Supplement
 - General Academic Institution Formula at half the rate

TSTC Returned-Value Funding Model

- Instruction and administration formula
 - Funds allocated on a percentage of the student's returned-value
 - Returned-Value estimated using workforce data

Student Attends TSTC – completes at least 9 SCH and THECB captures ID and data

Student leaves TSTC and enters Workforce – THECB captures earnings from TWC

THECB compares earnings to minimum wage in Texas, surplus is “value-added” by TSTC

Current-Value discounting is applied for each quarters' wages to make dollars current

Standard tax-rate and economic multiplier is applied to the “value-added” to determine return value to the state

Recommendations for the technical colleges fund the percentage of returned value at the current level

Rates	2020-21 Biennium	2022-23 Biennium	Change Amount	Percent Change
Percent of Returned-Value Funded (biennial)	36.1%	36.1%	0.0%	0.0%
Dual credit	\$8.39	\$8.59	\$0.20	2.3%
E&G Space Support	5.33	5.45	0.12	2.3%
Small Institution Supplement	658,283	658,283	0	0.0%
Funding Levels (millions)				
Technical Colleges	\$163.8	\$164.1	\$0.4	0.2%

Rates are annual unless noted otherwise

General Academic Institution (GAI) funding model

- Instruction and Operations (I&O) Formula: Allocates majority of funding using weighted semester credit hours (WSCH)
 - Teaching experience supplement
- Education and General (E&G) Space Support
- Small Institution Supplement

Example of I&O formula

Weighted Semester Credit Hours (WSCH)		38.2
Annual funding rate per WSCH	X	\$57.28
Biennial Funding Level (WSCH x Annual Rate X 2)		\$4,371.3

**in millions*

Recommendations for the general academic institutions include a 6.2% funding level increase

Rates	2020-21 Biennium	2022-23 Biennium	Change Amount	Percent Change
General Academic Institutions				
Operations Support	\$55.85	\$57.28	\$1.43	2.6%
E&G Space Support	5.33	5.47	0.14	2.6%
Small Institution Supplement	1,316,566	1,350,797	34,231	2.6%
60x30TX Graduation Bonus – Not at Risk		38.38	38.38	NA
60x30TX Graduation Bonus – At-Risk		76.75	76.75	NA
Funding Levels (millions)				
General Academic Institutions	\$4,937.2	\$5,242.5	\$305.3	6.2%

- Institutions should allocate Departmental Operating Expense (DOE) directly in the expenditure study and allocate the remaining DOE based on faculty salaries rather than SCH
- Include all hours in the space projection model with no adjustment related to online courses
- Allocate remaining funds in the B-On-Time account (\$25.6 million) using a new graduation bonus formula

Health-Related Institutions (HRI) Funding Model

- Instruction and Operations (I&O) Formula: Allocates majority of funding based on Full-Time Student Equivalent (FTSE) Enrollment
- Education and General Space Support (E&G)
- Research Enhancement
- Graduate Medical Education (GME)
- Mission Specific

Recommendations for the health-related institutions increase funding by 36.9% overall

Rates	2020-21 Biennium	2022-23 Biennium	Change Amount	Percent Change
Instruction and Operations (I&O)	\$9,622	\$11,383	\$1,761	18.3%
Research Enhancement	1.18%	2.85%	1.67%	141.7%
Graduate Medical Education	\$5,970	\$12,273	\$6,303	105.6%
E&G Space Support	6.14	11.18	5.04	82.2%
Funding Levels (millions)				
Health-Related Institutions	\$2,046.9	\$2,802.3	\$755.4	36.9%

- Increase mission specific funding at The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler by the “average growth in funding” recommended for the I&O formula.
- Four HRIs received Pilot Program Mission Specific formulas in the 2020-21 biennium which expire at the end of the biennium. If the pilot programs are renewed, no change is recommended to their “may not exceed” limits in the GAA.
- Fund all semester credit hours taken by students concurrently enrolled in dual degree programs

Questions about the Recommendations?

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