

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

August 2019

Table of Contents

Agenda	1
Background	3
Commissioner’s Charges	3
General Academic Institutions Formula Advisory Committee for the 2022-2023 Biennium.....	4
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)).....	5
Contributing Factors to Biennial Change in Formula Funding	5
Formula Funding Recommendation History.....	6
Total Formula Funding – Previous and Current Biennia.....	7
Weighted Semester Credit Hours – Previous and Current Base Year	8
Predicted Square Feet – Previous and Current Fall Used in Appropriations.....	9
Enrollment and Predicted Square Feet Projections.....	10
Consumer Price Index Inflation (CPI-U) Projection	11
Distribution of Revenue – FY 2018 and FY 2000	12
Formula Funding Rate History	14
Formula Funding Level History	16
Formula Funding per FTSE History.....	18
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))	20
Formula Funding Allocation Distribution by Discipline	20
Comparison of Appropriations as Allocated using FY 2018 Expenditure-Based Weights to FY 2000 Static Weights	22
Expenditure Study Relative Weight History	23
Expenditure Study Relative Weight History Year-Over-Year Percent Change	24
Fiscal Year 2018 Expenditure Study Counts of Institutions Reporting Hours for Discipline and Level Combinations	25
1. Veterinary Science.....	25
2. Pharmacy Undergraduate Lower and Upper Level	26
3. Optometry	26
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))	27
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	28
Appendix A: Formula Funding Statutes and Rules	29
TEC Sec. 61.059 Appropriations	29
TEC Sec. 61.0592 Funding for Courses Provided During Off-Peak Hours At Certain Institutions	32
TEC Sec. 61.0593 Student Success-Based Funding Recommendations	32
TEC Sec. 61.0595 Funding For Certain Excess Undergraduate Credit Hours.....	34
TEC Sec. 51.3062 Success Initiative.....	35
TEC Sec. 51.307 Rules.....	35
TAC Sec. 31.20 Formula Funding Purpose	35
TAC Sec. 31.21 Formula Funding Authority.....	35
TAC Sec. 31.23 Formula Funding General Academic Institution Formulas.....	36
TGC Sec. 2110. State agency advisory committees	37
TGC Sec. 2110.001. Definition.....	37
TGC Sec. 2110.0011. Applicability of chapter.....	37
TGC Sec. 2110.0012. Establishment of advisory committees.	37
TGC Sec. 2110.002. Composition of advisory committees.	37
TGC Sec. 2110.003. Presiding officer.	37
TGC Sec. 2110.004. Reimbursement of members' expenses; appropriations process.....	37
TGC Sec. 2110.005. Agency-developed statement of purpose/tasks; reporting requirements...	38
TGC Sec. 2110.006. Agency evaluation of committee costs and effectiveness.....	38
TGC Sec. 2110.007. Report to the legislative budget board.....	38
TGC Sec. 2110.008. Duration of advisory committees.....	38
Appendix B: Tentative Schedule of Future Meetings	39
Appendix C: Prior Committee Members	40
Appendix D: 2020-2021 Texas Higher Education Coordinating Board Formula Funding Recommendations (Includes Formula Advisory Committee Recommendations).....	41
Initial Meeting Presentation.....	42

Agenda

Joint Meeting of the Community and Technical Colleges Formula Advisory Committee; Health-Related Institutions Formula Advisory Committee; and General Academic Institutions Formula Advisory Committee

Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Monday, August 19, 2019
1:00 p.m.

Agenda for Joint Committee Meeting

- I. Call to order and welcome – Commissioner Raymund Paredes
- II. Presentation of charges to the committees – Commissioner Raymund Paredes
- III. Relocate to separate meeting rooms for each formula advisory committee meeting
 - a. Community & Technical Colleges Formula Advisory Committee –
(Lone Star Room)
 - b. Health-Related Institutions Formula Advisory Committee – (Tejas Room)
 - c. General Academic Institutions Formula Advisory Committee – (Board Room)

Agenda for Community and Technical Colleges Formula Advisory Committee

- I. Introductions – Pamela Anglin, Convening Chair
- II. Consideration of the election of a Chair and Vice Chair
- III. Briefing on community and technical colleges' funding formulas
- IV. Discussion of Commissioner's charges to the Committee
- V. Discussion of dates and assignments for subsequent meetings
- VI. Adjourn

Agenda for Health-Related Institutions Formula Advisory Committee

- I. Introductions – Penny Harkey, Convening Chair
- II. Consideration of the election of a Chair, Vice Chair and Secretary
- III. Briefing on health-related institutions' funding formulas
- IV. Discussion of Commissioner's charges to the Committee
- V. Discussion of dates and assignments for subsequent meetings
- VI. Adjourn

Agenda for General Academic Institutions Formula Advisory Committee

- I. Introductions – Convening Chair
- II. Consideration of the election of a Chair and Vice Chair
- III. Briefing on general academic institutions' funding formulas
- IV. Discussion of Commissioner's charges to the Committee
- V. Discussion of dates and assignments for subsequent meetings
- VI. Adjourn

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.

General Academic Institutions Formula Advisory Committee for the 2022-2023 Biennium

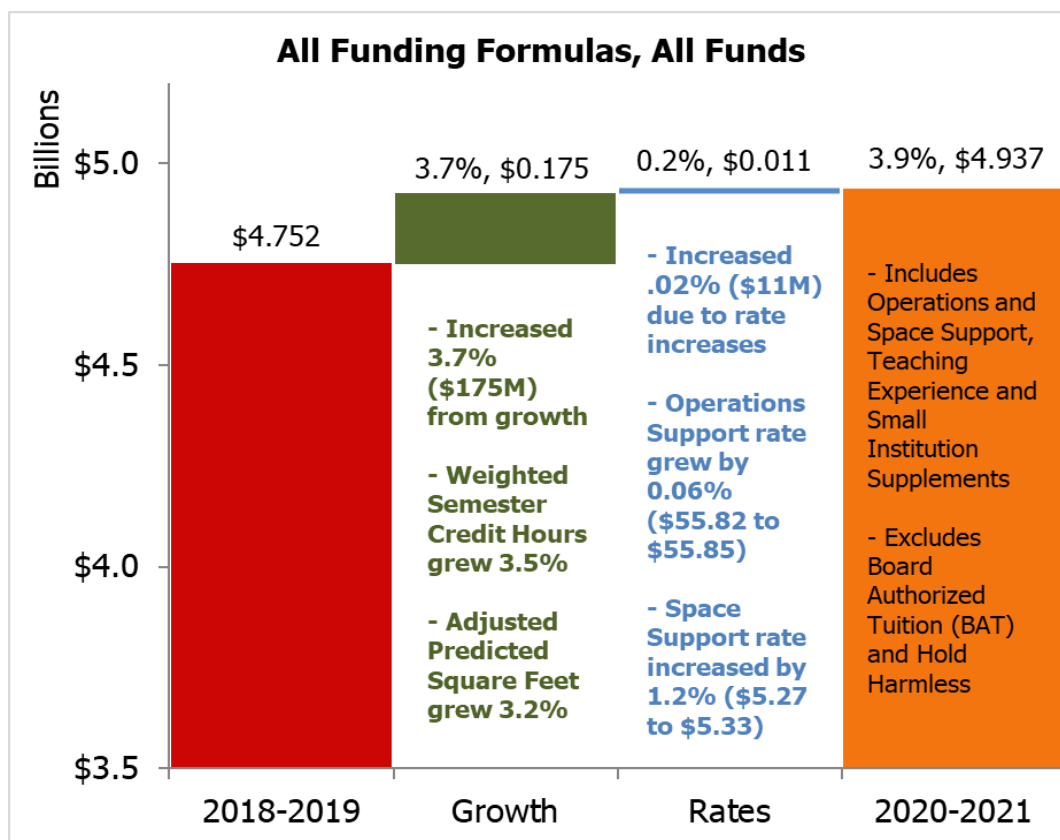
Name	Institution	Contacts
Mr. Bob Brown (2022) VP for Finance & Administration	University of North Texas 1501 W. Chestnut St, Denton, TX 76201	bob.brown@unt.edu 940-565-2055
Ms. Susan Brown (2024) AVP for Strategic Analysis & Institutional Reporting	The University of Texas - Rio Grande Valley, 1201 West University Drive, Edinburg, TX 78539	susan.brown@utrgv.edu 956-665-2383
Mr. John Davidson (2022) AVP – 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, 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. Harrison Keller (2020) Deputy to the President for Strategy & Policy	The University of Texas at Austin 1 University Station G1000, Austin, TX 78712	harrison.keller@austin.utexas.edu 512-232-8277
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) VP for Business Affairs	The University of Texas at San Antonio One UTSA Circle, San Antonio, TX 78249	veronica.mendez@utsa.edu 210-458-4201
Dr. Karen Murray (2020) Executive VP - Academic Affairs & Provost	Tarleton State University 1333 West Washington, Stephenville, TX 76402	kmurray@tarleton.edu 254-968-9992
Dr. Juan Munoz (2024) President	University of Houston-Downtown One Main Street, Houston, TX 77002	uhdpresident@uhd.edu 713-221-8001
Mr. R. Jason Tomlinson (2024) VP for Finance & Administration	Texas Woman's University P.O. Box 425588, Denton, TX 76204	jtomlinson1@twu.edu 940-898-3505
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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) VP for Finance & Administration	Angelo State University 2601 West Ave N, San Angelo, TX 76903	angie.wright@angelo.edu 325-942-2017

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))

A workbook containing the Basis of Legislative Appropriations for the General Academic Institutions is located at <http://www.thecb.state.tx.us/index.cfm?objectid=1DF036C0-2E0B-11E8-BC500050560100A9> and includes a comparison of current and prior biennial funding by strategy and the formulas used to allocate the funding. In addition, the workbook shows how each formula uses the data provided by the institutions.

Contributing Factors to Biennial Change in Formula Funding

For all formulas, the general academic institutions’ all funds formula funding increased 3.9 percent from the 2018-2019 biennium. This was due to a 3.7 percent increase in growth and a 0.2 percent increase in the rates.



Formula Funding Recommendation History

		Operations Support	Teaching Experience	Small Institution	Space Support	O&M to Utility Split
2020 - 2021	Funded	\$4.050B or \$55.85 per WSCH	\$95.7 or 10%	\$27M: \$750K for less than 5K and \$0 for 10K students/year, plus an additional \$18.5M	\$764M or \$5.33 per adjusted predicted square foot per year	57% to 43%
	THECB	\$4.388B or \$56.79 per WSCH, plus \$160M grad bonus	\$97.3 or 10%	Same as funded	\$756M or \$5.36 per adjusted predicted square foot per year	Same as funded
	GAIFAC	\$4.388B or \$56.79 per WSCH, plus \$80M grad bonus	\$97.3 or 10%	Same as funded	\$756M or \$5.36 per adjusted predicted square foot per year	Same as funded
2018 - 2019	Funded	\$4.003B or \$55.82 per WSCH	\$95.4M or 10%	\$750K for less than 5K and \$0 for 10K students per year	\$732M or \$5.27 per adjusted predicted square foot per year	59% to 41%
	THECB	\$4.188B or \$56.67 per WSCH, plus \$150M Graduation Bonus	\$105M or 10%	Same as funded	\$743M or \$5.68 per adjusted predicted square foot per year	Same as funded
	GAIFAC	\$4.360B or \$58.99 per WSCH to cover 3.85% growth and 2.3% inflation, plus \$200M Graduation Bonus	\$105M or 10%	Same as funded	\$767M or \$5.86 per adjusted predicted square foot per year to cover 5.93% growth and 2.3% inflation	Same as funded
2016 - 2017	Funded	\$3.843B or \$55.39 per WSCH per year	\$99M or 10%	\$750K for less than 5K students and \$0 for 10K students per year	\$715M or \$5.55 per adjusted predicted square foot per year	56% to 44%
	GAIFAC	\$3.810B or \$57.30 per WSCH to cover 2.7% growth and no adjustment for inflation and \$235M for outcomes-based funding.	\$105M or 10%	Same as funded	\$713M or \$5.78 per adjusted predicted square foot per year to cover 1.6% growth and no adjustment for inflation	Same as funded
2014 - 2015	Funded	\$3.55B or \$54.86 per WSCH per year	\$98M or 10%	\$750K for less than 5K students and \$0 for 10K students per year	\$697M or \$5.50 per adjusted predicted square foot per year	52% to 48%
	GAIFAC	\$3.70B or \$57.50 per WSCH to cover 3.2% growth and 2% inflation	\$119M or 10%	Same as funded	\$786M or \$5.33 per adjusted predicted square foot per year to cover 8.4% growth and 2% inflation	Same as funded
2012 - 2013	Funded	\$3.27B or \$53.71 per WSCH per year	\$95M or 10%	\$750K for less than 5K students and \$0 for 10K students per year	\$650M or \$4.95 per adjusted predicted square foot per year	48% to 52%
	GAIFAC	\$3.98B or \$66.30 per WSCH to cover 7.6% growth and 6.6% inflation	\$119M or 10%	Same as funded	\$785M or \$6.49 per adjusted predicted square foot per year to cover 4.8% growth and 7% inflation	Same as funded
2010 - 2011	Funded	\$3.47B or \$62.19 per WSCH per year	\$104M or 10%	\$750K for less than 5K students and \$0 for 10K students per year	\$719M or \$6.09 per adjusted predicted square foot per year	42.6% to 57.4%
	GAIFAC	\$3.81B to cover 6.79% growth and 7.08% inflation	Included in operations support	\$750K for less than 5K students and \$0 for 7.5K students per year	\$953M	Same as funded

Total Formula Funding – Previous and Current Biennia

Formula Funding (Appropriations less Board Authorized Tuition)	2018-2019	2020-2021	Difference	Percent Change
Operations Support	\$3,907,898,870	\$4,050,086,111	142,568,950	4%
Teaching Experience Supplement	95,407,604	95,732,350	324,721	0%
Space Support	731,674,778	763,919,914	31,878,637	4%
Small Institution Supplement	16,670,100	27,412,450	10,742,350	64%
Total	\$4,751,651,352	\$4,937,150,825	185,514,658	4%
Institution				
UT-Arlington	\$272,251,334	\$291,127,960	\$18,873,286	7%
UT-Austin	537,738,036	545,780,344	8,013,356	1%
UT-Dallas	235,042,438	255,633,783	20,589,562	9%
UT-El Paso	150,303,275	162,553,823	12,247,901	8%
UT-Rio Grande Valley	166,960,966	177,405,923	10,443,642	6%
UT-Permian Basin	31,278,516	31,905,994	627,189	2%
UT-San Antonio	192,755,258	218,882,146	26,124,084	14%
UT-Tyler	60,104,680	60,578,051	473,013	1%
TAMU	634,941,383	664,904,899	29,959,479	5%
TAMU-Galveston	28,792,414	27,477,546	(1,265,803)	-4%
Prairie View	59,585,203	62,216,040	2,629,977	4%
Tarleton	79,725,759	79,780,806	53,121	0%
TAMU-Central	16,830,500	16,782,528	(48,172)	0%
TAMU-CC	74,193,527	80,175,802	5,980,791	8%
TAMU-Kingsville	71,604,250	59,787,049	(11,818,150)	-17%
TAMU-San Antonio	30,547,160	36,953,085	6,405,720	21%
TAMI	45,655,101	48,602,593	2,947,019	6%
WTAMU	59,383,191	60,846,127	1,462,296	2%
TAMU-Commerce	88,409,473	84,813,349	(3,597,119)	-4%
TAMU-TeXarkana	13,205,604	15,227,358	2,021,656	15%
UH	360,768,817	368,584,426	7,799,982	2%
UH-Clear Lake	60,348,873	59,188,800	(1,160,911)	-2%
UH-Downtown	68,842,919	69,720,677	876,804	1%
UH-Victoria	24,941,771	27,443,430	2,501,648	10%
Midwestern	33,898,164	35,336,396	1,437,755	4%
UNT	256,974,042	267,331,221	10,352,552	4%
UNT-Dallas	21,301,398	26,377,268	5,075,388	24%
SFA	75,938,017	75,882,864	(56,120)	0%
TSU	70,362,768	72,740,243	2,375,565	3%
TTU	313,343,862	323,753,738	10,407,826	3%
Angelo	47,718,836	50,368,604	2,649,210	6%
TWU	99,823,809	101,863,239	2,038,450	2%
Lamar	96,471,678	94,157,229	(2,315,407)	-2%
Sam Houston	122,072,327	130,754,890	8,681,429	7%
TXST	228,461,464	230,894,101	2,429,777	1%
Sul Ross	14,413,793	14,501,287	87,197	1%
Sul Ross - RG	6,660,746	6,817,206	210,665	3%
TOTAL	\$4,751,651,352	\$4,937,150,825	\$185,514,658	4%

Weighted Semester Credit Hours – Previous and Current Base Year

This schedule shows the weighted semester credit hours used in the previous and current biennia allocations and demonstrates the primary driver of the redistribution of the institutions' formula funding.

Weighted Semester Credit Hours (WSCH)	Base Year 2017	Base Year 2019	Difference	Percent Change
UT-Arlington	2,137,764	2,278,572	140,808	7%
UT-Austin	3,737,186	3,836,788	99,602	3%
UT-Dallas	1,825,829	1,986,105	160,276	9%
UT-El Paso	1,120,759	1,221,154	100,395	9%
UT-Rio Grande Valley	1,274,785	1,357,844	83,060	7%
UT-Permian Basin	236,219	229,239	(6,980)	-3%
UT-San Antonio	1,459,256	1,648,282	189,026	13%
UT-Tyler	467,530	468,895	1,365	0%
TAMU	4,890,312	5,149,137	258,825	5%
TAMU-Galveston	195,984	170,750	(25,233)	-13%
Prairie View	431,943	437,500	5,557	1%
Tarleton	609,606	615,381	5,775	1%
TAMU-Central	120,835	111,543	(9,292)	-8%
TAMU-CC	551,512	594,788	43,275	8%
TAMU-Kingsville	549,056	442,927	(106,129)	-19%
TAMU-San Antonio	226,685	266,158	39,472	17%
TAMI	339,782	356,510	16,728	5%
WTAMU	461,477	465,801	4,323	1%
TAMU-Commerce	706,094	674,687	(31,407)	-4%
TAMU-TeXarkana	88,250	91,046	2,797	3%
UH	2,739,582	2,788,556	48,975	2%
UH-Clear Lake	468,789	455,996	(12,793)	-3%
UH-Downtown	528,834	534,885	6,051	1%
UH-Victoria	179,953	188,234	8,282	5%
Midwestern	248,091	244,243	(3,848)	-2%
UNT	1,963,750	2,041,100	77,350	4%
UNT-Dallas	154,533	185,906	31,373	20%
SFA	568,388	566,002	(2,386)	0%
TSU	526,927	542,899	15,971	3%
TTU	2,365,032	2,425,675	60,642	3%
Angelo	359,643	379,155	19,512	5%
TWU	767,518	798,919	31,401	4%
Lamar	769,612	741,946	(27,665)	-4%
Sam Houston	935,488	985,372	49,885	5%
TXST	1,716,182	1,714,124	(2,058)	0%
Sul Ross	92,693	84,257	(8,437)	-9%
Sul Ross - RG	39,077	33,994	(5,083)	-13%
TOTAL	35,854,955	37,114,370	1,259,415	4%

Predicted Square Feet – Previous and Current Fall Used in Appropriations

This schedule shows the predicted square feet (an estimate of the space an institution needs based on activity) for the previous and current biennia, which is the secondary driver of formula funding redistribution. The values are adjusted to take into account the effect of the utility rate adjustment used in the space support model.

Adjusted Predicted Square Feet	Fall 2016	Fall 2018	Difference	Percent Change
UT-Arlington	3,187,183	3,434,054	246,871	8%
UT-Austin	11,437,351	10,994,827	(442,524)	-4%
UT-Dallas	2,960,852	3,169,092	208,240	7%
UT-El Paso	2,389,382	2,453,126	63,744	3%
UT-Rio Grande Valley	2,338,204	2,413,764	75,561	3%
UT-Permian Basin	366,637	390,625	23,987	7%
UT-San Antonio	2,831,699	3,261,278	429,579	15%
UT-Tyler	733,812	755,864	22,052	3%
TAMU*	8,357,260	8,334,876	(22,384)	0%
TAMU-Galveston	325,425	337,301	11,876	4%
Prairie View	1,042,939	1,232,774	189,835	18%
Tarleton	1,107,304	1,035,758	(71,545)	-6%
TAMU-Central	174,632	158,516	(16,115)	-9%
TAMU-CC	1,197,726	1,288,673	90,947	8%
TAMU-Kingsville	957,467	895,216	(62,251)	-7%
TAMU-San Antonio	368,335	511,430	143,095	39%
TAMI	658,365	720,641	62,275	9%
WTAMU	743,307	826,994	83,687	11%
TAMU-Commerce	909,050	886,461	(22,589)	-2%
TAMU-TeXarkana	175,853	227,417	51,564	29%
UH	5,212,171	5,356,052	143,880	3%
UH-Clear Lake	722,431	723,051	620	0%
UH-Downtown	930,224	935,591	5,367	1%
UH-Victoria	318,001	354,982	36,980	12%
Midwestern	465,487	552,022	86,534	19%
UNT	3,581,076	3,690,080	109,004	3%
UNT-Dallas	241,911	279,366	37,455	15%
SFA	1,184,434	1,187,593	3,159	0%
TSU	1,062,327	1,121,588	59,261	6%
TTU	4,678,629	4,953,889	275,260	6%
Angelo	703,149	752,033	48,884	7%
TWU	1,341,423	1,184,126	(157,297)	-12%
Lamar	1,001,178	1,058,196	57,018	6%
Sam Houston	1,673,159	1,940,571	267,412	16%
Texas State	3,498,023	3,697,972	199,948	6%
Sul Ross	243,435	230,461	(12,974)	-5%
Sul Ross - RG	70,585	68,405	(2,180)	-3%
TOTAL	69,190,426	71,414,661	2,224,234	3%

*includes space for TAMU College of Vet Med

Enrollment and Predicted Square Feet Projections

Projecting FTSE using the actual fall 2018 FTSE and the fall 2018 to 2020 anticipated headcount growth rate as reported on the enrollment forecast results in a biennial full-time student (FTSE) equivalent growth of 2.8 percent. This would increase the instruction and operations formula funding level by \$116.5 million from \$4.146 billion to \$4.262 billion assuming no change in funding rate.

Projecting predicted square feet using the actual fall 2018 values and a linear regression forecast to fall 2020 using the last five years actual values results in a biennial predicted square feet growth of 4.8 percent. This would increase the infrastructure formula funding level by \$37 million from \$764 million to \$801 million assuming no change in funding rate. These levels do not include the Texas State Technical and Lamar State Colleges' formula funding, Texas A&M Galveston shipboard operations set-aside, and small institution supplement. Texas A&M University College of Veterinary Medicine is included.

With these projections, the total funding level would increase \$153 million from \$4.937 billion to \$5.063 billion.

Operations Support Growth Rate

Fall	Fall Headcount ¹	Annual Percent Change	Fall Full-Time Student Equivalents (FSTE) ^{2,3}	Annual Percent Change
2000	414,626		321,284	
2001	430,770	3.89%	335,469	4.42%
2002	455,719	5.79%	354,855	5.78%
2003	472,818	3.75%	369,905	4.24%
2004	482,123	1.97%	377,818	2.14%
2005	484,999	0.60%	384,306	1.72%
2006	491,140	1.27%	388,395	1.06%
2007	497,195	1.23%	393,257	1.25%
2008	509,136	2.40%	400,536	1.85%
2009	532,226	4.54%	415,376	3.71%
2010	557,550	4.76%	434,218	4.54%
2011	568,938	2.04%	443,881	2.23%
2012	576,693	1.36%	453,988	2.28%
2013	584,785	1.40%	461,614	1.68%
2014	603,598	3.22%	475,889	3.09%
2015	619,175	2.58%	487,085	2.35%
2016	636,750	2.84%	501,024	2.86%
2017	651,137	2.26%	514,064	2.60%
2018	658,219	1.09%	520,036	1.16%
2019	666,757	1.30%	526,782	1.30%
2020	676,716	1.49%	534,650	1.49%
2021	686,581	1.46%	542,444	1.46%
FTSE Projected Biennial Percent Change: Fall 2018 to 2020				2.8%

Space Support Growth Rate

Fall	Fall Predicted Square Feet (PSF) (Millions)	Annual Percent Change
2000	42.73	
2001	44.60	4.38%
2002	48.14	7.92%
2003	49.65	3.14%
2004	49.95	0.60%
2005	51.03	2.17%
2006	52.22	2.33%
2007	53.54	2.52%
2008	54.78	2.33%
2009	58.17	6.18%
2010	61.00	4.86%
2011	62.05	1.71%
2012	61.75	-0.48%
2013	63.43	2.73%
2014	64.65	1.93%
2015	66.89	3.47%
2016	68.61	2.56%
2017	70.28	2.43%
2018	70.80	0.74%
2019	72.95	3.04%
2020	74.20	1.71%
2021	75.52	1.78%
PSF Projected Biennial Percent Chg: Fall 2018 to 2020		4.8%

Notes:

1. Institutional Targets - Accountability System. Projected based on Enrollment Forecast Report.
2. Accountability System - Statewide Full Time Student Equivalent by Fall (All Hours).
3. Projected FTSE based on percent change in projected headcount from previous year.
4. Space Projection Model. Projected on a five-year linear regression.
5. Fiscal Year (FY) 2019 or fall 2018 values and earlier are actual. Later values are projected as indicated.

Consumer Price Index Inflation (CPI-U) Projection

A linear regression of fall 2012 through 2018 CPI-U indices projected to 2023 results in an assumed biennial inflation rate of 2.3 percent. This would increase the Operations Support funding rate by \$1.31 (\$55.85 to \$57.16) and the Space Support funding rate by \$0.13 (\$5.33 to \$5.46).

These inflation-adjusted rates would increase the formula funding level an additional \$116 million from the growth projections for a total of **\$5.179 billion**.

Inflation Rate

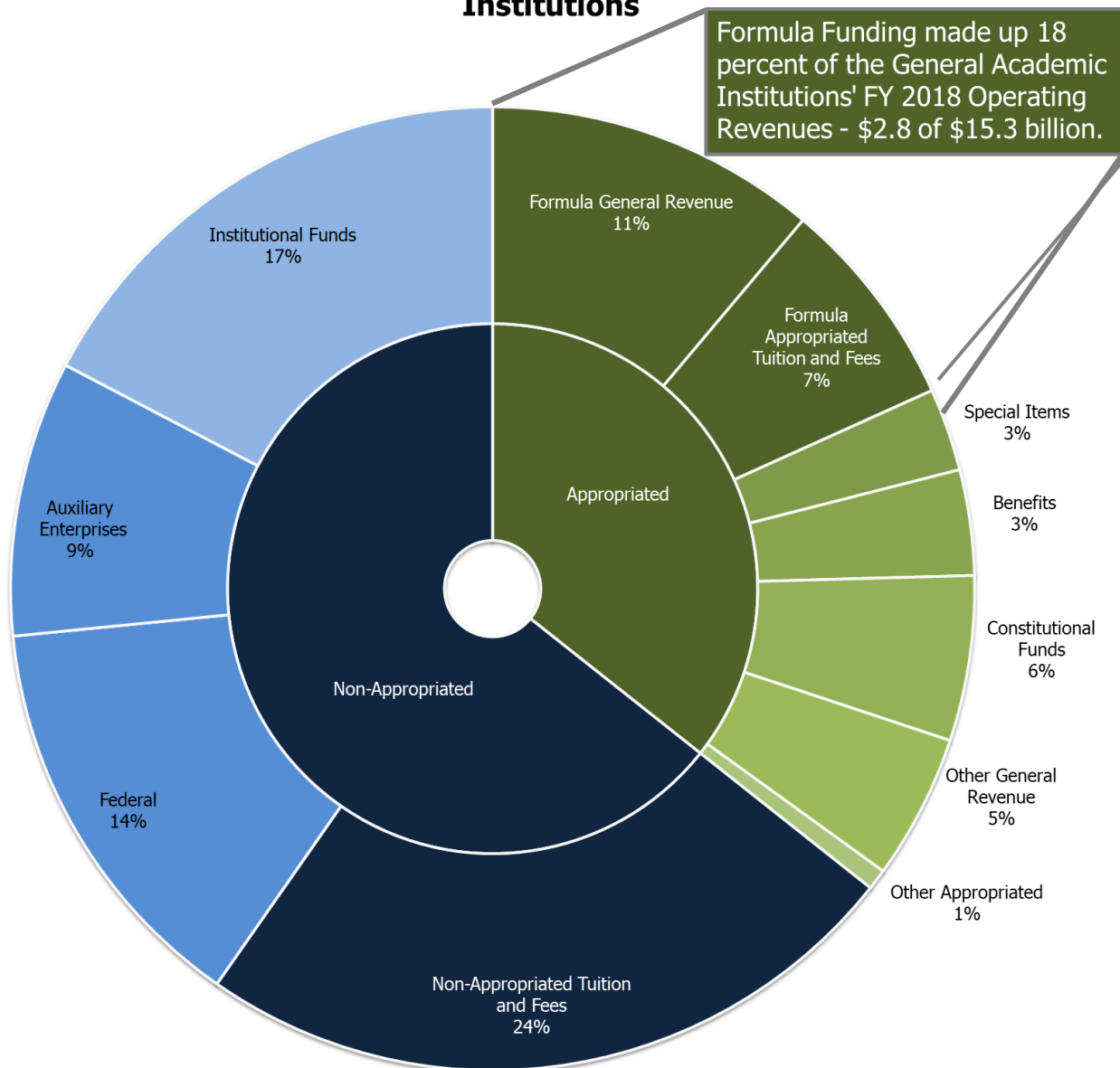
Year	Annual Average CPI-U ¹
2001	177.100
2002	179.900
2003	184.000
2004	188.900
2005	195.300
2006	201.600
2007	207.342
2008	215.303
2009	214.537
2010	218.056
2011	224.939
2012	229.594
2013	232.957
2014	236.736
2015	237.017
2016	240.007
2017	245.120
2018	251.107
2019	252.096
2020	255.614
2021	259.370
2022	263.654
2023	267.274
Biennial Projected Average CPI-U	265.5
Biennial Projected Change in Average CPI-U	2.3%

1. Annual Average Consumer Price Index data from Series Id: CUUR0000SA0, Non-Seasonally Adjusted U.S. City Average, All items, Base Period: 1982-84=100 <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.ai.txt> Data Extracted: 2019-07-01
2. Fiscal Year (FY) 2019 or fall 2018 values and earlier are actual. Later values are projected as indicated.

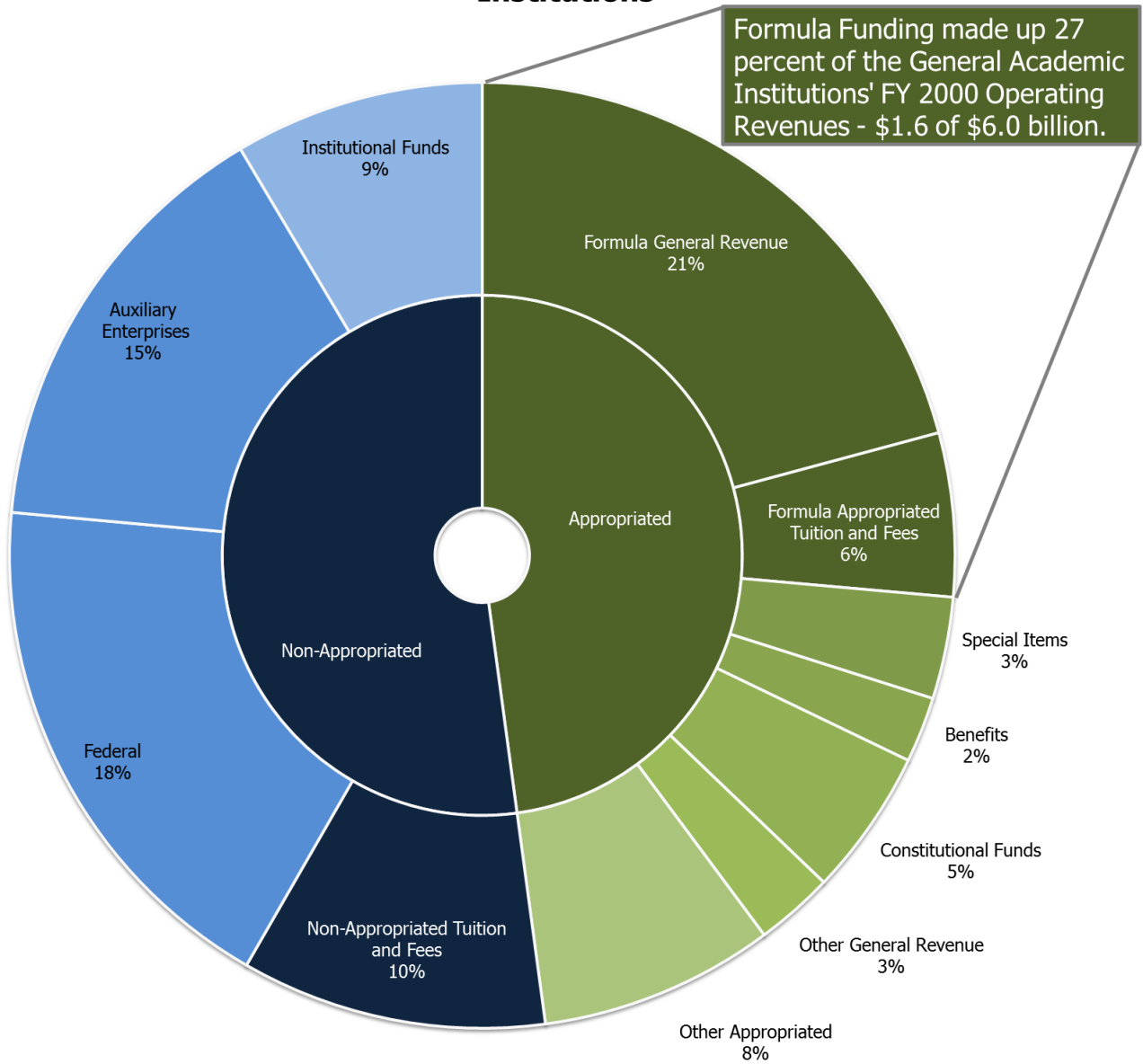
Distribution of Revenue – FY 2018 and FY 2000

The following two charts show the statewide distributions of revenues for general academic institutions for FY 2018 versus FY 2000. Formula funding as a revenue source dropped from 27 to 18 percent in this period. In addition, non-appropriated tuition and fees grew from 10 to 24 percent.

FY 2018 Distribution of Revenue for General Academic Institutions

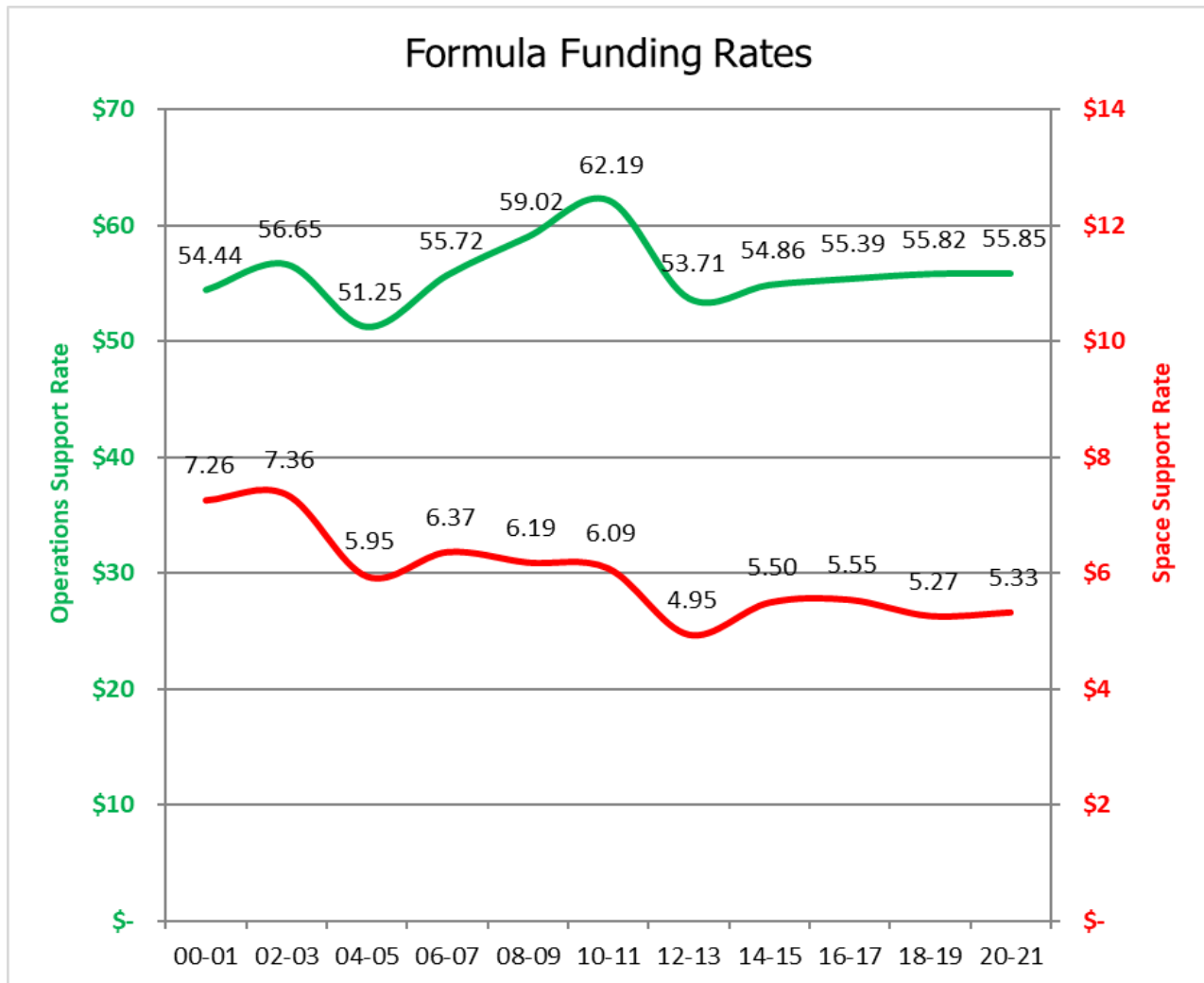


FY 2000 Distribution of Revenue for General Academic Institutions



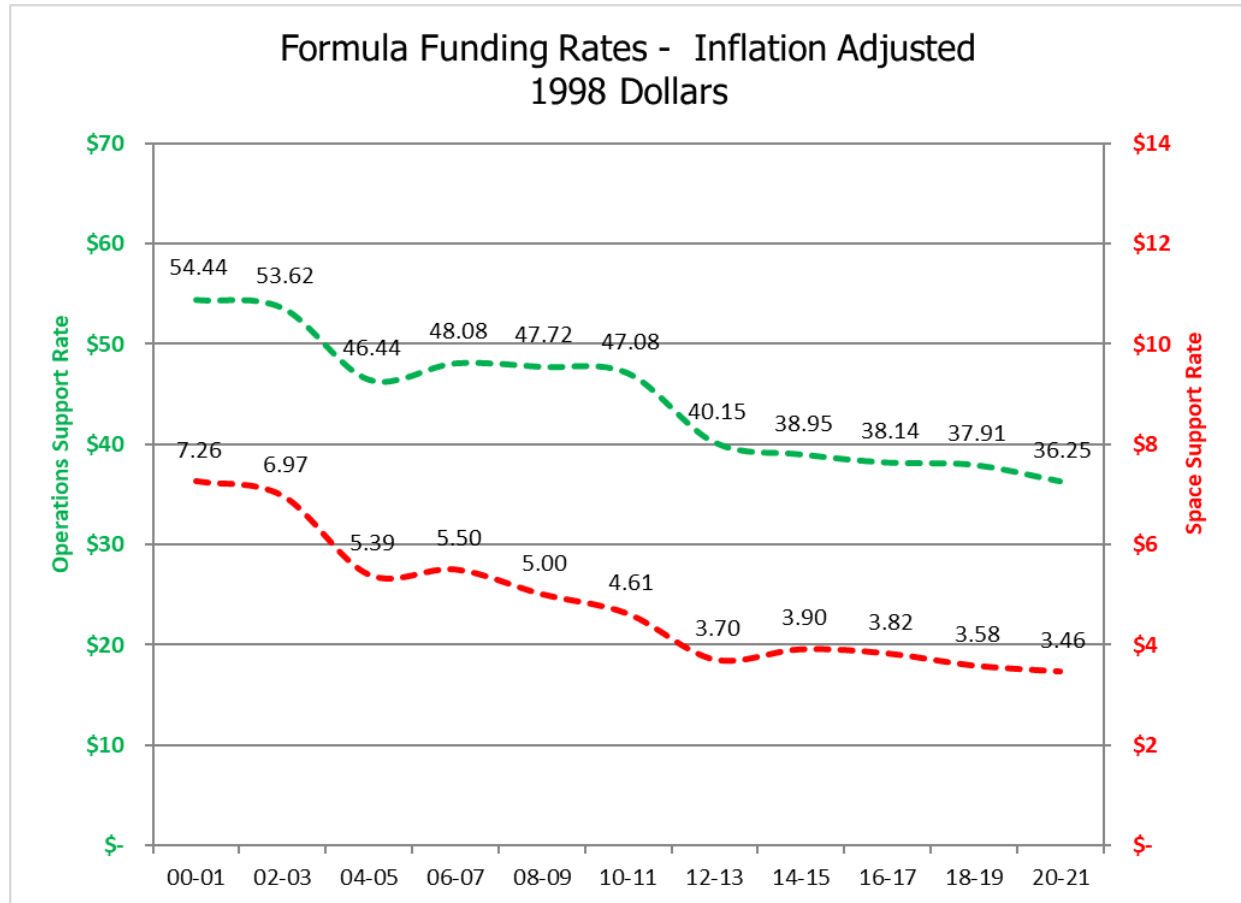
Formula Funding Rate History

The operations support rate increased by 0.06 percent. This rate is slowly trending up following a material decrease for the 2012-2013 biennium. The space support rate increased by 1.18 percent this biennium.



Rates	00-01	02-03	04-05	06-07	08-09	10-11	12-13	14-15	16-17	18-19	20-21
Operations	54.44	56.65	51.25	55.72	59.02	62.19	53.71	54.86	55.39	55.82	55.85
Space	7.26	7.36	5.95	6.37	6.19	6.09	4.95	5.50	5.55	5.27	5.33

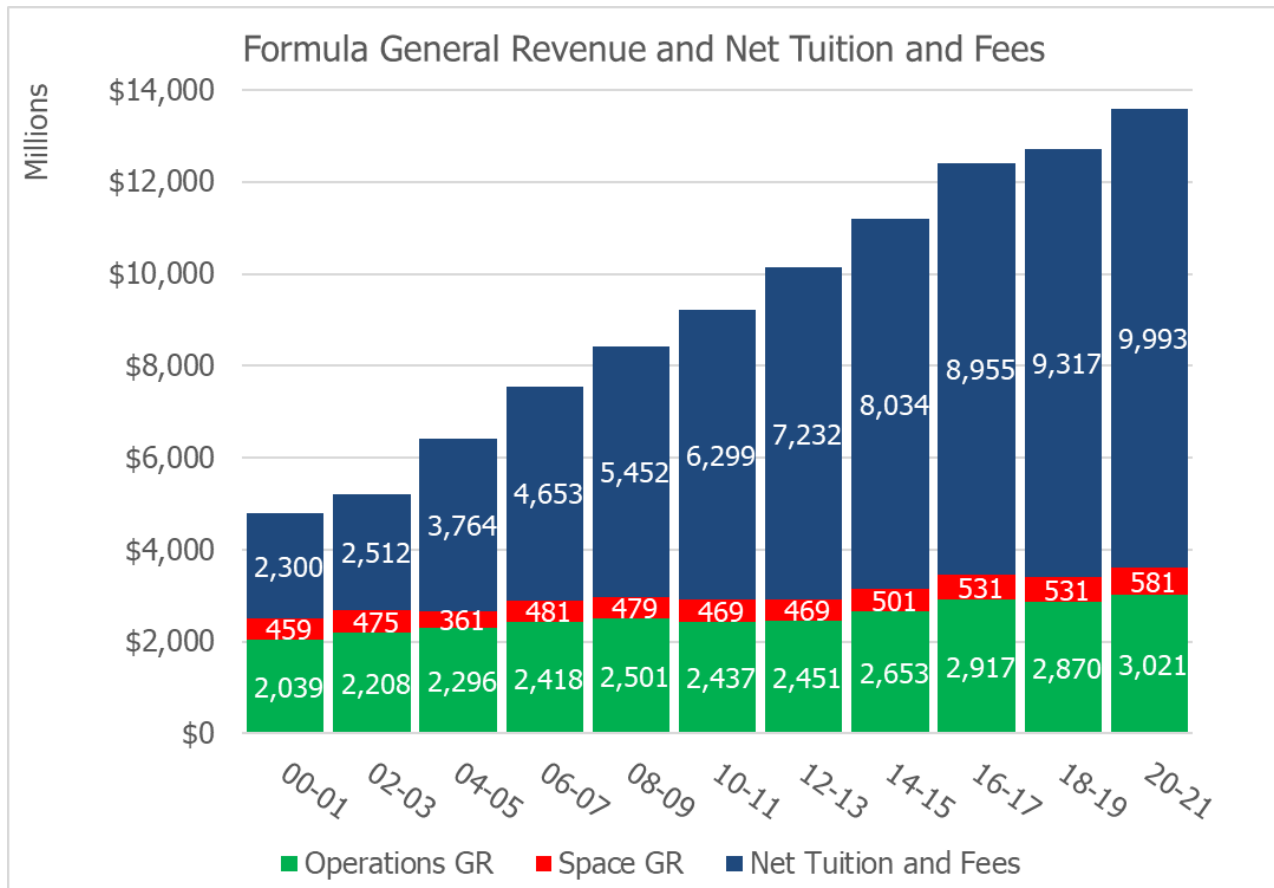
The rates continue to be significantly decreased on an inflation-adjusted basis. Using the 2000-2001 biennium as a basis and adjusting to the 1998 dollar, this chart shows the purchasing power of the operations support rate decreased 33 percent and the space support rate decreased 52 percent.



Rates	00-01	02-03	04-05	06-07	08-09	10-11	12-13	14-15	16-17	18-19	20-21
Operations	54.44	53.62	46.44	48.08	47.72	47.08	40.15	38.95	38.14	37.91	36.25
Space	7.26	6.97	5.39	5.50	5.00	4.61	3.70	3.90	3.82	3.58	3.46

Formula Funding Level History

Deducting the statutory tuition and fees included in the formula, the combined green and red bars on this chart show a 44 percent increase in tax revenue to the formulas between 2000 and 2021. Net tuition and fee collections at the institutions increased 344 percent during the same period. Combined, funding levels increased from \$4.8 billion in 2000-2001 to an estimated \$13.6 billion in 2020-2021 (183 percent).

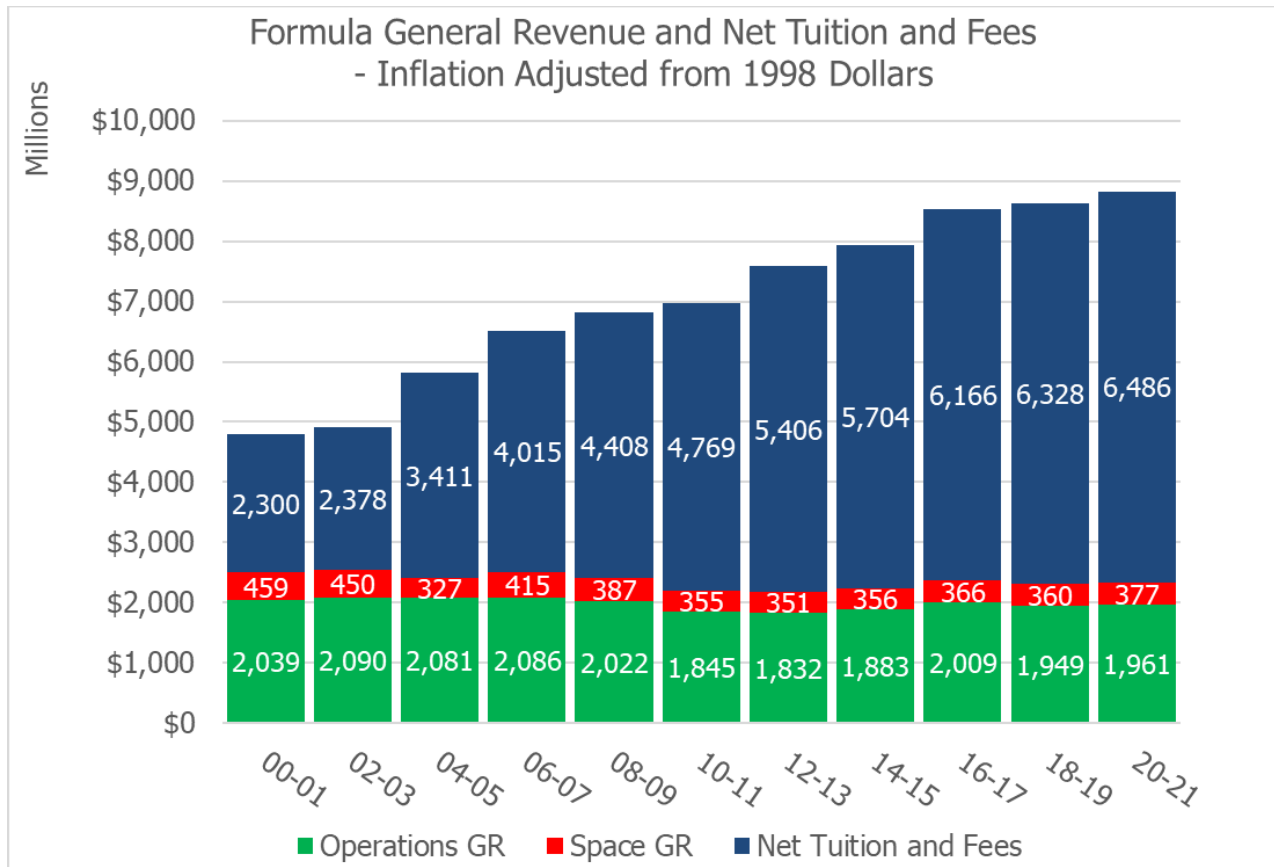


Levels (Millions)	00-01	02-03	04-05	06-07	08-09	10-11 ¹	12-13	14-15	16-17	18-19	20-21
Operations GR	2,039	2,208	2,296	2,418	2,501	2,437	2,451	2,653	2,917	2,870	3,021
Space GR	459	475	361	481	479	469	469	501	531	531	581
Total GR	2,498	2,683	2,657	2,899	2,979	2,906	2,920	3,154	3,448	3,400	3,602
Net Tuition & Fees ²	2,300	2,512	3,764	4,653	5,452	6,299	7,232	8,034	8,955	9,317	9,993

Notes:

1. FY 2010-2011 general revenue reflects budget reductions and includes ARRA funding.
2. FY 2019-2021 tuition and fees are estimated at a 2% per year increase from FY 2018.

Converting the appropriations and net tuition and fee collections to 1998 dollars shows the comparative purchasing power of the revenues and indicates that on an inflation-adjusted basis formula funding general revenue decreased 6 percent from the 2000-2001 biennium to the 2020-2021 biennium. During this same period, net tuition and fee collections increased 182 percent. Combined, funding levels increased from \$4.8 billion in 2000-2001 to an estimated \$8.8 billion in 2020-2021 (84 percent).



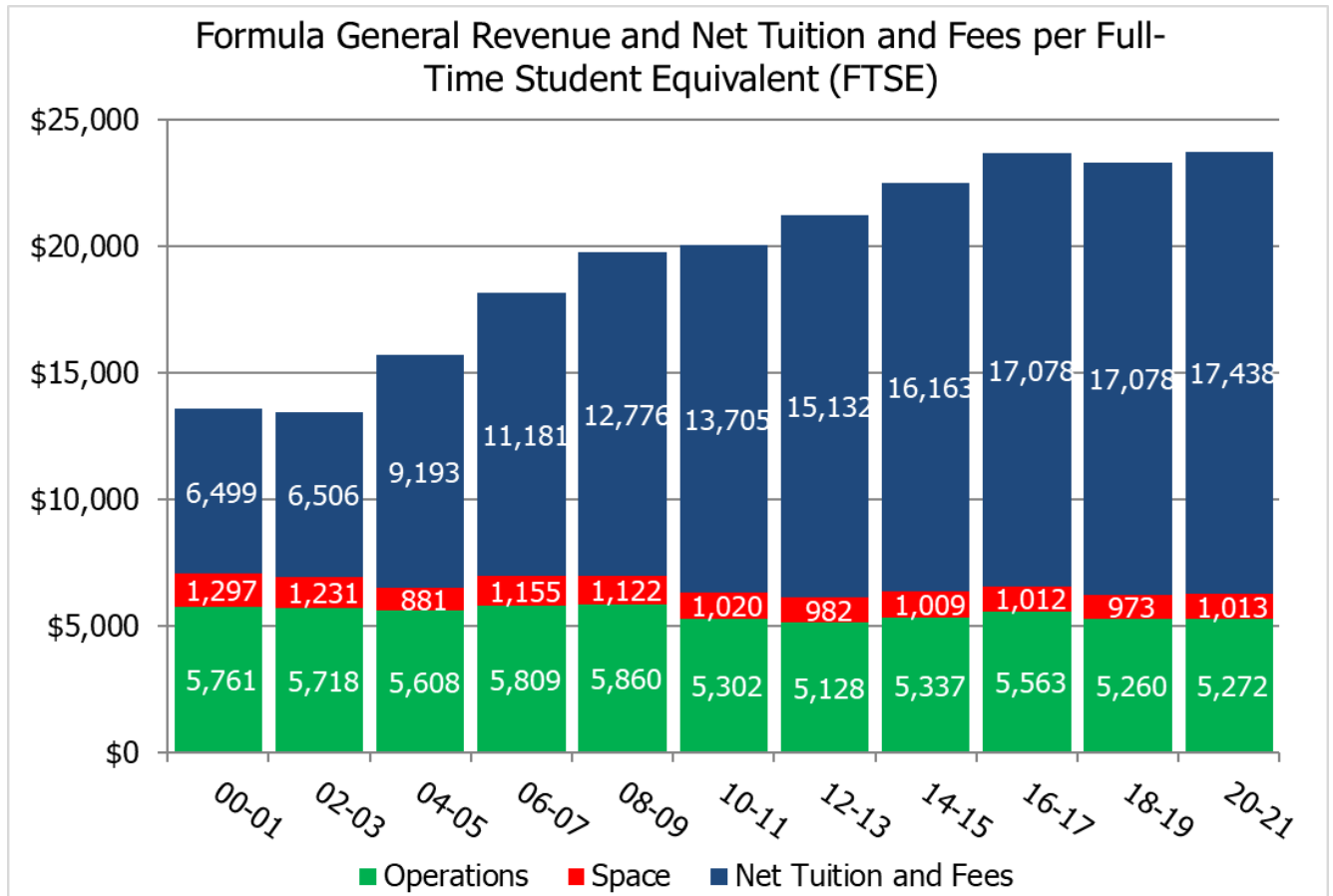
Levels (Millions)	00-01	02-03	04-05	06-07	08-09	10-11 ¹	12-13	14-15	16-17	18-19	20-21
Operations GR	2,039	2,090	2,081	2,086	2,022	1,845	1,832	1,883	2,009	1,949	1,961
Space GR	459	450	327	415	387	355	351	356	366	360	377
Total GR	2,498	2,540	2,408	2,501	2,409	2,200	2,183	2,239	2,374	2,309	2,338
Net Tuition & Fees ²	2,300	2,378	3,411	4,015	4,408	4,769	5,406	5,543	5,592	6,328	6,486

Notes:

1. FY 2010-2011 general revenue reflects budget reductions and includes ARRA funding.
2. FY 2019-2021 tuition and fees are estimated at a 2% per year increase from FY 2018.

Formula Funding per FTSE History

Between 2000 and 2019, student enrollments have increased in Texas. The chart below shows “formula funding general revenue” and “net tuition fee collections” per full-time student equivalent (FTSE). Formula funding general revenue is down 11 percent and net tuition and fee collection are up 168 percent from the 2000-2001 biennium. Combined, funding levels increased from \$13,577 per FTSE in 2000-2001 to an estimated \$23,723 per FTSE in 2018-2019 (75 percent).

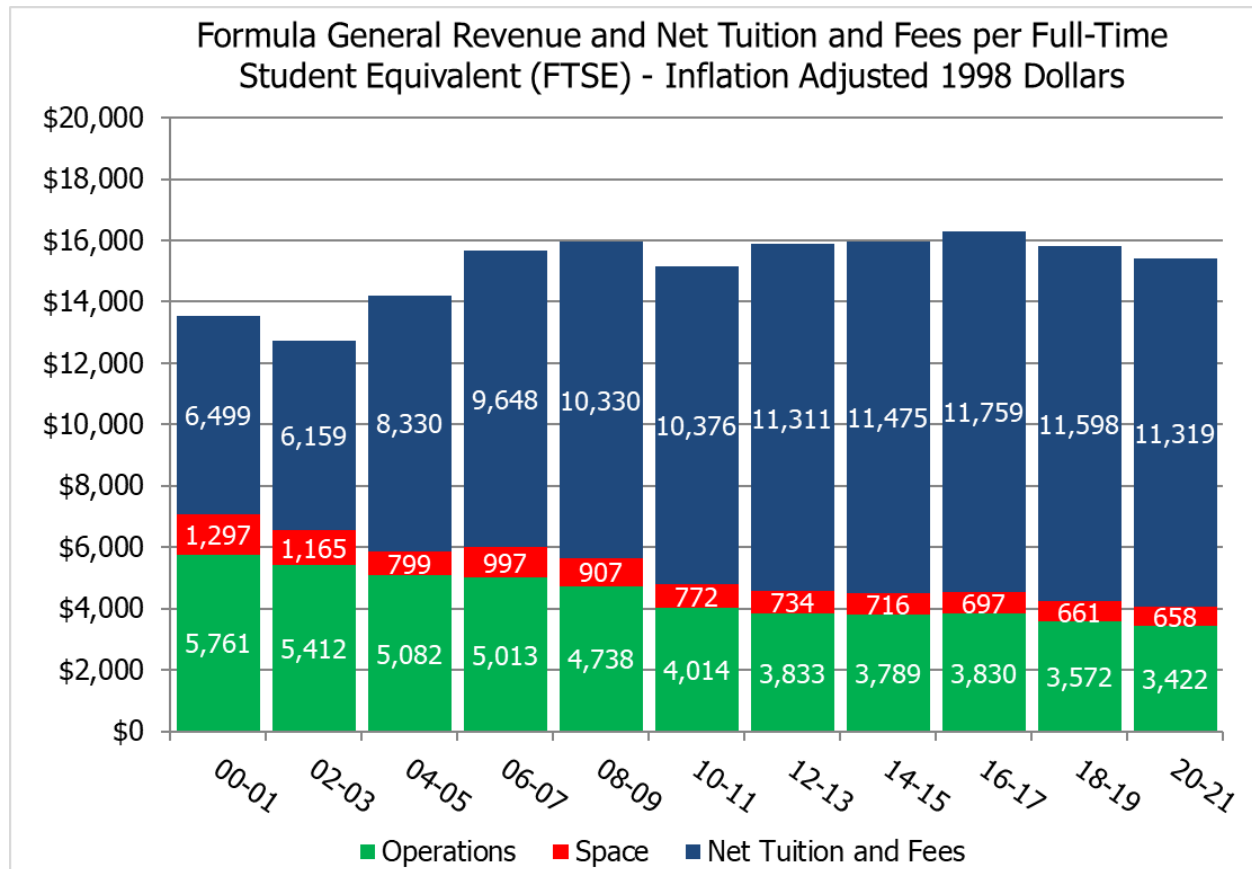


Per FTSE	00-01	02-03	04-05	06-07	08-09	10-11 ¹	12-13	14-15	16-17	18-19	20-21
Operations	5,761	5,718	5,608	5,809	5,860	5,302	5,128	5,337	5,563	5,260	5,272
Space	1,297	1,231	881	1,155	1,122	1,020	982	1,009	1,012	973	1,013
Total	7,058	6,949	6,489	6,965	6,982	6,322	6,110	6,345	6,575	6,233	6,285
Net Tuition & Fees	6,499	6,506	9,193	11,181	12,776	13,705	15,132	16,163	17,078	17,078	17,438
Biennial FTSE	353,921	386,121	409,500	416,182	426,712	459,619	477,914	497,054	524,380	545,565	573,045

Notes:

1. FY 2010-2011 general revenue reflects budget reductions and includes ARRA funding.
2. FY 2019-2021 tuition and fees and biennial FTSE are estimated at a 2% per year increase from FY 2018.

Converting the appropriations and net tuition and fee collections to 1998 dollars shows the comparative purchasing power of the values and indicates that on an inflation-adjusted basis formula funding general revenue per FTSE decreased 42 percent from the 2000-2001 biennium to the 2020-2021 biennium. During this same period, net tuition and fee collections increased 74 percent. Combined, funding levels increased from \$13,557 per FTSE in 2000-2001 to an estimated \$15,399 per FTSE in 2020-2021 (14 percent).



Per FTSE	00-01	02-03	04-05	06-07	08-09	10-11 ¹	12-13	14-15	16-17	18-19	20-21
Operations	5,761	5,412	5,082	5,013	4,738	4,014	3,833	3,789	3,830	3,572	3,422
Space	1,297	1,165	799	997	907	772	734	716	697	661	658
Total	7,058	6,577	5,880	6,010	5,645	4,787	4,567	4,505	4,527	4,233	4,080
Net Tuition & Fees	6,499	6,159	8,330	9,648	10,330	10,376	11,311	11,475	11,759	11,598	11,319

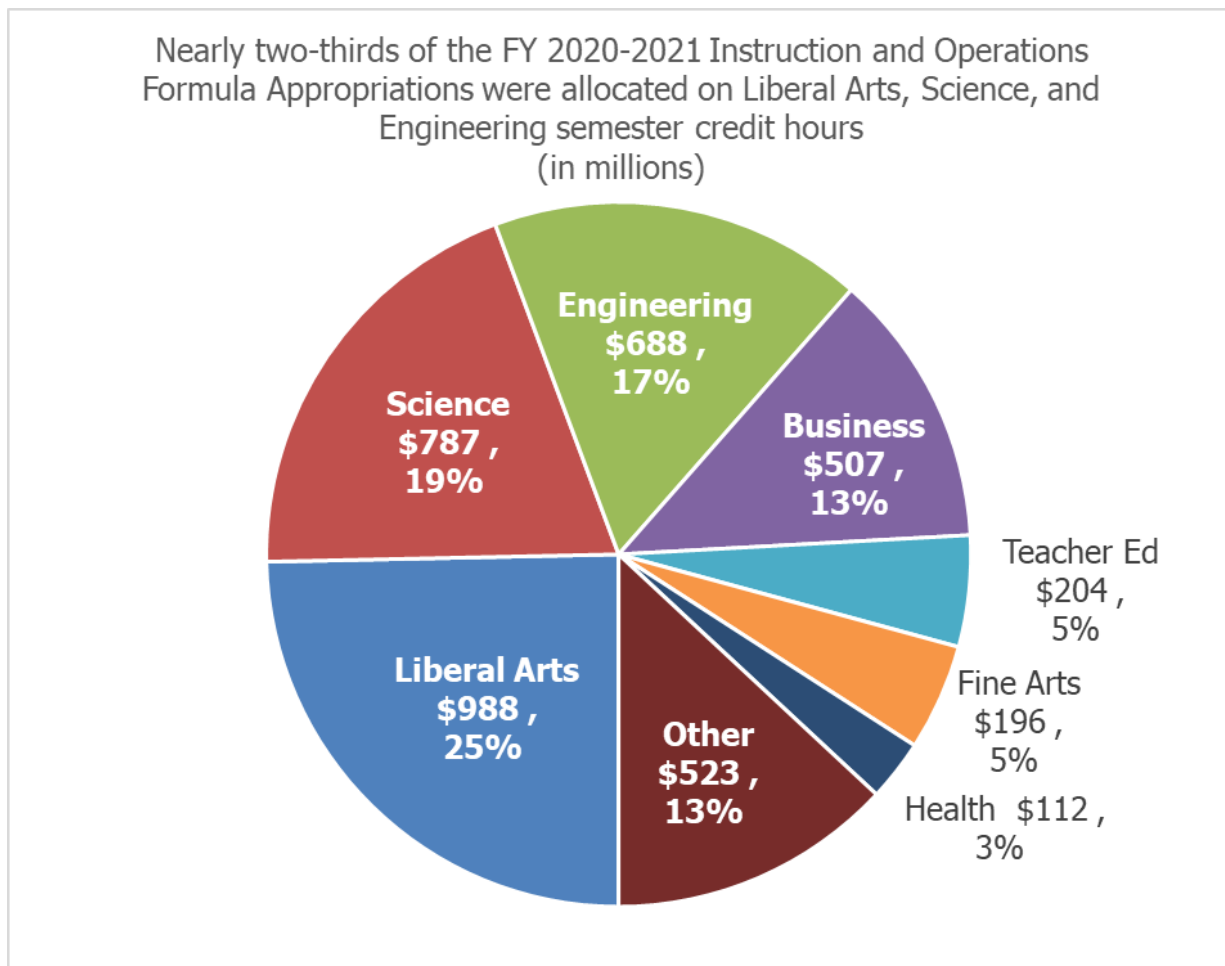
Notes:

1. FY 2010-2011 general revenue reflects budget reductions and includes ARRA funding.
2. FY 2019-2021 tuition and fees are estimated at a 2% per year increase from FY 2018.

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))

Formula Funding Allocation Distribution by Discipline

Semester credit hours in each discipline and level of instruction drive allocations. Institutions are not required to expend funds by the proportions indicated below. The amounts do not indicate the funding for a given discipline, only the degree that each discipline contributed to the allocation of the appropriations.



Note: "Other" category includes nursing, agriculture, law, veterinary, technology, social sciences, pharmacy, home economics, teacher education-practical, optometry, physical training, library, developmental education, and vocational training.

2020-2021 Allocation by Level of Instruction and Discipline (In millions)

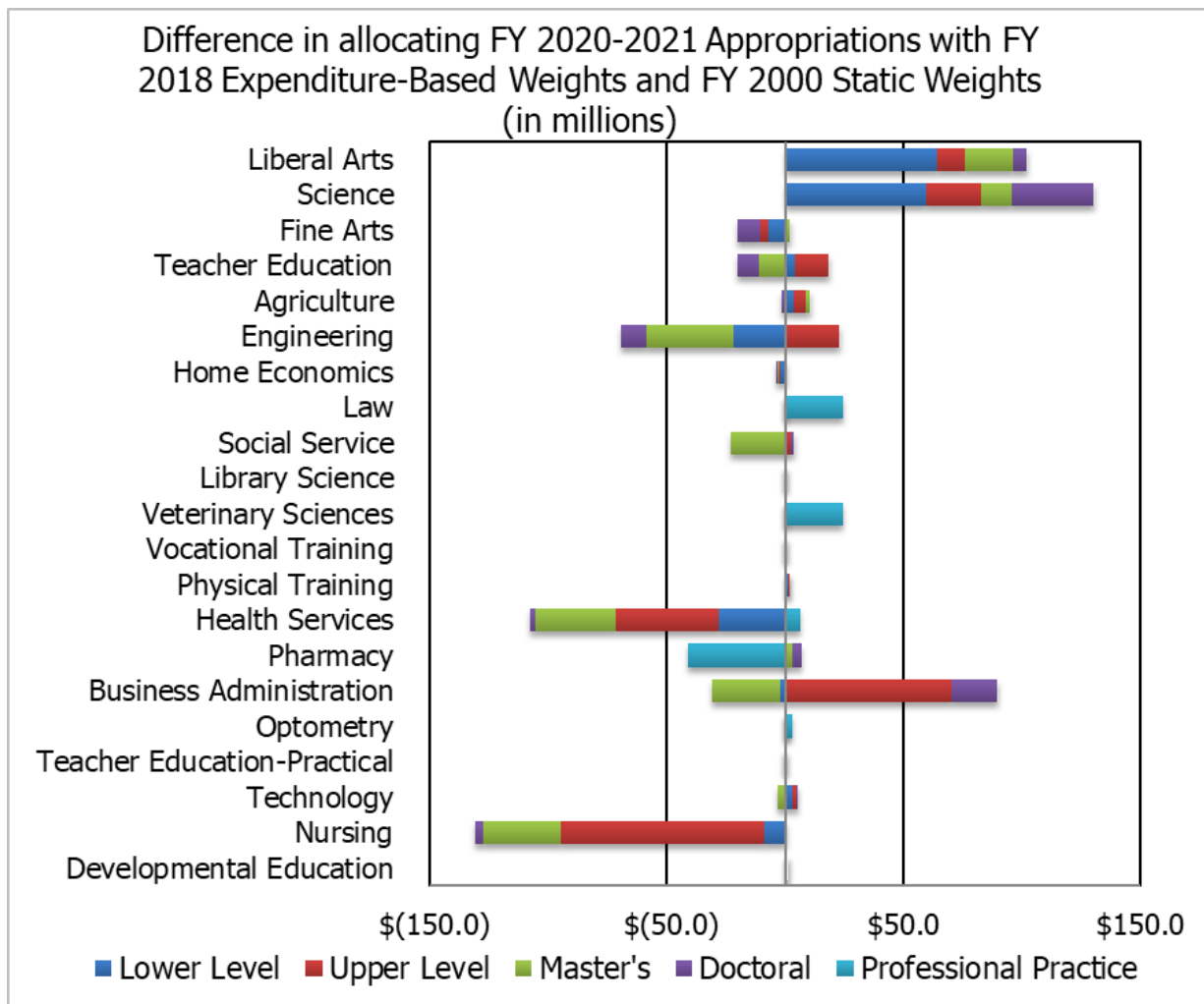
Discipline (in millions)	Lower Level	Upper Level	Master's	Doctoral	Professional Practice	Total
Liberal Arts	\$428	\$315	\$133	\$111	\$0	\$988
Science	264	246	102	174	0	787
Engineering	105	245	148	190	0	688
Business	57	263	146	42	0	507
Teacher Ed	13	71	75	46	0	204
Fine Arts	90	70	25	11	0	196
Health	19	49	30	8	7	112
Nursing	5	70	35	7	0	118
Agriculture	19	29	14	11	0	72
Law	0	0	0	0	60	60
Veterinary	0	0	0	0	65	65
Technology	15	29	5	0	0	49
Social	3	13	21	3	0	41
Pharmacy	0	0	5	9	25	40
Home Economics	10	14	3	2	0	30
Teacher Ed-P	0	13	0	0	0	13
Optometry	0	0	0	0	12	12
Physical	6	1	0	0	0	6
Library	1	1	7	1	0	9
Developmental Ed	5	0	0	0	0	5
Vocational Training	2	2	0	0	0	4

Comparison of Appropriations as Allocated using FY 2018 Expenditure-Based Weights to FY 2000 Static Weights

Applying expenditure-based weights created allocation shifts. This chart shows the difference between allocating the 2020-2021 appropriations using the base year 2019 semester credit hours and the FY 2018 weights and using the base year 2019 semester credit hours and the FY 2000 static weights.

Bars to the right of center show that more of the appropriation is being allocated to a discipline at a given level using the expenditure-based weights than had the static weights been applied.

For example, the allocation to all levels of science increased nearly \$128 million. Nursing on the other hand decreased \$109 million. Liberal Arts also had a \$103 million increase.



Expenditure Study Relative Weight History

Relative Weights	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Undergraduate Lower Level															
Liberal Arts	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Science	1.73	1.68	1.71	1.71	1.71	1.74	1.75	1.76	1.78	1.79	1.78	1.69	1.64	1.57	1.51
Fine Arts	1.37	1.36	1.38	1.38	1.39	1.40	1.42	1.43	1.45	1.45	1.47	1.47	1.46	1.46	1.45
Teacher Education	1.36	1.31	1.35	1.38	1.42	1.41	1.41	1.45	1.53	1.60	1.63	1.60	1.53	1.48	1.46
Agriculture	1.95	1.91	1.97	1.90	1.87	1.88	2.03	2.09	2.08	2.04	2.07	2.10	2.08	1.98	1.87
Engineering	1.80	1.95	2.27	2.36	2.41	2.41	2.42	2.43	2.46	2.45	2.38	2.25	2.15	2.05	1.96
Home Economics	1.06	1.04	1.04	1.07	1.06	1.04	1.03	1.02	1.03	1.05	1.10	1.13	1.11	1.11	1.11
Social Service	2.42	2.19	1.96	1.91	1.94	1.90	1.88	1.70	1.77	1.60	1.68	1.52	1.57	1.54	1.58
Library Science	1.14	1.16	1.04	1.01	1.14	1.33	1.44	1.50	1.52	1.57	1.49	1.49	1.44	1.87	2.19
Vocational Training	2.63	2.03	2.06	1.84	1.66	1.44	1.42	1.37	1.46	1.46	1.45	1.26	1.16	1.15	1.22
Physical Training	1.29	1.26	1.26	1.25	1.29	1.35	1.38	1.36	1.37	1.40	1.51	1.51	1.46	1.42	1.38
Health Services	1.29	1.29	1.31	1.31	1.24	1.23	1.19	1.14	1.09	1.07	1.07	1.05	1.02	0.99	0.97
Pharmacy	0.97	0.92	0.82	0.73	0.71	1.27	1.48	1.60	1.45	1.63	1.86	2.04	2.46	3.12	7.37
Business Administration	1.07	1.09	1.12	1.12	1.11	1.09	1.11	1.13	1.17	1.18	1.19	1.18	1.16	1.14	1.13
Teacher Education-Practical	1.02	0.95	0.95	1.13	1.30	1.43	1.60	1.83	2.00	2.19	2.28	2.23	1.91	2.00	2.00
Technology	1.76	1.76	1.81	1.88	1.90	1.96	2.10	2.27	2.35	2.32	2.26	2.18	2.08	1.97	1.91
Nursing	2.12	1.99	1.98	1.91	1.95	1.96	2.03	1.92	1.88	1.81	1.72	1.59	1.49	1.42	1.37
Undergraduate Upper Level															
Liberal Arts	1.79	1.75	1.72	1.72	1.72	1.70	1.69	1.69	1.71	1.74	1.76	1.76	1.73	1.73	1.75
Science	2.93	2.86	2.92	2.97	2.97	2.95	2.93	2.95	3.02	3.04	3.02	2.90	2.81	2.78	2.76
Fine Arts	2.33	2.31	2.32	2.32	2.32	2.31	2.33	2.37	2.43	2.48	2.52	2.52	2.51	2.58	2.66
Teacher Education	1.87	1.78	1.74	1.73	1.74	1.73	1.74	1.79	1.89	1.99	2.08	2.10	2.07	2.01	1.98
Agriculture	2.59	2.59	2.68	2.64	2.52	2.46	2.54	2.65	2.66	2.65	2.75	2.70	2.58	2.44	2.38
Engineering	3.04	3.21	3.56	3.77	3.87	3.82	3.70	3.59	3.58	3.58	3.52	3.37	3.22	3.12	2.99
Home Economics	1.84	1.77	1.74	1.74	1.70	1.68	1.66	1.64	1.65	1.66	1.75	1.77	1.76	1.76	1.80
Social Service	3.05	2.78	2.17	2.05	2.05	2.03	2.09	2.04	2.16	2.01	2.05	1.87	1.89	1.83	1.85
Library Science	1.28	1.28	1.14	1.12	1.09	1.08	1.12	1.20	1.36	1.51	1.57	1.54	1.54	1.62	1.75
Vocational Training	2.37	2.25	2.32	2.12	1.97	1.86	1.89	1.98	2.06	2.33	2.64	2.85	2.74	2.79	2.93
Physical Training	1.26	1.47	1.55	1.50	1.28	1.20	1.18	1.11	1.14	1.18	1.26	1.25	1.26	1.29	1.33
Health Services	2.13	2.14	2.12	2.08	1.98	1.89	1.81	1.76	1.73	1.70	1.65	1.59	1.55	1.54	1.56
Pharmacy	3.33	3.26	3.52	3.62	4.24	4.53	5.02	5.28	5.71	5.85	5.02	4.93	4.73	4.41	4.13
Business Administration	1.68	1.70	1.72	1.74	1.73	1.70	1.71	1.75	1.81	1.86	1.88	1.86	1.83	1.81	1.79
Teacher Ed-Practice Teaching	1.79	1.79	1.79	1.82	1.78	1.74	1.74	1.79	1.92	2.02	2.13	2.22	2.18	2.22	2.19
Technology	2.34	2.33	2.37	2.40	2.38	2.42	2.45	2.52	2.46	2.45	2.41	2.38	2.32	2.31	2.29
Nursing	2.59	2.51	2.55	2.52	2.45	2.35	2.21	2.06	2.01	2.08	2.11	2.10	2.04	2.03	2.04
Masters															
Liberal Arts	3.99	3.85	4.03	4.15	4.18	4.07	3.91	3.87	3.87	3.94	4.00	4.05	4.01	4.11	4.30
Science	7.43	6.93	7.30	7.76	8.09	8.07	7.97	7.70	7.59	7.54	7.53	7.43	7.04	7.10	7.33
Fine Arts	5.01	4.97	5.38	5.48	5.43	5.44	5.41	5.48	5.55	5.82	6.03	6.09	6.07	6.27	6.69
Teacher Education	2.49	2.43	2.50	2.56	2.48	2.34	2.27	2.30	2.43	2.51	2.56	2.47	2.39	2.38	2.41
Agriculture	7.09	7.15	7.23	7.20	7.07	7.01	7.13	7.33	7.71	8.08	7.80	7.21	6.54	6.87	7.43
Engineering	5.83	6.12	7.13	7.59	7.63	7.47	7.46	7.58	7.66	7.64	7.10	6.14	5.50	5.49	6.00
Home Economics	2.94	2.77	2.83	2.94	2.86	2.88	2.89	3.02	3.09	3.10	3.01	2.85	2.79	2.88	3.06
Social Service	3.25	3.11	3.08	3.00	2.97	2.93	2.98	2.89	3.07	2.89	2.93	2.57	2.47	2.30	2.31
Library Science	2.87	2.68	2.64	2.65	2.63	2.58	2.69	2.83	3.16	3.38	3.60	3.58	3.35	3.12	3.02
Health Services	3.53	3.47	3.40	3.32	3.21	3.23	3.15	3.08	2.96	2.90	2.79	2.67	2.54	2.55	2.62
Pharmacy	17.15	16.10	16.87	16.81	19.87	23.49	23.26	23.10	22.60	25.82	28.29	28.68	28.55	30.82	34.67
Business Administration	3.20	3.22	3.41	3.49	3.42	3.26	3.16	3.19	3.25	3.35	3.39	3.36	3.26	3.22	3.27
Optometry	5.46	5.46	5.46	5.46	5.46	5.46	5.46	41.14	34.48	37.77	37.52	0.00	0.00	0.00	0.00
Technology	4.29	4.25	4.57	4.81	4.41	4.07	3.86	3.87	3.86	3.90	3.89	3.72	3.42	3.46	3.82
Nursing	5.01	4.84	4.98	4.99	4.73	4.45	4.08	3.75	3.52	3.49	3.34	3.21	3.00	2.86	2.74
Doctoral															
Liberal Arts	9.02	8.72	9.19	9.31	9.29	9.26	9.22	9.33	9.72	10.22	10.77	10.88	10.90	11.35	12.38
Science	18.46	18.41	20.25	20.72	20.52	20.30	21.08	21.78	21.82	21.41	20.61	21.25	20.70	21.72	21.87
Fine Arts	6.78	6.70	7.23	7.32	7.19	7.07	7.21	7.44	7.64	7.89	7.95	7.78	7.48	7.87	8.47
Teacher Education	6.47	6.38	6.94	7.55	7.64	7.58	7.37	7.70	7.95	7.77	7.42	6.94	6.91	7.35	8.12
Agriculture	9.71	9.68	10.44	10.56	9.91	9.35	9.62	10.12	10.42	11.21	11.77	12.36	11.80	12.43	13.58
Engineering	14.07	14.00	15.55	16.16	15.96	15.81	16.03	16.75	17.34	17.92	17.98	17.70	17.15	17.39	18.47
Home Economics	5.84	5.48	5.88	6.41	6.62	6.97	7.24	7.77	8.37	8.55	8.67	8.50	9.09	9.50	10.50
Social Service	11.49	11.32	12.31	13.80	13.84	14.40	14.69	15.32	15.76	17.01	18.18	19.44	19.33	20.67	23.84
Library Science	5.20	5.45	6.17	6.32	6.65	7.50	9.64	11.95	12.74	12.41	12.06	13.02	14.64	15.47	15.16
Health Services	7.95	7.66	7.49	7.97	8.49	9.14	9.75	9.93	9.75	9.77	9.86	10.11	10.19	10.74	11.28
Pharmacy	24.39	25.19	27.34	29.37	29.55	30.57	34.22	36.07	38.52	37.34	35.14	32.24	32.17	36.55	39.21
Business Administration	16.82	17.31	20.27	22.73	24.27	24.41	23.34	23.05	23.21	23.52	23.92	24.41	24.70	25.73	28.23
Optometry	19.12	19.12	19.12	19.12	19.12	19.12	19.12	51.63	50.88	52.61	55.92	0.00	0.00	0.00	0.00
Technology	0.00	0.00	0.00	0.00	0.37	2.95	2.84	4.19	3.85	4.53	5.20	11.50	14.79	14.25	11.55
Nursing	9.96	9.61	10.29	10.52	10.64	9.94	9.25	8.55	8.60	8.85	8.99	9.30	9.57	10.01	10.29
Special Professional															
Law	3.41	3.44	3.66	3.81	3.86	3.92	4.15	4.48	4.81	5.08	5.13	4.95	4.77	4.79	4.99
Veterinary Sciences	12.98	12.62	13.34	16.20	16.53	15.05	20.04	20.27	21.15	21.91	22.03	22.84	23.30	24.35	24.58
Health Services	0.00	0.00	0.00	0.00	0.00	2.42	2.60	2.67	2.72	2.74	2.64	2.61	2.50	2.68	2.80
Pharmacy	3.58	3.69	3.85	3.84	3.79	3.77	3.97	4.03	4.20	4.25	4.32	4.26	4.23	4.32	4.47
Optometry	7.00	7.00	7.00	7.00	7.00	7.00	7.00	5.98	5.98	6.71	7.58	7.93	7.65	7.54	7.08

Expenditure Study Relative Weight History Year-Over-Year Percent Change

Relative Weights	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Undergraduate Lower Level															
Liberal Arts	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Science	-2%	-3%	2%	0%	0%	2%	1%	1%	1%	1%	-1%	-5%	-3%	-4%	-4%
Fine Arts	-1%	-1%	1%	0%	1%	1%	1%	1%	1%	0%	1%	0%	-1%	0%	-1%
Teacher Education	-3%	-4%	3%	2%	3%	-1%	0%	3%	6%	5%	2%	-2%	-4%	-3%	-1%
Agriculture	0%	-2%	3%	-4%	-2%	1%	8%	3%	0%	-2%	1%	1%	-1%	-5%	-6%
Engineering	7%	8%	16%	4%	2%	0%	0%	0%	1%	0%	-3%	-5%	-4%	-5%	-4%
Home Economics	-4%	-2%	0%	3%	-1%	-2%	-1%	-1%	1%	2%	5%	3%	-2%	0%	0%
Social Service	-5%	-10%	-11%	-2%	1%	-2%	-1%	-10%	4%	-10%	5%	-10%	3%	-2%	3%
Library Science	-3%	2%	-10%	-3%	13%	17%	8%	4%	1%	3%	-5%	0%	-3%	30%	17%
Vocational Training	-26%	-23%	1%	-11%	-10%	-13%	-1%	-4%	7%	0%	-1%	-13%	-8%	-1%	6%
Physical Training	1%	-2%	0%	-1%	3%	5%	2%	-1%	1%	2%	8%	0%	-3%	-3%	-3%
Health Services	0%	0%	2%	0%	-5%	-1%	-3%	-4%	-4%	-2%	0%	-2%	-3%	-3%	-2%
Pharmacy	-6%	-5%	-11%	-11%	-3%	79%	17%	8%	-9%	12%	14%	10%	21%	27%	136%
Business Administration	2%	2%	3%	0%	0%	-2%	2%	2%	4%	1%	1%	-1%	-2%	-2%	-1%
Teacher Education-Pr	-7%	-7%	0%	18%	16%	10%	12%	14%	9%	10%	4%	-2%	-14%	5%	0%
Technology	-4%	0%	3%	4%	1%	3%	7%	8%	4%	-1%	-3%	-4%	-5%	-5%	-3%
Nursing	-4%	-6%	-1%	-4%	2%	1%	4%	-5%	-2%	-4%	-5%	-8%	-6%	-5%	-4%
Undergraduate Upper Level															
Liberal Arts	-2%	-2%	-2%	0%	0%	-1%	-1%	0%	1%	2%	1%	0%	-2%	0%	1%
Science	-3%	-2%	2%	2%	0%	-1%	-1%	1%	2%	1%	-1%	-4%	-3%	-1%	-1%
Fine Arts	-1%	-1%	0%	0%	0%	0%	1%	2%	3%	2%	2%	0%	0%	3%	3%
Teacher Education	-4%	-5%	-2%	0%	0%	-1%	1%	3%	6%	5%	5%	1%	-1%	-3%	-1%
Agriculture	1%	0%	3%	-1%	-5%	-2%	3%	4%	0%	0%	4%	-2%	-4%	-5%	-2%
Engineering	3%	6%	11%	6%	3%	-1%	-3%	-3%	0%	0%	-2%	-4%	-4%	-3%	-4%
Home Economics	-3%	-4%	-2%	0%	-2%	-1%	-1%	-1%	1%	1%	5%	1%	-1%	0%	2%
Social Service	-10%	-9%	-22%	-5%	0%	-1%	3%	-2%	6%	-7%	2%	-9%	1%	-3%	1%
Library Science	-6%	0%	-11%	-2%	-3%	-1%	4%	7%	13%	11%	4%	-2%	0%	5%	8%
Vocational Training	4%	-5%	3%	-9%	-7%	-6%	2%	5%	4%	13%	13%	8%	-4%	2%	5%
Physical Training	2%	17%	5%	-3%	-15%	-6%	-2%	-6%	3%	4%	7%	-1%	1%	2%	3%
Health Services	0%	0%	-1%	-2%	-5%	-5%	-4%	-3%	-2%	-2%	-3%	-4%	-3%	-1%	1%
Pharmacy	0%	-2%	8%	3%	17%	7%	11%	5%	8%	2%	-14%	-2%	-4%	-7%	-6%
Business Administration	0%	1%	1%	1%	0%	-2%	1%	2%	3%	3%	1%	-1%	-2%	-1%	-1%
Teacher Education-Pr	0%	0%	0%	2%	-2%	-2%	0%	3%	7%	5%	5%	4%	-2%	2%	-1%
Technology	-2%	0%	2%	1%	-1%	2%	1%	3%	-2%	0%	-2%	-1%	-3%	0%	-1%
Nursing	-1%	-3%	2%	-1%	-3%	-4%	-6%	-7%	-2%	3%	1%	0%	-3%	0%	0%
Masters															
Liberal Arts	-1%	-4%	5%	3%	1%	-3%	-4%	-1%	0%	2%	2%	1%	-1%	2%	5%
Science	-6%	-7%	5%	6%	4%	0%	-1%	-3%	-1%	-1%	0%	-1%	-5%	1%	3%
Fine Arts	0%	-1%	8%	2%	-1%	0%	-1%	1%	1%	5%	4%	1%	0%	3%	7%
Teacher Education	-2%	-2%	3%	2%	-3%	-6%	-3%	1%	6%	3%	2%	-4%	-3%	0%	1%
Agriculture	0%	1%	1%	0%	-2%	-1%	2%	3%	5%	5%	-3%	-8%	-9%	5%	8%
Engineering	3%	5%	17%	6%	1%	-2%	0%	2%	1%	0%	-7%	-14%	-10%	0%	9%
Home Economics	-6%	-6%	2%	4%	-3%	1%	0%	4%	2%	0%	-3%	-5%	-2%	3%	6%
Social Service	-1%	-4%	-1%	-3%	-1%	-1%	2%	-3%	6%	-6%	1%	-12%	-4%	-7%	0%
Library Science	-6%	-7%	-1%	0%	-1%	-2%	4%	5%	12%	7%	7%	-1%	-6%	-7%	-3%
Health Services	0%	-2%	-2%	-2%	-3%	1%	-2%	-2%	-4%	-2%	-4%	-4%	-5%	0%	3%
Pharmacy	14%	-6%	5%	0%	18%	18%	-1%	-1%	-2%	14%	10%	1%	0%	8%	12%
Business Administration	0%	1%	6%	2%	-2%	-5%	-3%	1%	2%	3%	1%	-1%	-3%	-1%	2%
Optometry	0%	0%	0%	0%	0%	0%	0%	653%	-16%	10%	-1%	Deleted			
Technology	-3%	-1%	8%	5%	-8%	-8%	-5%	0%	0%	1%	0%	-4%	-8%	1%	10%
Nursing	-2%	-3%	3%	0%	-5%	-6%	-8%	-8%	-6%	-1%	-4%	-4%	-7%	-5%	-4%
Doctoral															
Liberal Arts	0%	-3%	5%	1%	0%	0%	0%	1%	4%	5%	5%	1%	0%	4%	9%
Science	1%	0%	10%	2%	-1%	-1%	4%	3%	0%	-2%	-4%	3%	-3%	5%	1%
Fine Arts	-1%	-1%	8%	1%	-2%	-2%	2%	3%	3%	3%	1%	-2%	-4%	5%	8%
Teacher Education	-1%	-1%	9%	9%	1%	-1%	-3%	4%	3%	-2%	-5%	-6%	0%	6%	10%
Agriculture	1%	0%	8%	1%	-6%	-6%	3%	5%	3%	8%	5%	5%	-5%	5%	9%
Engineering	0%	0%	11%	4%	-1%	-1%	1%	4%	4%	3%	0%	-2%	-3%	1%	6%
Home Economics	-5%	-6%	7%	9%	3%	5%	4%	7%	8%	2%	1%	-2%	7%	5%	11%
Social Service	-6%	-1%	9%	12%	0%	4%	2%	4%	3%	8%	7%	7%	-1%	7%	15%
Library Science	2%	5%	13%	2%	5%	13%	29%	24%	7%	-3%	-3%	8%	12%	6%	-2%
Health Services	-12%	-4%	-2%	6%	7%	8%	7%	2%	-2%	0%	1%	3%	1%	5%	5%
Pharmacy	3%	3%	9%	7%	1%	3%	12%	5%	7%	-3%	-6%	-8%	0%	14%	7%
Business Administration	4%	3%	17%	12%	7%	1%	-4%	-1%	1%	1%	2%	2%	1%	4%	10%
Optometry	0%	0%	0%	0%	0%	0%	0%	170%	-1%	3%	6%	Deleted			
Technology					Added	-12%	-4%	48%	-8%	18%	15%	121%	29%	-4%	-19%
Nursing	-1%	-4%	7%	2%	1%	-7%	-7%	-8%	1%	3%	2%	3%	3%	5%	3%
Special Professional															
Law	1%	1%	6%	4%	1%	2%	6%	8%	7%	6%	1%	-4%	-4%	0%	4%
Veterinary Sciences	1%	-3%	6%	21%	2%	-9%	33%	1%	4%	4%	1%	4%	2%	5%	1%
Health Services						Added	7%	3%	2%	1%	-4%	-1%	-4%	7%	4%
Pharmacy	0%	3%	4%	0%	-1%	-1%	5%	2%	4%	1%	2%	-1%	-1%	2%	3%
Optometry	0%	0%	0%	0%	0%	0%	0%	-15%	0%	12%	13%	5%	-4%	-1%	-6%

Fiscal Year 2018 Expenditure Study Counts of Institutions Reporting Hours for Discipline and Level Combinations

Discipline	UGL	UGU	MAS	DOC	SP
Liberal Arts	36	36	36	23	-
Science	36	36	36	17	-
Fine Arts	36	34	27	6	-
Teacher Education	35	35	35	23	-
Agriculture	19	18	15	7	-
Engineering	36	36	32	17	-
Home Economics	30	30	25	4	-
Law	-	-	-	-	6
Social Service	24	25	15	3	-
Library Science	13	10	9	3	-
Veterinary Science ¹	-	-	-	-	1
Vocational Training	12	9	-	-	-
Physical Training	28	5	-	-	-
Health Services	35	34	30	13	8
Pharmacy ²	1	2	3	3	4
Business Administration	36	36	36	15	-
Optometry ³	-	-	-	-	1
Teacher Ed-Practical	7	34	-	-	-
Technology	35	33	27	2	-
Nursing	21	25	19	7	-

1. Veterinary Science

- Provided by Texas A&M University
- The Association of American Veterinary Medical Colleges lists 30 U.S. veterinary medical colleges. Efforts to include these cost data into our study have been unsuccessful due to our specific reporting requirements. Other states' institutions do not collect the data, do not discretely categorized the colleges, or report with categories too different to convert.
- The semester credit hours used for this discipline's expense per semester credit hour are the program's reported headcount times 24 instead of the Class Report (CBM004) semester credit hours. This adjustment allows the formula to more closely match the general revenue funded by the Legislature prior to merging the program into the relative weight matrix. The program's class report hours are used in the base year data.
- For the 2020-2021 biennium, the program accounted for 24,702 hours included in the 15,880,790 base year hours (0.16 percent). These hours generated \$67,823,809 in formula funding (24,702 SCH at a weight of 24.58 and a funding rate of \$55.85 for each year) and accounted for 1.6 percent of the \$4.146 billion appropriated to the operations support formula and teaching experience supplement.

2. Pharmacy Undergraduate Lower and Upper Level

- For the 2020-21 biennium, this discipline's lower and upper levels accounted for 1,071 base year semester credit hours, producing 4,717 weighted semester credit hours, for a total of \$526,903 in formula funding.

3. Optometry

- Provided by the University of Houston
- Cost-based weight implemented in 2014-2015
- The Association of Schools and Colleges of Optometry lists 21 U.S. optometry schools. Attempts to include their cost data into our expenditure study have been unsuccessful for the same reasons as with Veterinary Medicine.
- Enrollments generated 16,261 semester credit hours, 115,128 weighted semester credit hours, and \$12,860,229 in formula funding, which was 0.3 percent of the \$4.146 billion appropriated to the operations support formula and teaching experience supplement.

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))

During the final formula funding data run (March 2019), THECB provided, at the request of the LBB, a space model that adjusted E&G Space Support for fully online courses, as recommended in the May 2016 report, Evaluation of the Space Projection Models, which was required by Rider 55, House Bill 1, General Appropriations Act, 84th Legislature, Regular Session. The adjustments applied only to teaching and support space.

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

The balance remaining in the B-On-Time account after the underutilized amount is allocated will be approximately \$25.6 million.

A History of Outcomes-Based Funding Initiatives in Texas

TEC, Section 61.0593 requires the THECB to consider incorporating undergraduate success measures into its formula funding recommendation to the legislature (see appendix A below for the specifics of those requirements).

Since 2009, the THECB has recommended various outcomes-based funding (OBF) models for public universities. The first recommended model would have provided funding to universities based on student course completion rather than on enrollments. In 2011, the THECB recommended an OBF model that included four performance metrics: 1) total number of degrees awarded; 2) total number of degrees awarded in STEM, nursing, allied health and math/science teacher certificates; 3) total number of degrees awarded to students who meet one of five federal at-risk criteria; and 4) predicted graduation rate (cohort 6-year graduation rate accounting for academic preparedness and financial need of a university's entering class). In 2013, the THECB recommended a model with 7 performance metrics: 1) total undergraduate degrees; 2) time-to-degree; 3) critical workforce needs; 4) graduation of non-traditional students (including part-time and transfer students); 5) student persistence (completion of 30, 60 and 90 semester credit hours); 6) cost-to-degree; and 7) graduation of at-risk students.

In 2014, the GAIFAC recommended an OBF model for Texas public universities that had seven metrics similar to the metrics previously proposed by the THECB. The THECB adopted this recommendation and included it in its recommendations to the Legislature and the Governor, but the Legislature didn't fund it. A criticism of the model (and previous models) was that it was too complicated. In response, the 2016 & 2018 GAIFAC committees recommended a Graduation Bonus formula with only the two most important metrics: 1) undergraduate degrees awarded to students who are not at risk, and 2) undergraduate degrees awarded to at-risk students. These metrics were aligned to the goals of *60x30TX*. This formula would have provided \$600 for each bachelor's degree awarded to a student who was not at-risk and \$1,200 for each bachelor's degree awarded to an at-risk student. At risk-students are defined for this purpose as students who are eligible for a Pell grant and/or who had below average SAT/ACT scores.

To date, the Texas Legislature has not included either methodology for outcomes-based funding in the General Appropriations Act for the General Academic institutions.

Appendix A: Formula Funding Statutes and Rules

TEC Sec. 61.059 Appropriations

- (a) To finance a system of higher education and to secure an equitable distribution of state funds deemed to be available for higher education, the board shall perform the functions described in this section. Funding policies shall:
 - (1) allocate resources efficiently and provide incentives for programs of superior quality and for institutional diversity;
 - (2) provide incentives for supporting the five-year master plan developed and revised under Section 61.051;
 - (3) discourage unnecessary duplication of course offerings between institutions and unnecessary construction on any campus; and
 - (4) emphasize an alignment with education goals established by the board.
- (b) The board shall devise, establish, and periodically review and revise formulas for the use of the governor and the Legislative Budget Board in making appropriations recommendations to the legislature for all institutions of higher education, including the funding of postsecondary vocational-technical programs. As a specific element of the periodic review, the board shall study and recommend changes in the funding formulas based on the role and mission statements of institutions of higher education. In carrying out its duties under this section, the board shall employ an ongoing process of committee review and expert testimony and analysis.
- (b-1) A committee under Subsection (b) must be composed of representatives of a cross-section of institutions representing each of the institutional groupings under the board's accountability system. The commissioner of higher education shall solicit recommendations for the committee's membership from the chancellor of each university system and from the president of each institution of higher education that is not a component of a university system. The chancellor of a university system shall recommend to the commissioner at least one institutional representative for each institutional grouping to which a component of the university system is assigned. The president of an institution of higher education that is not a component of a university system shall recommend to the commissioner at least one institutional representative for the institutional grouping to which the institution is assigned.
- (b-2) Expired.
- (c) Formulas for basic funding shall:
 - (1) reflect the role and mission of each institution;
 - (2) emphasize funding elements that directly support faculty;
 - (3) reflect both fixed and variable elements of cost; and
 - (4) incorporate, as the board considers appropriate, goals identified in the board's long-range statewide plan developed under Section 61.051.
- (d) Not later than June 1 of every even-numbered calendar year, the board shall notify the governing boards and the chief administrative officers of the respective institutions of higher education and university systems, the governor, and the Legislative Budget Board of the formulas designated by the board to be used by the institutions in making appropriation requests for the next succeeding biennium and shall certify to the governor and the Legislative Budget Board that each institution has prepared its appropriation request in accordance with the designated formulas and in accordance with the uniform system of reporting provided in this chapter. The board shall furnish any other assistance to the governor and the Legislative Budget Board in the

development of appropriations recommendations as either or both of them may request. However, nothing in this chapter shall prevent or prohibit the governor, the Legislative Budget Board, the board, or the governing board of any institution of higher education from requesting or recommending deviations from any applicable formula or formulas prescribed by the board and advancing reasons and arguments in support of them.

- (e) The board shall present to the governor and to each legislature a comprehensive summary and analysis of institutional appropriation requests, and for that purpose each institution's request must be submitted to the board at the same time at which the request is submitted to the Legislative Budget Board. Nothing in this subsection shall be construed as supplanting the duty, responsibility, and authority of an institution of higher education or the governing board thereof to express its appropriative needs directly to the legislature or any committee thereof.
- (f) The board shall recommend to the governor and the Legislative Budget Board supplemental contingent appropriations to provide for increases in enrollment at the institutions of higher education. Contingent appropriations may be made directly to the institutions or to the board, as the legislature may direct in each biennial appropriations act. In the event the contingent appropriation is made to the board, the funds shall be allocated and distributed by the board to the institutions as it may determine, subject only to such limitations or conditions as the legislature may prescribe.
- (g) The board shall recommend to the institutions, the governor, and the Legislative Budget Board tuition policies for public technical institutes, public junior colleges, public senior colleges and universities, medical and dental units, and other agencies of higher education and vocational and technical programs receiving support from state funds.
- (h) The board shall distribute funds appropriated to the board for allocation for specified purposes under limitations prescribed by law and the rules and regulations of the board in conformity therewith, provided that no distribution or allocation may be made to any institution of higher education which has failed or refused to comply with any order of the board as long as that failure or refusal continues.
- (i) Repealed
- (i-1) Repealed
- (j) Funds appropriated to the coordinating board for vocational-technical education may be transferred by interagency contract between the two boards as required to carry out an effective and efficient transition of the administration of postsecondary vocational-technical education.
- (k) The legislature shall promote flexibility in the use of funds appropriated to institutions of higher education by:
 - (1) appropriating base funding as a single amount that is unrestricted to use among the various funding elements of the formula used to determine base funding; and
 - (2) appropriating to institutions the unexpended balance of appropriations made for the preceding fiscal year.
- (l)
 - (1) Except as provided by Subdivision (2), the board may not include in any formula under this section funding based on the number of doctoral students who have

- a total of 100 or more semester credit hours of doctoral work at an institution of higher education.
- (2) Notwithstanding Subdivision (1), the board may approve formula funding for semester credit hours in excess of 100, not to exceed 130 total semester credit hours, for a doctoral student if the institution:
 - (A) provides the board with substantial evidence that the particular field of study in which the student is enrolled requires a higher number of semester credit hours to maintain nationally competitive standards;
 - (B) provides the board with evidence that the student's program or research is likely to provide substantial benefit to medical or scientific advancement and that the program or research requires the additional semester credit hours; or
 - (C) provides the board with other compelling academic reasons that support the finding of an exception.
 - (3) The board shall report to the Legislative Budget Board, as part of its report on formula funding recommendations, a listing of the exceptions approved under Subdivision (2) and the associated costs in formula-based funding.
 - (m) For an institution that charges a reduced nonresident tuition rate under Section 54.0601, the board may not include in a formula under this section funding based on the number of nonresident students enrolled at the institution in excess of 10 percent of the total number of students enrolled at the institution.
 - (n) In the formula applicable to Texas A&M University--Texarkana for funding instruction and operations, the board shall include any semester credit hours taught through distance education to students enrolled at that university who reside in another state and:
 - (1) as permitted by Section 54.060(a), pay tuition at the rate charged to residents of this state; and
 - (2) reside in a county in the other state that is contiguous to the county in which the university is located.
 - (o) In addition to the other funding recommendations required by this section, biennially the board shall determine the amount that the board considers appropriate for purposes of providing funding under Section 61.0596 in the following state fiscal biennium to carry out the purposes of that section and shall make recommendations to the governor and the Legislative Budget Board for funding those programs in that biennium. To the extent the board considers appropriate, the board may include in the formulas established under this section the funding to be provided under Section 61.0596.
 - (p) In its instruction and operations formula applicable to an institution of higher education, the board may not include any semester credit hours earned for dual course credit by a high school student for high school and college credit at the institution unless those credit hours are earned through any of the following:
 - (1) a course in the core curriculum of the institution providing course credit;
 - (2) a career and technical education course that applies to any certificate or associate's degree offered by the institution providing course credit; or
 - (3) a foreign language course.
 - (q) Subsection (p) does not apply to a course completed by a student as part of the early college education program established under Section 29.908.

TEC Sec. 61.0592 Funding for Courses Provided During Off-Peak Hours At Certain Institutions

- (a) The purposes of this section are:
 - (1) to ensure that student demand for courses is met; and
 - (2) to encourage the efficient use of existing instructional facilities while reducing the need for new instructional facilities.
- (b) This section applies only to funding for a course provided by:
 - (1) The University of Texas at Austin;
 - (2) Texas A&M University; or
 - (3) Texas Tech University.
- (c) To carry out the purposes of this section, for each institution of higher education listed under Subsection (b), the board shall include in the formulas established under Section 61.059 funding in amounts sufficient to cover the institution's revenue loss resulting from any reduction in tuition rates under Section 54.061.
- (d) In addition to the funding included under Subsection (c), in the formulas established under Section 61.059, as an incentive for the institutions to reduce tuition rates under Section 54.061, the board may include additional funding that represents a portion of the savings to the state resulting from the institution's efficient use of resources.

TEC Sec. 61.0593 Student Success-Based Funding Recommendations

- (a) The legislature finds that it is in the state's highest public interest to evaluate student achievement at institutions of higher education and to develop higher education funding policy based on that evaluation. Funding policies that promote postsecondary educational success based on objective indicators of relative performance, such as degree completion rates, are critical to maintaining the state's competitiveness in the national and global economy and supporting the general welfare of this state. Therefore, the purpose of this section is to ensure that institutions of higher education produce student outcomes that are directly aligned with the state's education goals and economic development needs.
- (b) In this section:
 - (1) "At-risk student" means an undergraduate student of an institution of higher education:
 - (A) who has been awarded a grant under the federal Pell Grant program; or
 - (B) who, on the date the student initially enrolled in the institution:
 - (i) was 20 years of age or older;
 - (ii) had a score on the Scholastic Assessment Test (SAT) or the American College Test (ACT) that was less than the national mean score for students taking that test;
 - (iii) was enrolled as a part-time student; or
 - (iv) had not received a high school diploma but had received a high school equivalency certificate within the last six years.

- (2) "Critical field" means a field of study designated as a critical field under Subsection (c).
- (c) Except as otherwise provided under Subdivision (2), the fields of engineering, computer science, mathematics, physical science, allied health, nursing, and teaching certification in the field of science or mathematics are critical fields. Beginning September 1, 2012, the board, based on the board's determination of those fields of study in which the support and development of postsecondary education programs at the bachelor's degree level are most critically necessary for serving the needs of this state, by rule may:
 - (1) designate as a critical field a field of study that is not currently designated by this subsection or by the board as a critical field; or
 - (2) remove a field of study from the list of fields currently designated by this subsection or by the board as critical fields.
- (d) This subsection applies only to a general academic teaching institution other than a public state college. In devising its funding formulas and making its recommendations to the legislature relating to institutional appropriations of funds under Section 61.059 for institutions to which this subsection applies, the board, in the manner and to the extent the board considers appropriate and in consultation with those institutions, shall incorporate the consideration of undergraduate student success measures achieved during the preceding state fiscal biennium by each of the institutions. At the time the board makes those recommendations, the board shall also make recommendations for incorporating the success measures, to the extent the board considers appropriate in consultation with those institutions, into the distribution of any incentive funds available for those institutions, including performance incentive funds under Subchapter D, Chapter 62. The board's recommendations must provide alternative approaches for applying the success measures and must compare the effects on funding of applying the success measures within the formula for base funding to applying the success measures as a separate formula. The success measures considered by the board under this subsection may include:
 - (1) the total number of bachelor's degrees awarded by the institution;
 - (2) the total number of bachelor's degrees in critical fields awarded by the institution;
 - (3) the total number of bachelor's degrees awarded by the institution to at-risk students; and
 - (4) as determined by the board, the six-year graduation rate of undergraduate students of the institution who initially enrolled in the institution in the fall semester immediately following their graduation from a public high school in this state as compared to the six-year graduation rate predicted for those students based on the composition of the institution's student body.
- (e) Notwithstanding Subsection (d):
 - (1) not more than 10 percent of the total amount of general revenue appropriations of base funds for undergraduate education recommended by the board for all institutions to which Subsection (d) applies for a state fiscal biennium may be based on student success measures; and

- (2) the board's recommendation for base funding for undergraduate education based on student success measures does not reduce or otherwise affect funding recommendations for graduate education.
- (f) This subsection applies only to public junior colleges, public state colleges, and public technical institutes...
- (g) Biennially, the board, in consultation with institutions to which Subsections (d) and (f) apply, shall review the student success measures considered by the board under those subsections.
- (h) The board shall include in its findings and recommendations to the legislature under Section 61.059:
 - (1) an evaluation of the effectiveness of the student success measures described by this section in achieving the purpose of this section during the preceding state fiscal biennium; and
 - (2) any related recommendations the board considers appropriate.
- (i) The board shall adopt rules for the administration of this section, including rules requiring each institution of higher education to submit to the board any student data or other information the board considers necessary for the board to carry out its duties under this section.

TEC Sec. 61.0595 Funding For Certain Excess Undergraduate Credit Hours

- (a) In the formulas established under Section 61.059, the board may not include funding for semester credit hours earned by a resident undergraduate student who before the semester or other academic session begins has previously attempted a number of semester credit hours for courses taken at any institution of higher education while classified as a resident student for tuition purposes that exceeds by at least 30 hours the number of semester credit hours required for completion of the degree program or programs in which the student is enrolled, including minors and double majors, and for completion of any certificate or other special program in which the student is also enrolled, including a program with a study-abroad component.
- (b) For purposes of Subsection (a), an undergraduate student who is not enrolled in a degree program is considered to be enrolled in a degree program requiring a minimum of 120 semester credit hours.
- (c) For a student enrolled in a baccalaureate program under Section 51.931, semester credit hours earned by the student 10 or more years before the date the student begins the new degree program under Section 51.931 are not counted for purposes of determining whether the student has previously earned the number of semester credit hours specified by Subsection (a).
- (d) The following are not counted for purposes of determining whether the student has previously earned the number of semester credit hours specified by Subsection (a):
 - (1) semester credit hours earned by the student before receiving a baccalaureate degree that has previously been awarded to the student;
 - (2) semester credit hours earned by the student by examination or under any other procedure by which credit is earned without registering for a course for which tuition is charged;

- (3) credit for a remedial education course, a technical course, a workforce education course funded according to contact hours, or another course that does not count toward a degree program at the institution;
 - (4) semester credit hours earned by the student at a private institution or an out-of-state institution; and
 - (5) semester credit hours earned by the student before graduating from high school and used to satisfy high school graduation requirements.
- (e) Subsection (a) applies only to funding for semester credit hours earned by a student who initially enrolled as an undergraduate student in any institution of higher education during or after the 1999 fall semester, except that with respect to semester credit hours earned by a student who initially enrolls as an undergraduate student in any institution of higher education before the 2006 fall semester, the board may not reduce funding under this section until the number of semester credit hours previously attempted by the student as described by this section exceeds the number of semester credit hours required for the student's degree program by at least 45 hours.
 - (f) In the formulas established under Section 61.059, the board shall include without consideration of Subsection (a) funding for semester credit hours earned by a student who initially enrolled as an undergraduate student in any institution of higher education before the 1999 fall semester.
 - (g) To the extent practicable, the savings to the state resulting from the exclusion of funding for excess undergraduate semester credit hours from the funding formulas of the board as required by this section shall be used to finance the Toward EXcellence, Access, & Success (TEXAS) grant program under Subchapter M, Chapter 56.

TEC Sec. 51.3062 Success Initiative

- (m) The board may develop formulas to supplement the funding of developmental academic programs by institutions of higher education, including formulas for supplementing the funding of non-course-based programs. The board may develop a performance funding formula by which institutions may receive additional funding for each student who completes the Success Initiative established under this section and then successfully completes college coursework. The legislature may appropriate the money required to provide the additional funding under those formulas.

TEC Sec. 51.307 Rules

The Texas Higher Education Coordinating Board shall adopt rules necessary for the administration of this subchapter.

TAC Sec. 31.20 Formula Funding Purpose

The purpose of this subchapter is to establish procedures for making formula funding recommendations to the Governor and the Legislature and to except from such funding certain semester credit hours or contact hours.

TAC Sec. 31.21 Formula Funding Authority

Texas Education Code, §61.059 directs the Texas Higher Education Coordinating Board to review and revise formulas for use of the Governor and the Legislative Budget Board in making appropriations recommendations. Texas Education Code, §51.307, authorizes the Board to implement the provisions of the Texas Success Initiative.

TAC Sec. 31.23 Formula Funding General Academic Institution Formulas

(a) Formula Advisory Committee.

- (1) Not later than September 1 of each odd-numbered year, the Commissioner shall appoint an advisory committee to review the funding formulas used by the Governor and the Legislature for making appropriations to general academic institutions.
- (2) The formula advisory committee appointed by the Commissioner shall consist of senior administrators at Texas general academic institutions, members of the faculty, and members of the general public.
- (3) The committee shall elect its own chair and vice chair.
- (4) Meetings of the committee shall be open to the public. The committee shall publish minutes of all meetings, and the minutes shall be public documents.
- (5) The committee shall identify funding incentives that would encourage implementation by general academic institutions of the state's plan for higher education as specified in the Texas Education Code, §61.051(a-3).
- (6) The committee shall provide an opportunity for institutions, the general public and other interested persons to provide testimony.
- (7) The formula advisory committee may appoint two study committees, one for the instructional and operations formula and another for the infrastructure formula. The study committees may include members from the formula advisory committees and other institutional representatives as appropriate. The infrastructure study committee will include at least one representative from the Texas State Technical College System or the two-year colleges in the Texas State University System.
- (8) The formula study committees shall make their recommendations to the formula advisory committee no later than the January 15 of the year following its appointment.
- (9) The formula advisory committee shall make its recommendations to the Commissioner no later than the February 1 of the year following its appointment.

(b) General Academic Institution Formula Recommendation.

- (1) At the quarterly meeting of the Coordinating Board in April of even-number years, the Commissioner shall recommend a funding formula for the next biennium for general academic institutions. The Commissioner shall also report the recommendations of the formula advisory committee.
- (2) In making recommendations, the Commissioner shall consider the financial needs of affected institutions, funding levels at peer institutions in other states, and other factors as appropriate.
- (3) The Commissioner shall recommend an all funds appropriation.
- (4) After adoption, the Commissioner shall transmit the Board's recommendations to the Governor, the Legislature, and the Legislative Budget Board no later than June 1 of each even-numbered year.

TGC Sec. 2110. State agency advisory committees

TGC Sec. 2110.001. Definition.

In this chapter, "advisory committee" means a committee, council, commission, task force, or other entity with multiple members that has as its primary function advising a state agency in the executive branch of state government.

TGC Sec. 2110.0011. Applicability of chapter.

This chapter applies unless and to the extent:

- (1) another state law specifically states that this chapter does not apply; or
- (2) a federal law or regulation:
 - (a) imposes an unconditional requirement that irreconcilably conflicts with this chapter; or
 - (b) imposes a condition on the state's eligibility to receive money from the federal government that irreconcilably conflicts with this chapter.

TGC Sec. 2110.0012. Establishment of advisory committees.

For purposes of this chapter, a state agency has established an advisory committee if:

- (1) state or federal law has specifically created the committee to advise the agency; or
- (2) the agency has, under state or federal law, created the committee to advise the agency.

TGC Sec. 2110.002. Composition of advisory committees.

- (a) An advisory committee must be composed of a reasonable number of members not to exceed 24.
- (b) The composition of an advisory committee that advises a state agency regarding an industry or occupation regulated or directly affected by the agency must provide a balanced representation between:
 - (1) the industry or occupation; and
 - (2) consumers of services provided by the agency, industry, or occupation.
- (c) This section does not apply to an advisory committee established by the Texas Department of Motor Vehicles.

TGC Sec. 2110.003. Presiding officer.

- (a) An advisory committee shall select from among its members a presiding officer.
- (b) The presiding officer shall preside over the advisory committee and report to the advised state agency.

TGC Sec. 2110.004. Reimbursement of members' expenses; appropriations process.

- (a) Notwithstanding other law, the manner and amount of reimbursement for expenses, including travel expenses, of members of an advisory committee may be prescribed only:
 - (1) by the General Appropriations Act; or
 - (2) through the budget execution process under Chapter 317 if the advisory committee is created after it is practicable to address the existence of the committee in the General Appropriations Act.
- (b) A state agency that is advised by an advisory committee must request authority to reimburse the expenses of members of the committee through the appropriations or budget execution process, as appropriate, if the agency determines that the expenses of committee members should be reimbursed. The request must:

- (1) identify the costs related to the advisory committee's existence, including the cost of agency staff time spent in support of the committee's activities;
 - (2) state the reasons the advisory committee should continue in existence; and
 - (3) identify any other advisory committees created to advise the agency that should be consolidated or abolished.
- (c) As part of the appropriations and budget execution process, the governor and the Legislative Budget Board shall jointly identify advisory committees that should be abolished. The comptroller may recommend to the governor and the Legislative Budget Board that an advisory committee should be abolished.
- (d) The General Appropriations Act may provide for reimbursing the expenses of members of certain advisory committees without providing for reimbursing the expenses of members of other advisory committees.
- (e) This section does not apply to an advisory committee the services of which are determined by the governing board of a retirement system trust fund to be necessary for the performance of the governing board's fiduciary duties under the state constitution.

TGC Sec. 2110.005. Agency-developed statement of purpose and tasks; reporting requirements.

A state agency that establishes an advisory committee shall by rule:

- (a) state the purpose and tasks of the committee; and
- (b) describe the manner in which the committee will report to the agency.

TGC Sec. 2110.006. Agency evaluation of committee costs and effectiveness.

A state agency that has established an advisory committee shall evaluate annually:

- (a) the committee's work;
- (b) the committee's usefulness; and
- (c) the costs related to the committee's existence, including the cost of agency staff time spent in support of the committee's activities.

TGC Sec. 2110.007. Report to the legislative budget board.

A state agency that has established an advisory committee shall report to the Legislative Budget Board the information developed in the evaluation required by Section 2110.006. The agency shall file the report biennially in connection with the agency's request for appropriations.

TGC Sec. 2110.008. Duration of advisory committees.

- (a) A state agency that has established an advisory committee may designate the date on which the committee will automatically be abolished. The designation must be by rule. The committee may continue in existence after that date only if the agency amends the rule to provide for a different abolishment date.
- (b) Unless the state agency that establishes an advisory committee designates a different date under Subsection (a), the committee is automatically abolished on the later of:
 - (1) September 1, 2005; or
 - (2) the fourth anniversary of the date of its creation.
- (c) An advisory committee that state or federal law has specifically created as described in Section 2110.0012
- (d) is considered for purposes of Subsection (b)
- (e) to have been created on the effective date of that law unless the law specifically provides for a different date of creation.

Appendix B: Tentative Schedule of Future Meetings

GAI & CTC Formula Advisory Committee - Board Room*						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
August						
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
September						
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					
October						
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		
November						
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
December						
					1	2
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				
January						
			1	2	3	4
5	6	7		9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	
Board Room Unavailable			State Holiday		Tentative Meeting Date	

*GAI will meet in the AM, and CTC will meet in the PM

Appendix C: Prior Committee Members

Dr. Paula M. Short (2018), University of Houston
Mr. Raaj Kurapati (2018), Texas A&M University-Kingsville
Mr. Edward T. Hugetz (2018), University of Houston-Downtown
Dr. Dana G. Hoyt (2018), Sam Houston State University
Ms. Kathryn Funk Baxter (2018), The University of Texas at San Antonio
Mr. Martin Baylor (2016), The University of Texas Rio Grande Valley
Dr. Allen Clark (2016), University of North Texas
Dr. Perry Moore (2016), Texas State University System
Dr. Robert Neely (2016), Texas Woman's University
Dr. Marc Nigliazzo (2016), Texas A&M University Central Texas
Dr. J. Patrick O'Brien (2016), West Texas A&M University
Ms. B. J. Crain (2016), Texas A&M University
Dr. F. Dominic Dottavio (2014), Tarleton State University
Dr. Scott Kelley (2012), The University of Texas System
Ms. Martha Hilley (2014), The University of Texas at Austin
Mr. Jim McShan (2014), Texas Southern University
Dr. John Opperman (2014), Texas Tech University System
Ms. Cynthia Villa (2014), The University of Texas at El Paso
Ms. Jean R. Bush (2014), University of North Texas
Dr. Rodney Mabry (2014), The University of Texas at Tyler
Dr. John Antel (2012), University of Houston
Dr. John Price (2012), University of North Texas at Dallas
Dr. Baker Pattillo (2012), Stephen F. Austin State University
Mr. Mike Reid (2012), Angelo State University
Mr. Paul Woodfin (2012), Texas State Technical College System
Dr. Alba Ortiz, (2012), The University of Texas at Austin
Ms. Rosemary Martinez (2010), The University of Texas at Brownsville
Dr. Rodney Mabry (2010), The University of Texas at Tyler
Dr. Mike McKinney (2010), Texas A&M University System
Mr. Gary Barnes (2010), West Texas A&M University
Ms. Michelle Dotter (2010), University of Houston Clear Lake
Dr. Jesse Rogers (2010), Midwestern State University
Mr. Jim Brunjes (2010), Texas Tech University System
Dr. Robert Smith (2010), Texas Tech University
Mr. Bill Nance (2010), Texas State University San Marcos
Ms. Cynthia Villa (2010), The University of Texas at El Paso
Ms. Lauri Deviney (2010), Texas A&M University System
Mr. Richard Escalante (2010), University of North Texas
Dr. Brenda Floyd (2010), Texas Woman's University
Dr. Ann Stuart (2010), Texas Woman's University
Ms. Susan Lee (2010), Texas A&M University at Galveston

**Appendix D: 2020-2021 Texas Higher Education Coordinating Board Formula
Funding Recommendations (Includes Formula Advisory Committee Recommendations)**
<http://www.thecb.state.tx.us/index.cfm?objectid=301D6250-3298-11E8-BC500050560100A9>

**General Academic
Institutions
Formula Funding
Overview**

August 2019



Texas Higher Education
Coordinating Board

What are the formulas and how are they used?



- Formulas give legislators an objective and equitable way to allocate a set amount of funding among institutions in a given sector
- Each institution's funding is proportional to its share of statewide enrollments (with some notable adjustments)
- Formula funding is appropriated directly to the institutions in the General Appropriations Act

Appropriations Timeline and Process

Fall 2019 - The three Formula Advisory Committees (FACs), composed of institutional representatives for each sector, consider the Commissioner's charges to examine specific elements of the formulas. Committee members meet monthly to examine and consider potential changes to the formulas. Final recommendations are provided to the Commissioner by the end of January 2020.



March 2020 - The FAC recommendations with the Commissioner's recommended amendments are considered by the Board's Committee on Affordability, Accountability and Planning (CAAP). CAAP adopts recommendations.



April 2020 - The Full Board considers the CAAP recommendation and the Board adopts its final recommendation, which is provided to the Legislative Budget Board (LBB) and Governor's Office of Budget, Planning and Policy (GOBPP).



Appropriations Timeline and Process ... Continued

June 2020 - Staff forwards Formula Recommendations to LBB and GOBPP on June 1st.



November 2020–January 2021 - staff transmits the initial formula run to the LBB on November 1. Using data from the spring, summer, and fall 2020 semesters, LBB determines institutions' formula funding allocation for the 87th Legislature's recommended budget. Draft appropriations bills are introduced to each chamber and referred to committee.



February–May 2021 - House Appropriations and Senate Finance Committees consider and approve appropriations bills. Texas Senate and House of Representatives each adopt their versions of the appropriations act. An appointed Conference Committee resolves differences.



Appropriations Timeline and Process ... Continued

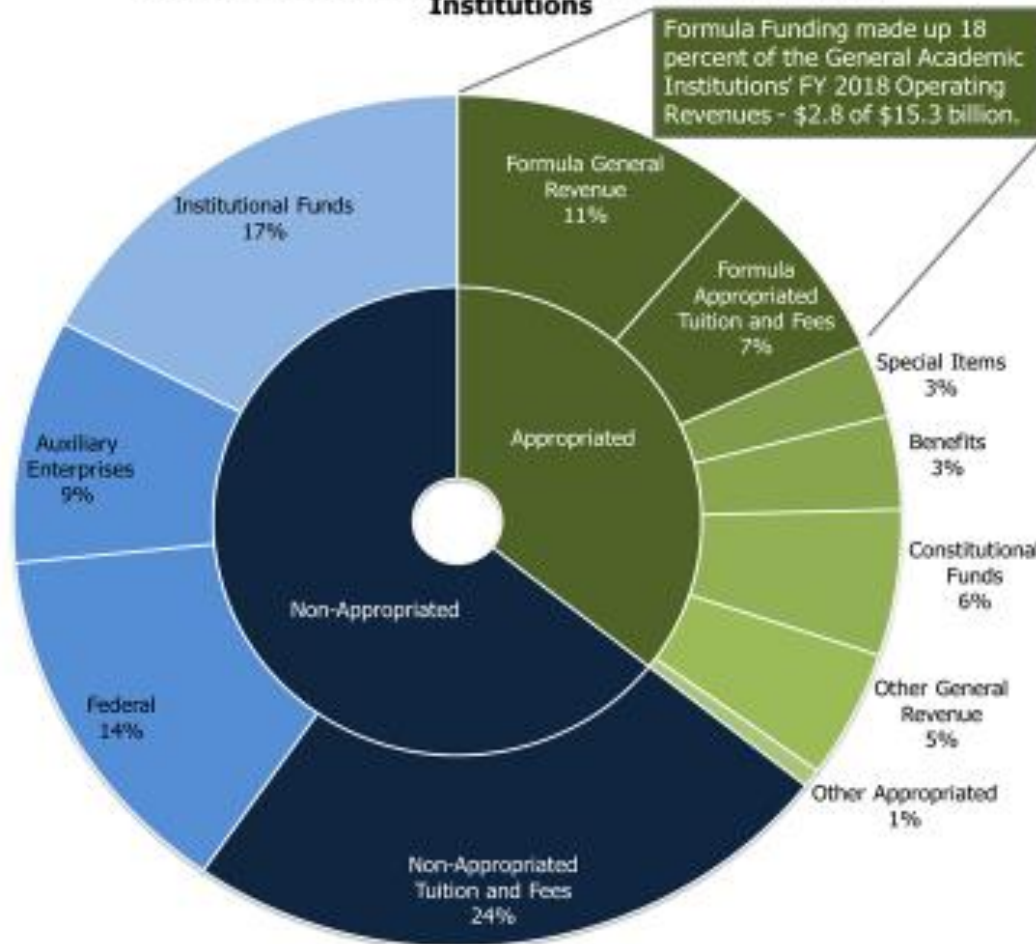
March 2021 – staff transmits the final formula run to the LBB on the first.



April-May 2021 - Using updated data to include Spring 2021 enrollments, LBB updates the formula runs. Conference committee decides total amount to flow through the formulas. Formulas determine final allocations to each institution included in the General Appropriations Act.

General Academic Institutions Receive Funds from Many Sources

FY 2018 Distribution of Revenue for General Academic Institutions



Formulas Provide Funding for:

- Faculty Salaries
- Department Operating Expense
- Libraries
- Instructional Administration
- Student Services
- Institutional Support
- Research Enhancement
- Infrastructure Support

Ineligible Expenses

- Auxiliary enterprises (student housing, parking facilities, food service, intercollegiate athletics)
- Certain fringe benefits
- Special Items
- TRB Debt Service
- New construction and major repairs

General Academics are supported by two formulas and two supplements

Operations Support Formula

- Based on student enrollments on the 12th class day (summer and fall 2020 and spring 2021)
- Expenditure study used to adjust funding on a cost-weighted basis
- Teaching Supplement incentivizes the use of tenured and tenure-track faculty in undergraduate courses with a 10 percent bonus to weighted semester credit hours

E&G Space Support Formula

- Provides per square foot support for maintenance and operations
- Provides support for utilities
- Uses Coordinating Board Space Model Predicted Square Feet
- Small Institution Supplement distributes additional resources for the reduced economies of scale associated with operating smaller institutions

Operations Support Formula

[R] X [RW] X [SCH]

[R] = Funding Rate was \$55.85 per weighted semester credit hour per year for the 2020 - 2021 biennium

[RW] = Relative Weight

[SCH] = Semester Credit Hours taught in the summer and fall 2018 and spring 2019

Teaching Experience Supplement Formula

$$[R] \times [RW] \times [SCH] \times [10\%]$$

[R] = Funding Rate was \$55.85 per weighted semester credit hour per year for the 2020 - 2021 biennium

[RW] = Relative Weight

[SCH] = Undergraduate Semester Credit Hours taught by tenured and tenure-track faculty

General Academic Space Support Formula

$$((\text{E\&G NASF} \times \text{O\&M Rate}) + (\text{E\&G NASF} \times \text{IAUR} \times \text{Utility Rate})) \\ \times 2 \text{ (for biennial funding)}$$

[E&G NASF] = The Coordinating Board's Space Model predicts an institution's Educational and General Net Assignable Square Feet.

Funding Rate was \$5.33 per adjusted predicted square foot per year for the 2020-2021 biennium. The infrastructure formula has two parts:

[O&M Rate] = Operations and Maintenance – 57 percent of funded rate.

[Utility Rate] = 43 percent of funded rate.

[IAUR] = Institution Adjusted Utility Rate – Sources and Uses.

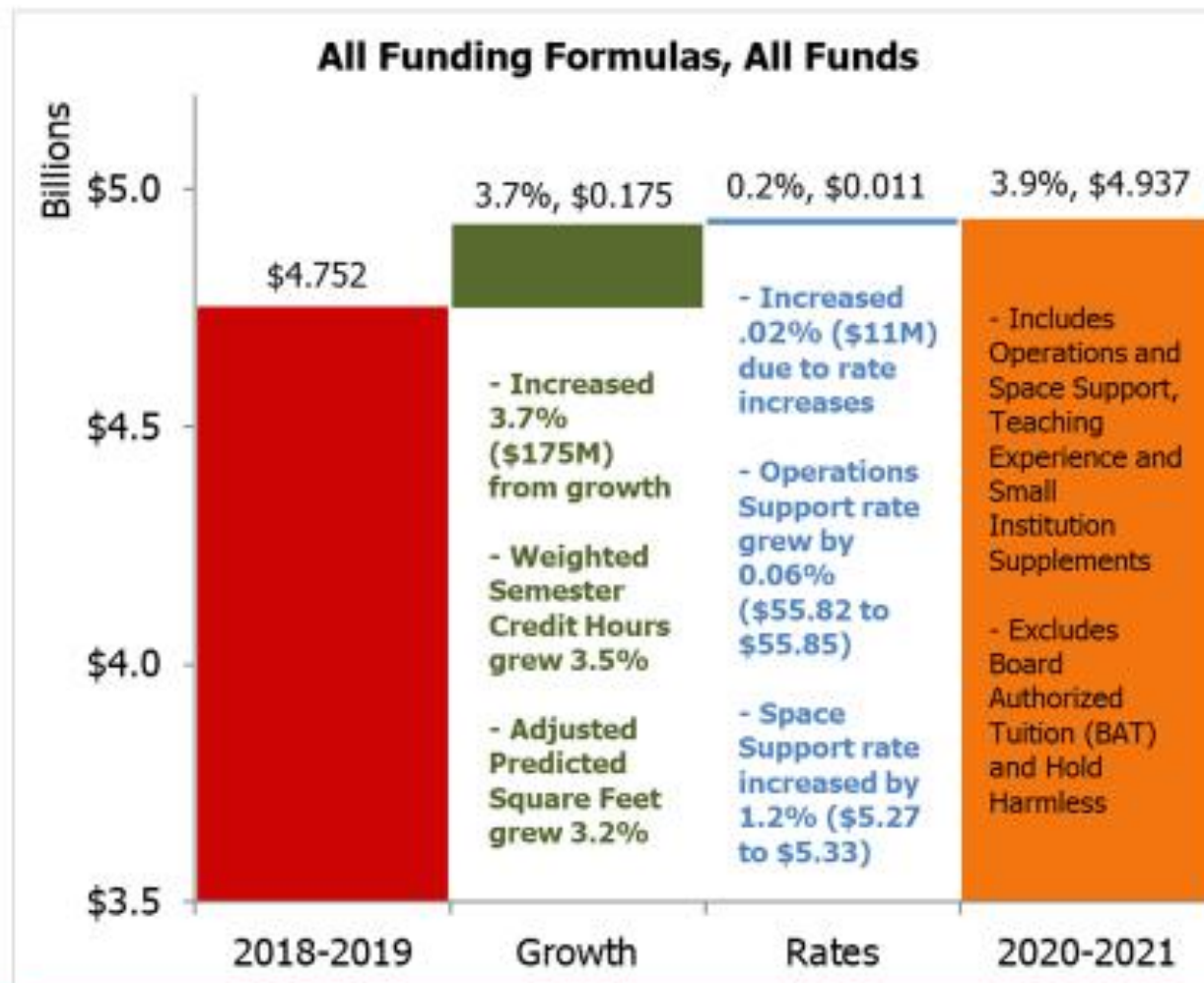
Small Institution Supplement Formula

$$(10,000 - [\text{Students Enrolled}]) \times \$150$$

[Students Enrolled] – Fall 2018 certified enrollment.

- Institutions with less than 10,000 students receive up to \$1,500,000 in funding based on this formula.
- Institutions with 10,000 or more students do not receive small institution supplement.

2020-2021 Formula Funding - \$4.94B, up 3.9% from 2018-2019



2020-2021 Formula Funding – Formula Breakdown

Operations Support

\$4.05B funded, a 3.9% increase over the prior \$3.91B

- 3.7% or \$175M for growth in Weighted Semester Credit Hours
- 0.2% or \$11M for rate increases
- A rate of \$55.85, a 0.06% increase over the prior \$55.82

Space Support

\$764M funded, a 4.4% increase over the prior \$732M

- 4.6% or \$34M for growth in adjusted predicted square feet
- 1.2% or \$9M for rate increases
- A rate of \$5.33, a 1.18% increase over the prior \$5.27

Teaching Experience Supplement

\$95.7M funded, a 0.3% increase over the prior \$95.4M

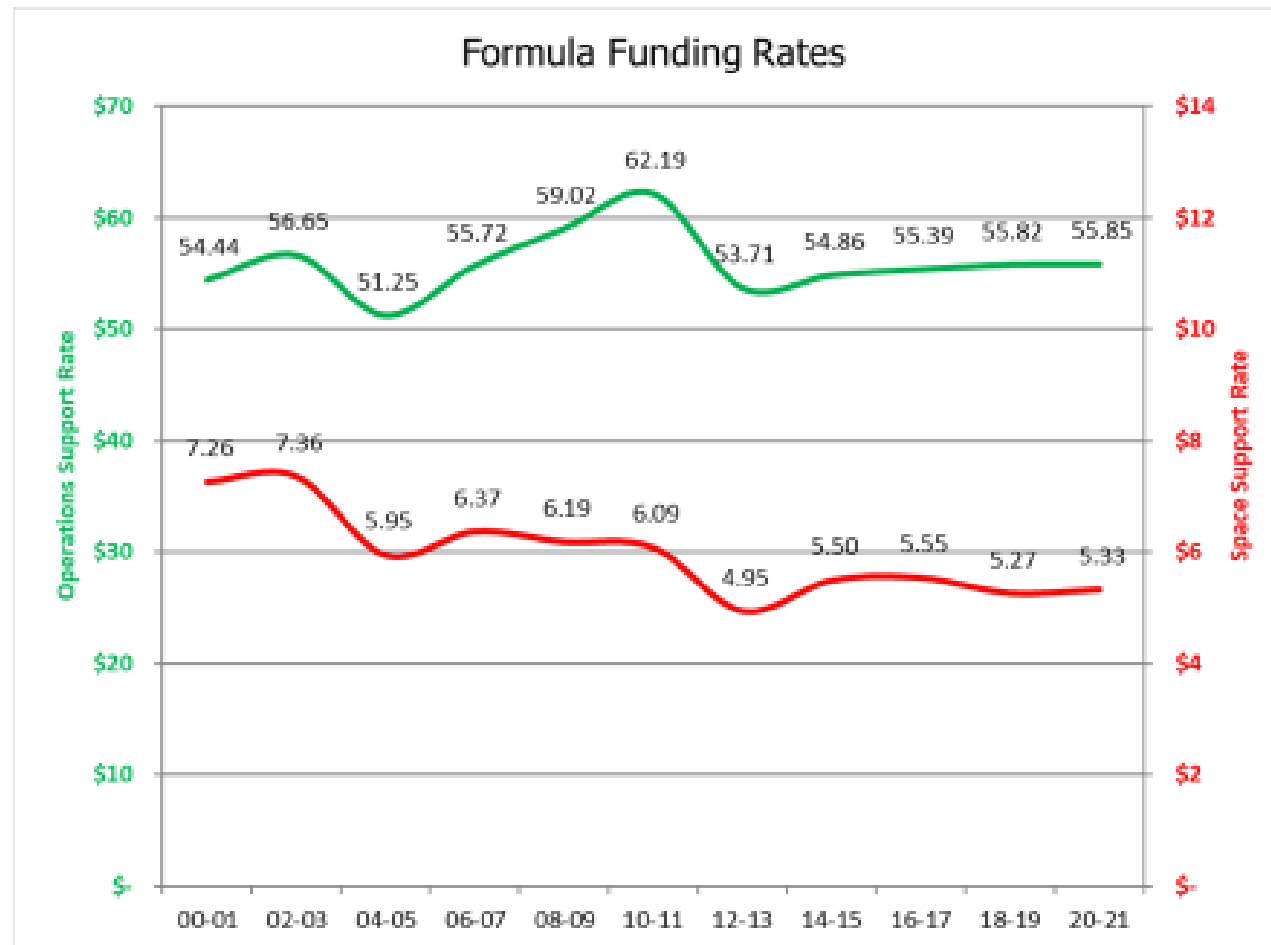
- 0.3% or \$272K for an increase in Weighted Semester Credit Hours
- 0.1% or \$53K for rate increases
- 10 percent of undergraduate hours taught by tenured and tenure-track faculty funded at operations support rate

Small Institution Supplement

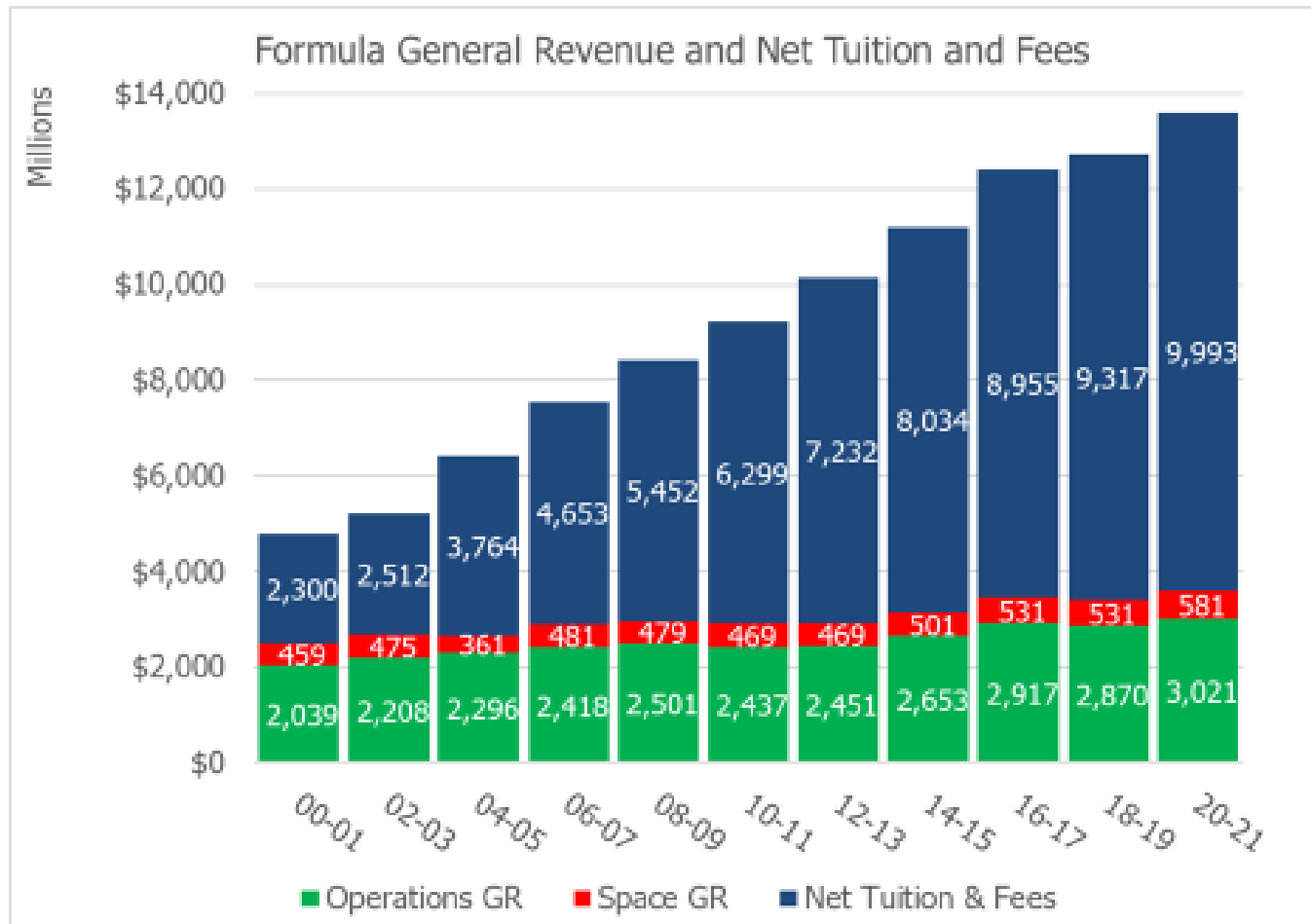
\$27.4M funded, a 64%* increase from the prior \$16.7M.

- *The Legislature allocated an additional \$18.5M (across GAIs, TSTCs and Lamars) to institutions receiving the small institution supplement.
- This equated to \$11.6M in additional funding for GAIs

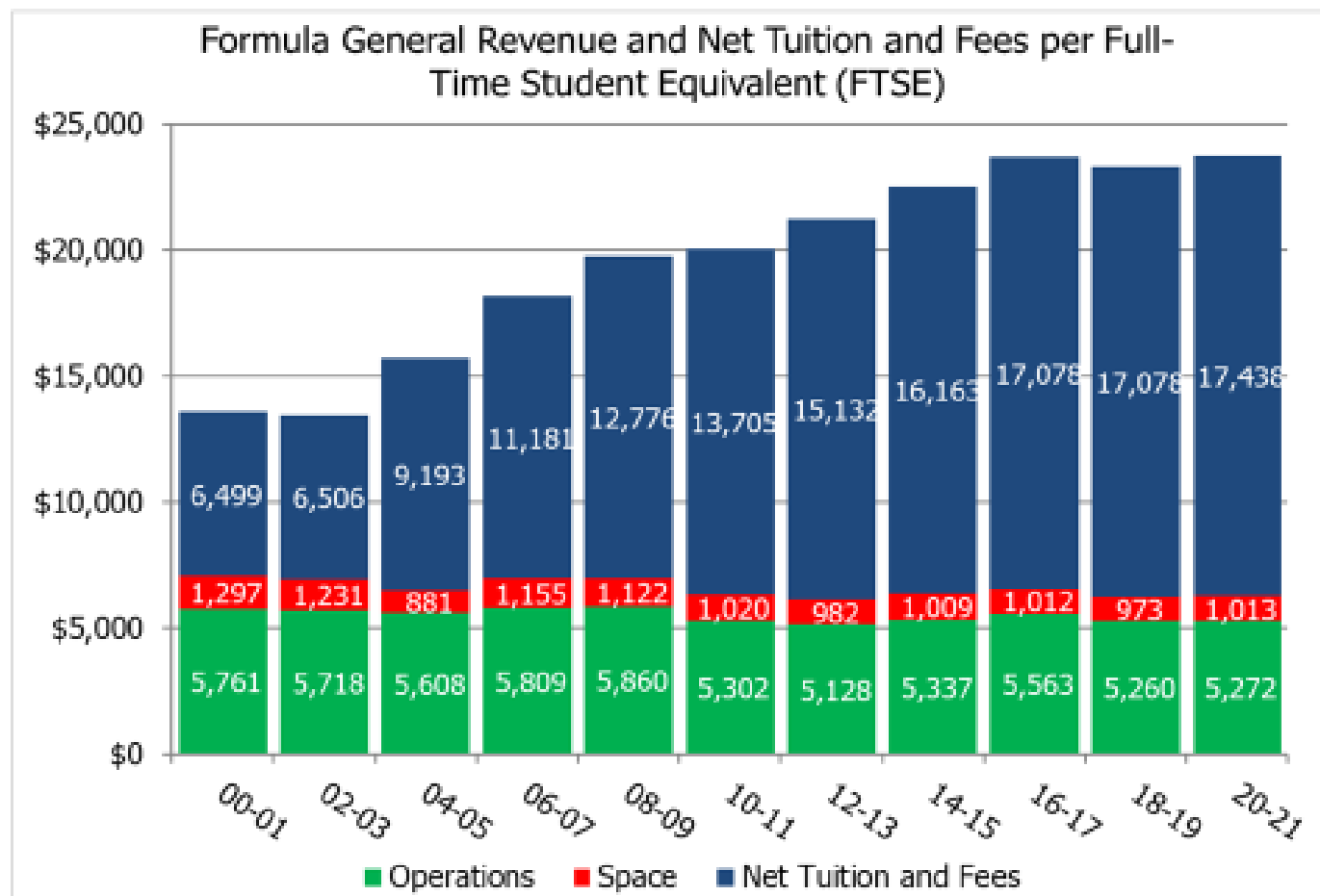
Operations Support Rate increased 3% from 2000-2001



Formula General Revenue and Net Tuition and Fees - Total Funding up 44% from 2000-2001



Changes in Formula General Revenue and Net Tuition and Fees – FTSE Funding down 11% from 2000-2001



This document is available on the Texas Higher Education Coordinating Board
Website: <http://www.thecb.state.tx.us/formulafunding>

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