

Agenda Materials
General Academic Institutions Formula
Advisory Committee (GAIFAC) for the
2022-2023 Biennial Appropriations

September 2019

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Agenda

**Meeting of the General Academic Institution Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Thursday, September 19, 2019
11:00 a.m.**

Agenda

- I. Call to Order
- II. Consideration and approval of the minutes from the August 19, 2019 meeting
- III. Discussion, review, and consideration of the Commissioner's 2022-2023 Biennium charges
- IV. Planning for subsequent meetings
- V. Adjournment

Draft of Prior Meeting's Minutes

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

Minutes

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

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

Staff: Dr. Julie Eklund, Ms. Jennifer Gonzales

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

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

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) Executive VP & Provost	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
Ms. Noel Sloan (2020) CFO & VP of Administration & Finance	Texas Tech University 2500 Broadway, Lubbock, TX 79409	noel.a.sloan@ttu.edu 806-834-1625
Dr. Jerry R. Strawser (2020) Executive VP of Finance & Administration & CFO	Texas A&M University 1181 TAMU, College Station, TX 77843	jstrawser@tamu.edu 917-862-7777
Ms. Angie W. Wright (2020) VP for Finance & Administration	Angelo State University 2601 West Ave N, San Angelo, TX 76903	angie.wright@angelo.edu 325-942-2017

Note: The year after the member’s name is when that member’s term expires.

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))

General Academic Institution Appropriations (in millions)	2010-11 Biennium	2012-13 Biennium	2014-15 Biennium	2016-17 Biennium	2018-19 Biennium	2020-21 Biennium
Operations Support	\$ 3,331.2	\$ 3,335.8	\$ 3,367.6	\$ 3,662.3	\$ 4,003.3	\$ 4,145.8
E&G Space Support	644.7	624.0	628.4	676.1	731.7	763.9
Small Institution Supplement	12.0	20.8	21.5	20.7	16.7	27.4
Total	\$ 3,987.9	\$ 3,980.7	\$ 4,017.5	\$ 4,359.1	\$ 4,751.7	\$ 4,937.2
GAI Metrics/Rates						
Metrics						
Weighted Semester Credit Hours	27,886,272	28,757,773	31,346,364	33,269,743	35,854,955	37,114,370
Adjusted Predicted Square Feet	54,330,850	54,613,917	62,733,660	61,505,172	69,190,427	71,414,661
Rates						
Operations Support	\$ 59.02	\$ 62.19	\$ 53.72	\$ 54.86	\$ 55.83	\$ 55.85
E&G Space Support	\$ 6.19	\$ 6.09	\$ 5.03	\$ 5.50	\$ 5.27	\$ 5.33
Small Institution Supplement	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000

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

Operations Support Growth Rate					Space Support Growth Rate		
Fall	Fall Headcount ¹	Annual Percent Change	Fall Full-Time Student Equivalents (FSTE) ^{2,3}	Annual Percent Change	Fall	Fall Predicted Square Feet (PSF) (Millions)	Annual Percent Change
2000	414,626		321,284		2000	42.73	
2001	430,770	3.89%	335,469	4.42%	2001	44.60	4.38%
2002	455,719	5.79%	354,855	5.78%	2002	48.14	7.92%
2003	472,818	3.75%	369,905	4.24%	2003	49.65	3.14%
2004	482,123	1.97%	377,818	2.14%	2004	49.95	0.60%
2005	484,999	0.60%	384,306	1.72%	2005	51.03	2.17%
2006	491,140	1.27%	388,395	1.06%	2006	52.22	2.33%
2007	497,195	1.23%	393,257	1.25%	2007	53.54	2.52%
2008	509,136	2.40%	400,536	1.85%	2008	54.78	2.33%
2009	532,226	4.54%	415,376	3.71%	2009	58.17	6.18%
2010	557,550	4.76%	434,218	4.54%	2010	61.00	4.86%
2011	568,938	2.04%	443,881	2.23%	2011	62.05	1.71%
2012	576,693	1.36%	453,988	2.28%	2012	61.75	-0.48%
2013	584,785	1.40%	461,614	1.68%	2013	63.43	2.73%
2014	603,598	3.22%	475,889	3.09%	2014	64.65	1.93%
2015	619,175	2.58%	487,085	2.35%	2015	66.89	3.47%
2016	636,750	2.84%	501,024	2.86%	2016	68.61	2.56%
2017	651,137	2.26%	514,064	2.60%	2017	70.28	2.43%
2018	658,219	1.09%	520,036	1.16%	2018	70.80	0.74%
2019	666,757	1.30%	526,782	1.30%	2019	72.95	3.04%
2020	676,716	1.49%	534,650	1.49%	2020	74.20	1.71%
2021	686,581	1.46%	542,444	1.46%	2021	75.52	1.78%
FTSE Projected Biennial Percent Change: Fall 2018 to 2020				2.8%	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	2.35%

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.

Projected Funding Levels Based on Inflation and Growth

General Academic Institution Formula Funding Level Projections (does not include Texas State Technical College or Lamar State College Space Support)	
Operations Support and Teaching Experience Supplement (in millions)	
Inflation	
2020-2021 Appropriated Rate	\$ 55.85
Anticipated Inflation Rate	2.3%
Recommended Funding Rate (with inflation)	\$ 57.16
Growth	
2020-2021 Weighted Semester Credit Hours	37,114,370
Anticipated Growth Rate	2.8%
2022-2023 Projected Growth in Weighted Semester Credit Hours	38,157,355
2020-2021 I&O + Teaching Exp Appropriation	\$ 4,146
2022-2023 Funding Projection with Inflation and Growth	\$ 4,362
Recommended Increase	\$ 217
Percent Increase	5.2%
Space Support (in millions)	
Inflation	
2020-2021 Appropriated Rate	\$ 5.33
Anticipated Inflation Rate	2.3%
Recommended Funding Rate (with inflation)	\$ 5.46
Growth	
2020-2021 Adjusted Predicted Square Feet	71,414,661
Anticipated Growth Rate	4.8%
2022-2023 Projected Adjusted Predicted Square Feet	74,841,749
2020-2021 Space Support Appropriation	\$ 764
2022-2023 Funding Projection with Inflation and Growth	\$ 817
Recommended Increase	\$ 52.9
Percent Increase	6.9%
Small Institution Supplement (in millions)	
2020-2021 Small Institution Supplement	\$ 15.7
2022-2023 Funding Projection with 2.8% Headcount Growth	\$ 15
Recommended Increase	\$ (0.6)
Percent Increase	-3.9%
Total Formula Funding (in millions)	
2020-2021	
Operations Support with Teaching Experience Supplement	\$ 4,146
Space Support	\$ 764
Small Institution Supplement	\$ 27
Total	\$ 4,937
2022-2023	
Operations Support with Teaching Experience Supplement	\$ 4,362
Space Support	\$ 817
Small Institution Supplement	\$ 15
Total	\$ 5,194
Recommended Increase	\$ 257
Percent Increase	5.2%

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))

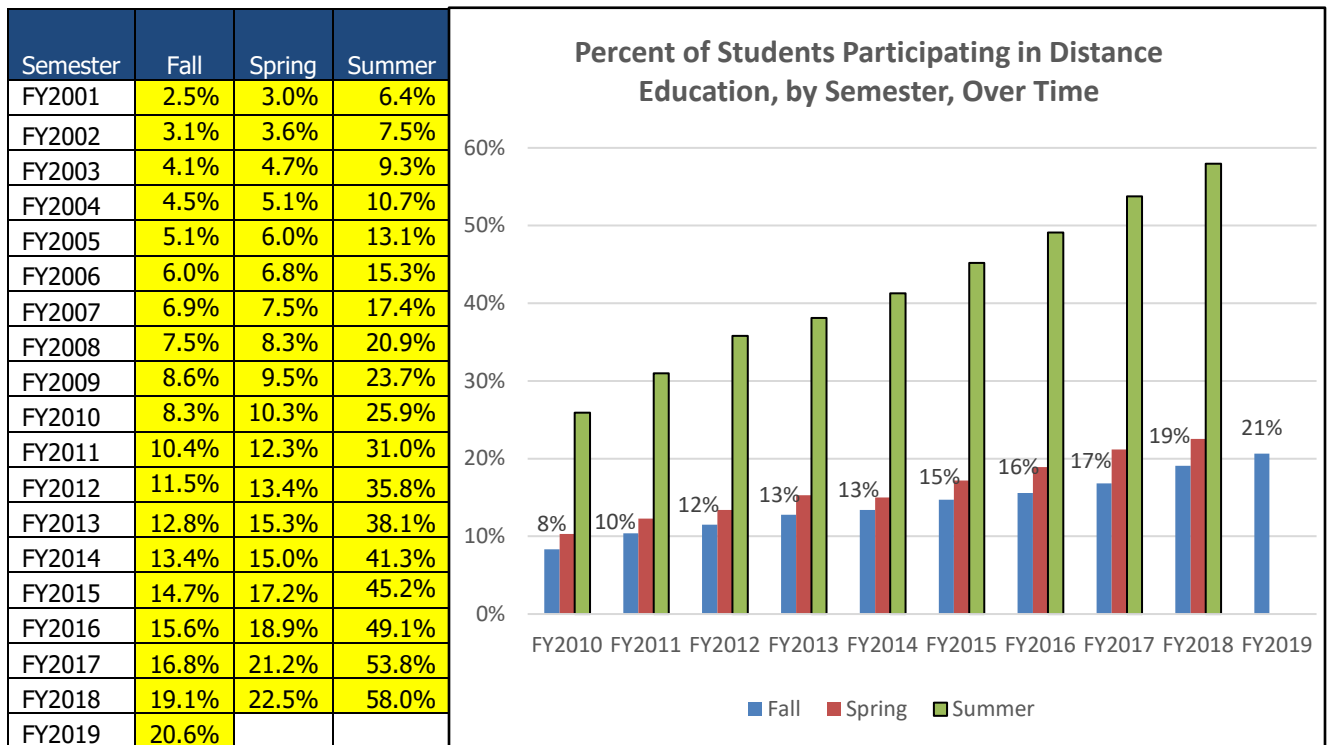
Dr. Danny Gallant will provide an update on the actions that the Expenditure Study workgroup has taken and will lead discussion on this charge.

See Appendix A for a basic process flowchart of the Expenditure Study as provided by SFASU.

Other related documents were sent directly to workgroup members.

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. Data show that the percent of students participating in distance education has continued to increase over time, with the largest participation occurring during the summer months.



Note: Distance education reports are run for each semester. University data and Community/Technical College data are reported separately. Summer I and II are combined. The reports include state-funded hours only. At universities, all levels of enrollment are included (undergraduate, graduate, professional, etc.). Distance education is classified as anything that is not face-to-face on-campus.

[Appendix B](#) in the materials provides additional data on statewide distance and non-distance course enrollments and attempted semester credit hours at public universities.

For institution-specific data, select the report year under the heading **“By Location and Instruction Mode for Public Universities”** at the following website:

www.txhighereddata.org/index.cfm?objectID=C5663580-D96E-11E8-BB650050560100A9.

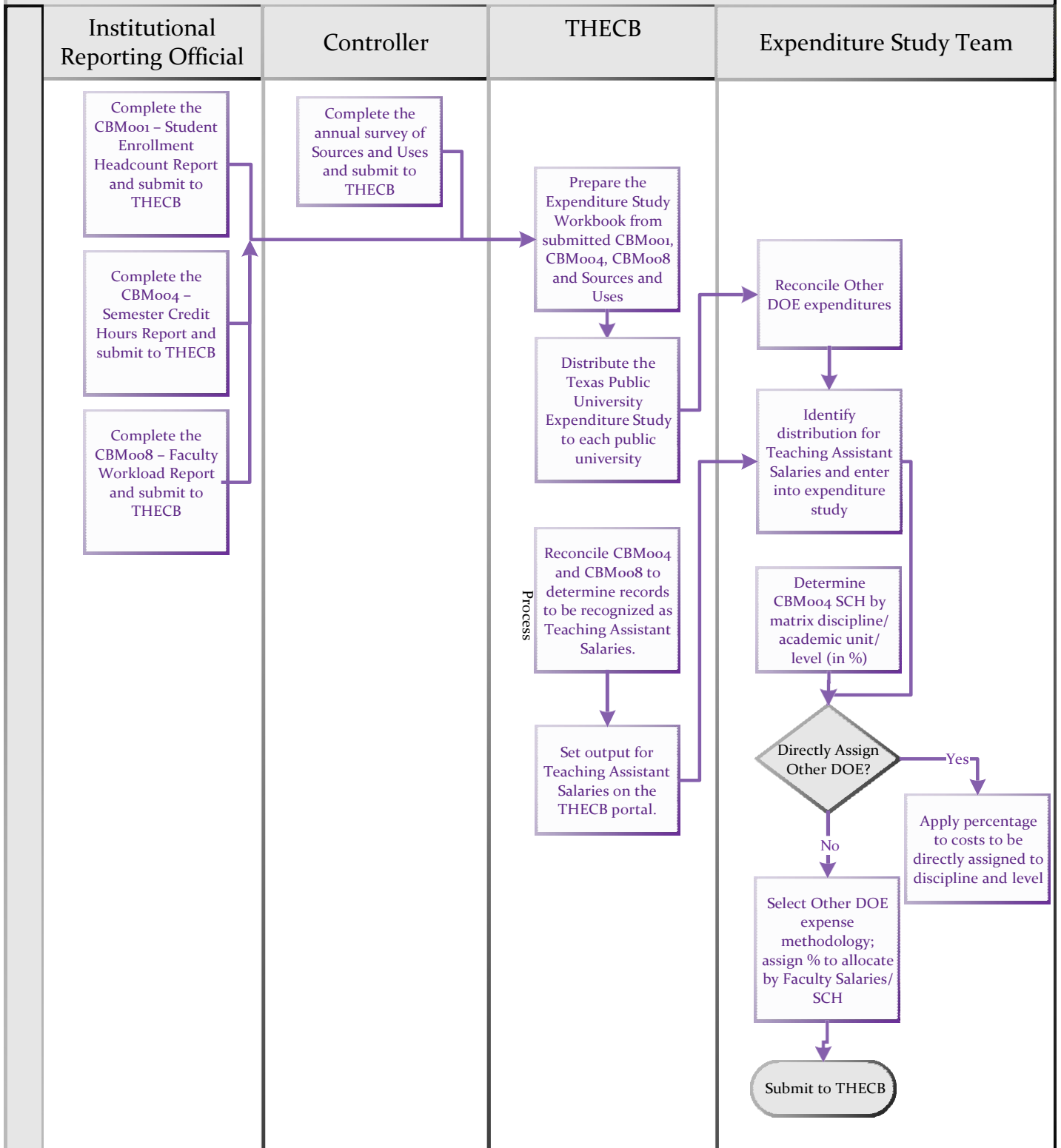
Charge 4 – Study and make recommendations for an outcomes-based methodology for allocating the balance remaining in the B-On-Time account after the underutilized amount is allocated

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

In the previous two biennia, the committee has recommended the use of a graduation bonus that 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.

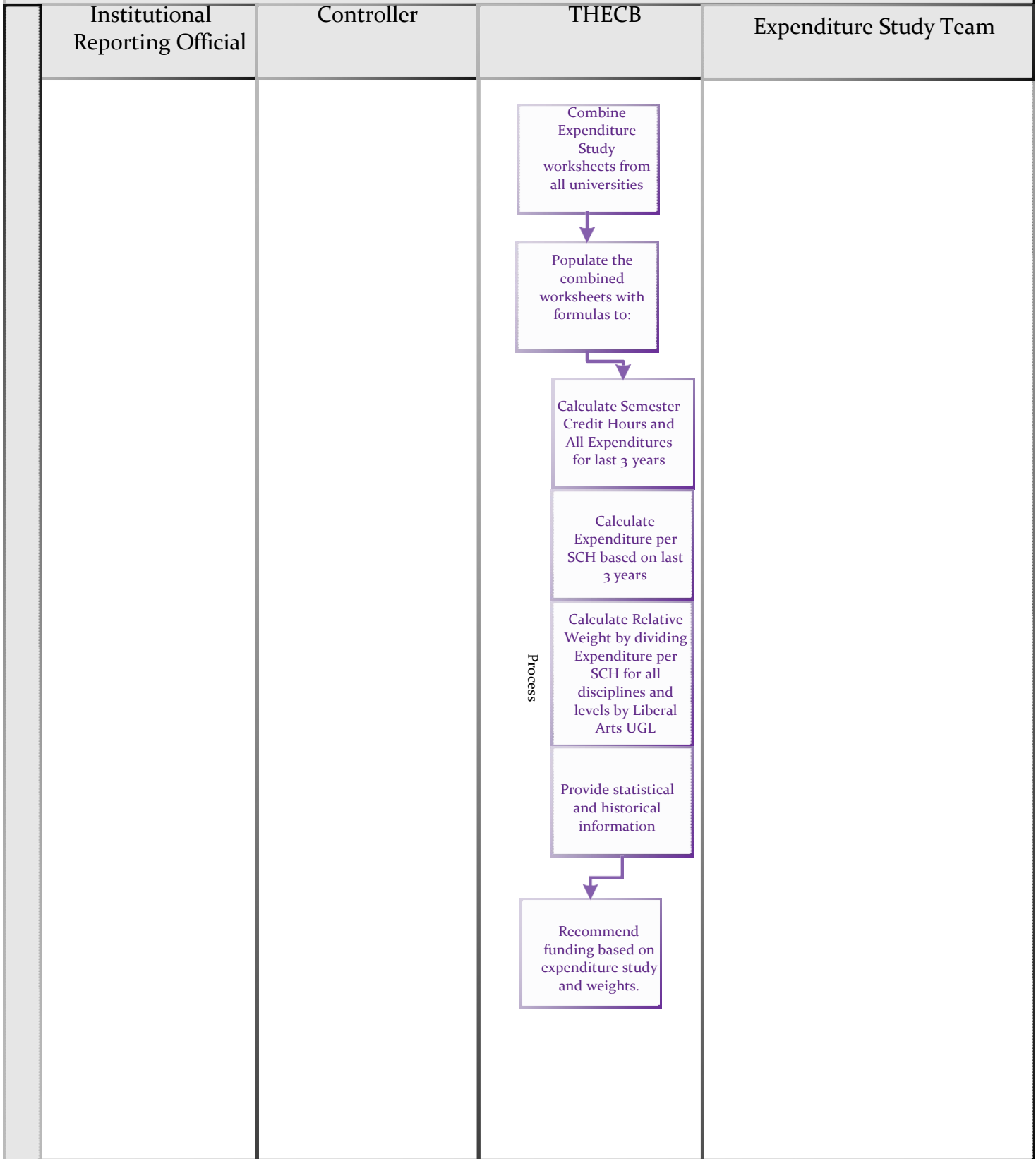
Appendix A:

Expenditure Study – Basic Process Flowchart



Appendix A:

Expenditure Study – Basic Process Flowchart



Appendix B: Distance/Non-Distance Education Course Enrollment and Semester Credit Hours Attempted at Texas Public Universities

Semester	Year	Distance Ed Enrollment	Distance Ed Attempted SCH	Distance Ed SCH % of Total	Non-Distance Ed Enrollment	Non-Distance Ed Attempted SCH	Non-Distance Ed SCH % of Total
Fall	2008	162,618	484,285	8.6%	1,793,831	5,179,595	91.4%
Spring	2009	168,536	502,588	9.5%	1,652,932	4,792,814	90.5%
Summer	2009	107,776	321,321	23.7%	349,856	1,035,859	76.3%
Fall	2009	164,744	489,183	8.3%	1,866,950	5,383,845	91.7%
Spring	2010	190,314	569,856	10.3%	1,717,071	4,972,373	89.7%
Summer	2010	126,997	383,257	25.9%	370,894	1,099,102	74.1%
Fall	2010	212,953	635,651	10.4%	1,903,722	5,481,843	89.6%
Spring	2011	237,179	712,557	12.3%	1,756,354	5,082,624	87.7%
Summer	2011	151,703	458,696	31.0%	344,219	1,020,049	69.0%
Fall	2011	240,276	717,918	11.5%	1,919,416	5,530,553	88.5%
Spring	2012	260,790	786,911	13.4%	1,756,798	5,089,847	86.6%
Summer	2012	170,991	514,783	35.8%	311,733	924,250	64.2%
Fall	2012	272,823	815,550	12.8%	1,934,791	5,568,572	87.2%
Spring	2013	304,527	916,989	15.3%	1,759,048	5,084,560	84.7%
Summer	2013	176,094	530,246	38.1%	290,813	860,454	61.9%
Fall	2013	291,777	869,983	13.4%	1,946,164	5,605,717	86.6%
Spring	2014	302,767	909,491	15.0%	1,782,411	5,158,356	85.0%
Summer	2014	198,216	596,960	41.30%	287,487	849,555	58.70%
Fall	2014	328,785	979,956	14.70%	1,982,432	5,694,219	85.30%
Spring	2015	359,467	1,080,285	17.20%	1,799,719	5,205,648	82.80%
Summer	2015	222,349	670,069	45.20%	275,357	811,585	54.80%
Fall	2015	358,439	1,067,559	15.60%	2,012,620	5,778,526	84.40%
Spring	2016	406,634	1,216,812	18.90%	1,809,094	5,233,145	81.10%
Summer	2016	255,134	765,613	49.10%	268,456	793,221	50.90%
Fall	2016	397,994	1,182,883	16.80%	2,039,240	5,853,566	83.20%
Spring	2017	472,808	1,415,188	21.20%	1,815,764	5,255,806	78.80%
Summer	2017	276,971	832,171	53.77%	242,437	715,435	46.23%
Fall	2017	463,775	1,380,550	19.07%	2,042,830	5,857,923	80.93%
Spring	2018	509,880	1,525,663	22.54%	1,812,504	5,243,463	77.46%
Summer	2018	316,641	946,491	57.95%	232,376	686,783	42.05%
Fall	2018	509,816	1,513,408	20.64%	2,035,089	5,817,346	79.36%

Note: Distance education reports are run for each semester. University data and Community/Technical College data are reported separately. Summer I and II are combined. The reports include state-funded hours only. At universities, all levels of enrollment are included (undergraduate, graduate, professional, etc.). Distance education is classified as anything that is not face-to-face on-campus. As noted above, totals for face-to-face on campus/in district are included for comparison purposes and are labeled as non-distance education.