

Formula Funding Recommendations for the 2020-21 Biennium

April 2018

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Texas Higher Education Coordinating Board



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Agency Mission

The mission of the Texas Higher Education Coordinating Board (THECB) is to provide leadership and coordination for the Texas higher education system and to promote access, affordability, quality, success, and cost efficiency through 60x30TX, resulting in a globally competitive workforce that positions Texas as an international leader.

Agency Vision

The THECB will be recognized as an international leader in developing and implementing innovative higher education policy to accomplish our mission.

Agency Philosophy

The THECB will promote access to and success in quality higher education across the state with the conviction that access and success without quality is mediocrity and that quality without access and success is unacceptable.

The Coordinating Board’s core values are:

Accountability: We hold ourselves responsible for our actions and welcome every opportunity to educate stakeholders about our policies, decisions, and aspirations.

Efficiency: We accomplish our work using resources in the most effective manner.

Collaboration: We develop partnerships that result in student success and a highly qualified, globally competitive workforce.

Excellence: We strive for excellence in all our endeavors.

The Texas Higher Education Coordinating Board does not discriminate on the basis of race, color, national origin, gender, religion, age or disability in employment or the provision of services.

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Authority for Formula Funding Development

Texas Education Code, Section 61.002

In the exercise of its leadership role, The Texas Higher Education Coordinating Board shall be an advocate for the provision of adequate resources to institutions of higher education, to the end that the State of Texas may achieve excellence for college education of its youth.

Texas Education Code, Section 61.059(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.

Executive Summary

The formula funding recommendations of the Texas Higher Education Coordinating Board (THECB) for the 2020-21 biennium were developed to provide information to the governor and the Legislature as they appropriate funds to help the state achieve the goals of the Texas higher education strategic plan, *60x30TX*. The student-centered plan focuses on student success, affordability, and the important role higher education institutions play in preparing students for the workforce. To achieve the goals of *60x30TX*, more emphasis must be placed on the effective use of state, institutional, and student resources, not only to graduate more students but to do so efficiently. This emphasis includes the following:

- Increase Student Success funding for community colleges to \$215 per point.
- Restore the Returned-Value formula for the Texas State Technical College System to 35 percent.
- Revise the Operations Support formula to include an allocation methodology for graduates, in addition to enrollments, based on the *60x30TX* Graduation Bonus model and provide additional funding the Operations Support formula for this purpose.

These funding increases are necessary if the state is to achieve its ambitious higher education goals. It's important to note that by the end of the 2020-21 biennium, we will be one-third of the way through the 15-year plan. Therefore, all parties involved, including the Legislature, must act now. State appropriations for higher education have increased over the recent years, but they haven't kept pace with our growing enrollment. As a result, Texas is falling in the national rankings of appropriations per full-time-student equivalent. For Fiscal Year (FY) 2012, we were in the enviable position of fifth. Since then we have fallen to seventeenth, based on FY 2016 data, which are the latest national data available.

As noted in our statewide plan, the young adult population will be increasingly Hispanic. Hispanics, along with African Americans, have traditionally been underrepresented in the state's higher education institutions but are critical to the success of *60x30TX*. Many of these students will come from low-income families; therefore, they will require additional resources to complete college. Failure to educate students of all backgrounds in larger numbers will result in lower incomes and a lower percentage of educated Texans in 2030 than needed to meet the plan's goals and the state's economic needs.

Higher education is a good investment. Not only does it produce degrees, generate life-changing research, and spur new businesses, but it also increases self-reliance and decreases the need for public assistance programs.

The funding rates and levels recommended below by the THECB include increases for projected growth and an inflation rate of 1.7 percent for the biennium. These increases are necessary for Texas institutions to be able to provide affordable, quality credentials and degrees, as shown in Tables 1 and 2 on next page.

To help the state work toward reaching the goals of *60x30TX*, additional recommended increases are targeted specifically to rewarding successful student outcomes. These initiatives will decrease the number of non-completers, which will save state money and reduce the number of students who default on loans.

Table 1. Funding rates and levels recommended for community, state, and technical colleges.

Rates¹	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Community Colleges				
Average Rate per Contact Hour (Biennial)	\$5.40	\$5.49	\$0.09	1.7%
Bachelor of Applied Technology Student Success	39.78	40.47	0.69	1.7%
	171.56	215.00	43.44	25.3%
State Colleges				
Average Rate per Contact Hour (Biennial)	\$7.05	\$7.17	\$0.12	1.7%
E&G Space Support	5.27	5.36	0.09	1.7%
Small Institution Supplement	375,000	375,000	\$0	0.0%
Technical Colleges				
Percent of Returned-Value Funded (Biennial)	28%	28%	0%	0.0%
Dual Credit Contact Hour	\$0.00	\$5.40	\$5.40	NA
E&G Space Support	5.27	5.36	0.09	1.7%
Small Institution Supplement	375,000	375,000	9,563	2.6%

Table 2. Funding rates and levels recommended for general academic institutions and health-related institutions.

Rates¹	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
General Academic Institutions				
Operations Support	\$55.83	\$56.79	\$0.97	1.7%
60x30TX Graduation Bonus - Not At-Risk graduate		500	500	NA
60x30TX Graduation Bonus – At-Risk graduate		1,000	1,000	NA
E&G Space Support	5.27	5.36	0.09	1.7%
Small Institution Supplement	750,000	750,000	0	0%
Health-Related Institutions				
Instruction and Operations	\$9,431	\$9,595	\$164	1.7%
Research Enhancement	1.16%	1.18%	0.02%	1.7%
Graduate Medical Education	\$5,824	\$5,925	\$102	1.7%
Mission Specific	Increase is Tied to I&O Increase			
E&G Space Support	6.11	6.21	0.11	1.7%

¹All rates are annual unless noted otherwise.

The estimated funding levels required to fund these rates are below (Table 3). These levels, which are based on projected enrollment growth, will be updated when institutions submit enrollment data for the base period.

Table 3. Estimated funding levels required to fund rates in previous tables.

Funding Levels	2018-19 Biennium (millions)	2020-21 Biennium (millions)	Change Amount (millions)	Percent Change
Community Colleges	\$1,767.4	\$1,912.2	\$144.8	8.2%
State Colleges	44.1	44.6	0.5	1.1%
Technical Colleges	143.2	182.8	39.6	27.7%
General Academic Institutions	4,751.7	5,130.7	299.1	6.3%
Health-Related Institutions	1,927.9	2,074.2	128.3	7.6%
Total	\$8,634.3	\$9,344.6	\$710.3	8.2%

The following report contains the formula recommendations of the formula advisory committees appointed by the board members of the Coordinating Board, along with the THECB's recommendations.

Recommendations - Community and Technical Colleges

Overview of the Formula Advisory Committee’s Recommendations

Community Colleges. The first priority is to increase contact hour and Student Success Point funding for growth and inflation; the second priority is to fund Student Success Points at \$215 per point; the third priority is to maintain Core Operations at \$68 million; the fourth priority is to maintain the current level of Bachelor of Applied Technology (BAT) funding for the four institutions eligible for upper-level funding, adjusted for growth; and the fifth priority is to distribute the balance through the contact hour formula. The recommended rates and estimated funding levels are below.

Rates	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Average Rate per Contact Hour (Biennial)	\$5.40	\$5.49	\$0.09	1.7%
Bachelor of Applied Technology	39.78	39.78	0.00	0.0%
Student Success Points	171.56	215.00	43.44	25.3%

Funding (millions)	Est. Unit Growth	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Base Funding		\$68.0	\$68.0	\$0.0	0.0%
Student Success Points	7.0%	180.0	241.3	61.4	34.1%
Contact Hours	3.7%	1,516.6	1,599.8	83.2	5.5%
Bachelor of Applied Technology	9.0%	2.8	3.0	0.2	8.3%
Total		\$1,767.4	\$1,912.2	\$144.8	8.2%

State Colleges. Increase Instruction and Administration by \$3.0 million, or 8.3 percent, which assumes a contact hour growth rate of 4 percent. For E&G Space Support, fund the same amount that was appropriated for the 2018-19 biennium, which assumes a 2.8 percent decrease for growth in adjusted predicted square feet and a 1.7 percent increase for inflation. Split the recommended E&G Space Support rate using the FY 2018 utilities expenditures. Fund the Small Institution Supplement using the same methodology and funding levels as the 2018-19 biennium. The recommended rates and estimated funding levels are below.

Rates	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Average Rate per Contact Hour (Biennial)	\$7.05	\$7.51	\$0.46	6.5%
E&G Space Support	5.27	5.36	0.09	1.7%
Small Institution Supplement	375,000	375,000	0	0%

Funding (millions)	Est. Unit Growth	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Instruction and Operations	4.1%	\$35.6	\$38.5	\$3.0	8.3%
E&G Space Support	-2.8%	6.3	6.3	-0.1	-1.1%
Small Institution Supplement		2.3	2.3	0	0%
Total		\$44.1	\$47.0	\$2.9	6.5%

Technical Colleges. Fund 35 percent of the Returned-Value formula, which is the percent funded for the 2018-19 biennium. Fund the Small Institution Supplement using the same methodology and rate as the 2016-17 biennium. Fund dual credit using the community college contact hour method. The recommended rates and estimated funding levels are below.

Rates	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Percent of Returned-Value Funded (Biennial)	28%	35%	7%	26.7%
Dual Credit	\$0	\$5.40	\$5.40	NA
E&G Space Support	5.27	5.36	0.09	1.7%
Small Institution Supplement	375,000	375,000	0	0.0%

Funding (millions)	Est. Unit Growth	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Instruction and Administration	8.7%	\$126.0	\$161.5	\$35.5	28.2%
Dual Credit		0	3.7	3.7	NA
E&G Space Support	1.4%	12.8	13.2	0.4	3.2%
Small Institution Supplement		4.4	4.4	0	0%
Total		\$143.2	\$182.8	\$39.6	27.7%

Competency-based Education (applies to Community and State Colleges). Fund competency-based courses using the existing formulas. Institutions should report hours for students who have begun engaging with the course materials.

Critical Need Fields (applies to Community and State Colleges). Maintain the current critical need fields and request additional study of the existing success point metrics jointly with the Metrics Task Force of the Texas Association of Community Colleges to evaluate the continued relevancy of each success point given various state-level policy changes, the addition of fields of study, and the implementation of the co-requisite model in developmental education.

Dual Credit Funding for Community and State Colleges. Continue to fund dual credit courses using the current contact hour and success point formulas.

The Community and Technical Colleges Formula Advisory Committee's (CTCFAC) recommendations begin on page 8.

The THECB's Recommendations for the Community and Technical Colleges

The THECB concurs with the CTCFAC's recommended funding levels for the community colleges.

- Core Operations – No increase
- Student Success Points – An increase of 34.1 percent, or \$61.4 million
- Contact Hours – An increase of 5.5 percent, or \$83.2 million
- Bachelor of Applied Technology – An increase of 10.2 percent, or \$0.3 million

The THECB concurs with the CTCFAC's recommended funding levels for the state colleges for E&G Space Support, and Small Institution Supplement; however, it recommends a different funding level than that proposed for Instruction and Operations.

- Instruction and Operations – An increase of 1.6 percent, or \$0.6 million (increases for projected growth and inflation)
- E&G Space Support – A decrease of 1.1 percent, or \$0.1 million (decrease for projected reduction in space; increase for inflation)
- Small Institution Supplement – No increase

The THECB concurs with the CTCFAC's recommended funding levels for the technical colleges.

- Instruction and Administration (Returned-Value Formula) – An increase of 28.2 percent, or \$35.5 million (increase for projected growth and the restoration of the rate to the 2016-17 appropriated rate)
- E&G Space Support – An increase of 3.2 percent, or \$0.4 million
- Small Institution Supplement – No increase

The THECB concurs with the CTCFAC's recommendation for funding competency-based education.

The THECB concurs with the CTCFAC's recommendation regarding critical need fields.

The THECB concurs with the CTCFAC's recommendation regarding dual credit funding at community and state colleges.

Recommendations - General Academic Institutions

Overview of the Formula Advisory Committee’s Recommendations

Formula Funding. Fund inflation, at a rate of 1.7 percent, and growth, using a growth rate of 2.6 percent in weighted semester credit hours and 5.0 percent in predicted square feet. Split the recommended E&G Space Support rate using the FY 2018 utilities expenditures. Fund the Small Institution Supplement using the same methodology and funding levels as the 2018-19 biennium. The recommended rates and estimated funding levels are below.

Rates		2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Operations Support		\$55.83	\$56.79	\$0.97	1.7%
E&G Space Support		5.27	5.36	0.09	1.7%
Small Institution Supplement		750,000	750,000	0	0%
<i>60x30TX</i> Graduation Bonus - Not at Risk			500	500	NA
<i>60x30TX</i> Graduation Bonus - At Risk			1,000	1,000	NA

Funding (millions)	Est. Unit Growth	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Operations Support	2.6%	\$4,003.3	\$4,178.3	\$175.0	4.4%
E&G Space Support	4.6%	731.7	776.4	44.7	6.1%
Small Institution Supplement		16.7	16.0	-0.6	-3.9%
<i>60x30TX</i> Graduation Bonus			80.0	80.0	NA
Total		\$4,751.7	\$5,050.7	\$299.1	6.3%

***60x30TX* Graduation Bonus.** Phase in funding for a new *60x30TX* Graduation Bonus formula over two biennia by delaying initial funding until the second year of the 2020-21 biennium and then continuing funding at the FY 2021 rates for both years of the 2022-23 biennium. The recommended rates are \$500 for each bachelor’s degree awarded to a student who is not at-risk and \$1,000 for each bachelor’s degree awarded to an at-risk student. The recommended estimated funding for the 2020-21 biennium is \$80 million. The first priority is to fully fund the Operations Support formula to support basic operations.

Competency-based Education. Fund competency-based courses using the existing formulas. Institutions should report hours for students who have begun engaging with the course materials.

The General Academic Institutions Formula Advisory Committee’s (GAIFAC) recommendations begin on page 26.

The THECB's Recommendations for the General Academic Institutions

The THECB concurs with the GAIFAC's recommended funding levels, except the 60x30TX Graduation Bonus. Instead, the THECB recommends the following:

- Operations Support – An increase of 8.4 percent, or \$335.0 million (increases for projected growth, inflation, and graduation bonus)
- E&G Space Support – An increase of 6.1 percent, or \$44.7 million (increases for projected growth and inflation)
- Small Institution Supplement – A decrease of 3.9 percent, or \$0.6 million, because the small institutions are growing, and therefore need less supplement

The THECB concurs with the GAIFAC's recommendation for funding competency-based education.

The THECB accepts the 60x30TX Graduation Bonus funding model recommended by the GAIFAC (i.e. provide funding for baccalaureate graduates, with double the amount of funding for at-risk graduates). This model is focused on the student outcome that most directly impacts the 60x30TX goals: producing more graduates. The extra funding provided for graduating at-risk students will both compensate institutions for the greater support needed to see these students through their education and encourage institutions to focus on assisting this population, which must complete at higher rates to achieve the 60x30TX goals.

However, the THECB recommends that the student outcomes be funded within the Operations Support formula, along with enrollments, at an estimated amount of \$160 million (based on current graduation completion data), and specifically recommends the following:

The 86th Texas Legislature will have to make difficult decisions regarding how and at what level to fund all aspects of state government. Given that statute (TEC 61.0593) states that, "it is in the state's highest public interest to evaluate student achievement at institutions of higher education and develop higher education funding policy based on that evaluation," the Board recommends that the Operations Support formula be revised to include an allocation methodology for graduates, in addition to enrollments, based on the 60x30TX Graduation Bonus model and the overall funding for the I&O formula include funding for this purpose.

The Board believes it is important that the 60x30TX Graduation Bonus be firmly institutionalized, as part of the Instruction and Operations formula, so that universities invest in long-term, innovative approaches to increasing student completion. The Board also recommends that the revised Operations Support formula that includes the 60x30TX Graduation Bonus, in addition to enrollments, be used to allocate funding in the introduced version of the General Appropriations Act for the 2020-2021 Biennium to ensure this important strategy for reaching 60x30TX goals is prioritized.

Recommendations - Health-Related Institutions

Overview of the Formula Advisory Committee’s Recommendations

Restore the per-unit rates for all formulas, except for Graduate Medical Education (GME), back to the 2000-01 levels by an increment equivalent to two-thirds of the difference between the 2018-19 and 2000-01 biennium rates. Fund GME at the rate of \$6,653 and increase Mission Specific funding by the average growth in funding recommended for the Instruction and Operations formula. The recommended rates and estimated funding levels are below.

Rates	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Health-related Institutions				
Instruction and Operations	\$9,431	\$10,731	\$1,300	13.8%
Research Enhancement	1.16%	2.29%	1.13%	97.1%
Graduate Medical Education	\$5,824	\$6,653	\$829	14.2%
Mission Specific	Increase is Tied to I&O Increase			
E&G Space Support	6.11	9.49	3.38	55.4%

Funding (millions)	Est. Unit Growth	2018-19 Biennium	2020-21 Biennium	Change Amount	Percent Change
Instruction and Operations	5.8%	\$1,181.9	\$1,404.6	\$222.7	18.8%
E&G Space Support	5.6%	267.6	439.3	171.7	64.2%
Research Enhancement	5.3%	80.6	130.8	50.2	62.3%
Mission Specific		323.2	383.9	60.7	18.8%
Graduate Medical Education	7.1%	74.7	91.6	16.9	22.6%
Total		\$1,927.9	\$2,450.3	\$522.3	27.1%

The Health-Related Institutions Formula Advisory Committee’s (HRIFAC) recommendations begin on page 41.

The THECB's Recommendations for the Health-Related Institutions

The THECB recommends different funding levels than those proposed by the HRIFAC:

- Instruction and Operations – A 6.5 percent increase, or \$76.6 million (increases for projected growth and inflation)
- E&G Space Support – A 7.4 percent increase, or \$19.9 million (increases for projected growth and inflation)
- Research Enhancement – A 4.9 percent increase, or \$3.9 million (increases for projected growth and inflation)
- Mission Specific – A 6.5 percent increase, or \$20.9 million (increases for projected growth and inflation)
- Graduate Medical Education – A 33.3 percent increase, or \$24.9 million (increases for projected growth, inflation, and an additional \$18 million)

The THECB's recommendation to include an additional \$18 million for Graduate Medical Education will help the state work toward reaching a ratio for the number of first-year graduate medical education positions related to the number of medical school graduates in the state of at least 1.1 to 1.

Appendix A - Community and Technical Colleges Formula Advisory Committee (CTCFAC)

Recommendation Report for the FY 2020-2021 Biennium

In accordance with the biennial Formula Advisory Committee process, the Community and Technical Colleges (CTCs) submitted their report for consideration by the Commissioner of Higher Education.

Committee Background. The Commissioner of Higher Education at the THECB delivered his charge to the CTCFAC at its first meeting on August 31, 2017. The committee elected Dr. Pamela Anglin, President of Paris Junior College, as the chair and Dr. Jeremy McMillen, President of Grayson College, as the vice chair.

The CTCFAC held four additional meetings between September 2017 and December 2017. A list of CTCFAC members is provided in Attachment A.1. The minutes of the meetings are provided in Attachment B.1.

Commissioner Charges and Committee Recommendations

The Community and Technical Colleges Formula Advisory Committee (CTCFAC), 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 goals of *60x30TX*. A preliminary written report of its activities and recommendations is due to the Commissioner by December 21, 2017, and a final written report by February 2, 2018. The CTCFAC's specific charges are to:

Charge 1. Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding.

Table 4. Committee recommendations for community colleges.

Sector	2018-2019 Appropriations (millions)	2020-2021 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public Community Colleges	1,767.4	1,912.2	144.8	8.2%

Committee recommendation for community colleges. The committee recommends the funding for community colleges be increased by \$144.8 million to \$1,912.2 million for the biennium; this will enable institutions to meet the goals of *60x30TX*. The committee further recommends funding with the following priorities:

1. Fund the community colleges with an increase based on projected contact hour and success point growth and adjusted for inflation.
2. Fund community college success points at \$215 per point. This adds \$49 million to the funding level.
3. Maintain the core funding level at \$68 million.

- 4. Maintain the current level of Bachelor of Applied Technology (BAT) funding for the four institutions eligible for upper-level funding, adjusted for projected growth.
 - 5. Distribute the balance based on the Community College Contact Hour Formula.
- The committee also recommends maintaining the current critical needs fields for this biennium. Further, the committee recommends additional study of the existing success point metrics jointly with the Metrics Task Force of the Texas Association of Community Colleges (TACC) to evaluate the continued relevancy of each success point given various state-level policy changes, the addition of fields of study and the implementation of the co-requisite model in developmental education. This review should keep in mind the relevance to *60X30TX* goals and strengthening student success throughout the state.

Table 5. Committee recommendation for state colleges.

Sector	2019-2018 Appropriations (millions)	2020-21 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public State Colleges	44.1	47.0	2.9	6.5%

Committee recommendation for state colleges. The committee recommends increasing the funding to the State College formulas for the 2020-2021 biennium to \$47.0 million, which is an increase of \$2.9 million, or 6.5 percent as compared to the 2018-2019 biennium (Table 5).

- Fund \$38.5 million to the State College Instruction and Administration formula for the 2020-21 biennium, which would be an increase of \$3.0 million, or 8.3 percent, compared to the \$35.6 million appropriated for the 2018-19 biennium.
 - ❖ This funding level assumes a rate of \$7.51 per contact hour. An increase of \$0.46 or 6.5 percent compared to the \$7.05 funded for the 2018-19 biennium.
 - ❖ This funding level assumes a contact hour growth rate of 4 percent for the following reasons:
 - Three Early High School Campuses have opened since the fall 2016 semester. By year four of the programs over 1,000 students per year will graduate with an associate degree or certificate coupled with a high school diploma.
 - Prison credit offerings have expanded through a pilot PELL program.
 - Co-Enrollment to local high schools and charter schools has increased 256 percent.
 - Workforce Development Programs have expanded through collaboration with local industry.
 - The Continued partnership with Community in Schools of Southeast Texas (CISSET) provides a Site Coordinator to offer college and career services to high school students on all CISSET contracted campuses.

- Focus on enrollment and retention has been strengthened by establishing an Enrollment Management Plan, which expands the role of advisors and strategies to increase faculty/staff engagement with students.
- A program for students at risk who are reported by faculty to advisors has been developed; these advisors then reach out to the students to gain an understanding of the issues and design a plan for retention.

- ❖ The recommendation includes an estimated \$8.4 million in statutory tuition and \$30.1 million in general revenue.

The increase will provide support for the *60x30TX* plan by:

- Allowing the continued collaborative efforts between the colleges and high school campuses for dual enrollment and promotion of college attainment.
 - Continuing the development and implementation of programs based on the desirable skill needs of the local employer workforce.
 - Continuing efforts to set an early path to a college education by reaching out to high school students and parents, providing financial aid information, advising and career path counseling.
- Fund \$8.6 million to the Space Support formula and Small Institution supplement for the 2020-2021 biennium, which would be the same as appropriated for the 2018-19 biennium.
 - ❖ This funding level assumes a rate of \$5.36 per adjusted predicted square foot, representing an increase of \$0.09 or 1.7 percent compared to the \$5.27 funded for the 2018-19 biennium. The funding level assumes a 2.8 percent decrease for growth in adjusted predicted square feet between fall 2016 and fall 2018 and a 1.7 percent increase for inflation.
 - Split the recommended Space Support rate between “utilities” and “operations and maintenance” components using FY 2018 utility rates, update the utility rate adjustment factors using the FY 2018 utilities expenditures, and allocate the Space Support formula using the fall 2018 predicted square feet.
 - Fund the Small Institution Supplement using the same methodology and rate as the 2018-19 biennium.

Charge 2. Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System’s Returned-Value funding formula.

Table 6. Committee recommendation for technical colleges.

Sector	2018-2019 Appropriations (millions)	2020-2021 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public Technical Colleges	143.5	179.1	35.6	24.8%

Administration and Instruction (A&I) and Space Support	2018-2019 Appropriations (millions)	2020-2021 Appropriations (millions)	Change Amount (millions)	Percent Change
General Revenue	106.7	142.7	36.0	33.7%
General Revenue-Dedicated	32.4	32.0	-.4	-1.2%
All Funds	139.1	174.7	35.6	24.8%

Small Institution Supplement	2018-2019 Appropriations (millions)	2020-2021 Appropriations (millions)	Change Amount (millions)	Percent Change
General Revenue	4.4	4.4	0.0	0%

Committee recommendation for technical colleges (Table 6). Fund \$147.1 million in General Revenue and \$179.1 million in all funds for the 2020-2021 biennium, an increase of \$35.6 million, or 24.8 percent, which includes \$32.0 million of General Revenue-Dedicated.

- Fund \$129.5 million in General Revenue and \$161.5 million in all funds to the Texas State Technical College System (TSTCS) return value formula for the 2020-2021 biennium, an increase of \$35.5 million, or 28.2 percent, compared to the all funds appropriation of \$126 million for the 2018-2019 biennium.
 - ❖ The \$179.1 million All Funds recommendation includes an estimated \$32.0 million in General Revenue-Dedicated (statutory tuition and fees) equal to the amount appropriated in the Administration and Instruction and Space Support formulas for the 2018-2019 biennium.
 - ❖ The \$129.5 million General Revenue recommendation funds 35 percent of the \$370 million estimated 2011-2012 cohort Return Value, which is the same percentage of return value that would have been funded by the 2016-2017 biennium general revenue appropriation.
 - ❖ Fund \$4.4 million to the Small Institution Supplement using the same methodology and rate as the 2018-2019 biennium.

Charge 3. Study and make recommendations on the treatment of competency-based courses in formula allocations.

Committee recommendation for Competency-Based Education. The CTCFAC recommends Competency Based Education (CBE) courses (not modules) be funded using the existing formula calculation and updated expenditure-based weights for the 2020-2021 biennium.

- Institutions offering competency-based courses should report hours to the Coordinating Board once the institution has an indication that the student has begun engaging with the course materials;
- Competency-based education courses may only be reported for funding if they are linked to coursework in the Academic Course Guide Manual (ACGM) or Workforce Education Course Manual (WECM).

Charge 4. Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding.

Committee Recommendation for Adjustment of Critical Need Fields. The CTCFAC recommends that the Metrics Task Force of the Texas Association of Community Colleges be reconvened to provide feedback to the CTCFAC on Success Point metrics. It is recommended that at least two members of the CTCFAC whose appointments continue into 2019 be invited to join the Metrics Task Force for the Success Point discussions, which will include, but not be limited to, Success Point funding for critical fields and awards such as Field of Study. A staff member of the Coordinating Board with expertise in the calculation of Success Points should continue as a participant.

Charge 5. Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College.

Table 7. Committee recommendation - Texas state technical colleges dual credit.

Sector	2018-2019 Appropriations (millions)	2020-2021 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public Technical Colleges	0.0	3.7	3.7	NA

Committee Recommendation for Funding Texas State Technical Colleges Dual Credit. The CTCFAC found that TSTC favors the use of the Contact Hour method because of the System’s familiarity with the approach (Table 7). TSTC reports that the processes needed for collecting the requisite data for the Contact Hour approach and reporting of the data to the THECB, the LBB staff, and any other agencies is well known to TSTC and could be easily accomplished. The Contact Hour method is used by the community colleges, and therefore, provides an opportunity to provide consistency.

The Committee recommends using the Contact Hour method for funding Dual Credit for Texas State Technical College System. Accordingly, the CTCFAC recommends funding TSTC Dual Credit programs at \$3.7 million in General Revenue.

Charge 6. Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being conducted by

contracted research organizations, and share insight on current dual credit funding mechanisms.

Committee Recommendation for Funding Community and State Colleges Dual Credit. Funding for community college courses awarded via dual credit (by secondary schools) should be based upon the current contact hour and success point formulas.

The CTC Workgroup of the Formula Advisory Committee studied the manner in which Dual Credit courses are funded at community colleges. This study was challenging without clearly articulated state-wide goals. Further, many research studies are active, focusing on quality, equity, funding and policy questions to help the state ensure dual credit programs fulfill their promise and position students for success.

The 85th Legislature charged the Commissioners of the Texas Higher Education Coordinating Board and Texas Education Agency with setting state-wide goals for dual credit. That work is ongoing, and the CTCFAC hopes that it will include an opportunity for input from community colleges, workforce (perhaps even the Commissioner of the Texas Workforce Commission), employers, universities, and our broader public.

The Committee reviewed an early draft report of the RAND Study for recommendations on funding; however, there were no clear funding recommendations at this time. The CTCFAC is aware of additional study being conducted by American Institutes for Research (AIR); however, its final report was not available at the time the committee made recommendations. Additionally, the statewide Dual Credit Task Force, led by The University of Texas System Administration and the Texas Association of Community Colleges, with representation across educational sectors statewide is focused on quality, equity, funding and policy questions to help the state ensure dual credit programs fulfill their promise and position students for success. Their work has yet to conclude, and no recommendations on funding have emerged at this date.

Community Colleges provide 93 percent of classes offered as dual credit, with the number of students taking classes for dual credit increasing. Members of the CTCFAC view dual credit as a key to making the state's strategic plan, *60x30TX*, a reality, as the reports from the above (as well as national) studies indicate dual credit students are very successful within classes offered as dual credit, post-high school collegiate entry, and baccalaureate degree completion.

The CTCFAC believes that a funding recommendation should be built upon established state-wide goals for dual credit, and which reflect the role of dual credit in achieving the attainment and completion goals of the *60x30TX* plan, as well as research on what works (RAND Study, UT Study, AIR Study, and national studies on dual credit). Identifying alternative funding methods for dual credit is a difficult task due to the diverse range of business models used at community colleges and some universities, and will require further study and discussions with all dual credit stakeholders. Further expansion of dual credit may require additional investments in order to continue to see the same outcomes. For example, the expansion of the Early College High School model is a substantial investment of resources that may require further study going forward.

Attachment A.1 - Committee Membership

Dr. Pamela Anglin, Chair

Name/Title	Institution/Address	Email/Phone
<u>Institution Representatives:</u>		
Ms. Teri Crawford (2022) Vice Chancellor of Public Relations, Marketing, and Governmental Affairs	San Jacinto College District 4624 Fairmont Parkway Suite 200 Pasadena, TX 77504	teri.crawford@sjcd.edu (281) 998-6151
Dr. Cesar Maldonado, Ph.D., P.E. (2022) Chancellor	Houston Community College 3100 main Houston, Texas 77002	cesar_maldonado@hccs.edu (713) 718-5059
Dr. Van Miller (2022) Vice President for Administrative Services and CFO	Temple College 2600 South First Street Temple, Texas 76504	van.miller@templejc.edu (254) 298-8606
Mr. Patrick Lee (2022) Department Chair and Professor of Mathematics	Alamo Colleges 1400 West Villaret Boulevard San Antonio, Texas 78224	plee18@alamo.edu (210) 486-3282
Mr. Richard Cervantes (2022) Vice President for Business and Finance	Blinn College 902 College Avenue Brenham, Texas 77833	Richard.Cervantes@blinn.edu (979) 830-4123
Ms. Mary Wickland (2020) Vice President for Finance	Lamar State College - Port Arthur PO Box 310 Port Arthur, TX 77641	wicklandma@lamarpa.edu (409) 984-6125
Mr. Jim Yeonopolus (2022) Chancellor	Central Texas College PO Box 1800 Killeen, TX 76540	JYeonopolus@ctcd.edu (254) 526-1214
Mr. Michael Reeser (2020) Chancellor	Texas State Technical College System 3801 Campus Drive Waco, Texas 76705	mike.reeser@tstc.edu (254) 867-4891
Dr. Robert K. Riza (2022) President	Clarendon College 1122 College Drive Clarendon, TX 79226	robert.riza@clarendoncollege.edu (806) 874-4808
Dr. Pamela Anglin (2020) President	Paris Junior College 2400 Clarksville Street Paris, TX 75460	panglin@parisjc.edu (903) 782-0330
Dr. Ron Clinton (2018) Interim President	Northeast Texas Community College PO Box 1307 Mount Pleasant, TX 75456	rclinton@ntcc.edu (903) 434-8101
Dr. Jeremy McMillen (2020) President	Grayson College 6101 Grayson Drive Denison, TX 75020	mcmillenj@grayson.edu (903) 463-8600
Dr. Phil Rhodes (2020) Vice President - Research, Effectiveness, and Information Technology	McLennan Community College 1400 College Drive, Admin. 410 Waco, TX 76708	prhodes@mcclennan.edu (254) 299-8642

Attachment B.1 - Committee Meeting Minutes

**Meeting of the Community and Technical Colleges Formula Advisory Committee
Texas Higher Education Coordinating Board
Lone Star Room, Second Floor
1200 East Anderson Lane, Austin
Wednesday, August 31, 2017
1:45 p.m.**

Minutes

Attendees: Dr. Van Miller, Mr. Patrick Lee, Mr. Richard Cervantes, MR. Jim Yeonopolus, Mr. Michael Reeser, Dr. Robert Riza, Dr. Pamela Anglin, Dr. Bradley W. Johnson, Dr. Jeremy McMillen, Dr. Phil Rhodes and Mr. Dusty Johnston

Attended by phone: Dr. Cesar Maldonado

Absent: Mr. Chet Lewis and Ms. Mary Wickland

THECB Staff: Mr. Roland Gilmore

1. The meeting was called to order at 1:45 p.m.
2. Mr. Dusty Johnston, convening chair, nominated Dr. Pamela Anglin for chair and Dr. Jeremy McMillen for Vice Chair; Dr. Robert Riza motioned, Mr. Jim Yeonopolus second, approval by acclamation, and there were no member objections to Dr. Pamela Anglin as committee chair and Dr. Jeremy McMillen for Vice Chair.
3. Mr. Dusty Johnston announced the departure of Dr. Bradley W. Johnson and introduced Dr. Ron Clinton as his replacement.
4. Mr. Gilmore provided a brief overview of the funding formulas.
5. The chair reviewed the Commissioner's 2020-2021 biennium charges and asked committee members to indicate their preference for working on the charges.
 - a. Charge 1 – Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding.
 - b. Charge 2 – Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System's returned value funding formula.
 - c. Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 - d. Charge 4 – Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding.
 - e. Charge 5 – Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 12 (page III-232))
 - f. Charge 6 – Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being

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conducted by contracted research organizations, and share insight on current dual credit funding mechanisms.

Work groups and members are as follows:

- A Charges 1 and 4 – Wickland (lead), Maldonado, Lee, Cervantes, Clinton, McMillen, Lewis.
 - B Charge 2 – Reeser (lead), Miller, Lee, Rhodes.
 - C Charge 3 – Yeonopolus (lead), Reeser, Anglin, Clinton.
 - D Charges 5 and 6 – McMillen (lead), Maldonado, Miller, Yeonopolus, Reeser, Riza, Anglin, Rhodes, Lewis.
6. The chair asked the committee if the future meeting dates and times distributed with the agenda were okay with the committee. All meeting dates and times will stay as outlined in the agenda materials.
 7. Mr. Dusty Johnston, as his final act, wanted to go on record with some comments. Mr. Reeser followed with supporting comments.
 8. The chair called for a motion to adjourn, Dr. Riza motioned for adjournment, and the meeting was adjourned at 2:19 p.m. The committee will next convene on September 21, 2017, at 10:00 a.m.

Prepared by Roland Gilmore

**Meeting of the Community and Technical Colleges Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Thursday, September 21, 2017
10:00 a.m.**

Minutes

Attendees: Mr. Chet Lewis , Dr. Cesar Maldonado, Dr. Van Miller, Mr. Patrick Lee, Mr. Richard Cervantes, Ms. Mary Wickland, Mr. Michael Reeser, Dr. Robert Riza, Dr. Pamela Anglin, Dr. Jeremy McMillen

Absent: Mr. Jim Yeonopolus, Dr. Ron Clinton and Dr. Phil Rhodes

THECB Staff: Mr. David Young, Dr. Julie Eklund, Mr. Thomas Keaton, Mr. Roland Gilmore, Ms. Jennifer Gonzales

Legislative Budget Board: Ms. Emily Schmidt

1. The meeting was called to order at 10:01 a.m.
2. The chair asked if there were any corrections to the minutes of the August 31, 2017, meeting. Correction was noted to change "Mr. Maldonado" to "Dr. Maldonado." Mr. Richard Cervantes motioned for approval of the minutes. The motion was seconded by Dr. Van Miller and unanimously approved.
3. Discussion of Charge 3 – is to study and make recommendations on the treatment of competency-based courses in formula allocations.
 - a. Dr. Julie Eklund presented on competency based education.
 - b. Dr. Eklund said Dr. Jennifer Nailos would be available at the October meeting to present information on CBE funding models utilized in other states.
4. Discussion of Charge 4 – Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding.
 - a. Dr. Julie Eklund presented three options relating to charge 4.
 - I. Continue with current critical field methodology, but update outdated CIPs.
 - II. Align critical fields with occupations that are high demand, but low supply.
 - III. Eliminate critical fields from contact hour and success point funding.
 - b. Dr. Eklund was asked to speak about Fields of Study being considered as a potential success point in the future.
 - I. Dr. Eklund commented on the option of adding Fields of Study to the Success Point Funding model.

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5. Discussion of Charge 6 – Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being conducted by contracted research organizations, and share insight on current dual credit funding mechanisms.
 - a. Dr. Julie Eklund commented on dual credit funding and the Rand Report.
 - b. Dr. Eklund said researchers working on the RAND/AIR/THECB dual credit study would be available for questions on dual credit at the October meeting.
6. Discussion of Charge 1 – Study and make recommendations for the appropriate funding levels for the core, contact hour and student success funding.
 - a. Mr. Gilmore briefed the Committee on the funding projections contained in the agenda materials.
7. Discussion of Charge 2 – Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System’s returned value funding formula.
 - a. Mr. Reeser commented on the value-added formula.
8. Discussion of Charge 5 – Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 12 (page III-232))
 - a. Mr. Reeser recommended aligning funding for dual credit courses with the community colleges, which are funded based on contact hours.
9. The chair recommended the work groups continue their work preparing recommendations to the committee for the six charges.

The chair asked for a motion to adjourn. Dr. Robert Riza made the motion, the motion was seconded by Ms. Mary Wickland. The chair adjourned at 11:00 a.m. The committee will next convene October 12th, 2017, at 1:00 p. m.

Prepared by Roland Gilmore

**Meeting of the Community and Technical Colleges Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Thursday, October 12, 2017
1:00 p.m.**

Minutes

Attendees: Dr. Van Miller, Mr. Patrick Lee, Mr. Richard Cervantes, Ms. Mary Wickland, Mr. Michael Reeser, Dr. Robert Riza, Dr. Jeremy McMillen, Dr. Ron Clinton and Dr. Phil Rhodes

Phone conference: Dr. Cesar Maldonado, Dr. Pamela Anglin and Mr. Jim Yeonopolus

Absent: Mr. Chet Lewis

THECB Staff: Mr. David Young, Mr. Thomas Keaton, Dr. Garry Tomerlin, Dr. Holly Kosiewicz, Dr. Jennifer Nailos, Mr. Roland Gilmore, Ms. Jennifer Gonzales

Legislative Budget Board: Ms. Emily Schmidt

1. The meeting was called to order at 1:00 p.m.
2. The chair asked if there were any corrections to the minutes of the September 21, 2017, meeting. Dr. Van Miller motioned for approval of the minutes. The motion was seconded by Dr. Ron Clinton and unanimously approved.
3. Discussion of Charge 1 – Study and make recommendations for the appropriate funding levels for the core, contact hour and student success funding.
 - IV. Ms. Wickland said the work group is continuing to review.
 - V. Dr. Tomerlin spoke on the status of the current list of Fields of Study and fielded questions.
 - VI. Dr. McMillen inquired as to how often the Fields of Study would be refreshed. Dr. Tomerlin said the current Fields of Study would be reviewed on a periodic basis, keeping them current and relevant.
4. Discussion of Charge 6 – Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being conducted by contracted research organizations, and share insight on current dual credit funding mechanisms.
 1. Dr. McMillen said the work group has met and is still reviewing.
 2. Dr. Holly Kosiewicz presented on the THECB/Rand, AIR Study on Dual Credit Education in Texas.
 3. Mr. Reeser asked if the research team would differentiate between academic and technical courses when it reviews costs. Ms. Kosiewicz said technical courses comprise less than ten percent of dual credit hours; therefore, the focus would be on academic courses.

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5. Discussion of Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 1. Mr. Yeonopolus did not have a work group update.
 2. Dr. Jennifer Nailos presented on competency based education.
6. Discussion of Charge 4 – Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding.
 - I. Ms. Wickland said the work group met and had a good discussion. It will continue its review.
7. Discussion of Charge 5 – Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 12 (page III-232))
 - I. Dr. McMillen did not have a work group update.
8. Discussion of Charge 2 – Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System's returned value funding formula.
 1. Mr. Reeser said work the group is reviewing information he distributed and plans to have a recommendation soon.
9. The vice chair recommended the work groups finalize their recommendations for final discussion and approval by the full committee.

The vice chair asked for a motion to adjourn. Ms. Mary Wickland made the motion, the motion was seconded by Mr. Richard Cervantes. The committee adjourned at 2:10 p.m. and will next convene November 9th, 2017, at 1:00 p. m.

Prepared by Roland Gilmore

**Meeting of the Community and Technical Colleges Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Thursday, November 9, 2017
1:00 p.m.**

Minutes

Attendees: Ms. Teri Crawford, Dr. Van Miller, Mr. Patrick Lee, Mr. Richard Cervantes, Ms. Mary Wickland, Mr. Jim Yeonopolus, Dr. Robert Riza, Dr. Pam Anglin, Dr. Ron Clinton, Dr. Jeremy McMillen, and Dr. Phil Rhodes

Absent: Mr. Michael Reeser, Dr. Cesar Maldonado

THECB Staff: Dr. Julie Eklund, Mr. David Young, Mr. Thomas Keaton, Dr. Chelsea Moore, Mr. Roland Gilmore, Ms. Jennifer Gonzales

Legislative Budget Board: Ms. Emily Schmidt

1. The meeting was called to order at 1:00 p.m.
2. The chair asked if there were any corrections to the minutes of the October 12, 2017, meeting. Dr. Jeremy McMillen motioned for approval of the minutes. The motion was seconded by Dr. Van Miller and unanimously approved.
3. Discussion of Charge 1 – Study and make recommendations for the appropriate funding levels for the core, contact hour and student success funding.
 - VII. Ms. Wickland said the work group recommended funding State Colleges at \$47 million, which is a 6.5 percent increase over the 2018-2019 biennium. The recommendation included 4.06 percent growth in contact hours.
 - VIII. Dr. McMillen said the work group recommended funding Community Colleges at \$1,912.2 million, which is an 8.2 percent increase over the 2018-2019 biennium. The recommendation included 3.68 percent growth in contact hours and funding success points at \$215 per point.
 - IX. Dr. McMillen said the workgroup also recommends further study of the current success point categories and their relevancy in meeting the *60x30TX* plan.
4. Discussion of Charge 2 – Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System's returned value funding formula.
 1. In Mr. Reeser's absence, Mr. Gilmore said the workgroup had agreed on a funding level for the Texas State Technical College System's funding level.

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5. Discussion of Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 1. Mr. Yeonopolus said the work group recommends continuing the current (fall 2017) course based methodology for funding Competency Base Education (CBE).
6. Discussion of Charge 4 – Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding.
 - II. Dr. McMillen said the work group recommends no changes to critical fields in contact hour or success point funding.
 - III. Dr. Eklund mentioned the need for language in the recommendation outlining the potential composition of a suggested workgroup to review changes in critical fields and success point formulas.
7. Discussion of Charge 5 – Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 12 (page III-232))
 - II. Dr. McMillen said the work group recommends aligning the addition of the Technical colleges' dual credit funding in alignment with the Community and State colleges through contact hours.
8. Discussion of Charge 6 – Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being conducted by contracted research organizations, and share insight on current dual credit funding mechanisms.
 1. Dr. McMillen said the work group recommends no changes to dual credit funding for the Community and State colleges.
9. The chair recommended the work groups finalize their recommendations for final approval by the full committee.

The chair asked for a motion to adjourn. Dr. Robert Riza made the motion, the motion was seconded by Mr. Yeonopolus. The committee adjourned at 1:20 p.m. and will next convene December 7th, 2017, at 1:00 p. m.

Prepared by Roland Gilmore

**Meeting of the Community and Technical Colleges Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Thursday, December 7, 2017
1:00 p.m.**

Minutes

Attendees: Mr. Patrick Lee, Mr. Richard Cervantes, Ms. Mary Wickland, Mr. Michael Reeser, Dr. Robert Riza, Dr. Pam Anglin and Dr. Phil Rhodes

Phone conference: Ms. Teri Crawford, Dr. Ron Clinton and Dr. Jeremy McMillen

Absent: Mr. Jim Yeonopolus, Dr. Cesar Maldonado and Dr. Van Miller

THECB Staff: Dr. Julie Eklund, Mr. David Young, Mr. Thomas Keaton, Ms. Jennifer Gonzales Mr. Roland Gilmore

Legislative Budget Board: Ms. Emily Schmidt

1. The meeting was called to order at 1:02 p.m.
2. The chair asked if there were any corrections to the minutes of the November 9, 2017, meeting. Mr. Michael Reeser motioned for approval of the minutes. The motion was seconded by Dr. Robert Riza and unanimously approved.
3. Discussion of Charge 1 – Study and make recommendations for the appropriate funding levels for the core, contact hour and student success funding.
 - I. Ms. Mary Wickland briefed the committee on the funding recommendation for the state colleges.
 - II. Dr. Jeremy McMillen briefed the committee on the funding recommendation for the community colleges.
 - III. The chair asked for a motion to approve the committee's charge 1 recommendation. Mr. Michael Reeser motioned for approval of the charge 1 recommendation. The motion was seconded by Dr. Robert Riza and unanimously approved.
4. Discussion of Charge 2 – Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System's returned value funding formula.
 - I. Mr. Michael Reeser briefed the committee on the funding recommendation for the technical colleges.
 - II. The chair asked for a motion to approve the committee's charge 2 recommendation. Dr. Robert Riza motioned for approval of the charge 2 recommendation. The motion was seconded by Mr. Richard Cervantes and unanimously approved.

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5. Discussion of Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 - I. The chair asked for a motion to approve the committee's charge 3 recommendation. Dr. Phil Rhodes motioned for approval of the charge 3 recommendation. The motion was seconded by Mr. Michael Reeser and unanimously approved.
6. Discussion of Charge 4 – Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding.
 - I. The chair asked for a motion to approve the committee's charge 4 recommendation. Ms. Mary Wickland motioned for approval of the charge 4 recommendation. The motion was seconded by Mr. Richard Cervantes and unanimously approved.
 - II. Dr. Eklund asked how the two Formula Advisor Committee members should be selected for the interim work group on Success Point metrics.
 - III. Dr. Anglin said the Texas Association of Community Colleges would help the THECB select the two members.
7. Discussion of Charge 5 – Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 12 (page III-232))
 - I. Mr. Michael Reeser briefed the committee on the recommendation for funding the technical college's dual credit programs.
 - II. The chair asked for a motion to approve the committee's charge 5 recommendation. Dr. Robert Riza motioned for approval of the charge 5 recommendation. The motion was seconded by Mr. Michael Reeser and unanimously approved.
8. Discussion of Charge 6 – Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being conducted by contracted research organizations, and share insight on current dual credit funding mechanisms.
 - I. Dr. Jeremy McMillen briefed the committee on the recommendation as it relates to current funding mechanisms.
 - II. The chair asked for a motion to approve the committee's charge 6 recommendation. Dr. Phil Rhodes motioned for approval of charge 6 recommendation. The motion was seconded by Mr. Michael Reeser and unanimously approved.
9. Discussion of draft Committee Report.

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- I. The chair asked for a motion to approve the committee's draft report. Mr. Michael Reeser motioned for approval of the draft report. The motion was seconded by Ms. Mary Wickland and unanimously approved.
10. The chair asked for a motion for the chair and vice chair to approve the final Committee Report. Ms. Mary Wickland motioned for approval of the draft report. The motion was seconded by Dr. Robert Riza and unanimously approved.
11. The chair asked for a motion to cancel the January 11, 2018, meeting. Dr. Jeremy McMillen motioned for approval of the draft report. The motion was seconded by Mr. Richard Cervantes and unanimously approved.

The chair asked for a motion to adjourn. Dr. Robert Riza made the motion, the motion was seconded by Dr. Phil Rhodes. The committee adjourned at 1:33 p.m.

Prepared by Roland Gilmore

Appendix B - General Academic Institutions Formula Advisory Committee (GAIFAC)

FY 2020-2021 Biennial Appropriations Report on the Commissioner's Charges

The General Academic Institutions Formula Advisory Committee (GAIFAC), organized in August 2017 (Attachment A.2), met to address the charges identified by the Commissioner relating to formula funding for the 2020-2021 biennium (Attachment B.2). The GAIFAC met on the following days: August 31, September 20, October 19, and November 8, 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))

Recommendation. Recognizing the current fiscal realities and challenges in the state, the GAIFAC is recommending a reasonable increase based on the funding levels appropriated for the 2018-19 biennium plus inflation and growth. These increases are vital if Texas is to increase student completions at the rate required to reach the goals of 60x30TX, the state plan for Texas Higher Education. Institutions will see increasing costs in order to retain and graduate the increased numbers of economically disadvantaged and first-generation college students that will comprise a large portion of the required gains.

The GAIFAC recommends the Legislature fund growth and inflation for the 2020-2021 biennium. Using an inflationary rate of 1.7%, a growth rate of 2.6% in weighted semester credit hours (WSCH), and a projected increase of 5.0% in predicted square feet, formula funding for the 2020-2021 biennium would be \$4,971 million; this represents an increase of \$219 million (4.6%). The committee believes this increase is necessary to move toward the goals of 60X30TX, while preserving the quality of higher education. Regarding each portion of the formula:

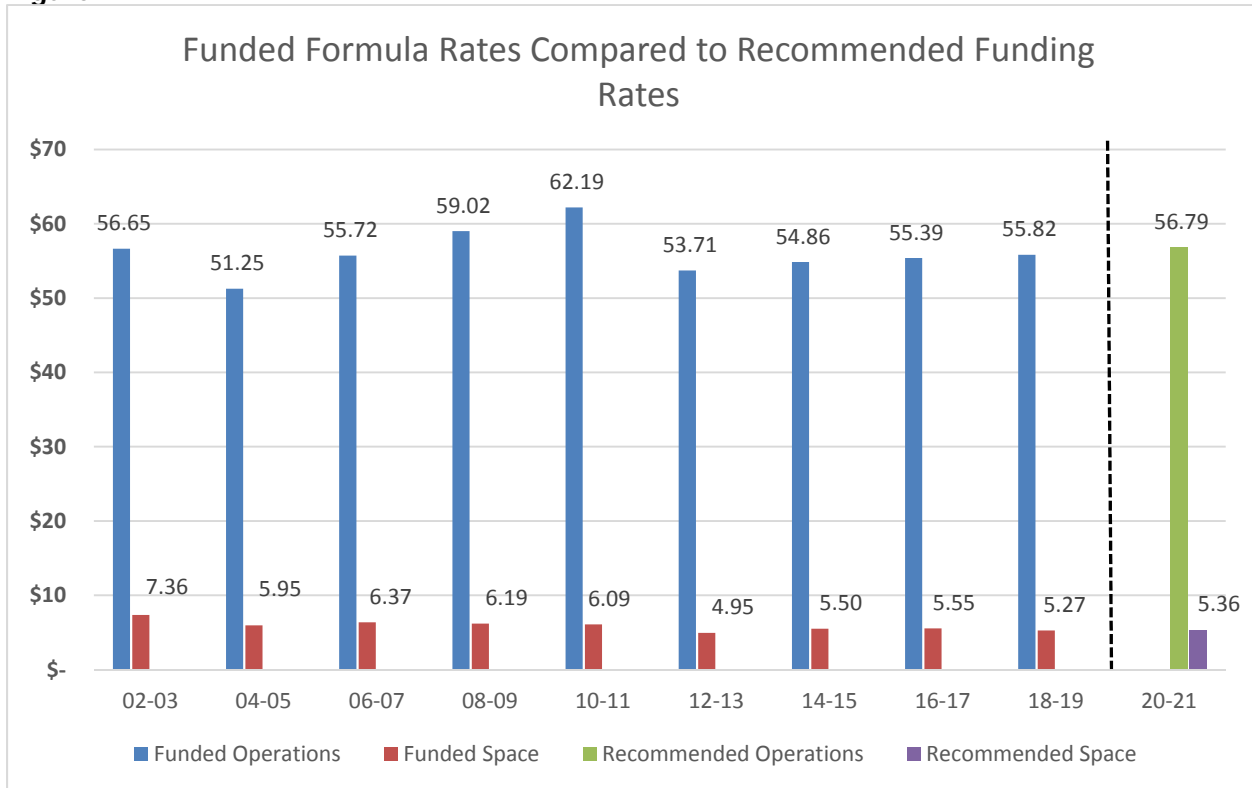
- Fund the Operations Support formula and Teaching Experience Supplement at a rate of \$56.79 per WSCH for the 2020-21 biennium.
 - ❖ This rate would fund the Operations Support formula and Teaching Experience Supplement at approximately \$4,178 million, an increase of \$175 million or 4.4 percent;
 - ❖ The recommended rate would increase \$0.97, or 1.7 percent, to account for inflation, compared to the \$55.82 rate funded for the 2018-19 biennium;
 - ❖ The overall funding level assumes a 2.6 percent increase for growth in WSCH between the 2016 and 2018 base years using the recommended rate of \$56.79 per WSCH;
 - ❖ The recommendations would allocate available funding using a relative weight matrix based on the three-year average of expense per semester credit hour to include fiscal years 2016, 2017, and 2018.

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- Fund the Space Support formula at a rate of \$5.36 per square foot for the 2020-21 biennium.
 - ❖ This rate would fund the Space Support formula at \$776 million, an increase of \$45 million or 6.1 percent;
 - ❖ The recommended rate would increase \$0.09, or 1.7 percent, to account for inflation, compared to the \$5.27 rate funded for the 2018-19 biennium;
 - ❖ The rate assumes a 5.0 percent increase for growth in square feet between fall 2016 and 2018;
 - ❖ Split the recommended space support rate between “utilities” and “operations and maintenance” components using FY 2018 utility rates, update the utility rate adjustment factors using the FY 2018 utilities expenditures, and allocate the space support formula using the fall 2018 space model predicted square feet.
 - ❖ Fund the Small Institution Supplement for the 2020-21 biennium at a rate of \$750,000 annually for institutions with fewer than 5,000 headcount and incrementally reduce this supplement as institutions’ headcount approaches 10,000. This rate funds the supplement at a level of approximately \$16 million, which would be a decrease of approximately \$600,000, or 3.9 percent, compared to the \$16.7 million appropriated for the 2018-19 biennium.

As shown by figure 1 on the next page, the committee’s recommended increases are in line with previous increases provided by the Legislature. For context, it should be noted that these rates are much less than the rates that would be required to restore the 2010-11 rates plus inflation. For example, if the Legislature were to fund Operations Support for the 2020-21 biennium at the 2010-11 rate plus inflation, the rate would be \$71.43; \$14.64 more per weighted semester credit hour than the committee’s requested rate of \$56.79.

Figure 1.



The committee recommends that the estimated funding levels above, which are based on projected growth, be updated when institutions submit enrollment data for the base period.

It was noted by the committee at its first meeting that compression in the formula matrix had caused WSCH to grow at a lower rate than SCH. A workgroup appointed by the committee began to look at the expenditure study data, which affects the matrix, but it was not able to complete its analysis, because of the complexity of the issue and the limited time available for it to complete its work. The committee recommends that the workgroup continue its study so it can inform the next formula advisory committee.

Charge 2. Study and make recommendations for the appropriate funding level for, and for the refinement of, the graduation bonus formula. (TEC, Section 61.0593)

Recommendation. For Texas to reach the completion goal of 550,000 by 2030, more low-income students and more students who aren't college ready will need to graduate. These students require more services, such as advising and tutoring, but the current formulas don't account for these additional costs. The committee recommends a new graduation bonus formula to help fund these services. Believing this new formula is important, but also recognizing current fiscal realities, the committee recommends that funding for the graduation bonus be phased in over two biennia. This phase in would be accomplished by delaying initial funding until the second year of the 2020-21 biennium and then continuing funding at the FY 2021 rates for both years of the 2022-23 biennium. The recommended rates are \$500 for bachelor's degrees awarded to students who are not at risk and \$1,000 for bachelor's degrees awarded to students who are at risk. Funding for the 2020-21 biennium would be approximately \$80 million in the second year of the biennium (2021); funding for the 2022-23 biennium would be \$80 million each year. This new formula would support advising, tutoring, and the other

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interventions many students need to earn a degree. Funding for at-risk students is recommended at a higher rate because these students require more services, and these extra services are not accounted for in the operations support formula. Funding would be based on a three-year average.

For the purpose of this model, an at-risk student is someone who is eligible to receive a Pell grant or whose SAT or ACT score was below the national average for the year taken.

The first priority is to fully fund the operations support formula in support of basic operations; funding for the graduation bonus is outside and separate from the operations formula and is intended to fund degree completion initiatives in support of the state's *60x30TX* goals.

Charge 3. Study and make recommendations on the treatment of competency-based courses in formula allocations.

Recommendation. Fund competency-based education courses (not modules) using the existing formula calculation and updated expenditure-based weights for the 2020-21 biennium.

- ❖ Institutions offering competency-based courses should report hours to the Coordinating Board once the institution has an indication that the student has begun engaging with the course materials;
- ❖ Competency-based education courses may only be reported for funding if they are linked to coursework in the Academic Course Guide Manual (ACGM), Workforce Education Course Manual (WECM), or the University Course Inventory.
- Institutions that are interested in formula funding for prior learning assessments are encouraged to track these expenses and to provide this data to the THECB, so it can inform the next formula advisory committee as it makes funding recommendations. The THECB should provide a template to institutions tracking these costs, and it should provide a template for tracking startup costs for CBE programs.

**Attachment A.2 - General Academic Institutions Formula Advisory
Committee Roster**

Name	Institution
Mr. Edward T. Hugetz (Chair) (2018) Interim Senior VP for Academic Affairs & Provost	University of Houston-Downtown 1 Main Street Houston, TX 77002
Ms. Kathryn Funk-Baxter (Vice Chair) (2022) Vice President for Business Affairs	The University of Texas at San Antonio, One UTSA Circle, San Antonio TX 78249
Mr. Bob Brown (2022) VP for Finance & Administration	University of North Texas 1501 W. Chestnut St., Suite 206 Denton, Texas 76201
Ms. Susan Brown (2018) Assistant VP for Strategic Analysis & Institutional Reporting	The University of Texas - Rio Grande Valley, 1201 West University Dr. Edinburg, TX 78539
Mr. John Davidson (2022) Associate VP – Budget, Planning & Analysis	The University of Texas at Arlington 219 West Main St. Arlington, TX 76019
Dr. Danny Gallant (2022) VP for Finance & Administration	Stephen F. Austin State University P.O. Box 6108, SFA Station Nacogdoches, TX 75962
Dr. Dana G. Hoyt (2018) President	Sam Houston State University Box 2027 Huntsville, TX 77341
Dr. Harrison Keller (2020) Vice Provost for Higher Ed Policy & Research	The University of Texas at Austin 1 University Station G1000 Austin, TX 78712
Mr. Raaj Kurapati (2022) VP for Finance & CFO	Texas A&M University-Kingsville 700 University Blvd. MSC 144 Kingsville, TX 78363
Dr. James Marquart (2020) Provost and Vice President Academic Affairs	Lamar University PO Box 10002 Beaumont, TX 77710
Dr. Karen Murray (2020) Executive Vice President of Academic Affairs & Provost	Tarleton State University 1333 West Washington Stephenville, TX 76402
Dr. Paula M. Short (2018) Senior Vice President for Academic Affairs & Provost	University of Houston 4302 University Dr., Room 204 S2019 Houston, TX 77204
Ms. Noel Sloan (2020) Chief Financial Officer & Vice President of Administration & Finance	Texas Tech University 2500 Broadway Lubbock, TX 79409
Dr. Jerry R. Strawser (2020) Executive VP of Finance & Administration & CFO	Texas A&M University 1181 TAMU College Station, TX 77843
Ms. Angie W. Wright (2020) Vice President for Finance & Administration	Angelo State University 2601 West Ave N San Angelo, TX 76903

Attachment B.2 - Commissioner's Charge to the General Academic Institutions Formula Advisory Committee (GAIFAC) for the 2020-2021 Biennial Appropriations

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

The operations support formula allocates funds on weighted semester credit hours (WSCH) in support of faculty salaries, departmental operating expenses, library, instructional administration, research enhancement, student services, and institutional support. The formula operations support formula and teaching experience supplement allocated 84 percent of the total formula funding at a rate of \$55.82 per WSCH for the 2018-2019 biennium. The teaching experience supplement incentivizes the use of tenured and tenure-track faculty in undergraduate courses and allocated 2018-2019 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 \$5.27 per predicted square foot for the 2018-2019 biennium. The small institution supplement distributes additional resources on headcount for the reduced economies of scale associated with operating small institutions. The 2018-2019 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.

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 *60x307X* plan. A preliminary written report of its activities and recommendations is due to the Commissioner by December 7, 2017, and a final written report by February 2, 2018. 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. Study and make recommendations for the appropriate funding level for, and for the refinement of, the graduation bonus formula. (TEC, Section 61.0593)
3. Study and make recommendations on the treatment of competency-based courses in formula allocations.

Attachment C.1 - Meeting Minutes

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Thursday, August 31, 2017
1:24 p.m.**

Minutes

Attendees: Mr. Edward T. Hugetz (Chair), Ms. Kathryn Funk-Baxter (Vice Chair), Mr. Bob Brown, Ms. Susan Brown, Mr. John Davidson, Dr. Dana G. Hoyt, Dr. Danny Gallant, Dr. Harrison Keller, Dr. Karen Murray, Dr. Paula M. Short, Ms. Noel Sloan, Dr. Jerry Strawser, and Ms. Angie W. Wright

Absent: Dr. James Marquart, Mr. Raaj Kurapati

Staff: Dr. David Gardner, Dr. Julie Eklund, Mr. Tom Keaton, and Ms. Jennifer Gonzales

9. The meeting was called to order at 1:24 p.m.
10. Mr. Hugetz, convening chair called for a nomination for chair. Ms. Susan Brown nominated Mr. Hugetz, Dr. Hoyt seconded the nomination, and the members unanimously voted Mr. Hugetz as committee chair.
11. The chair called for a nomination for vice chair, and Dr. Hoyt nominated Ms. Funk-Baxter. Dr. Gallant seconded the nomination, and the members unanimously voted Ms. Funk-Baxter as committee vice chair.
12. Dr. Eklund provided a brief overview of the funding formulas and fielded questions from members.
13. The chair reviewed the Commissioner's 2020-2021 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. The committee requested that staff provide a quick overview of *60X30TX* and additional details on the expenditure study.
 - b. Charge 2 – Graduation Bonus Formula
 - i. The chair requested that members' be prepared to take up this charge at the September meeting. The chair requested that staff provide a summary overview of the graduation bonus.
 - c. Charge 3 – Funding Competency-Based Courses

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- i. The chair requested committee members be prepared to take up this charge during the September meeting and Dr. Eklund agreed to provide additional information on Competency-Based Education (CBE).

14. The committee considered future meeting dates.

- a. The committee will meet on September 20, November 8, December 6, and January 10 (if needed) at 1:00 p.m. The chair requested that staff poll the committee by email for availability of the October meeting to determine if October 11 or October 19 worked for the majority of committee members, and whether a morning versus afternoon meeting was preferred.

15. The meeting was adjourned at 2:26 p.m. until September 20, 2017 at 1:00 p.m.

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Wednesday, September 20, 2017
1:00 p.m.**

Minutes

Attendees: Mr. Edward T. Hugetz (Chair), Ms. Kathryn Funk-Baxter (Vice Chair), Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Mr. Raaj Kurapati, Dr. Karen Murray, Dr. Paula M. Short, Ms. Noel Sloan, Dr. Jerry Strawser, and Ms. Angie W. Wright

Absent: Mr. Bob Brown, Dr. Dana G. Hoyt, Dr. Harrison Keller, and Dr. James Marquart

Staff: Dr. David Gardner, Dr. Julie Eklund, Mr. David Young, Mr. Tom Keaton, and Ms. Jennifer Gonzales

1. The meeting was called to order at 1:02 p.m.
2. The minutes from the meeting on August 31, 2017, were reviewed and amended to show that Mr. Bob Brown, Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, and Dr. Jerry Strawser were in attendance. The minutes were unanimously approved by nomination from Dr. Gallant with a second from Dr. Strawser.
3. The committee discussed, reviewed, and considered the Commissioner's 2020-2021 biennium charges.
 - a. To inform discussion on Charge 1, relating to the funding levels, Dr. Eklund provided a presentation on THECB's strategic plan, *60X30TX*.
 - i. Dr. Hugetz acknowledged the complexity of higher education funding in Texas with its various sources and interdependences. The committee inquired why research was not specifically mentioned in the plan. Dr. Gardner clarified that research, as well as many other institutional initiatives, are critical, even though not specifically mentioned in the plan. *60X30TX* builds upon the foundation set by *Closing the Gaps* which included a research goal and strategies to promote research, many of which were adopted by the state.
 - b. Also related to Charge 1, Dr. Eklund presented an overview of the GAI Expenditure Study and its calculation methodology.
 - i. There was discussion about the variability in the relative weights. After review and further discussion, Dr. Hugetz proposed that a working group be formed to explore what may be causing fluctuations in the weights over time. Volunteers for the workgroup include Mr. Hugetz, Ms. Funk-Baxter, Ms. Brown, Dr. Gallant, Dr. Short, Ms. Sloan, and Dr. Strawser. After an inquiry by Mr. Kurapati, Dr. Hugetz noted that anyone on the FAC could attend the workgroup meetings, should they choose to do so, even if not officially named to the work group.

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- c. Related to Charge 2, Mr. David Young presented on the Graduation Bonus formula.
 - i. Dr. Gallant asked if the committee could consider student's first generation designation as part of the graduation bonus measure. Dr. Eklund shared that this is a challenge because this data is self-reported, the field is optional (so some students choose not to report), and many report it as "Unknown". Mr. Young noted that the two criteria used for the graduation bonus as it is currently envisioned do cover approximately 96% of the at-risk population, as defined by the federal government.
 - d. Review of Charge 3, regarding competency-based education (CBE), began with a presentation by Dr. Eklund.
 - i. Dr. Eklund commented on the growth of CBE in Texas, the current methodology of funding these programs, challenges of funding non-course based programs, and funding considerations.
 - ii. Ms. Brown asked if there were any Texas pilot institutions considering non-course-based CBE (not linked to SCH). Dr. Eklund said Dr. Jennifer Naillos, a Program Director in the Academic Quality and Workforce division, could provide more information at the October meeting.
 - iii. The committee asked about any additional data the Board had on CBE completions. Dr. Eklund volunteered to share information we have from TAMU-Commerce but noted that the program is not growing as fast as the institution had projected.
4. The committee discussed action items for the October meeting:
- a. The committee would like for staff to provide data on the percentage split between Utilities and Operations and Maintenance (O&M) funding.
 - b. Staff will send out proposed dates for a remote, WebEx meeting for the Expenditure Study working group to meet before the October 19th meeting.
 - c. Mr. Hugetz suggested that the committee consider the inclusion of the graduation bonus as part of the formula funding level recommendation. The committee should be prepared to discuss this item further in October.
 - d. The chair requested that staff prepare funding level projections based on growth and inflation for the October meeting.
5. A motion for adjournment was made by Ms. Brown, seconded by Dr. Gallant, and the committee unanimously approved. The meeting adjourned at 2:55 p.m. until October 19th, 2017 at 1:00 p.m.

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Thursday, October 19, 2017
1:00 p.m.**

Minutes

Attendees: Mr. Edward T. Hugetz (Chair), Mr. Bob Brown, Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Dr. Dana G. Hoyt, Dr. Harrison Keller, Ms. Noel Sloan, and Ms. Angie W. Wright

Absent: Ms. Kathryn Funk-Baxter (Vice Chair), Mr. Raaj Kurapati, Dr. James Marquart, Dr. Karen Murray, Dr. Paula M. Short, and Dr. Jerry Strawser

Staff: Dr. David Gardner, Dr. Julie Eklund, Mr. David Young, Mr. Tom Keaton, and Ms. Jennifer Gonzales

1. The meeting was called to order at 1:00 p.m.
2. The minutes from the meeting on September 20, 2017, were unanimously approved with a motion by Dr. Gallant and a second by Mr. Davidson.
3. The committee considered the Commissioner's 2020-2021 biennium charges.
 - a. Related to Charge 3, Dr. Jennifer Nailos provided a presentation regarding competency-based education (CBE).
 - i. Mr. Hugetz asked Dr. Nailos to summarize what the committee might consider in its recommendation. Dr. Nailos suggested developing funding recommendations for each type of CBE program, since the programs vary across the state.
 - ii. Dr. Eklund shared that the new reporting requirements for CBE data this semester will allow these courses to be funded if the student has engaged in the coursework by the 12th day of class.
 - iii. Dr. Gardner said that in addition to thinking about funding current CBE programs, we also need to think long term. For example, if more institutions start doing prior learning assessments (PLA), how should they be compensated for the costs associated with those assessments?
 - iv. Mr. Brown questioned whether CBE was different enough from other instructional modalities to warrant a different methodology in funding. Several committee members agreed that the state should consider funding CBE the same way it funds other course-based delivery methods. The committee also supported the recommendation that institutions doing a significant amount of PLA should start tracking their costs, so the committee could take a closer look at funding PLA in two years.

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- v. The committee requested that staff draft a recommendation for review at the November meeting.
- b. Related to Charge 2, the committee reviewed information on the graduation bonus methodology and the calculated values of the bonus based on the number of degrees awarded in FY 2014-2016.
 - i. There was consensus among the committee in support for the graduation bonus as it is simple and rewards success. Discussion revolved around whether the committee should advocate to include the bonus as part of base formula funding or to have it funded separately. The committee agreed that leaving the bonus separate would communicate the importance of rewarding success on its own, and it would recognize the need for stability in base funding.
 - ii. Dr. Keller shared the idea of using progress toward degree as a metric that would provide an intermediate measure of success. Several committee members said their institutions are not able to standardize the use of this metric at this time.
 - iii. While the committee supported the goal of funding the graduation bonus at \$500 per bachelor's degree and \$1,000 per bachelor's degree for at-risk students, it decided that the best approach would be to ask for adoption of the bonus incrementally, at 50% of the total for the FY 2020-21 biennium, and advocating for the eventually adoption of 100% of bonus level funding.
 - iv. The committee requested that staff draft a recommendation for review at the November meeting.
- c. The committee discussed the following items related to Charge 1:
 - i. Utility to O&M Split - The committee reviewed data provided by staff on the Utilities to O&M split in the Space Support formula.
 - ii. Funding Level - Mr. Keaton explained the calculations for growth and inflation in the funding level projections for the FY 2020-21 biennium.
 - 1. The committee agreed to request funding for inflation and growth in projected enrollments.
 - 2. Mr. Young explained that last biennium, the committee had recommended funding rates, meaning that when the base year data is available, there will be changes to the total recommended funding level. The committee supported this approach.

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3. The committee requested that staff draft a recommendation for review at the November meeting.
 - iii. Expenditure Study Workgroup – Ms. Brown, Chair of the expenditure study workgroup, shared information on the progress of the group. She said they are still looking at data to better understand the compression that has taken place in the matrix. It was recommended that the workgroup continue to meet after the GAIFAC concludes its work.
4. A motion for adjournment was made by Ms. Brown, seconded by Dr. Keller, and the committee unanimously approved. The meeting adjourned at 2:48 p.m. The GAIFAC will conduct its next meeting on Wednesday, November 8, 2017, at 1:00 p.m.

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Wednesday, November 8, 2017
1:00 p.m.**

Minutes

Attendees: Mr. Edward T. Hugetz (Chair), Ms. Kathryn Funk-Baxter (Vice Chair), Mr. Bob Brown, Ms. Susan Brown, Mr. John Davidson, Dr. Dana G. Hoyt, Mr. Raaj Kurapati, Dr. Karen Murray, Ms. Noel Sloan, Dr. Jerry Strawser, and Ms. Angie W. Wright

Absent: Dr. Danny Gallant, Dr. Harrison Keller, Dr. James Marquart, and Dr. Paula M. Short

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

16. The meeting was called to order at 1:00 p.m.

17. The minutes from the meeting on October 19, 2017, were unanimously approved with a motion by Dr. Hoyt and a second by Ms. Brown.

18. The committee considered the Commissioner's 2020-2021 biennium charges.

- a. The committee discussed a draft recommendation on Charge 1 that advocated for funding increases needed to meet projections of a 2.6% growth in weighted semester credit hours, a 5.0% increase in predicted square feet, and a 1.7% increase for inflation. The draft also addresses the work started by the Expenditure Study workgroup and recommends the continuation of the workgroup so it can inform the next formula advisory committee.
 - i. Mr. Kurapati suggested the report include wording that the committee considered the current economic health of the state as part of its recommendation. The committee members also thought it prudent to point out that funding still hasn't rebounded to the levels it reached in the 2010-11 biennium. Ms. Brown mentioned that it might serve as a good point of reference to provide a graph in the report, showing the GAIFAC's recommended rates versus actual appropriations over the last several biennia. The committee agreed the graph should include the recommended rates for the 2020-21 biennium.
- b. The committee moved its discussion to reviewing the draft recommendation regarding Charge 2, the graduation bonus.
 - i. The committee strongly supported the idea of funding the graduation bonus after the operations support formula is fully funded.
 - ii. The committee revisited the idea of how to best recommend implementation of the bonus in a way that would gain traction for long-term continuation of funding. Rather than ask for half of the amount to be implemented during

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the 2020-21 biennium (at \$250 per bachelor's degree and \$500 per bachelor's degree for at-risk students), the Committee will recommend that the graduation bonus be funded at the full \$500 per bachelor's degree and \$1,000 per bachelor's degree for at-risk students, and to begin funding the bonus in FY 2021, the second year of the biennium.

- c. The committee then reviewed a draft recommendation on Charge 3 regarding CBE.
 - i. The committee recommended the report add language that the THECB will provide a template for interested institutions to share their cost information regarding prior learning assessments and startup costs for CBE delivery.

19. After discussion of all 3 charges, the committee voted on each charge:

- a. Ms. Funk-Baxter motioned to approve Charge 1, seconded by Dr. Strawser. The committee unanimously approved.
- b. Dr. Hoyt made a motion to approve Charge 2, with a second by Ms. Brown. The committee unanimously approved.
- c. Dr. Strawser motioned to approve Charge 3, seconded by Mr. Kurapati. The committee approved the motion with 14 ayes and an abstention from Mr. Brown.

20. Ms. Brown made a motion to give the Chair, Mr. Hugetz, authority for final approval of the draft report on behalf of the committee so that edits discussed during the meeting could be incorporated in the report. Dr. Hoyt seconded the motion and the committee unanimously approved.

With no pending items, the committee concluded their work. A motion for adjournment was made by Mr. Davidson, seconded by Ms. Brown, and was unanimously approved by the committee. The meeting adjournment time was 1:44 PM.

Appendix C - Health-Related Institutions Formula Advisory Committee

Recommendation Report for 2020-2021 Biennium

In accordance with the biennial Formula Advisory Committee process, the Health-Related Institutions (HRIs) submitted their report for consideration by the Commissioner of the Texas Higher Education Coordinating Board (THECB).

Background. The Commissioner of the THECB delivered his charge to the HRIs Formula Advisory Committee (HRIFAC) at its first meeting on August 31, 2017 (Attachment A.3). The HRIFAC held two additional meetings in September 2017 and October 2017 to consider and discuss the Commissioner's charges. Attachment B.3 provides a list of the current HRIFAC members. Attachment C.2 contains the committee minutes from each meeting.

Executive Summary. The HRIs are the primary producers of the state's healthcare providers. The population of Texas, per the 2015 U.S. Census updated projection, experienced the largest population growth among all states at 1.8 million more people and the third fastest growth rate at 7.2 percent since 2010 – only outpaced by small population centers North Dakota and Washington, DC. Texas is still facing workforce shortages in many of the health professions. This population growth will likely continue to stress our state's capacity to meet the healthcare needs and demands of our citizens, currently and in the future.

Training a healthcare workforce in this environment of continuing growth and increasing need will increase pressure on HRIs in Texas. However, these pressures are occurring at the same time that critical funding for students, space, research, and residents is declining.

Here are some key Texas facts to consider when assessing the state's healthcare workforce shortages and needs:

- Texas currently ranks 41st, up from 42nd in 2015, in the U.S. in numbers of active, patient care physicians per 100,000 population. Despite an overall increase of over 2,500 (or almost 5% more) new physicians into Texas since 2013¹, the state ranking improved only slightly.
- Texas ranks 47th, unchanged from 2015, in the number of active, patient care, primary care physicians per 100,000 population. Again, despite close to 700 (or nearly 4%) more primary care physicians added to the state since 2015, Texas' comparative U.S. ranking remains very low.¹
- Texas ranks 2nd overall in physicians retained in the state who completed undergraduate medical education (UME) within the state, at 59.9%, unchanged from 2015.¹
- Texas ranks 5th in physicians retained who completed graduate medical education (GME) within the state, at 58.7%, unchanged from 2015.¹

¹ Association of American Medical Colleges (AAMC) (2017) *State Physician Workforce Data Book*

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- Texas ranks 4th in physicians retained that completed both UME and GME within the state, at 80.9%, dropping one spot compared to 2015 despite a slightly higher percentage.¹

Taken together, the last three points above suggest that Texas' physician workforce challenges are much less about undergraduate medical and resident retention within the state and more about Texas' continued, significant population growth and the sufficiency of Texas' absolute numbers of medical graduates and residents.

- Texas ranks 43rd in the number of registered nurses per 100,000 population.²
- Nearly 85% of the public health workforce in Texas has no formal, professional public health training.³
- Texas ranks 44th in the number of dentists per 10,000 population.⁴
- Texas' three schools of dentistry rank first, second, and third in the nation in retaining their graduates in state.⁵

Given the cuts in per unit formula funding in recent biennia, institutions face the difficult task of maintaining quality programs and expanding programs to address these critical shortages and limitations. External factors are also likely to limit the abilities of HRIs to continue absorbing costs related to the increasing gaps between formula funding rates and associated actual costs. HRIs' clinical enterprises serve some of the most complex cases and face additional challenges related to reductions in Medicaid and Medicare funding as reimbursement for healthcare services shift to a higher emphasis on patient outcomes and quality of care. Anticipated declines in sponsored research funding levels may require HRIs to provide additional "bridge" funding for faculty researchers' salaries and research operations to retain productive researchers until they obtain additional external funding. This is most often a cost-effective alternative to avoid program closures and the need to recruit new and more costly faculty in the future.

² Kaiser Family Foundation, Statehealthfacts.org, U.S. Bureau of Labor Statistics and 2010 U.S. Census Data

³ The Future of Public Health in Texas: A Report by the Task Force on the Future of Public Health in Texas

⁴ *Health, United States, 2010*, Centers for Disease Control and Prevention, National Center for Health Statistics

⁵ Vujicic M., Where do dental school graduates end up locating, JADA. 2015; 146(10): 775-777

Charges and Committee Recommendations

Charge 1. Study and make recommendations for the appropriate funding levels for the instruction and operation (I&O), infrastructure, research enhancement, graduate medical education, and mission specific formulas. (General Appropriations Act, SB 1, 85th Texas Legislature, Section 27.8, page III-250)

Recommendation. To meet the educational needs of Texas' growing and diverse population and to meet the state's demands for healthcare, it is important that the five HRI formulas be funded at levels that address the requirements of the 60x30TX higher education strategic plan. The committee recommends that the Legislature continue the process of restoring the per-unit rates of funding back to the 2000-01 levels through increasing the I & O, Infrastructure and Research Enhancement formulas by an increment equivalent to two-thirds of the difference between the 2018-19 and 2000-01 biennium rates. Additionally, the committee recommends a GME funding rate of \$6,653 and Mission Specific funding be increased by the "average growth in funding" recommended for the I & O formula.

It is critically important to note that the committee's recommendation applies to all formula funding areas – Instruction & Operations, Infrastructure, Research Enhancement, and Graduate Medical Education, not just to the Instruction & Operations formula, and takes into consideration the overall increase in total funding required to support growth at existing HRIs as well as the two new medical schools. The 2020 – 2021 recommended rates are crucial to the support of mature programs and ensure those institutions do not receive a decrease in formula funding to maintain their capacity. A recap of the recommended funding rates are outlined in table 8 below.

Table 8. Recommended funding rates.

Rates	2000-01 Biennium	2018-19 Biennium	2000-01 vs 2018-	2020-21 Biennium	Change Amount	Percent Change
Instruction and Operations	\$ 11,383	\$ 9,431	(17.15%)	\$ 10,731	\$ 1,300	13.8%
E & G Space Support	\$ 11.18	\$ 6.11	(45.40%)	\$ 9.49	\$ 3.38	55.4%
Research Enhancement	2.85%	1.16%	(59.30%)	2.29%	1.13%	97.4%
Graduate Medical Education		\$ 5,824		\$ 6,653	\$ 829	14.2%

*The greater decrease in rates for the E&G Space Support and Research Enhancement Formulas is a result of focused funding on Instruction & Operations, which has also led to a change in the original balance of total funding among these three formulas. The recommended FY 2020-21 funding in table 9 below would begin to restore the disproportionate decreases to the E&G Space Support and Research Enhancement Formulas since inception.

Table 9. Recommended funding level.

Funding	Est. Unit Growth	2018-2019 Biennium	2020-2021 Biennium	Change Amount	Percent Change
Instruction and Operations	5.82%	\$ 1,181,856,760	\$ 1,404,584,938	\$ 222,728,178	18.8%
E & G Space Support	5.62%	267,576,446	439,275,308	171,698,862	64.2%
Research Enhancement	5.27%	80,628,378	130,839,770	50,211,392	62.3%
Graduate Medical Education	7.14%	74,717,294	91,643,268	16,925,974	22.7%
Mission Specific	N/A	323,162,046	383,916,511	60,754,465	18.8%
Total		\$ 1,927,940,924	\$ 2,450,259,795	\$ 522,318,871	27.1%

Charge 2. Study and make *recommendations for the appropriate I&O formula weights.*

Recommendation. The committee recommends no changes to the weights assigned to the current programs.

Charge 3. Study and make recommendations for the inclusion and weight of specialty programs in the I&O formula.

Recommendation. The committee requests that the THECB consider proposing to the Legislature a new weight for Health-Related Institutions' Instruction and Operations formula funding for Biomedical Informatics which is currently grouped with Allied Health at the lowest possible, or "base," weight of 1.0. The committee recommends the new weight only be considered if the Legislature provides funding for growth in all formulas to maintain the FY 2018-2019 funding rates.

Biomedical Informatics Weight

Biomedical Informatics is, in many ways, population-based, data-driven education and research to improve healthcare and advance biomedical discovery, as well as to develop and use advanced informatics tools to solve problems in healthcare that brings together clinical, engineering, computer, and biological sciences into one concentrated study. For Texas, this new and expanding field offers new opportunities in research and interdisciplinary graduate education for the new economy driven by big data and artificial intelligence.

The costs of Biomedical Informatics education and research are significantly increased by hardware needs (e.g., high capacity computers and storage), sophisticated data warehousing infrastructures for large data sets (e.g., clinical and health records; genomic, imaging, public health, and financial data), and advanced software and information systems for education and research (e.g., commercial EHR systems, virtual environments, patient simulators, simulated smart homes for healthcare, etc.). However, the highest value assets to a biomedical informatics school or program are the faculty and students that a robust program can attract. Many of these faculty have multiple terminal degrees in medicine, computer science, engineering, business administration, and other healthcare or science related fields and some of the faculty have joint appointments with the medical school and actively provide patient care.

Appropriate funding for biomedical informatics education will allow Texas to produce the workforce to build the research and infrastructure to attract big data and artificial intelligence companies and serve as a home base for start-ups. This is particularly crucial at a time when other states and institutions are making major investments:

- Harvard Data Science Initiative started in March of 2017 (55 faculty, Odyssey Computing Cluster (60,000 CPUs), invested hundreds of millions of dollars);
- Cornell Tech campus opened in September 2017 on New York City's Roosevelt Island in partnership with NYC at a cost of hundreds of millions of dollars (a whole island in the heart of NYC dedicated to data sciences and graduate level informatics education);
- Columbia University's \$100 million+ Data Science Institute started in 2013;
- Indiana University's \$120 million for Precision Health Initiative in 2017;

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- University of Colorado's \$63 million Center for Biomedical Informatics and Personalized Medicine started in 2013; and
- International competition from China and Russia.

While the recommendation for a new formula weight pales in comparison to the investments listed above, it is important to establish the biomedical informatics workforce in Texas. The low formula funding weight puts Texas at a disadvantage in the international competition for Biomedical Informatics faculty and students. With existing programs and burgeoning ones starting up at Texas' HRIs, Texas has an opportunity to be an international leader in the field of Biomedical Informatics education and research and its accompanying big data economic benefits.

As evidence, Eric Schmidt, the executive chairman of Google's parent company Alphabet, recently said: "Big Data is the oil wealth of the 21st Century. No company or society can move forward without it."

Attachment A.3 - Texas Higher Education Coordinating Board Commissioner's Charge to the Health-Related Institutions Formula Advisory Committee (HRIFAC) for the FY 2020-2021 Biennium

Background. As a part of the biennial legislative funding process in Texas, the Health-Related Institutions Formula Advisory Committee (HRIFAC) makes formal recommendations for formula funding for health-related institutions. This process is similar to other formula advisory committees for academic institutions and community colleges.

The HRIFAC will meet during the summer and fall of 2017 to discuss formula elements and make a formal recommendation in regard to funding amounts for FY 2020-21 to the Commissioner of Higher Education in December of 2017.

The current formulas for determining funding levels at health-related institutions were developed for the FY 2000-01 biennium. Starting in the FY 2006-07 biennium, the formula for Graduate Medical Education was added to fund medical residents. For the FY 2008-09 biennium, two pieces of the mission specific formula for The University of Texas M. D. Anderson Cancer Center were consolidated into one new formula, Cancer Center Operations. For the FY 2010-11 biennium, the mission specific formula for The University of Texas Health Science Center at Tyler was changed to Chest Disease Center Operations and appropriations made previously outside the formula for patient care activities were added.

The formula recommendations under discussion relate to appropriations in the bill patterns of the health-related institutions, and in the case of Graduate Medical Education for Baylor College of Medicine, funding which is appropriated to the Coordinating Board.

The key elements of each of the health-related institution formulas are summarized below.

Instruction & Operations (I & O). The Instruction and Operations (I & O) formula is allocated on a full-time student equivalent (FTSE) basis with a funding weight predicated on the instructional program of the student. Programs with enrollments of less than 200 receive a small class size supplement of either \$20,000 or \$30,000 per FTSE depending upon the program. The small class size supplement addresses the small classes offered at the main campus and at remote satellite sites. The supplement is calculated based on a sliding scale that decreases as the enrollment approaches the 200 limit and is in addition to the base I & O formula amount.

The Legislature appropriated a base value rate of \$9,431 per FTSE for the FY 2018-19 biennium. Formula weights for each discipline, the related amount per FTSE for the small class size supplement, and the calculated funding amount for one student are provided in table 10.

Table 10. Formula weights.

Program	Formula Weight	Small Class Size Supp.	Funding Amt. for One Student
Allied Health	1.000	\$ 20,000	\$ 9,431
Health Informatics (Allied Health)	1.000	\$ 20,000	\$ 9,431
Biomedical Science	1.018	\$ 20,000	\$ 9,601
Nursing - Undergraduate	1.138	\$ 20,000	\$ 10,732
Nursing - Graduate	1.138	\$ 20,000	\$ 10,732
Pharmacy	1.670	\$ 20,000	\$ 15,749
Public Health	1.721	\$ 20,000	\$ 16,230
Dental Education	4.601	\$ 30,000	\$ 43,391
Medical Education	4.753	\$ 30,000	\$ 44,825

The I & O formula represents 77.2 percent of total I & O, Infrastructure, and Research Enhancement funding to the health-related institutions, a decrease of 0.25 percent over the prior biennium. The All Funds I & O formula funding appropriation of \$1,181.9 million represents a 0.95 percent increase in funding over the FY 2016-17 biennium, compared to a 6.5 percent increase in FTSE.

The I & O funding for FY 2018-19 represents 94 percent of the funding requested by the Committee in 2015.

Infrastructure. The Infrastructure formula provides for utilities and physical plant support. The formula is based upon the predicted square footage of the HRI space model. The space model projection is based on the following elements:

- Research - research expenditures or reported faculty FTE
- Office - faculty, staff and net E&G expenditures
- Support - % of total prediction of other factors
- Teaching - level/programs areas of credit hours
- Clinical - actual clinical space used for instruction

The FY 2008-09 HRIFAC outlined and approved the application and approval process for the inclusion of any additional sites to qualify for the multi-campus adjustment to the space projection model for health-related institutions. The Committee recommended the following criteria for qualification for a Multi-Campus Adjustment site:

- The site must be specifically authorized by Legislative actions (such as a rider or change to the statute to establish the separate site of the campus).
- The site shall not be in the same county as the parent campus.
- There may be more than one site (a recognized campus entity or branch location) in the separate location if the separate site meets all of the criteria for eligibility.
- The facilities must be in the facilities inventory report certified by the institution at the time the space projection model is calculated.
- The parent campus must demonstrate responsibility for site support and operations.
- Only the E&G square feet of the facilities are included in the calculation of the space projection model.

- Only the E&G square feet of the facilities are included in the calculation of the space projection model.

The Infrastructure rate per predicted square foot appropriated for all Health Related Institutions for FY 2018-19 is \$6.11.

The Infrastructure formula represents 17.5 percent of total I & O, Infrastructure, and Research Enhancement funding to the health-related institutions, a decrease of 0.08 percent over the prior biennium. The FY 2018-19 total formula funding appropriation of \$267.6 million represents a 0.81 percent increase from the FY 2016-17 biennium, compared to an 8.3 percent increase in predicted square feet.

The Infrastructure funding for FY 2018-19 represents 90 percent of the funding requested by the Committee in 2015.

Research Enhancement. Health-related institutions generate state appropriations to support research from the Research Enhancement formula. The Research Enhancement formula provides a base amount of \$1,412,500 for all institutions regardless of research volume. To the base amount each institution receives an additional 1.23 percent of its research expenditures as reported to the Coordinating Board.

The Research Enhancement formula represents 5.3 percent of total I & O, Infrastructure, and Research Enhancement funding to the HRIs, an increase of 0.33 percent over the prior biennium. The FY 2018-19 total formula funding appropriation of \$80.6 million represents an 8.14 percent increase over the amounts for the FY 2016-17 biennium, compared to a 7.01 percent increase in research expenditures.

The Research Enhancement funding for FY 2018-19 represents 96 percent of the funding requested by the Committee in 2015.

Mission Specific. Mission specific formulas provide instruction and operations support funding for The University of Texas M. D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler. Total funding for the FY 2018-19 biennium is as follows:

- The Cancer Center's total formula funding appropriations are \$264.8 million, unchanged from the FY 2016-17 biennium.
- The Health Science Center's total formula funding appropriations are \$58.4 million, unchanged from the FY 2016-17 biennium.

Mission Specific funding for FY 2018-19 represents 93 percent of the funding requested by the Committee in 2015.

Graduate Medical Education. The formula for bill pattern Graduate Medical Education began with the FY 2006-07 biennium. Graduate Medical Education formula funds provide support for qualified Accreditation Council for Graduate Medical Education (ACGME) and American Osteopathic Association (AOA) medical residents trained by state health-related institutions in Texas. Residents at the Baylor College of Medicine are funded at the same rate as other institutions through an appropriation to the Coordinating Board to be distributed to Baylor.

For the FY 2018-19 biennium, a total of \$74.7 million was appropriated for Graduate Medical Education for public institutions, an increase of 6.36 percent over FY 2016-17, compared to a 12.9 percent increase in residents. Appropriations provide \$5,824 per resident per year.

The GME formula funding for FY 2018-19 represents 80 percent of the funding requested by the Committee in 2015. Additional GME Expansion funding of \$48.5 million was trusted to the Coordinating Board for FY 2018-19.

Commissioner's Charges. Similar to the other formula advisory committees, the HRIFAC is asked to conduct an open, public process, providing opportunities for all interested persons, institutions, or organizations that desire to provide input on formula funding issues to do so. At the end of this process, the HRIFAC should provide the Commissioner with a written report of the Committee's recommendations by December 15, 2017, on the following specific charges:

1. Study and make recommendations for the appropriate funding levels for the instruction and operation (I&O), infrastructure, research enhancement, graduate medical education, and mission specific formulas. (General Appropriations Act, SB 1, 85th Texas Legislature, Section 27.8, page III-250)
2. Study and make recommendations for the appropriate I&O formula weights.
3. Study and make recommendations for the inclusion and weight of specialty programs in the I&O formula.

**Attachment B.3 - Health-Related Institutions Formula Advisory Committee
for the FY 2018-2019 Biennium**

Name/Title	Institution/Address	Email/Phone
<u>Institution</u> <u>Representatives:</u>		
Ms. Penny Harkey Vice President and Chief Financial Officer	Texas Tech University Health Sciences Center 3601 4th Street Lubbock, TX 79430	penny.harkey@ttuhsc.edu (806) 743-3080
Dr. Barry C. Nelson Vice President for Finance and Administration	Texas A&M University System Health Science Center Clinical Building 1, Ste 4130 8441 State Hwy 47 Bryan, TX 77807	nelson@tamhsc.edu (979) 458-7252
Ms. Lauren Sheer Assistant Vice President for Legislative Affairs	The University of Texas Medical Branch at Galveston 301 University Blvd. Galveston, TX 77555-0126	lesheer@utmb.edu (512) 971-5380
Mr. Kevin Dillon Senior Executive Vice President, Chief Operating & Financial Officer	The University of Texas Health Science Center at Houston PO Box 20036 Houston, TX 77030	kevin.dillon@uth.tmc.edu (713) 500-3010
Mr. Ben Melson Senior Vice President and Chief Financial Officer	The University of Texas M. D. Anderson Cancer Center 1515 Holcombe Blvd., Box 95 Houston, TX 77030	bbmelson@mdanderson.org (713) 794-5162
Ms. Andrea Marks Vice President of Business and Finance	The University of Texas Health Science Center at San Antonio 7703 Floyd Curl Drive San Antonio, TX 78229- 3900	marksa@uthscsa.edu (210) 567-7020
Mr. Joseph Woelkers Executive Vice President and Chief Operating Officer	The University of Texas Health Center at Tyler 11937 US Hwy 271 Tyler, TX 75708	joseph.woelkers@uthct.edu (903) 877-5072

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Mr. Gregory Anderson
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Ms. Angelica Marin-Hill
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Attachment C.2 - Minutes

**Health-Related Institutions
Formula Advisory Committee Meeting 1:00 P.M.
Texas Higher Education Coordinating Board
August 31, 2017**

Minutes

Members:

Penny Harkey - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Lauren Sheer - UTMB	Present
Kevin Dillon – UTHSCH	Present-by phone
Ben Melson – M.D. Anderson	Present-by phone
Andrea Marks - UTHSCSA	Present
Joseph Woelkers – UTHSCT	Present-by phone
Gregory Anderson - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present-by phone
Dwain Morris – UT-Austin Medical School	Present
Richard Lange – TTUHSC-EI Paso	Present-by phone
Rick Anderson – UTRGV Medical School	Present

Agenda Item I: introductions

Andrea Marks convened the meeting in the Tejas Room of the Texas Higher Education Coordinating Board following the General Session.

Agenda Item II: Consideration of the election of a Chair and Vice Chair

Andrea Marks opened the meeting by requesting nominations for the new Chair for the Health-Related Formula Advisory Committee. Andrea Marks nominated Penny Harkey as the Chair. The nomination was seconded and Ms. Harkey was voted as the new Chair.

Ms. Harkey then requested nominations for the position of Vice-Chair. Angelica Marin-Hill nominated Kevin Dillon as Vice-Chair. The nomination was seconded and Mr. Dillon was voted as the new Vice-Chair.

Ms. Harkey continued the meeting by requesting nominations for the position of Secretary. Andrea Marks volunteered nominating herself as the Secretary. The nomination was seconded and Ms. Marks was voted as the new Secretary.

Agenda Item III: Briefing on health-related institutions funding formula

Ed Buchanan from the Coordinating Board staff briefly reviewed the formula funding schedules and amounts for FY 2018-19 noting changes in the formulas compared to FY 2016-17. The comparison indicates increases in state funding but noted formula drivers grew at a higher rate than the increase in funding. The result is a decrease in formula rates. Ms. Harkey noted that the only increase in General Revenue to the formula was to account for inclusion of the new medical schools, meaning the 2018-19 funding did not cover overall growth across HRI.

Agenda Item IV: Discussion of Commissioner's charges to the Committee

Penny Harkey reviewed the Commissioner's charges to the committee.

The committee reviewed and discussed Commissioner's Charge #1 related to making recommendations for the appropriate funding levels for the I&O, infrastructure, research enhancement, GME, and mission specific formulas.

The committee discussed continuing the previous message of phased in restoration of 2000-01 formula rates without including any factor for the impact of inflation. The highest formula rates for the HRI formulas was the 2002-03 biennium.

The committee thought it important to emphasize the need for the Legislature to fund growth in formula drivers (which would maintain existing formula rates) and to continue the message of phased-in return to 2000-01 rates. For the next biennium, the committee agreed to pursue funding equivalent to 2/3s of the way back to 2000-01 rates. For the GME Formula, which was not in place in 2000-01, there is interest in returning to the highest level funding rate for this formula.

The committee requested that the THECB staff prepare an analysis of growth in the drivers of each formula since 2000-01 per institution. I&O growth data by discipline was also requested. In order to get an estimate of the cost for recommendations, THECB staff will also look at ways to estimate enrollment growth for the next base period.

There was interest in how the funding rates for the various formulas, which have declined by various amounts depending on the formula, has impacted individual institutions. THECB staff will prepare some analyses.

The committee reviewed and considered the Commissioner's Charge #2 related to recommendations for the appropriate I&O formula weights.

There was discussion about whether weights should be adjusted to reflect statewide needs, thus providing financial support to increase enrollment in certain disciplines. One comment was whether this should be done within the formula or separate funding streams (such as the Nursing Shortage Reduction Program).

The committee then reviewed and considered Commissioner's Charge #3 related to making recommendations for the inclusion and weight of specialty programs in the I&O formula.

An issue was raised about the weight for Biomedical Informatics which is currently incorporated into the I&O Formula under Allied Health. Information to support establishing a new weight or incorporating it into a different weight will be presented at the next meeting.

The Commissioner's charges do not include a review of overall funding to HRI, the focus is limited to formula funding. Given recent legislative interest in (and planned legislative interim committee on) formula and non-formula funding, it was asked whether the THECB considered a broader charge to the committee. THECB staff indicated that the decision was to have the committees focus on formula funding only and the expectation was that institutions would engage in the legislative discussion on non-formula funding separately.

Agenda Item V: Discussion of dates and assignments for subsequent meetings

The future meeting dates were reviewed, and the committee agreed to the following schedule:

All meetings scheduled from 11:00 am to 1:00 pm:

September 20

October 18

November 15

If necessary, December 13 and January 10

Agenda Item VI: Adjourn

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions
Formula Advisory Committee Meeting 11:00 A.M.
Texas Higher Education Coordinating Board
September 20, 2017**

Minutes

Members:

Penny Harkey - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Lauren Sheer - UTMB	Present
Kevin Dillon – UTHSCH	Present
Ben Melson – M.D. Anderson	
Andrea Marks - UTHSCSA	Present
Joseph Woelkers – UTHSCT	
Gregory Anderson - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present-by phone
Dwain Morris – UT-Austin Medical School	
Richard Lange – TTUHSC-EI Paso	Present
Rick Anderson – UTRGV Medical School	Present

Agenda Item I: Call to order

Penny Harkey, Chair, called the second meeting of the HRI FAC, held on September 20th to order.

Agenda Item II: Consideration and approval of the minutes from August 31, 2017, meeting

Richard Lange made a motion to approve the minutes, 2nd by Barry Nelson and the minutes were approved by full vote of the committee.

Agenda Item III. Consideration, discussion, and approval of formula funding levels for each of the following formulas:

- a. Instruction & Operations**
- b. Infrastructure**
- c. Research Enhancement**
- d. Mission Specific/General Revenue Operations**
- e. Graduate Medical Education**

THECB provided an estimate of growth in formula drivers and historical information on the formulas. It was noted the with growth estimates, it would cost \$85 million in additional funding just to maintain current formula rates. The cost of covering growth and proposed increases in formula rates would be \$105 million.

The Committee voted unanimously in favor of recommending an increase in the I&O (motion by Kevin Dillon, 2nd by Andrea Marks), Infrastructure (motion by Richard Lange, 2nd by Kevin Dillon), and Research (motion by Rick Anderson, 2nd by Lauren Sheer) Formula rates to 2/3 of the way back to the original, 2000-01 formula rates.

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The Committee voted unanimously in favor of recommending an increase in the GME Formula rate back to its highest rate. The GME Formula was established after the original 2000-01 implementation of the other formulas (motion by Kevin Dillon, 2nd by Barry Nelson).

Questions were asked about the Mission Specific Formulas which apply only to UTMDACC and UTHSC T. Because neither institution was represented at the meeting, that formula will be addressed at the next Committee meeting.

Agenda Item IV. Consideration, discussion, and approval of the current I & O formula weights and determination of whether new weights should be requested

Modification of existing/new weights within the I&O Formula were discussed. A request was made by Kevin Dillon to revive language in the HRIFAC report last year—this language requested that the THECB staff look at the cost of providing biomedical informatics education and determine whether a weight should be modified from the existing weight of 1.000. There was discussion about the variability of the costs of providing various degree programs within the Health Professions field. It was noted that UTHSC Houston has a separate School of Biomedical Informatics, not simply a degree program within the varied field of allied health. No decision was made about the biomedical informatics weight. Andrea Marks made a motion, 2nd by Lauren Sheer and approved by full vote of the committee to consider draft language prepared by UT Health Houston at the next meeting. Richard Lange requested statistical information be provided to support the request.

An issue was raised about increasing the weight for Nursing, perhaps by decreasing the weight for Public Health. After significant discussion, the issue was “retracted” with no vote taken.

Agenda Item V. Consideration, discussion, and approval of the current I & O programs and determination of whether any specialties need to be assigned separate weights. If so, recommend requested weight(s) as appropriate.

The committee voted unanimously to make no changes in existing weights (motion by Barry Nelson, 2nd by Rick Anderson).

There was an open ended discussion about whether the Committee should prioritize its recommendations. While no decision was made, potential prioritization included:

- The importance of funding growth in all formula drivers so that no institution loses funding if it does not decline in its formula drivers.
- Prioritize certain formulas such as the I&O Formula.
- With fear that the Legislature will not provide the additional \$85 million estimated to fund growth in formulas, find a way to protect institutions with growth at less than the average from receiving less funding than the prior biennium.
- Because some formula rates have declined substantially more than others, prioritize the balance of funding across all formulas to match the original balance across the formulas. Angelica Marin-Hill volunteered to recommend language after the first draft to be included in the report.

Agenda Item VI. Planning for subsequent meetings

The next meeting will be October 18. Penny Harkey will work with Ed Buchanan (THECB) on a draft report to be disseminated to the committee. As noted above, the next meeting will also include a review of the Mission Specific formula and a review of draft language for a bioinformatics formula weight.

Agenda Item VII. Adjourn

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions
 Formula Advisory Committee Meeting 11:00 A.M.
 Texas Higher Education Coordinating Board
 October 18, 2017**

Minutes

Members:

Penny Harkey - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Lauren Sheer - UTMB	Present
Kevin Dillon – UTHSCH	Present
Ben Melson – M.D. Anderson	Present
Andrea Marks - UTHSCSA	Present
Joseph Woelkers – UTHSCT	
Gregory Anderson - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present-by phone
Dwain Morris – UT-Austin Medical School	
Richard Lange – TTUHSC-EI Paso	Present
Rick Anderson – UTRGV Medical School	Present

Agenda Item I: Call to order

Penny Harkey, Chair, called the third meeting of the HRI FAC, held on October 18th to order.

Agenda Item II: Consideration and approval of the minutes from September 20, 2017 meeting

Richard Lange made a motion to approve the minutes, 2nd by Barry Nelson and the minutes were approved by full vote of the committee.

Agenda Item III. Consideration, discussion, and approval of formula funding levels for the Mission Specific Formula

Ben Melson, MD Anderson provided an overview of the history of the Mission Specific formula first piloted in 2007 for MD Anderson. The formula is based on the number of malignant cancer cases in Texas on the MD Anderson campus and does not include affiliate locations. The formula is capped to the average growth of the I&O formula. The committee voted unanimously to include language in the FAC draft report similar to the prior year’s report that the Mission Specific formula increase not to exceed the average increase in the I&O formula (motion by Kevin Dillon, 2nd by Richard Lange).

Agenda Item IV. Discussion, review and consideration of the Committee’s report to the Commissioner

Penny Harkey opened discussion of the draft reported distributed to the committee in advance of the meeting. Data from the AAMC regarding Texas rankings will be updated by UT Health Houston staff within the next 60 days.

Language regarding Charge 1 was discussed with the following recommendations:

- add a column to the table within Charge 1 highlighting the decline in formula rates since 2000-2001
- update the table within Charge 1 to include Mission Specific Formula
- add language related to the Mission Specific formula previously discussed under Agenda Item III

The committee voted unanimously to accept the language in Charge 1 with the above edits (Motion by Andrea Marks, 2nd by Barry Nelson).

Charge 2 was accepted as written.

Charge 3 in the draft report relates to the inclusion and weight of specialty programs in the I&O formula. The committee discussed including a specialty weight for the Bioinformatics program as previously requested by UT Health Houston. Kevin Dillion reviewed the proposal to add a specific weight for Bioinformatics including the cost and the distinct nature of the program. After much discussion, the committee voted unanimously to include language that a new weight be added for the specialty of Bioinformatics but without a specific recommendation of the weight to be assigned (Motion by Andrea Marks, 2nd by Barry Nelson). The committee also recommended that the new formula weight be added only if growth is funded.

Agenda Item V. Planning for subsequent meetings

The committee voted to delegate the compilation of the report to Penny Harkey, circulate to the members by email, and vote on acceptance of the report via email (Motion by Andrea Marks, 2nd by Richard Lange). The next meeting is scheduled to be November 15. If there are edits to the report that require discussion, the Committee agreed to meet by teleconference on November 15.

Agenda Item VI. Adjourn

With no other discussion, the committee voted to adjourn.

Appendix D - Community and Technical Colleges Formula Advisory Committee (CTCFAC)

Biennial Report of Administrative Activities

<p>Committee Purpose: The advisory committee is appointed by the Commissioner of Higher Education to review and revise the funding formulas used by the Governor and the Legislature for making appropriations to the general academic institutions.</p>
<p>Report Period: 2020-2021 Biennium</p>
<p>Chair: Dr. Pamela Anglin Vice Chair: Dr. Jeremy McMillen Committee Members: Ms. Teri Crawford, Dr. Cesar Maldonado, Dr. Van Miller, Mr. Patrick Lee, Mr. Richard Cervantes, Ms. Mary Wickland, Mr. Jim Yeonopolus, Mr. Michael Reeser, Dr. Robert K. Riza, Dr. Ron Clinton, and Dr. Phil Rhodes</p>
<p>Committee Meeting Dates: August 31, September 21, October 12, November 9, and December 7, 2017 (minutes of all committee meetings are located in the body of this report)</p>
<p>Annual Costs Expended Travel \$8,926 Other \$3,971</p>
<p>Time Commitments: Coordinating Board Staff: 51 working days during the biennium to prepare materials, coordinate and attend meetings.</p>
<p>Summary of Tasks Completed: Made recommendations related to the commissioner’s charges, which are below:</p> <ol style="list-style-type: none"> 1. Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding. 2. Study and make recommendations for the appropriate funding level for, and the refinement of, Texas State Technical College System’s returned value funding formula. 3. Study and make recommendations on the treatment of competency-based courses in formula allocations. 4. Study and make recommendations on the efficacy of critical need fields as they relate to contact hour and success point funding. 5. Study and make recommendations on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by Texas State Technical College. 6. Review existing Coordinating Board data on dual credit program funding, including preliminary data available from the 2017-2018 dual credit study being conducted by contracted research organizations, and share insight on current dual credit funding mechanisms.

**Appendix E - General Academic Institutions Formula
Advisory Committee (GAIFAC)**

Biennial Report of Administrative Activities

Committee Purpose: The advisory committee is appointed by the Commissioner of Higher Education to review and revise the funding formulas used by the Governor and the Legislature for making appropriations to the general academic institutions.
Report Period: 2020-2021 Biennium
Chair: Mr. Edward T. Hugetz Vice Chair: Ms. Kathryn Funk-Baxter Committee Members: Mr. Bob Brown, Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Dr. Dana G. Hoyt, Dr. Harrison Keller, Mr. Raaj Kurapati, Dr. James Marquart, Dr. Karen Murray, Dr. Paula M. Short, Ms. Noel Sloan, Dr. Jerry R. Strawser, and Ms. Angie W. Wright.
Committee Meeting Dates: August 31, September 20, October 19, and November 8, 2017 (minutes of all committee meetings are located in the body of this report)
Annual Costs Expended Travel \$2,726 Other \$21
Time Commitments: Coordinating Board Staff: 75 working days during the biennium to prepare materials, coordinate and attend meetings.
Summary of Tasks Completed: Made recommendations related to the commissioner’s charges, which are below: <ol style="list-style-type: none"> 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. Study and make recommendations for the appropriate funding level for, and for the refinement of, the graduation bonus formula. (TEC, Section 61.0593) 3. Study and make recommendations on the treatment of competency-based courses in formula allocations.

**Appendix F – Health-Related Institutions Formula
Advisory Committee (HRIFAC)**

Biennial Report of Administrative Activities

<p>Committee Purpose: The advisory committee is appointed by the Commissioner of Higher Education to review and revise the funding formulas used by the Governor and the Legislature for making appropriations to the general academic institutions.</p>
<p>Report Period: 2020-2021 Biennium</p>
<p>Chair: Ms. Penny Harkey Vice Chair: Mr. Kevin Dillon Committee Members: Dr. Barry C. Nelson, Ms. Lauren Sheer, Mr. Ben Melson, M. Andrea Marks, Mr. Joseph Woelkers, Mr. Gregory Anderson, Ms. Angelica Marin-Hill, Mr. Dwain Morris, Dr. Richard A. Lange, and Mr. Rick Anderson</p>
<p>Committee Meeting Dates: August 31, September 20, and October 18, 2017 (minutes of all committee meetings are located in the body of this report)</p>
<p>Annual Costs Expended Travel \$4,227 Other \$180</p>
<p>Time Commitments: Coordinating Board Staff: 50 working days during the biennium to prepare materials, coordinate and attend meetings.</p>
<p>Summary of Tasks Completed: Made recommendations related to the commissioner’s charges, which are below:</p> <ol style="list-style-type: none"> 1 Study and make recommendations for the appropriate funding levels for the instruction and operation (I&O), infrastructure, research enhancement, graduate medical education, and mission specific formulas. (General Appropriations Act, SB 1, 85th Texas Legislature, Section 27.8, page III-250) 2 Study and make recommendations for the appropriate I&O formula weights. 3 Study and make recommendations for the inclusion and weight of specialty programs in the I&O formula.



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

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