



LEGISLATIVE BUDGET BOARD

Higher Education Funding

Overview of Formula Funding for General Academic Institutions, Health Related Institutions, Lamar State Colleges, and Texas State Technical Colleges

PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON ARTICLE III
LEGISLATIVE BUDGET BOARD STAFF

MAY 5, 2016

Overview of Presentation

Related to House Appropriations Committee Interim Charge #15, Examine the formulas used to fund institutions of higher education. Study the initial development of the formulas and the underlying assumptions used. Make recommendations for new discipline weights, if necessary, evaluating any discrepancies in formula funding for the same program offered at different types of institutions and the inclusion of new medical schools on general academic campuses.

1. Overview of Formula Funding Mechanics and Methods of Finance
2. Overview of General Academic Institution (GAI) Formulas
3. Overview of Lamar State Colleges (Lamars) and Texas State Technical College (TSTC) Formulas
4. Overview of Formula Appropriations for GAIs, Lamars, and TSTCs
5. Overview of Health Related Institution (HRI) Formulas
6. Overview of HRI Formula Appropriations

General Formula Funding Mechanics

- Formulas are a distribution method for higher education funding. Higher education formulas do not create a statutory or constitutional entitlement.
- Formula Method of Finance.
 - General Academic Institutions, Health Related Institutions, Lamar State Colleges and Texas State Technical Colleges are funded through an All Funds methodology which means that General Revenue and GR-Dedicated–Other Educational and General Income (E&G) are used to fund these formulas.
 - “Other E&G” includes revenue generated by statutory tuition, interest on funds in the state treasury, and various fees. (Board Authorized Tuition is distributed after formula calculation, therefore does not affect the amount of General Revenue.)
- Other E&G Set Asides. Some E&G income is set aside for specific purposes. Specific amounts are unavailable for formula purposes and, consequently, as a formula method of finance. For example, institutions set aside a portion of their tuition to provide Texas Public Education Grants.

General Academic Institutions Instruction and Operations Formula

The General Academic Institution (GAI) Instruction and Operations (I&O) Formula is based on Semester Credit Hours (SCH) during a three-semester base period. SCH is a measure of how many classes an institution delivers. The base period used for the 2016-17 biennium is Summer and Fall of 2014 and Spring of 2015.

SCH are weighted by discipline (e.g. nursing is weighted more than liberal arts) and by level (lower and upper division, masters, doctoral, and professional). The weights are based on a cost study completed by the Texas Higher Education Coordinating Board of relative costs and are listed on the following slide.

The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

Semester Credit Hours X Program/Level Weight X Rate (\$55.39)

Hours taught by tenured or tenure-track faculty qualify for the teaching experience supplement. The weight functions as it does in the Instruction and Operations formula.

Semester Credit Hours X Program/Level Weight X Supplement (0.10) X Rate (\$55.39)

General Academic Institutions

Cost Based Matrix

	LOWER DIVISION	UPPER DIVISION	MASTERS	DOCTORAL	SPECIAL PROFESSIONAL
Liberal Arts	1.00	1.76	4.00	10.77	
Science	1.78	3.02	7.53	20.61	
Fine Arts	1.47	2.52	6.03	7.95	
Teacher Ed	1.63	2.08	2.56	7.42	
Agriculture	2.07	2.75	7.80	11.77	
Engineering	2.38	3.52	7.10	17.98	
Home Economics	1.10	1.75	3.01	8.67	
Law					5.13
Social Services	1.68	2.05	2.93	18.18	
Library Science	1.49	1.57	3.60	12.06	
Vocational Training	1.45	2.64			
Physical Training	1.51	1.26			
Health Services	1.07	1.65	2.79	9.86	2.64
Pharmacy	1.86	5.02	28.29	35.14	4.32
Business Admin	1.19	1.88	3.39	23.92	
Optometry			37.52	55.92	7.58
Teacher Ed Practice	2.28	2.13			
Technology	2.26	2.41	3.89	5.20	
Nursing	1.72	2.11	3.34	8.99	
Developmental Ed	1.00				
Veterinary Medicine					22.03

GAI, Lamars, and TSTC Infrastructure Formula

- The GAI Infrastructure Formula, which also includes the Lamar State Colleges and the Texas State Technical Colleges, allocates funding for physical plant support and utilities and is based on predicted square feet for universities' educational and general activities produced by the Space Projection Model developed by the Coordinating Board.
- As with the SCH rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

Predicted Square Feet X Rate (\$5.62)

- Additionally, institutions with a headcount of less than 10,000 students also receive the Small Institution Supplement. The supplement totals \$1.5 million for the biennium for each institution with less than a 5,000 student headcount. Institutions with headcounts that range from 5,000 to 10,000 students receive an appropriation that decreases from \$1.5 million with each additional student.

Lamar State Colleges and Texas State Technical Colleges

The Instruction and Administration (I&A) Formula for the Lamar State Colleges is based on contact hours. A contact hour is a standard unit of measure that represents an hour of scheduled academic and technical instruction given to students during a semester. The base period used for the 2016-17 biennium is Summer and Fall of 2014 and Spring of 2015.

Contact Hours X Rate (\$3.53)

The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

The Eighty-third Legislature, Regular Session, 2013, modified the calculation of the Texas State Technical College (TSTC) I&A formula to base it on the returned value to the state generated by the TSTC System rather than student contact hours. The I&A formula now compares average student wages upon completion of nine semester credit hours or more at a TSTC institution to minimum wage to determine the additional value an individual generates for the state after attending a TSTC institution. Based on available funding, the Legislature then appropriates a percentage of this returned value amount to the TSTC System for I&A funding.

Returned Value X Percentage Allocated to TSTC (35.5%)

Formula Appropriations for General Academic Institutions, Lamar State Colleges, and Texas State Technical Colleges

IN MILLIONS	2014-15 Appropriations		2016-17 Appropriations	
	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate
Instruction and Operations - GAIs	\$2,664.5	\$54.86	\$2,917.1	\$55.39
Infrastructure Support – GAIs, Lamars, and TSTCs	521.7	5.56	551.1	5.62
Instruction and Administration - Lamars	30.4	3.44	26.1	3.53
Instruction and Administration – TSTCs*	89.8	32.6%	94.0	35.5%
Total	\$3,306.4		\$3,588.3	

*Percentage reflects the allocation of returned value appropriated to the TSTC System for I&A funding.

Health Related Institutions Formulas

- The Health Related Institutions (HRI) Instruction and Operations Formula is based on Full-Time Student Equivalents (FTSE) during a three-semester base period. The FTSEs are weighted by program, and the Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

FTSE X Program/Level Weight X Rate (\$9,829)

- The HRI Infrastructure Support Formula allocates funding for physical plant support and utilities based on the predicted square feet at the institutions. As with the I&O rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

Predicted Square Feet X Rate

(Rate is \$6.65 for HRIs other than The University of Texas M.D. Anderson Cancer Center (UTMDACC) and The University of Texas Health Science Center at Tyler (UTHSCT) ; \$6.26 for UTMDACC and UTHSCT)

Note: Baylor College of Medicine receives funding for its undergraduate medical students, by statute, based on the average cost per undergraduate medical student enrolled at The University of Texas Medical Branch and The University of Texas Southwestern Medical Center.

I&O Funding by Weights and Discipline

The I&O formula multiplies the number of FTSEs generated at an institution by a weight assigned to the program, regardless of level. The weights for each of these programs are shown in the table below. These weights are not based on a cost study and have not changed since the inception of the formulas in 2000-01.

Program	Weight
Allied Health	1.000
Biomedical Science	1.018
Nursing	1.138
Pharmacy	1.670
Public Health	1.721
Dental	4.601
Medical	4.753

Health Related Institutions Formulas

- The Research Enhancement Formula provides support for medical and clinical research of the institutions, and are allocated using a base amount plus a percentage of research expenditures from the most recent fiscal year.

Base (\$1,412,500) + 1.23% of Research Expenditures

- The Graduate Medical Education (GME) Formula provides funding on a per medical resident basis in an accredited program.

Number of Medical Residents X Rate (\$6,266)

Note: Baylor College of Medicine receives Graduate Medical Education funding through the HRI GME formula.

Health Related Institutions Mission Specific Formulas

- UTMDACC Cancer Center Operations Formula is a mission specific formula that provides support for UTMDACC based on Texas cancer patients served.

Number of Texas Cancer Patients Served X Rate (\$1,877)

- UTHSCT Chest Disease Center Operations is a mission specific formula that provides support for UTHSCT based on the number of new primary chest disease diagnoses in Texas each year.

Number of New Primary Chest Disease Diagnoses X Rate (\$215)

- For each of the mission specific formulas, the amount of growth in total funding from one biennium to another may not exceed the average growth in funding for Health Related Institutions in the I&O formula for the current biennium.

Formula Appropriations for Health Related Institutions

IN MILLIONS	2014-15 Appropriations		2016-17 Appropriations	
	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate
Instruction and Operations*	\$1,093.1	\$9,527	\$1,169.2	\$9,829
Infrastructure Support	236.0	6.63; 6.09	246.8	6.65; 6.26
Research Enhancement	68.7	1.22 percent	74.6	1.23 percent
Graduate Medical Education*	65.7	5,122	85.9	6,266
Cancer Center Operations	247.5	1,944	264.8	1,877
Chest Disease Center Operations	54.6	378	58.4	215
Total	\$1,765.6		\$1,899.6	

*Included in these totals are amounts appropriated for Baylor College of Medicine through the Higher Education Coordinating Board's bill pattern.



LEGISLATIVE BUDGET BOARD

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