# Texas Higher Education Finance and the Formulas

April 26, 2018



Texas Higher Education Coordinating Board



## Commissioner's charges to the Community and Technical College Formula Advisory Committee

- 1. Study and make recommendations for the appropriate funding levels for the contact hour, core, and the student success funding. (TEC, Section 61.059 (b))
- 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. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 11 (page III-232))
- 3. Study and make recommendations on the treatment of competency-based courses in formula allocations.



## Commissioner's charges to the Community and Technical College Formula Advisory Committee (continued)

- 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. (General Appropriations Act, SB 1, 85th Texas Legislature, Rider 12 (page III-232))
- 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.



## Texas Community and Technical Colleges Funding Formulas for the FY 2020-2021 Biennium

Committee Recommendations

Charge 1: Recommendation for Appropriate Funding Levels for the Contact Hour, Core, and the Student Success

#### **Committee Recommendation 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%

## Community Colleges

- 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 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.

## Community Colleges

The committee 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 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.

## **State Colleges**

Committee Recommendation for State Colleges

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

## State Colleges

- Fund \$38.5 million to the State College Instruction and Administration formula or an 8.3% increase. This includes \$8.4 million in statutory tuition.
- The recommendation assumes a 4% growth rate in contact hours.
- Fund \$8.6 million to the Space Support formula and Small Institution supplement for the 2020-2021. This funding level assumes a 2.8 percent decrease in growth in adjusted predicted square feet between fall 2016 and fall 2018 and a 1.7 percent increase for inflation.

## Charge 2: Recommendation for the appropriate level for, and the refinement of TSTC's returned value funding formula

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%

### **TSTC**

- ► 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 (statutory tuition and fees).
- This recommendation includes funding 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.

Charge 3: Recommendations on the treatment of competency-based courses in formula.

The Committee recommends CBE courses (not modules) be funded using the existing formula calculation and updated expenditure-based weights.

- Contact Hours reported to THECB once the student has begun engaging with the course materials.
- May be reported only if they are linked to coursework in the ACGM or WECM.

Charge 4: Recommendations on the efficacy of critical needs fields as they relate to contact hour and success point funding.

► The Committee recommends that the Metrics Task Force of TACC be reconvened to provide feedback on Success Point metrics including critical fields and Fields of Study. Charge 5: Make a recommendation on a new formula to fund dual credit programs based upon the number of semester credit hours offered in dual credit by TSTC.

► The Committee recommends using the Contact Hour method for funding Dual Credit for TSTC.

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

## Charge 6: Review existing Coordinating Board data on dual credit program funding and share insight on current dual credit funding mechanisms.

- At this point, with numerous studies ongoing and the lack of clearly articulated state-wide goals and policy questions to help the state ensure dual credit programs fulfill their promise and position students for success.
- The Committee 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.
- At this time, 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.

#### CAAP recommendations for CTCs support 60x30TX

- Increases for projected growth
- Increases for an inflation rate of 1.7 percent for the biennium
- Focus on successful student completions



## CAAP concurs with the FAC recommendation for an 8.2% increase for the community colleges

	Formula Advisory Committee's Recommendations		CAAP's Recommendations	
In Millions	Funding	% Change	Funding	% Change
2018-19 Appropriations	\$1,767.4		\$1,767.4	
Increase for Projected Growth (Contact Hours & Success Points)	69.6	3.9%	69.6	3.9%
Rate Increase: 1.7% Inflation	29.9	1.7%	29.9	1.7%
Rate Increase: Success Points	45.4	2.6%	45.4	2.6%
TOTAL	\$1,912.2	8.2%	\$1,912.2	8.2%

- Increases the rate per student success point from \$172 to \$215
- The funding levels above, which are based on projected enrollment growth, will be updated when institutions submit enrollment data for the base period



## Formula Advisory Committees and CAAP recommend rates instead of levels

• Funding levels recommended by the CAAP, which are based on projected enrollment growth, will be updated when institutions submit enrollment data for the base period. This applies to all sectors.



#### CAAP recommends a 1.1% increase for the state colleges

	Formula Advisory Committee's Recommendations		CAAP's Recommendations	
In Millions	Funding	% Change	Funding % Char	
2018-19 Appropriations	\$44.1		\$44.1	
Changes Based on Contact Hours & Predicted Square Feet	0.9	2.1%	<mark>-0.1</mark>	<mark>-0.2%</mark>
Rate Increase (Instruction & Operations)	1.8	4.2%		
Rate Increase: 1.7% Inflation (Instr. & Operations)			<mark>0.5</mark>	<mark>1.1%</mark>
Rate Increase: 1.7% Inflation (E&G Space Support)	0.1	0.2%	0.1	0.2%
TOTAL	\$47.0	6.5%	<mark>\$44.6</mark>	<mark>1.1%</mark>

• The funding levels above, which are based on projected enrollment growth, will be updated when institutions submit enrollment data for the base period.



## CAAP concurs with FAC recommendation for a 27.7% increase for the technical colleges

	Formula Advisory Committee's Recommendations		CAAP's Recommendations	
In Millions	Funding	% Change	Funding % Chang	
2018-19 Appropriations	\$143.2		\$143.2	
Increase for Projected Growth (Value Added & Predicted Square Feet)	8.4	5.9%	8.4	5.9%
<b>Dual Credit Contact Hours</b>	3.7	2.6%	3.7	2.6%
Rate Increase: 1.7% Inflation (E&G Space Support)	0.2	0.1%	0.2	0.1%
Rate Increase: Other	27.3	19.1%	27.3	19.1%
TOTAL	\$182.8	27.7%	\$182.8	27.7%

- Restores the Return Value formula to 35 percent
- Funds dual credit using the community college contact hour method
- The funding levels above, which are based on projected growth, will be updated when institutions submit enrollment data for the base period



## CAAP recommends approach for CBE reporting and updated critical need fields

- Competency-Based Education (CBE)
  - Formula Advisory Committee Fund CBE courses using the existing formulas.
     Institutions should only report hours for students who have begun engaging with the course materials.
  - CAAP Concurs
- Critical Need Fields and Success Points
  - Formula Advisory Committee Maintain the critical need fields, request additional study to evaluate the relevancy of each success point, and consider adding Fields of Study
  - CAAP Concurs



## **Board Discussion of CTC Funding**



## Commissioner's charges to the General Academic Institutions Formula Advisory Committee

- 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.



## GENERAL ACADEMIC INSTITUTIONS FORMULA ADVISORY COMMITTEE FY 2020-2021 BIENNIAL APPROPRIATIONS REPORT ON THE COMMISSIONER'S CHARGES

Edward T. Hugetz
Provost
University of Houston-Downtown

March 21, 2018

#### **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.

- Recommends increasing the appropriated funding levels by the growth in enrollment and by the increase in inflation.
- 2020-21 Biennium Funding Recommendations
  - Fund approximately \$4,971 million to the formulas
    - Assumes 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
  - Operations Support and Teaching Experience Supplement at a rate of \$56.79 per WSCH
    - Increase 2.6%

CHARGE 1 (CONTINUED):

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.

- 2020-21 Biennium (continued)
  - Space Support at a rate of \$5.36 per square foot
    - This rate would fund the Space Support formula at \$776 million, an increase of \$45 million or 6.1 percent
    - The increase is based on growth in square feet between fall 2016 and 2018, and a 1.7% increase for inflation
  - No change to the methodology.

CHARGE 1 (CONTINUED):

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.

- 2020-21 Biennium (continued)
  - Small Institution Supplement 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.
    - Funds required of \$16 million or a decrease of \$600,000 (3.9%)

### CHARGE 2:

STUDY AND MAKE RECOMMENDATIONS FOR THE APPROPRIATE FUNDING LEVEL FOR, AND FOR THE REFINEMENT OF, THE GRADUATION BONUS FORMULA.

- Recommends a new graduation bonus formula phased in over one biennia. This phase in would be accomplished by delaying initial funding until the second year of the 2020-21 biennium.
- 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
- Total Funding for the 2020-21 biennium would be approximately \$80 million in the second year of the biennium (2021) and forward.
  - \$500 for bachelor's degrees awarded to students who are not at risk
  - \$1,000 for bachelor's degrees awarded to students who are at risk

#### **CHARGE 3:**

STUDY AND MAKE RECOMMENDATIONS ON THE TREATMENT OF COMPETENCY-BASED COURSES IN FORMULA ALLOCATIONS.

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

### CAAP recommendations for the GAIs support 60x30TX

- Increases for projected growth
- Increases for an inflation rate of 1.7 percent for the biennium
- Focus on successful student completions by funding the 60x30TX Graduation Bonus



## CAAP recommends an 8.0% increase for the GAIs with additional funding for, and prioritization of, the Graduation Bonus

	Formula Advisory Committee's Recommendations		CAAP's Recommendations	
In Millions	Funding % Change Fun		Funding	% Change
2018-19 Appropriations	\$4,751.7		\$4,751.7	
Increase for projected growth (SCH & Predicted SF)	139.6	2.9%	139.6	2.9%
Rate increase: 1.7% inflation	79.5	1.7%	79.5	1.7%
60x30TX Graduation Bonus (FAC 2nd Year; CAAP both years)	80.0	1.7%	160.0	<mark>3.4%</mark>
TOTAL	\$5,050.7	6.3%	\$5,130.7	8.0%

• The funding levels above, which are based on projected enrollment growth, will be updated when institutions submit enrollment data for the base period



### 60x30TX Graduation Bonus

#### **Advisory Committee**

The first priority is to fully fund the Operations Support formula (for weighted SCH) in support of basic operations

Revise the Operations Support formula include an allocation methodology for undergraduate degrees awarded,

\$80 million (only fund second year of the biennium)

\$500 per graduate who is not at risk and \$1,000 per graduate who is at risk

#### CAAP

Revise the Operations Support formula to include an allocation methodology for undergraduate degrees awarded, regardless of overall funding. Include funding for the bonus in the introduced version of the General Appropriations Act.

\$160 million (fund both years of the biennium)

\$500 per graduate who is not at risk and \$1,000 per graduate who is at risk



## **Graduation Bonus**

- To reach the completion goal of 550,000 degrees and awards in 2030, more low-income students and more students who are academically at risk will need to graduate
- These students require more services
  - The Operations Support formula provides more money for high cost programs, but not for high cost students
- The new formula will provide funding that institutions could target for advising, tutoring, and the other interventions many students need to earn a degree



## **Graduation Bonus**

- Two metrics, based on a three-year average:
  - Bachelor's degrees awarded to students who are not at risk
  - Bachelor's degrees awarded to at-risk students
- For this model, an at-risk student is someone who is eligible to receive a Pell grant\* or whose SAT/ACT score was below the national average for the year taken



### CAAP recommends approach for CBE reporting

- Competency-Based Education (CBE)
  - Advisory Committee Fund CBE courses using the existing formulas.
     Institutions should report hours for students who have begun engaging with the course materials.
  - CAAP Concurs



## **Board Discussion of GAI Funding**



# Commissioner's charges to the Health-Related Institutions Formula Advisory Committee

- 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.



#### Health Related Institutions Formula Advisory Committee Report

PENNY HARKEY, COMMITTEE CHAIR

#### Health Related Institution Formulas

- ☐ Instruction & Operations (I & O)
- ☐ E & G Space Support
- ☐ Research Enhancement
- ☐ Graduate Medical Education
- ☐ Mission Specific

### Commissioner's 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.
- 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.

# Recommendation Charge 1 – Funding Levels

- ☐ Restore per-unit rates by two-thirds of the difference between the current rates and the 2000-2001 rates.
  - ☐ Instruction & Operations (I & O)
  - ☐ E & G Space Support
  - Research Enhancement
- ☐ Graduate Medical Education
  - ☐ Funding rate of \$6,653
- ☐ Mission Specific
  - ☐ Increase by the "average growth in funding" recommended for the I & O formula

## Recommendation Charge 2 – I & O Formula Weights

No recommended changes

### Recommendation Charge 3 – Weights of Specialty Programs

- ☐ Consideration of new weight for Biomedical Informatics
  - Currently grouped with Allied Health
  - ☐ Large investments in hardware, IT infrastructure and software information systems
  - ☐ Recommendation contingent upon growth funding for all formulas

#### **THANK YOU**

#### General overview of the CAAP recommendations for HRIs

- Increases for projected growth
- Increases for an inflation rate of 1.7 percent for the biennium
- Increases for GME



#### CAAP recommends a 7.6% increase for the HRIs

	Formula Advisory Committee's Recommendations		CAAP's Recommendations	
In Millions	Funding	% Change	Funding	% Change
2018-19 Appropriations	\$1,927.9		\$1,927.9	
Increase for Projected Growth (FTSE, Predicted SF, Research Expenditures, & GME Residents)	93.1	4.8%	93.1	4.8%
Rate Increase	429.3	22.3%		
Rate Increase: 1.7% Inflation			<mark>35.2</mark>	<mark>1.8%</mark>
Additional GME Funding			<mark>18.0</mark>	<mark>0.9%</mark>
TOTAL	\$2,450.3	27.1%	<mark>\$2,074.2</mark>	<mark>7.6%</mark>

• The funding levels above, which are based on projected enrollment growth, will be updated when institutions submit enrollment data for the base period



# **Board Discussion of HRI Funding**



# Thank You

