

**AGENDA ITEM VII-C
DRAFT**

**FORMULA FUNDING
RECOMMENDATIONS
FOR THE 2018-19 BIENNIUM**

April 2016

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Texas Higher Education Coordinating Board



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Agency Mission

The Texas Higher Education Coordinating Board promotes access, affordability, quality, success, and cost efficiency in the state's institutions of higher education, through Closing the Gaps and its successor plan, resulting in a globally competent workforce that positions Texas as an international leader in an increasingly complex world economy.

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 competent workforce.

Excellence: We strive for preeminence 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.

Citing this report

**When referring to this report in written materials, please cite as follows:
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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 Texas Higher Education Coordinating Board's formula funding recommendations for the 2018-19 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 new Texas higher education strategic plan, *60x30TX*. Texas higher education institutions and the state's leadership deserve recognition for the significant gains in student enrollments under the previous state plan, *Closing the Gaps by 2015*. The new, student-centered plan builds on this foundation by focusing 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 students but to do so efficiently. This emphasis includes the following:

- Increase Student Success funding for community colleges to \$215 per point.
- Continue the Return Value formula for the Texas State Technical College System, with a modification to incorporate Educational and General (E&G) Space Support funding into this model, thus furthering the goal of rewarding job placement and graduate earnings.
- Appropriate to universities \$150 million through a new Graduation Bonus for advising, tutoring, and the other interventions many students need to earn a degree.

The funding rates and levels recommended below by the Committee on Affordability, Accountability and Planning (CAAP) include increases for projected growth and an inflation rate of 2.3 percent for the biennium. To help the state work towards reaching the goals of *60x30TX*, additional recommended increases are targeted specifically to rewarding successful student outcomes.

Rates¹	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Community Colleges				
Average Rate per Contact Hour (Biennial)	\$5.37	\$5.49	\$0.12	2.3%
Bachelor of Applied Technology	40.99	41.93	0.94	2.3%
Student Success	172.58	215.00	42.42	24.6%
State Colleges				
Average Rate per Contact Hour (Biennial)	\$7.05	\$7.21	\$0.16	2.3%
E&G Space Support	5.55	5.68	0.13	2.3%
Small Institution Supplement	375,000	375,000	\$0	0%
Technical Colleges				
Percent of Returned-Value Funded (Biennial)	35%	40%	5%	14.2%
E&G Space Support	\$5.55	Incorporated in Returned-Value Formula		
Small Institution Supplement	\$375,000	375,000	\$0	0%

Rates¹	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
General Academic Institutions				
Operations Support	\$55.39	\$56.67	\$1.27	2.3%
E&G Space Support	5.55	5.68	0.13	2.3%
Small Institution Supplement	750,000	750,000	0	0%
Graduation Bonus - Not at Risk		500	500	
Graduation Bonus - At Risk		1,000	1,000	
Health-Related Institutions				
Instruction and Operations	\$9,829	\$10,055	\$226	2.3%
Research Enhancement	1.23%	1.26%	0.03%	2.3%
Graduate Medical Education	\$6,266	\$6,410	\$144	2.3%
Mission Specific	Increase is Tied to I&O Increase			
E&G Space Support				
UTMDACC & UTHSCT	6.26	6.41	0.14	2.3%
All other HRIs	6.65	6.80	0.15	2.3%

¹All rates are annual unless noted otherwise

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

Funding Levels	2016-17 Biennium (millions)	2018-19 Biennium (millions)	Change Amount (millions)	Percent Change
Community Colleges	\$1,743.8	\$1,902.6	\$158.8	9.1%
State Colleges	42.9	45.2	2.3	5.4%
Technical Colleges	140.7	156.6	15.9	11.3%
General Academic Institutions	4,676.3	5,099.4	423.1	9.0%
Health-Related Institutions	1,904.1	2,065.5	161.4	8.5%
Total	\$8,507.8	\$9,269.3	\$761.5	9.0%

The following report contains the formula recommendations of the formula advisory committees appointed by the Coordinating Board, along with the CAAP recommendations.

Recommendations

Community and Technical Colleges

Summary of the Formula Advisory Committee's Recommendations

Community Colleges. The first priority is to fund Core Operations \$75 million, or \$1.5 million per district, which would be an increase of 50 percent; the second priority is to fund Student Success Points at a stable or increased funding rate, with a minimum of \$185 per point, which is the rate funded for the 2014-15 biennium; and the third priority is to distribute the balance based on the contact-hour formula. The recommended rates and estimated funding levels are below.

Rates	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Average Rate per Contact Hour (Biennial)	\$5.37	\$5.67	\$0.30	5.5%
Bachelor of Applied Technology	40.99	43.65	2.66	6.5%
Student Success Points	172.58	185.12	12.54	7.3%

Funding (millions)	Est. Unit Growth	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Base Funding		\$50.0	\$75.0	\$25.0	50.0%
Student Success Points	5.5%	169.2	191.4	22.2	13.2%
Contact Hours	4.3%	1,522.5	1,675.3	152.8	10.0%
Bachelor of Applied Technology	15.9%	2.1	2.6	0.5	22.6%
Total		\$1,743.8	\$1,944.4	\$200.6	11.5%

State Colleges. Restore one-half of the rate reduction made to Instruction and Administration since the 2008-09 biennium. For E&G Space Support, restore one-third of the rate reduction made since the 2010-11 biennium, and increase the rate by 2.3 percent for inflation. Split the recommended E&G Space Support rate using the FY 2016 utilities expenditures. Fund the Small Institution Supplement using the same methodology and funding levels as the 2016-17 biennium. The recommended rates and estimated funding levels are below.

Rates	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Average Rate per Contact Hour (Biennial)	\$7.05	\$7.51	\$0.46	6.5%
E&G Space Support	5.55	5.86	0.31	5.6%
Small Institution Supplement	375,000	375,000	0	0%

Funding (millions)	Est. Unit Growth	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Instruction and Operations	3.0%	\$34.2	\$36.8	\$2.6	7.5%
E&G Space Support	-10.1%	6.4	6.1	-0.3	-4.5%
Small Institution Supplement		2.3	2.3	0.0	2.2%
Total		\$42.9	\$45.2	\$2.3	5.4%

Technical Colleges. Incorporate E&G Space Support funding in the Returned-Value formula, and fund 40 percent of the returned value. Continue to exclude dual credit and continuing education courses. Provide Small Institution Supplement funding for the two new campuses in Ellis and Fort Bend Counties. The recommended rates and estimated funding levels are below

Rates	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Percent of Returned-Value Funded (Biennial)	35%	40%	5%	14.3%
E&G Space Support	\$5.55	Incorporated in Returned-Value Formula		
Small Institution Supplement	\$375,000	\$375,000	\$0	0%

Funding (millions)	Est. Unit Growth	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Instruction and Administration	10.5%	\$124.8	\$152.2	\$27.4	22.0%
E&G Space Support		13.0		-13.0	-100.0%
Small Institution Supplement		3.0	4.5	1.5	50.0%
Total		\$140.8	\$156.7	\$16.0	11.3%

Competency-based Education (applies to Community and State Colleges). Fund competency-based courses using the existing formulas. Institutions should report hours, and therefore receive funding, for students who are enrolled on the census date.

Critical Need Fields (applies to all two-year institutions). Maintain the current critical need fields and request that the THECB review statewide critical needs and make recommendations to be considered in 2017.

The Community and Technical Colleges Formula Advisory Committee's (CTCFAC) recommendations begin on page 10.

CAAP's Recommendations for the Community and Technical Colleges

The Committee recommends different funding levels for the community colleges than those proposed by the CTCFAC for all formulas, except for Core Operations:

- Core Operations – An increase of 50 percent, or \$25 million, which is transferred from contact-hour funding
- Student Success Points – An increase of 31.4 percent, or \$53.1 million
- Contact Hours – An increase of 5.3 percent, or \$80.2 million (increases for inflation and projected growth, less \$25 million, which is transferred to Core Operations)
- Bachelor of Applied Technology – An increase of 17.8 percent, or \$0.4 million (increases for projected growth and inflation)

The Committee recommends different funding levels for the state colleges than those proposed by the CTCFAC for Instruction and Operations and E&G Space Support:

- Instruction and Operations – An increase of 8.3 percent, or \$2.8 million (increases for projected growth and inflation and an additional \$0.9 million to support *60x30TX* initiatives for improving student outcomes)
- E&G Space Support – A decrease of 8.0 percent, or \$0.5 million (decrease for projected reduction in space; increase for inflation)
- Small Institution Supplement – No increase

The Committee recommends a different funding level for the technical colleges than that proposed by the CTCFAC for Instruction and Administration:

- Instruction and Administration (Returned-Value Formula) – An increase of 21.9 percent, or \$27.4 million (increases for projected growth, inflation, and the inclusion of E&G Space Support)
- E&G Space Support – A decrease of 100 percent, or \$13.0 million, because this formula will be incorporated in Instruction and Administration, using the Returned-Value formula
- Small Institution Supplement – An increase of 50.7 percent, or \$1.5 million, because two new campuses have been authorized

The Committee recommends a different methodology for funding competency-based education (CBE) than that proposed by the CTCFAC. In CBE programs, students generally enroll in a series of modules that constitute a course. Students are not considered to have successfully completed a module until they have demonstrated mastery of the material and not considered to have completed a CBE course until all the modules are mastered. Historically, the Coordinating Board has funded CBE courses upon completion. However, due to concerns about the costs to the institution for non-completers, the CTCFAC recommends that institutions report hours, and therefore receive funding, for students who are enrolled on the census date. Recognizing these concerns, the Committee recommends funding upon completion, but with a 10 percent formula adjustment. This approach rewards completion but recognizes the costs of student attrition. The

Committee's recommendation regarding CBE for the community and technical colleges is consistent with its recommendation for the general academic institutions.

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

General Academic Institutions

Summary of the Formula Advisory Committee's Recommendations

Formula Funding. Return formula funding rates to the rates appropriated for the 2010-11 biennium by phasing in these increases over the next three biennia, and increase the rates by 2.3 percent for inflation. Split the recommended E&G Space Support rate using the FY 2016 utilities expenditures. Fund the Small Institution Supplement using the same methodology and funding levels as the 2016-17 biennium. The recommended rates and estimated funding levels are below.

Rates		2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Operations Support		\$55.39	\$58.99	\$3.60	6.5%
E&G Space Support		5.55	5.86	0.31	5.6%
Small Institution Supplement		750,000	750,000	0	0%
Graduation Bonus - Not at Risk			600	600	
Graduation Bonus - At Risk			1,200	1,200	

Funding (millions)	Est. Unit Growth	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Operations Support	3.9%	\$3,942.1	\$4,360.0	\$417.9	10.6%
E&G Space Support	2.3%	715.3	767.4	52.1	7.3%
Small Institution Supplement		18.9	18.2	-0.7	-3.7%
Graduation Bonus			200.0	200.0	
Total		\$4,676.3	\$5,345.6	\$669.2	14.3%

Graduation Bonus. Fund universities through a new Graduation Bonus formula, \$600 for each bachelor's degree awarded to a student who is not at-risk and \$1,200 for each bachelor's degree awarded to an at-risk student. The recommended estimated funding is \$200 million. The first priority is to fully fund the Operations Support formula to support basic operations.

Competency-based Education. Fund competency-based education courses using the existing formula calculation. Institutions should report hours upon the student's completion of all the modules associated with a course.

Pharmacy Funding. Update the pharmacy funding policy to fund pharmacy courses with pharmacy expenditure-based weights, and use the standard enrollment adjustment methodology.

The General Academic Institutions Formula Advisory Committee's (GAIFAC) recommendations begin on page 29.

CAAP's Recommendations for the General Academic Institutions

The Committee recommends different funding levels than those proposed by the GAIFAC for all formulas, except the Small Institution Supplement:

- Operations Support – An increase of 6.2 percent, or \$245.9 million (increases for projected growth and inflation)
- E&G Space Support – An increase of 3.9 percent, or \$27.8 million (increases for projected growth and inflation)
- Small Institution Supplement – A decrease of 3.7 percent, or \$0.7 million, because the small institutions are growing, and therefore need less supplement
- Graduation Bonus – An increase of \$150.0 million

The Committee recommends a different methodology for funding competency-based education (CBE) than that proposed by the GAIFAC. In CBE programs, students generally enroll in a series of modules that constitute a course. Students are not considered to have successfully completed a module until they have demonstrated mastery of the material and not considered to have completed a CBE course until all the modules are mastered. Historically, the Coordinating Board has funded CBE courses upon completion and the Committee is supportive of this reporting approach. To be consistent with its recommendation regarding CBE for the community and technical colleges, the Committee recommends funding upon completion, as recommended by the GAIFAC, but including a 10 percent formula adjustment to help pay for costs affiliated with non-completers.

The Committee accepts the outcomes-based funding model recommended by the GAIFAC. 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 in order to achieve the 60x30TX goals.

However, the Committee recommends that the student outcomes be funded at \$150 million, and it recommends the following statement be added to the recommendation:

The 85th Texas Legislature may 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 decision about whether to prioritize operations support or student outcomes should be left to the Legislature to determine based on the larger budget picture.

The Board believes that it is important that outcomes-based funding be firmly institutionalized, whether it be inside or outside the Instruction and Operations

formula, so that universities invest in long-term approaches to increasing student completion. The Legislature is best positioned to determine how to do that most effectively.

The Committee recommends that the agency's board adopt the GAIFAC's recommendation on this charge, with the revised funding level and the inclusion of the above language.

The Committee concurs with the GAIFAC's recommendation regarding pharmacy funding.

Health-Related Institutions

Summary 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 phasing in these increases over the next three biennia. Fund GME at the same rate recommended for the 2016-17 biennium. Include the two new medical schools at The University of Texas at Austin and The University of Texas Rio Grande Valley in the existing HRI formula funding models. The recommended rates and estimated funding levels are below.

Rates	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Health-related Institutions				
Instruction and Operations	\$9,829	\$10,347	\$518	5.3%
Research Enhancement	1.23%	1.77%	0.54%	44.0%
Graduate Medical Education	\$6,266	\$8,444	\$2,178	34.8%
Mission Specific	Increase is Tied to I&O Increase			
E&G Space Support				
UTMDACC & UTHSCT	6.26	7.73	1.47	23.6%
All other HRIs	6.65	8.16	1.51	22.7%

Funding (millions)	Est. Unit Growth	2016-17 Biennium	2018-19 Biennium	Change Amount	Percent Change
Instruction and Operations	4.2%	\$1,170.7	\$1,286.9	\$116.2	9.9%
E&G Space Support	7.5%	265.4	350.6	85.2	32.1%
Research Enhancement	2.1%	74.6	101.8	27.2	36.5%
Mission Specific		323.2	355.2	32.0	9.9%
Graduate Medical Education	3.2%	70.2	97.7	27.5	39.2%
Total		\$1,904.1	\$2,192.2	\$288.1	15.1%

The Health-Related Institutions Formula Advisory Committee's (HRIFAC) recommendations begin on page 44.

CAAP's Recommendations for the Health-Related Institutions

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

- Instruction and Operations – A 7.0 percent increase, or \$82.0 million (increases for projected growth, two new schools, and inflation)
- E&G Space Support – A 10.1 percent increase, or \$26.7 million (increases for projected growth, two new schools, and inflation)
- Research Enhancement – A 10.3 percent increase, or \$7.7 million (increases for projected growth, two new schools, and inflation)
- Mission Specific – A 7.0 percent increase, or \$22.6 million (increases for projected growth and inflation)
- Graduate Medical Education – A 31.9 percent increase, or \$22.4 million (increases for projected growth, inflation, and an additional \$18 million)

The Committee's recommendation to include an additional \$18 million for Graduate Medical Education will help the state work towards 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 2018-2019 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 the Texas Higher Education Coordinating Board (THECB).

Committee Background

The Commissioner of the THECB delivered his charge to the CTCFAC at its first meeting on August 12, 2015. The committee elected Dr. Dusty Johnston, President of Vernon College, as the chair and Ms. Kelli D. Shomaker, Vice President for Finance and Administrative Services at Blinn College, as vice chair.

The CTCFAC held three additional meetings between October 2015 and December 2015. A list of CTCFAC members is provided in Attachment A. The minutes of the meetings are provided in Attachment B.

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 3, 2015, and a final written report by February 3, 2016. 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.

Committee Recommendation for Community Colleges.

Sector	2016-17 Appropriations (millions)	2018-19 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public Community Colleges	\$1,743.8	\$1,944.4	\$200.6	11.5%

- Increase the funding for community colleges by \$200.6 million to \$1,944.4 million; this will enable institutions to meet the goals of *60x30TX* (see matrix in charge 4 below). We recommend the following priorities in funding:

- ❖ Priority 1 – Fund the Core \$75 million for the 2018-2019 biennium, or \$1.5 million per community college district.
- ❖ Priority 2 – Fund Community College Success Points at stable or increased funding rate, with a minimum of \$185 per point (initial rate funded for the 2014-15 biennium) in order to incent improvements in student success.
- ❖ Priority 3 – To provide stable contact-hour funding, necessary to keep student tuition low and support enrollment growth, distribute the balance based on the Community College Contact Hour Formula.
- Fund the Bachelor of Technology (BAT) using the same methodology as the 2016-17 biennium.

Committee Recommendation for State Colleges.

Sector	2016-17 Appropriations (millions)	2018-19 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public State Colleges	\$42.8	\$45.1	\$2.3	5.4%

- Increase the funding for the State Colleges formulas for the 2018-2019 biennium to \$45.1 million (an increase of \$2.3 million, or 5.4 percent).
- Fund \$36.8 million to the State Colleges Instruction and Administration formula for the 2018-19 biennium (an increase of \$2.6 million, or 7.5 percent).
 - ❖ This funding level assumes a rate of \$7.51 per contact hour, which is an increase of \$0.46, or 6.5 percent.
 - ❖ This funding level assumes a contact hour growth rate of 3 percent due to:
 - Early High School Campus opening fall 2016 will enroll 100 students in year one, and 400 students by year four;
 - Expanded prison credit offerings;
 - Expanded co-enrollment with local high schools;
 - Expanded Career and Technical Education offerings with Port Arthur ISD;
 - Partnership with Community in Schools of Southeast Texas (CISSET) for a Site Coordinator to provide college and career services to high school students on all CISSET contracted campuses;
 - Lamar Institute of Technology began offering Associates of Arts Degrees in fall 2015.

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

- Allowing the continued collaborative efforts between the colleges and high school campuses for dual enrollment and promotion of college attainment;
 - Continuing the efforts of developing and implementing programs based on the desirable skill needs of our local employers;
 - Continuing the efforts to set an early path to a college education by reaching out to high school students and parents to provide financial aid information, advising, and career path counseling.
- ❖ The recommendation includes an estimated \$8.1 million in statutory tuition and \$28.6 million in general revenue.
- Fund \$8.31 million to the Space Support formula and Small Institution Supplement for the 2018-2019 biennium (a decrease of \$0.32 million, or 4 percent).
 - ❖ This funding level assumes a rate of \$5.86 per adjusted predicted square foot, which is an increase of \$0.31, or 5.6 percent. The funding level assumes a decrease in adjusted predicted square feet of 10.1 percent between fall 2014 and fall 2016 and a 2.3 percent increase for inflation.
 - Split the recommended Space Support rate between “utilities” and “operations and maintenance” components using FY 2016 utility rates, update the utility rate adjustment factors using the FY 2016 utilities expenditures, and allocate the Space Support formula using the fall 2016 predicted square feet.
 - Fund the Small Institution Supplement using the same methodology and rate as the 2016-17 biennium.

Charge 2

Committee Recommendation for Technical Colleges.

Sector	2016-17 Appropriations (millions)	2018-19 Appropriations (millions)	Change Amount (millions)	Percent Change
Texas Public Technical Colleges	\$140.7	\$156.7	\$16.0	11.4%

Administration and Instruction (A&I) and Space Support	2016-2017 Appropriations (millions)	2018-2019 Appropriations (millions)	Change Amount (millions)	Percent Change
General Revenue	\$103.5	\$118.0	\$14.5	14.0%
General Revenue-Dedicated	34.2	34.2	0	0%
All Funds	\$137.7	\$152.2	\$14.5	10.5%

Small Institution Supplement	2016-2017 Appropriations (millions)	2018-2019 Appropriations (millions)	Change Amount (millions)	Percent Change
General Revenue	\$3.0	\$4.5	\$1.5	50.6%

- Fund \$122.5 million in General Revenue and \$156.7 million in all funds for the 2018-2019 biennium, an increase of \$16 million (11.4 percent), which includes \$34.2 million of General Revenue-Dedicated.
- Fund 40 percent of the Texas State Technical College System (TSTCS) returned-value for the 2018-19 biennium.
 - ❖ The recommended funding rate is the same percentage of returned-value that would have been funded by the 2008-09 biennium general revenue appropriation;
 - ❖ This rate funds Instruction and Operations and Space Support using the Returned-Value funding model at a level of approximately \$118 million in General Revenue and \$152.2 million in All Funds, which is an increase of \$14.5 million (10.5 percent);
 - ❖ The \$152.2 million All Funds recommendation includes an estimated \$34.2 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 2016-17 biennium;
 - ❖ The \$118 million General Revenue recommendation funds 40 percent of the \$295 million calculated Returned-Value of TSTCS students who last enrolled

during fiscal years 2009 and 2010.

- Discontinue setting funding levels using contact hours to allow the TSTCS to better fulfill its mission of providing students with the best possible technical education through the optimal deployment of resources.
- Incorporate the TSTCS Space Support funding into the Returned-Value formula to, as directed by the Legislature, further the goal of rewarding job placement and graduate earnings, not time in training or contact hours.
- Continue to include the returned-value of former TSTCS students except dual credit and continuing education.
 - ❖ The Returned-Value formula is producing predictable, consistent results for credit programs; however, early results for dual credit and continuing education programs are significantly less predictable and consistent and their inclusion in the Returned-Value formula requires further development.
 - ❖ Future committees should study the appropriate inclusion of the outcomes of dual credit and continuing education students in the model.
- Fund the Small Institution Supplement for the 2018-19 biennium at a rate of \$375,000 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 \$4.5 million, which would be an increase of \$1.5 million (50.6 percent).
 - ❖ Funding includes the existing four campuses and the two new TSTCS campuses in Ellis and Fort Bend Counties as authorized by the 84th Texas Legislature in Texas Education Code (TEC), section 135.02(a).

Charge 3

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

Committee Recommendation for Competency-Based Education

- Fund competency-based education courses (not modules) using the existing formula calculation and updated expenditure-based weights for the 2018-19 biennium.
 - ❖ Institutions offering competency-based programs should report hours to the Coordinating Board upon census date for that term of all students enrolled in modules associated with the course.
 - ❖ The expenditure study should include the courses' expense and hours reported for the respective fiscal years.

- ❖ Exclude hours where the student obtained mastery of the entire course prior to enrolling in the program. This includes not funding credit obtained through CLEP tests or similar evaluation practices through the formula.
- Expenditure data from a CBE program was evaluated by the GAI formula advisory committee and found insufficient for determining the appropriate funding formula for competency-based education for the sector.
 - ❖ The program, as well as an affiliated community college program, had only been in operation a single semester during Fiscal Year (FY) 2014. The CTC committee requests that additional semesters of competency-based course expenditure data be gathered in the future for use in helping to determine how CBE programs are funded at CTCs.
 - ❖ The commissioner should charge the 2020-21 biennium CTCFAC with reviewing any affiliated information to determine if the expense per hour for these courses varies enough from the statewide ratios to warrant an additional formula to fund competency-based education courses.

Charge 4

Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.

Committee Recommendation for Aligning Formula Funding with the *60x30TX* Plan

- We recommend the funding for community colleges be allocated with the following priorities:
 - ❖ Priority 1 – Fund the Core \$75 million for the 2018-2019 biennium, or \$1.5 million per community college district.
 - ❖ Priority 2 – Fund Community College Success Points at \$185 per point.
 - ❖ Priority 3 – Distribute the balance based on the Community College Contact Hour Formula.
- We also recommend maintaining the current critical needs fields for this biennium and request the THECB review statewide critical needs and make recommendations to be considered in 2017.
- The needs are great in our communities and receiving an additional \$200.6 million in the next biennium will allow community colleges to do more to increase student success and completion in order to meet the goals of *60x30TX*.

	60X30	COMPLETION	MARKETABLE SKILLS	STUDENT DEBT
Core Operations	Sustainability, viability, low tuition, technology for distance learning	Establish pathways, student progress/milestone tracking software, software to help identify individual student intervention needs	Acquire software to track accumulation of marketable skills through completion of degree	Keep tuition low to minimize debt need, acquire student financial literacy program tools
Success Points	Establish pathways, student tracking software	Establish pathways, student tracking software, student success interventions, employment of success coaches or additional advisors	Acquire web tools that provide job market data aligned to workforce and academic programs	Reduce debt by increasing the number of students making steady academic progress (1st college course, 15 hours, etc.)
Instructional Formula Distribution	More academic and CTE dual credit courses offered, increased workforce training opportunities	Assure hours taken apply towards degree, block scheduling	Acquire and articulate marketable skills	Maintain/stabilize tuition rates, increase academic dual credit courses, increase CTE dual credit , no wasted courses

Attachment A

Committee Membership

Dr. Dusty Johnston, Chair

Name/Title	Institution/Address	Email/Phone/Fax
<u>Institution Representatives:</u>		
Ms. Angela Robinson Acting Chancellor	Tarrant County College District 1500 Houston Street Fort Worth, Texas 76102	angela.robinson@tccd.edu (817) 515-5201 FAX (817) 515-5450
Ms. Diane Snyder Vice Chancellor for Finance and Administration	Alamo Colleges BLD. D117 201 West Sheridan San Antonio, Texas 78204	dsnyder12@alamo.edu (210) 485-0010 FAX (210) 486-9300
Dr. David Lydic Professor	Austin Community College District 1212 Rio Grande St Austin, Texas 78701	lydic@austincc.edu (512) 223-3246 FAX (512) 223-3406
Ms. Kelli D. Shomaker (Vice Chair) Vice President for Finance and Administrative Services	Blinn College 902 College Avenue Brenham, Texas 77833	Kelli.shomaker@blinn.edu (979) 830-4123 FAX (979) 830-4155
Ms. Mary Wickland Vice President for Finance	Lamar State College - Port Arthur PO Box 310 Port Arthur, TX 77641	wicklandma@lamarpa.edu (409) 984-6125 FAX (409) 984-6001
Dr. Mark Escamilla President	Del Mar College 101 Baldwin Boulevard Corpus Christi, TX 78404	mescamilla@delmar.edu (361) 698-1203 FAX (361) 698-1559
Mr. Michael Reeser Chancellor	Texas State Technical College System 3801 Campus Drive Waco, Texas 76705	mike.reeser@tstc.edu (254) 867-4891 FAX (254) 867-3960
Mr. Cesar Vela Comptroller	Laredo Community College West End Washington Street Laredo, TX 78040	cvela@LAREDO.EDU (956) 721-5370 FAX (956) 721-5218
Dr. Pamela Anglin President	Paris Junior College 2400 Clarksville Street Paris, TX 75460	panglin@parisjc.edu (903) 782-0330 FAX (903) 782-0370
Dr. Bradley W. Johnson President	Northeast Texas Community College PO Box 1307 Mount Pleasant, TX 75456	bjohnson@ntcc.edu (903) 434-8101 FAX (903) 572-6712
Dr. Jeremy McMillen President	Grayson College 6101 Grayson Drive Denison, TX 75020	mcmillenj@grayson.edu (903) 463-8600 FAX (254) 299-8654
Dr. Phil Rhodes Vice President - Research, Effectiveness, and Information Technology	McLennan Community College 1400 College Drive, Admin. 410 Waco, TX 76708	prhodes@mcclennan.edu (254) 299-8642 FAX (254) 299-8654
Dr. Dusty Johnston (Chair) President	Vernon College 4400 College Drive Vernon, Texas 76384	dri@vernoncollege.edu (940) 552-6291 EXT 2200 FAX (940) 553-3902

Attachment B

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 12, 2015
1:45 p.m.**

Minutes

Attendees: Ms. Erma Johnson Hadley, Ms. Diane Snyder, Ms. Kelli Shomaker, Ms. Mary Wickland, Mr. Michael Reeser, Mr. Cesar Vela, Dr. Pamela Anglin, Dr. Bradley W. Johnson, Dr. Jeremy McMillen, Dr. Phil Rhodes and Dr. Dusty Johnston

Absent: Mr. David Lydic and Dr. Mark Escamilla

THECB Staff: Mr. David Young and Mr Roland Gilmore

1. The meeting was called to order at 1:45 p.m.
2. Ms. Erma Johnson-Hadley, convening chair, nominated Dr. Dusty Johnston for chair and Ms. Kelli Shomaker for Vice Chair; Dr. Bradley Johnson motioned approval by acclamation, and there were no member objections to Dr. Dusty Johnston as committee chair and Ms. Kelli Shomaker for Vice Chair.
3. Mr. Gilmore provided a brief overview of the funding formulas.
4. The chair reviewed the Commissioner's 2018-2019 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 changes to the funding model that will enable institutions to meet the goals of 60x30TX.

Charge 1 and Charge 4 – Anglin (lead), Snyder, Shomaker, Wickland, Vela, McMillen, Rhodes

Charge 2 – Reeser (lead), Wickland, Johnson, Johnston

Charge 3 – Johnson-Hadley (lead), Lydic, Escamilla

5. The chair asked the committee if the future meeting dates and times distributed with the agenda were okay with the committee. A suggestion was made to cancel the September 10th meeting date to allow time for the work groups to work on their assigned charges. A vote was taken and the meeting date was unanimously canceled. A suggestion was made to move the meeting time for both the October 8th and November 5th dates to 11 a.m. A vote was taken and the meeting time was unanimously agreed to be moved to 11 a.m.
6. The meeting was adjourned at 3:15 p.m. The committee will next convene on until October 8, 2015, at 11:00 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, October 8, 2015
11:00 a.m.**

Minutes

Attendees: Ms. Diane Snyder, Ms. Kelli Shomaker, Ms. Mary Wickland, Mr. Michael Reeser, Mr. Cesar Vela, Dr. Pamela Anglin, Dr. Bradley W. Johnson, Dr. David Lydic, Dr. Phil Rhodes and Dr. Dusty Johnston

Joined by conference: Dr. Jeremy McMillen

Absent: Dr. Mark Escamilla

Moment of silence observed for Ms. Erma Johnson Hadley.

THECB Staff: Mr. David Young, Dr. Julie Eklund, Mr. Thomas Keaton, Dr. Judith Sebesta and Mr. Roland Gilmore

Legislative Budget Board: Ms. Emily Deardorff

Office of the Governor: Mr. Bobby Wilkinson

1. The meeting was called to order at 11:00 a.m.
2. The chair asked if there were any corrections to the minutes of the August 12, 2015, meeting. No corrections were noted. Ms. Kelli D. Shomaker moved that the minutes be approved. The motion was seconded by Dr. Pamela Anglin and unanimously approved.
3. Dr. Julie Eklund presented the *60x30TX* Plan.
4. Discussion of Charge 4 – Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.
 - a. Ms. Snyder recommended the committee look at current alignment and discuss the issue at the next meeting. Dr. Johnston suggested that any recommendations from the committee should be mapped to *60x30TX* goals.
 - b. Dr. Anglin stated that more dual credit courses, including courses in workforce certificate programs, will be key.
 - c. Dr. Johnston pointed out that there will be a cost incurred to reach the goals and this must be recognized in the funding levels.
 - d. Dr. McMillan asked if there were alternate models of higher education finance. Dr. Eklund stated the committee that developed the plan discussed the need for looking at different approaches to financing higher education and the overriding theme of those discussions was the need to explore new approaches to finance, and financing in a manner that provides the most effective balance among appropriations, tuition and fees, and financial aid.

- e. Dr. Johnston cautioned that the formulas allocate funding, but do not set the funding level. He pointed out that we need to intensify efforts in both appropriation and allocation; a multi-year plan needs a multi-year approach.
 - f. Ms. Shomaker stated the committee should consider a collaborative effort with the General Academic Institutions (GAI) committee as both are affected by the current appropriation and allocation model.
 - g. Dr. Johnson pointed out the fact that Success Point funding is 10 percent of total appropriation and perhaps success points should be split out and funded as a separate item. Dr. Johnston stated the 90/10 split and \$185 per success point are counter to each other and that perhaps we should base off a rate and consider inflation.
5. Dr Judith Sebesta presented on Competency-Based Education (CBE).
 6. Discussion of Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 - a. Dr. Johnston expressed concern with creating a method to use in formula funding. Dr. Lydic stated there was no update from the workgroup to date and Dr. Johnston asked for discussion on the topic.
 - b. Dr. Johnson stated that students that drag out their education can run out of time for financial aid. There is a value to the deadline and removing it has impacts. Dr. Johnson offered the question for future discussion – does CBE need to be treated like other formula items or the same?
 7. Discussion of Charge 1 – Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding.
 - a. Dr. Anglin referred to page 6 of the handout. Recommendations reflect an increase of approximately 11.5 percent; \$185/SP with an inflation adjustment. She noted that critical fields require consideration.
 - b. Dr. Johnson asked if there have been discussions regarding base funding, and if it is to recognize fixed costs, is there a mechanism to adjust the base funding over time. Dr. Johnston pointed out that this idea leads us back to the appropriation vs. allocation discussion.
 - c. Ms. Snyder stated the workgroup has collected variables for discussion and is still working on the topic. Dr. Johnston pointed out that the workgroup should focus on distribution variables and consider analyzing the output in terms of Full Time Student Equivalents (FTSE) for comparative purposes with other sectors.
 - d. Ms. Snyder requested the committee materials be modified to clearly show the recommendation is still in the works and the materials contained indicate it is the THECB staff straw man for discussion and not the work of the committee. Dr. Eklund said staff would modify materials to meet these conditions.
 8. Discussed the need to review and make recommendations regarding critical need fields (Science, Technology, Engineering, Mathematics and Allied Health).

- a. Dr Eklund let the committee know the THECB is looking into the critical field topic and asked for input and recommendations from the group.
 - b. Dr. Eklund discussed the 8-week reporting pilot with Odessa College; the committee did not see any implications for formula funding.
- 9. The chair recommended the work groups continue their work preparing recommendations to the committee for the four charges.
- 10. Mr. Reeser gave a quick overview of the Returned Value model for the TSTC system.
 - a. Key points:
 - b. Reject activity-based funding and replace with results-based funding
 - c. Include consideration of dual credit and continuing education
 - d. The Returned Value model changes the game (football analogy)
 - e. Infrastructure formula – consider rolling this amount into the return value formula
 - f. Dr. Johnston identified similarities with CBE and the TSTC approach, and Mr. Reeser pointed out the idea that funding on results can create a cheaper and faster path.
- 11. The chair asked for a motion to adjourn. Dr. David Lydic made the motion. The chair adjourned at 12:23 p.m. The committee will next convene November 5th, 2015, at 11:00 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, November 5, 2015
11:00 a.m.**

Minutes

Attendees: Dr. Jeremy McMillen, Ms. Diane Snyder, Ms. Kelli Shomaker, Ms. Mary Wickland, Mr. Cesar Vela, Dr. Pamela Anglin, Dr. David Lydic and Dr. Dusty Johnston

Joined by conference: Mr. Michael Reeser, Dr. Bradley W. Johnson, Dr. Phil Rhodes and Ms. Angela Robinson

Absent: Dr. Mark Escamilla

THECB Staff: Mr. David Young, Dr. Julie Eklund, Mr. Thomas Keaton and Mr. Roland Gilmore

Legislative Budget Board: Ms. Emily Deardorff

1. The meeting was called to order at 11:01 a.m.
2. The chair asked if there were any corrections to the minutes of the October 8, 2015, meeting. No corrections were noted. Ms. Kelli Shomaker moved that the minutes be approved. The motion was seconded by Dr. Jeremy McMillen and unanimously approved.
3. Discussion of Charges 1 and 4 – Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding. Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.
 - a. Dr. Johnston made the suggestion to combine Charges 1 and 4 to better align funding recommendations with the new 60x30TX plan, which met with no concerns from the Committee.
 - b. Dr. Johnston asked Dr. Anglin to brief the committee on their combined draft recommendation.
 - c. Dr. Anglin said the workgroup supports a \$200.2 million increase in CTC funding according to the following:
 1. Independently fund the four areas of the formula
 2. Fund the Bachelors of Applied Technology (BAT) at the current rate adopted by the GAIFAC
 3. Propose an increase of \$25 M to Core funding
 4. Fund Student Success at \$185 per point.
 5. Fund the remainder based on contact hours.

- d. Dr. Anglin stressed the importance of the increased funding in sustaining and expanding the following needs in support of the *60x30TX* plan:
 - 1. Increased academic dual credit opportunities
 - 2. Increased CTE dual credit opportunities
 - 3. Increased Workforce training opportunities on college campuses
 - 4. Employment of additional student success coaches or advisors to improve student completion
 - 5. Software to better track student progress and to identify interventions needed.
 - 6. Block scheduling
- e. Vote on approval was postponed until the December 1, 2015, meeting.
- 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 (General Appropriations Act, HB 1, 84th Texas Legislature, Rider 11 (page III-217)).
 - a. Dr. Johnston referred to the agenda for the returned value funding formula recommendation that was before the Committee for adoption.
 - b. Mr. Reeser motioned the recommendation be accepted, Dr. David Lydic seconded the motion.
 - c. Dr. Johnson opened the item for discussion and asked for a briefing to the Committee by Mr. Reeser.
 - d. Mr. Reeser highlighted the adjustments made to the returned value funding formula.
- 5. Replace the space support formula with an increase to the returned value funding formula of 3 Percent.
- 6. Increase to the small institution supplement for 2 additional campuses of \$1.5 million
- 7. Overall increase of 11.4 percent, or \$16 million, to the Texas State Technical Colleges.
- 8. Discussion of Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 - a. Dr. Anglin stated that CBE outcomes should continue to be tied to courses and funded under the current attempted contact hour model.
 - b. Mr. Reeser noted that potential rule changes might be needed from an accreditation auditing perspective.

- c. Dr. Johnson noted concern in the potential of lower standards associated with attaining a degree through CBE.
 - d. Dr. Julie Eklund mentioned the current two models at Texas A&M Commerce and South Texas College. Specifically, South Texas College was funded at the end of the semester on completed contact hours
 - e. Others noted concerns of pressures being applied to faculty to lower the quality and rigors of the coursework surrounding CBE.
 - f. Dr. Anglin added concern over CBE being funding on completed contact hours vs. attempted hours, which would reduce funding for CBE instruction.
9. The chair asked for a motion to adjourn. Dr. McMillen made the motion. The motion was seconded by Dr. Anglin. The motion was passed, and the chair adjourned at 11:53 a.m. The committee will next convene December 1, 2016, 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
Tuesday, December 1, 2015
1:00 p.m.**

Minutes

Attendees: Mr. Michael Reeser, Dr. Phil Rhodes, Ms. Diane Snyder, Ms. Kelli Shomaker, Ms. Mary Wickland, Mr. Cesar Vela, Dr. Pamela Anglin, and Dr. Dusty Johnston

Joined by conference: Dr. Jeremy McMillen and Dr. Bradley W. Johnson

Absent: Dr. Mark Escamilla, Dr. David Lydic and Ms. Angela Robinson

THECB Staff: Dr. Julie Eklund, Mr. Thomas Keaton and Mr. Roland Gilmore

Legislative Budget Board: Ms. Emily Deardorff

1. The meeting was called to order at 1:06 p.m.
2. The chair asked if there were any corrections to the minutes of the November 5, 2015, meeting. No corrections were noted. Ms. Shomaker moved that the minutes be approved. The motion was seconded by Ms. Snyder and unanimously approved.
3. Discussion of Charges 1 and 4 – Study and make recommendation for the appropriate funding levels for the contact hour, core, and the student success funding. Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.
 - a. Dr. Johnston referred to the agenda for the Community College formula funding recommendation that was before the Committee for adoption.
 - b. Dr. Johnston asked for any comments or discussion; there were none.
 - c. Dr. Anglin motioned the recommendation be accepted; Ms. Shomaker seconded the motion and unanimously approved.
 - d. Dr. Johnston referred to the agenda for the State Colleges formula funding recommendation that was before the Committee for adoption.
 - e. Dr. Johnston asked for any comments or discussion; there were none.
 - f. Dr. Anglin motioned the recommendation be accepted. The motion was seconded by Ms. Shomaker 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 (General Appropriations Act, HB 1, 84th Texas Legislature, Rider 11 (page III-217).
 - a. Dr. Johnston referred to the agenda for the returned value funding formula recommendation that was previously approved.

- b. Dr. Johnston referred to the minor wording changes and asked for comment or discussion, no comments to the minor edits.
 - c. Dr. Johnson expressed that the previous approval would still be applicable considering there were no objections from the committee on the minor wording changes.
- 5. Discussion of Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.
 - a. Dr. Johnston referred to the agenda for the Competency based formula recommendation that was before the Committee for adoption.
 - b. Dr. Johnston asked for any comments or discussion.
 - c. Ms. Snyder noted that the first sub-bullet and third sub-bullet were contradictory and recommended removing the first sentence from the third sub-bullet for report consistency: "Fund hours through the formula for courses where the student attained mastery of the subject at the institution through instruction or independent study".
 - d. Ms. Snyder motioned the recommendation be accepted with the edits; Dr. Rhodes seconded the motion and the motion was unanimously approved.
- 6. Discussion of Charge 4 – Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.
 - a. Dr. Johnston referred to the agenda for the Committee's recommendation aligning formula funding with the current *60x30TX* plan that is before the Committee for adoption.
 - b. Dr. Johnston asked for any comments or discussion.
 - c. Mr. Reeser wanted to clarify the intent of the report noting that the report was the committee's recommendation to the Commissioner only; this was confirmed by CB staff.
 - d. Ms. Snyder brought to the committee's attention to an empty box in the matrix on page 9 which was missing verbiage related to Success points and student debt. Dr Rhodes confirmed the verbiage was missing.
 - e. Dr Rhodes provided the text for the matrix to Mr. Gilmore to include in the final report.
 - f. Ms. Snyder motioned the recommendation be accepted with the edits; the motion was seconded by Dr. Anglin and unanimously approved.
- 7. Discussion of the draft Committee Report
 - a. Dr. Johnston referred to the agenda for the draft Committee Report that is before the Committee for adoption.
 - b. Dr. Johnston asked for any comments or discussion, there were none.

- c. Mr. Reeser motioned the Committee Report be accepted with the edits discussed, Ms. Shomaker seconded the motion and the committee unanimously approved.
- 8. The chair asked for a motion to provide the chair with the final approval of the Committee Report with the edits as discussed. Ms. Shomaker made the motion. The motion was seconded by Mr. Reeser. The motion was passed. The committee chair will have the final approval of the Committee Report being brought forward to the Commissioner.
- 9. The chair asked for a motion to cancel the January 7, 2016, meeting. Mr. Reeser made the motion. The motion was seconded by Dr. McMillen. The motion was passed, and the January 7, 2016, meeting was canceled.
- 10. The chair asked for a motion to adjourn. Dr. Anglin made the motion. The motion was seconded by Dr. McMillen. The motion was passed, and the chair adjourned at 1:25 p.m.

Prepared by Roland Gilmore

Appendix B

General Academic Institutions Formula Advisory Committee (GAIFAC) FY 2018-2019 Biennial Appropriations Report on the Commissioner's Charges

The General Academic Institutions Formula Advisory Committee (GAIFAC), organized in August 2015 (Attachment A), met to address the charges identified by the Commissioner relating to formula funding for the 2018-2019 biennium (Attachment B). The GAIFAC met on the following days: August 12, September 9, October 7, and November 4, 2015.

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.

Recommendation:

The GAIFAC recommends the Legislature **return formula funding rates to the 2010-11** biennium appropriated rates (\$62.19 for the Operations Support formula and \$6.21 for the Space Support formula) by phasing in these increases over the next three biennia. While the GAIFAC understands the Legislature decreased funding due to a reduction in state revenue, the committee is concerned that institutions may not meet the *60x30TX* goals at current funding levels and urges legislators to find funds to support higher education, specifically to

- Fund approximately \$5,146 million to the formulas for the 2018-19 biennium, which would be an increase of \$469 million, or 10.0 percent, compared to the \$4,676 million appropriated for the 2016-17 biennium;
- Fund the Operations Support formula and Teaching Experience Supplement at a rate of \$58.99 per weighted semester credit hour (WSCH) for the 2018-19 biennium.
 - ❖ The recommended funding rate is an increase of \$3.60, or 6.5 percent, compared to the \$55.39 funded for the 2016-17 biennium. This rate includes a \$2.27 increase to return the rate to the 2010-11 biennium rate (a third of the way to \$62.19) and a \$1.33, or 2.3 percent, increase for inflation.
 - ❖ This rate funds the formula at a level of approximately \$4,360 million, which would be an increase of \$418 million, or 10.6 percent, compared to the \$3,942 million appropriated for the 2016-17 biennium.
 - ❖ It assumes a 3.9 percent increase for growth in weighted SCH between the 2015 and 2017 base years (to include summer 2016, fall 2016, and spring 2017 semesters).

- ❖ It allocates funding using a relative weight matrix based on the three-year average of expense per semester credit hour to include fiscal years 2014, 2015, and 2016;
- Fund the Space Support formula at a rate of \$5.86 per square foot for the 2018-19 biennium.
 - ❖ The recommended funding rate is an increase of \$0.31, or 5.6 percent, compared to the \$5.55 funded for the 2016-17 biennium. This rate includes a \$0.18 increase to return the rate to the 2010-11 biennium rate (a third of the way to \$6.09) and a \$0.13, or 2.3 percent, increase for inflation.
 - ❖ This rate funds the formula at a level of approximately \$767 million, which would be an increase of \$52.1 million, or 7.3 percent, compared to the \$715 million appropriated for the 2016-17 biennium.
 - ❖ It assumes a 2.3 percent increase for growth in square feet between fall 2014 and 2016;
 - ❖ Split the recommended space support rate between “utilities” and “operations and maintenance” components using FY 2016 utility rates, update the utility rate adjustment factors using the FY 2016 utilities expenditures, and allocate the space support formula using the fall 2016 space model predicted square feet and;
- Fund the Small Institution Supplement for the 2018-19 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 \$18.2 million, which would be a decrease of \$700,000, or 3.7 percent, compared to the \$18.9 million appropriated for the 2016-17 biennium.

Charge 2:

Study and make recommendations for alternative approaches to incorporating undergraduate student success measures into the funding formulas and compare the effects of funding the success measures within the formula versus applying the success measures as a separate formula.

Recommendation:

Fund approximately \$200 million to new Graduation Bonus for advising, tutoring, and the other interventions many students need to earn a degree by funding the three-year average of the following:

- \$600 for bachelor’s degrees awarded to students who are not at risk
- \$1,200 for bachelor’s degrees awarded to students who are at risk

Funding for at-risk students is higher because these students require more services, and these extra services are not accounted for in the operations support formula.

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. This committee should biennially review the model to ensure it equitably distributes appropriations.

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 2018-19 biennium.
 - ❖ Institutions offering competency-based programs should report hours to the Coordinating Board upon the student's completion of all the modules associated with the course.
 - ❖ The expenditure study should include the courses' expense and hours reported for the respective fiscal years.
 - ❖ Fund hours through the formula for courses where the student attained mastery of the subject at the institution through instruction or independent study. Exclude hours where the student obtained mastery of the entire course prior to enrolling in the program. This includes not funding credit obtained through CLEP tests or similar evaluation practices through the formula.
- Expenditure data from the Texas A&M University-Commerce program was insufficient in determining the appropriate funding formula for competency-based education.
 - ❖ The program had only been in operation a single semester during Fiscal Year (FY) 2014. The committee requests Texas A&M University-Commerce continue to provide competency-based course expenditure data as a subset of the expenditure study data provided for fiscal years 2015 and 2016.
 - ❖ The commissioner should charge the 2020-21 biennium GAIFAC with reviewing this information to determine if the expense per hour for these courses varies enough from the statewide ratios to warrant an additional formula to fund competency-based education courses.

Charge 4:

Study and make recommendations on the treatment of pharmacy hours for professional practice pharmacy courses.

Recommendation:

Update the pharmacy funding policy to fund pharmacy courses with pharmacy expenditure-based weights and the standard enrollment adjustment methodology.

- Weight pharmacy undergraduate semester credit hours using pharmacy undergraduate course expenditures and hours. Remove directions to use science weights.
- Adjust pharm-D program course enrollments in the same manner as enrollments for all other programs.
 - ❖ Weight hours for graduate level students (master's, doctoral, and professional-practice) enrolled in pharmacy professional practice courses at the pharmacy professional practice weight.

Weight hours for undergraduate level students (lower and upper) enrolled in pharmacy professional practice courses at the corresponding pharmacy lower- and upper-level weights.

Charge 5:

Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.

Recommendation:

State funding is an essential resource for institutions to meet the *60x30TX* goals. The committee considered the four goals of this plan when setting the funding level recommendations included in this report. Over the course of the 15 years during the *Closing the Gaps* plan, general academic institutions increased enrollments 45 percent and increased graduation rates over 11 percentage points (from 49.5 to 60.5 percent). These strides require quality faculty and staff motivated to reaching a higher standard of education for our students and our state.

Since fiscal year 2000, these same institutions received decreasing amounts in state support on a per full-time student equivalent basis – a trend that must be reversed if the state intends to educate 3 out of 5 citizens, nearly double the annual graduates, and increase students' awareness of their marketable skills, all while keeping student debt levels from rising. This committee encourages the Legislature to work diligently in forming budgets over the next 15 years that help higher education institutions in the state of Texas reach these ambitious but attainable goals.

Attachment A

General Academic Institutions Formula Advisory Committee Roster

Name	Institution
Dr. Dana G. Hoyt (Chair) (2018) President	Sam Houston State University Box 2027 Huntsville, TX 77341
Mr. Martin V. Baylor (Vice Chair) (2018) Executive Vice President for Finance and Administration	The University of Texas Rio Grande Valley 1201 West University Dr. Edinburg, TX 78539
Dr. Allen Clark (2016) Vice Provost for Academic Resources	University of North Texas 1501 W. Chestnut St., Suite 206 Denton, Texas 76201
Mr. Edward T. Hugetz (2018) Interim Provost and Senior Vice President for Academic Affairs	University of Houston-Downtown 1 Main Street Houston, TX 77002
Dr. Harrison Keller (2020) Deputy to the President for Strategy and Policy	The University of Texas at Austin 1 University Station G1000 Austin, TX 78712
Dr. César Malavé (2020) Department Head, Industrial and Systems Engineering	Texas A&M University 101 Bizzell St. College Station, TX 77840
Dr. James Marquart (2020) Provost and Vice President Academic Affairs	Lamar University PO Box 10002 Beaumont, TX 77710
Dr. Perry Moore (2016) Vice Chancellor for Academic Affairs	Texas State University System 208 E 10th Suite 600 Austin, TX 78701
Dr. Karen Murray (2020) Executive Vice President of Academic Affairs and Provost	Tarleton State University 1333 West Washington Stephenville, TX 76402
Dr. Robert Neely (2016) Provost and Vice President Academic Affairs	Texas Woman's University PO Box 425617 Denton, TX 76204
Dr. Marc A. Nigliazzo (2016) President	Texas A&M University Central Texas 1001 Leadership Place Killeen, TX 76549
Dr. J. Patrick O'Brien (2020) President	West Texas A&M University 2501 4th Avenue Canyon, TX 79016
Dr. Paula M. Short (2018) Senior Vice President for Academic Affairs and Provost	University of Houston 4302 University Dr., Room 204 S2019 Houston, TX 77204
Ms. Noel Sloan (2020) Chief Financial Officer and Vice President of Administration and Finance	Texas Tech University 2500 Broadway Lubbock, TX 79409
Ms. Angie W. Wright (2020) Vice President for Finance and Administration	Angelo State University 2601 West Ave N San Angelo, TX 76903

Attachment B

Commissioner's Charge to the General Academic Institutions Formula Advisory Committee (GAIFAC) for the 2018-2019 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 1998-99 biennium, and first fully funded with an expenditure-based relative weight matrix in the 2010-11 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. This formula, which includes the teaching experience supplement, allocated 84 percent of the total formula funding at a rate of \$55.39 per WSCH for the 2016-17 biennium. The teaching experience supplement incentivizes the use of tenured and tenure-track faculty in undergraduate courses by providing a 10 percent bonus of WSCH funding.

The space support formula allocates funds on predicted square feet (an estimate of the space needed based on activity) in support of plant-related and utility expenses. This formula, including the small institution supplement, allocated 16 percent of the total formula funding at a rate of \$5.55 per predicted square foot for the 2016-17 biennium. The small institution supplement, which distributes additional resources on headcount due to the reduced economies of scale seen with operating small institutions, allocated \$1.5 million to each institution with fewer than 5,000 headcount for the 2016-17 biennium. The amount is gradually reduced as the institution approached 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 the *60x30TX* plan. A preliminary written report of its activities and recommendations is due to the Commissioner by December 3, 2015, and a final written report by February 3, 2016. 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 alternative approaches to incorporating undergraduate student success measures into the funding formulas and compare the effects of funding the success measures within the formula versus applying the success measures as a separate formula. (TEC, Section 61.0593)
3. Study and make recommendations on the treatment of competency-based courses in formula allocations.

4. Study and make recommendations on the treatment of pharmacy hours for professional practice pharmacy courses.
5. Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x30TX*.

Attachment C

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
Wednesday, August 12, 2015
1:42 p.m.**

Attendees: Dr. Dana G. Hoyt (Chair), Mr. Martin V. Baylor (Vice Chair), Mr. Allen Clark, Mr. Edward T. Hugetz, Dr. Harrison Keller, Dr. Cesar Malave, Dr. Karen Murray, Dr. Robert Neely, Dr. J. Patrick O'Brien, Dr. Paula M. Short, Ms. Noel Sloan, and Ms. Angie W. Wright

Absent: Dr. James Marquart, Dr. Perry Moore, and Dr. Marc A. Nigliazzo

Staff: Dr. Raymund Paredes, Dr. David Gardner, Dr. Julie Eklund, and Mr. Paul Turcotte

7. The meeting was called to order at 1:42 p.m.
8. Dr. Hoyt, convening chair, called for a nomination for chair. Dr. O'Brien nominated Dr. Hoyt, Ms. Sloan seconded the nomination, and the members present unanimously voted Dr. Hoyt as committee chair.
9. The chair called for a nomination for vice chair. Dr. Hoyt nominated Mr. Baylor; Dr. O'Brien seconded the nomination, and the members present unanimously voted Mr. Baylor as committee vice chair.
10. Dr. Eklund provided a brief overview of the funding formulas and fielded questions from members.
11. The chair reviewed the Commissioner's 2018-2019 biennium charges.
 - a. Charge 1 – Funding Levels
 - i. The chair requested that members review the information provided in the meeting's agenda materials and be prepared to discuss funding levels at the September meeting.
 - b. Charge 2 – Student Success Funding
 - i. The chair requested staff provide a summary of 2-year national student success funding models for members' consideration.
 - ii. Following members' discussion of potential areas to review, the chair requested that members be prepared to take up this charge at the October meeting.

c. Charge 3 – Funding Competency-Based Courses

- i. The chair requested committee members be prepared to take up this charge during the September meeting and let members know that a representative from Texas A&M University – Commerce would attend to answer questions relating to an expenditure study of that university's CBE program that had been requested by the last GAIFAC.

d. Charge 4 – Professional Practice Pharmacy Funding

- i. The chair requested that members review the information related to this charge in this meeting's materials and be prepared to address the charge at the October meeting.

e. Charge 5 – *60x30TX*

- i. The chair requested that members review the plan and be prepared to discuss it at the September meeting.

12. The committee considered future meeting dates.

- a. The chair reviewed the poll of meeting dates conducted by staff and determined the majority of members could make meetings on September 9, October 7, and November 4 at 1:00. The chair set those dates for the committee's future meetings.

13. The meeting was adjourned at 2:45 p.m. until September 9, 2015 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 9, 2015
1:03 p.m.**

Attendees: Mr. Martin V. Baylor, Dr. Allen Clark, Dr. Dana G. Hoyt, Mr. Edward T. Hugetz, Dr. Harrison Keller, Dr. César Malavé, Dr. James Marquart, Dr. Perry Moore, Dr. Karen Murray, Dr. Robert Neely, Dr. Marc A. Nigliazzo, Dr. J. Patrick O'Brien, Dr. Paula M. Short, Ms. Noel Sloan, and Ms. Angie W. Wright

Absent: None

Staff: Dr. David Gardner, Dr. Julie Eklund, Mr. David Young, and Mr. Paul Turcotte

1. The vice chair called the meeting to order at 1:03 p.m.
2. The minutes from the meeting on August 12, 2015, were reviewed and unanimously approved by nomination from Dr. Nigliazzo and second from Dr. Clark.
3. The committee discussed, reviewed, and considered the Commissioner's 2018-2019 biennium charges.
 - a. Consideration of charge 2 relating to outcomes-based funding and charge 4 relating to pharmacy funding were deferred until the October meeting.
 - b. On Charge 5 relating to the *60x30TX* plan:
 - i. Dr. Ginger Gossman provided a brief overview of the plan.
 - ii. After deliberation, the draft recommendation included in the advance materials (with edits) was unanimously approved by nomination from Ms. Sloan and second from Dr. Marquart.
 - iii. Members recognized that there are several ways that state appropriations will impact the goals of the plan. They noted in discussion of the student debt goal that tuition is only part of the cost of attendance; appropriations will play an important but not a singular role in goal achievement. Some adjustments to the formulas may be necessary to ensure equitable distribution of appropriations during the plan years.
 - c. On Charge 3 relating to competency-based funding:
 - i. Dr. Eklund introduced Dr. Judith Sebesta who provided the committee with an overview of competency-based education.
 - ii. Dr. Mary Hendrix from Texas A&M University-Commerce was on hand to answer questions related to the expenditure study requested by the 2016-2017 GAIFAC to ascertain the per semester credit hour cost of competency-

based education. The committee acknowledged that the expenditure study did not provide adequate information to determine if the current formulas are appropriate to fund these programs and agreed the next GAIFAC should review these expenditure study breakouts. However, the committee unanimously voted to table, by nomination from Dr. Keller and second from Dr. O'Brien, the draft recommendation provided in the advanced materials.

- iii. Members inquired on the development and maintenance of the program content. Dr. Hendrix shared that the program, which currently has 108 students, is expected to break even when enrollment reaches 200.
- iv. The committee noted that low enrollments impacted the expenditure study results. Dr. Hendrix pointed out that the high results are also, in part, due to a grant the institution received. She hopes course material repositories similar to the Texas Learning Object Repository may reduce the expense of developing future programs.
- v. Members recognized the potential need to consider alternative funding models to equitably fund these programs, but expressed interest in models that would not privilege competency-based education over other alternative instructional methods.

d. On Charge 1 relating to funding levels:

- i. Mr. Turcotte presented the draft recommendation and funding level justifications. The committee requested the funding level for estimated growth only – no rate increases and no inflation adjustments.
- ii. Members deliberated on a number of options in setting funding levels for the formulas and associated rationales with the intent of continuing the discussion at later meetings.
- iii. These discussions led to a conversation of funding an alternative model and the potential to request an interim workgroup that would report its findings to the 2020-2021 GAIFAC.
- iv. The committee requested staff estimate the expense of reaching the goals of the *60x30TX* plan. Staff cautioned that similar estimates for *Closing the Gaps* yielded unsubstantiated results with costs levels that are yet to be realized. Members asked staff to do a simple linear projection of expenditures at today's rates.
- v. Members inquired if the committee was required to make recommendations to the specific formulas listed in the charge. Mr. Turcotte did not think so, but Dr. Eklund volunteered to check with the Board's legal counsel.

4. The meeting was adjourned at 3:20 p.m. until October 7, 2015 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, October 7, 2015
1:03 p.m.**

Attendees: Mr. Martin V. Baylor, Dr. Allen Clark, Dr. Dana G. Hoyt, Mr. Edward T. Hugetz, Dr. Harrison Keller, Dr. César Malavé, Dr. Perry Moore, Dr. Karen Murray, Dr. Robert Neely, Dr. Marc A. Nigliazzo, Dr. J. Patrick O'Brien, Dr. Paula M. Short, Ms. Noel Sloan, and Ms. Angie W. Wright

Absent: Dr. James Marquart

Staff: Dr. David Gardner, Dr. Julie Eklund, Mr. David Young, and Mr. Paul Turcotte

1. The chair called the meeting to order at 1:03 p.m.
2. The minutes from the meeting on September 9, 2015, were reviewed and unanimously approved by nomination from Mr. Hugetz and second from Dr. Malavé.
3. The committee discussed, reviewed, and considered the Commissioner's 2018-2019 biennium charges.
 - a. On Charge 4 relating to the Pharmacy Funding Policy:
 - i. Mr. Turcotte presented two issues with the policy for the committee's consideration.
 - ii. The committee unanimously approved changes to the formula funding policy by nomination from Dr. O'Brien and second from Dr. Neely.
 1. Modify the policy so that undergraduate pharmacy courses not in the Pharm-D program are weighted using the undergraduate pharmacy weights instead of the current direction to weight those courses using the undergraduate science weights.
 2. Modify the policy so that Pharm-D course enrollments use the same enrollment adjustment methodology as all other programs.
 - b. On Charge 2 relating to undergraduate student success funding:
 - i. Mr. Young presented the Graduation Bonus incentive-funding model.
 - ii. The committee requested data on transfer-student graduates. Staff committed to providing the number of transfer students in the model, the number of those graduates who were identified as at risk, and the number of overall graduates who are transfer students and were not reported as taking the SAT or ACT.

- iii. It was pointed out that “sum certain” incentive funding models have self-defeating effects and efforts would be amplified if institutions could be certain of the amount appropriated per degree awarded.
 - iv. Members asked to see the degrees by institution, the funding levels generated if the model were funded at \$600 per degree for students who are not at risk and \$1,200 per degree for students who are at risk. They also requested a comparison to that funding allocated with the operations support and the previously recommended outcomes-based funding model. Additionally, members requested the change in the percent of at-risk degrees by institution from the latest data and the preceding three-year period.
 - v. Members requested a linear projection be applied to the total and at-risk degrees in the model to forecast institutions’ degree production into the funded biennium.
 - vi. Members requested a study of the cost differential of graduating an at-risk student versus a non-at-risk student.
 - vii. The impact of reallocation was considered. This proposal will allocate funds differently from Operations Support because it has a different objective – to support student service with the aim to increase completion rates. Since the Graduation Bonus is not designed to fund basic support, it should not replace any portion of Operations Support funding.
 - viii. The committee discussed an interim study committee to determine various details of the issue, but there was hesitation of not recommending a model for the 2018-2019 biennium as the commissioner will need to make a recommendation.
- c. On Charge 1 relating to funding levels:
- i. Mr. Turcotte reviewed the draft recommendation for growth, rate, and inflation increases.
 - ii. The committee requested to see funding levels by institution if the graduation bonus is recommended.
4. The meeting was adjourned at 2:25 p.m. until November 4, 2015, 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 4, 2015
1:00 p.m.**

Minutes

Attendees: Mr. Martin V. Baylor, Dr. Allen Clark, Dr. Dana G. Hoyt, Mr. Edward T. Hugetz, Dr. Harrison Keller, Dr. César Malavé, Dr. James Marquart, Dr. Perry Moore, Dr. Karen Murray, Dr. Robert Neely, Dr. Marc A. Nigliazzo, Dr. J. Patrick O'Brien, Dr. Paula M. Short, Ms. Noel Sloan, and Ms. Angie W. Wright

Staff: Dr. Julie Eklund, Mr. David Young, and Mr. Paul Turcotte

1. The meeting convened at 1:00 p.m., Dr. Hoyt presiding.
2. On a motion by Mr. Baylor, seconded by Dr. O'Brien, the committee unanimously approved the October 7, 2015, minutes.
3. The committee discussed, reviewed, and considered the Commissioner's 2018-2019 biennium charges.
 - a. On Charge 3 relating to funding competency-based education:
 - i. On a motion by Dr. O'Brien, seconded by Ms. Sloan, the committee unanimously approved the draft recommendation included in the meeting materials.
 - b. On Charge 1 relating to funding levels:
 - i. Staff described the methodology used for estimating growth and inflation increases in the draft recommendation.
 - ii. Members edited the draft recommendation to prioritize growth funding over rate increases. By the nature of the formula, the available funding is distributed using the latest available weighted semester credit hours, thereby first accounting for growth. The recommendation was edited to show the dollar increase for inflation of \$1.33 for operations support and \$0.18 for space support.
 - iii. A member reiterated that sum certain funding models limit the impact of institutions' efforts to adopt alternative delivery modes that align with state goals. The graduation bonus limits this only in a small part. The formulas are deeply flawed. It would be better to fund half on enrollments and half on completions. Other members raised concerns about the instability of such a proposal. The member responded that policies can be put in place to ameliorate such instabilities, and that the benefits would outweigh these concerns.

- iv. On a motion by Ms. Sloan, seconded by Dr. O'Brien, the committee approved an edited version of the draft recommendation by a vote of 14 to 1.
- c. On Charge 2 relating to outcomes-based funding:
 - i. The committee edited the definition of an at-risk graduate after determining Pell eligibility was a better indicator for economically disadvantaged students than simply recipients of Pell grants.
 - ii. The committee edited the draft recommendation to prioritize the funding of the operations and space support formulas and to indicate the funding amount of \$200 million for the graduation bonus was an approximation that would fluctuate with the three-year average of degrees funded at \$600 per non-at-risk degree and \$1200 per at-risk degree per year.
 - iii. The committee considered the impact of dropping the age, part-time, and GED at-risk measures in relation to capturing at-risk transfer graduates. Staff pointed out that Pell and SAT/ACT measures covered all but about 4,345 transfer degrees. The committee rested on the simplicity of the recommended model.
 - iv. The additional cost of graduating an at-risk student was considered. Staff estimated the increase to be 21 percent or \$16,500. Members discussed whether the additional \$600 in the model was arbitrary, as it does not cover the additional costs and would not be a true incentive to institutions in recruiting more at-risk students. Staff indicated that the bonus was not for basic support, but to encourage institutions to put in place more services to help all students, particularly at-risk students, graduate in greater percentages and sooner. Additionally, institutions would benefit from increases in formula funding as these students persist longer and graduate.
 - v. The concept of using a "Request for Proposal" (RFP) approach was considered to allow a select group of institutions to participate in a state funded pilot program. This would enable those universities to be directly reimbursed for additional costs associated with graduating at-risk students. The committee again rested on the simpler approach of the draft recommendation.
 - vi. On a motion by Dr. O'Brien, seconded by Dr. Malavé, the committee unanimously approved an edited version of the draft recommendation.

With no further business, the meeting adjourned at 2:40 p.m. with the intention of members approving the final report via correspondence.

Appendix C

Health-Related Institutions Formula Advisory Committee Recommendation Report for 2018-2019 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 12, 2015 (Attachment A). The HRIFAC held three additional meetings from September 2015 through November 2015 to consider and discuss the Commissioner's charges. Attachment B provides a list of the current HRIFAC members. Attachment C contains the committee minutes from each meeting.

Executive Summary

The HRIs are the primary producers of the state's physicians, nurses, dentists, pharmacists, public health leaders, biomedical scientists, and allied health professionals. 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 42nd, down from 41st in 2013, in the U.S. in numbers of active, patient care physicians per 100,000 population. Despite an overall increase of over 3,300 (or almost 6 % more) new physicians into Texas since 2013¹, the state ranking declined slightly.
- Texas ranks 47th, unchanged from 2013, in the number of active, patient care, primary care physicians per 100,000 population. Again, despite over 1,000 (or

¹ Association of American Medical Colleges (AAMC) (2015) *State Physician Workforce Data Book*

nearly 6 %) more primary care physicians added to the state since 2013, 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 59.7 percent, unchanged from 2013.¹
- Texas ranks 5th in physicians retained who completed graduate medical education (GME) within the state, at 58.2 percent, unchanged from 2013.¹
- Texas ranks 3rd in physicians retained that completed both UME and GME within the state, at 80.6 percent, unchanged in 2013.¹

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 percent 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 to address these critical shortages and limitations. It is imperative for Texas to restore per-unit funding, back to the original formula funding rates of the 2000-01 biennium.

The state's HRIs are under great pressure as they stretch to support Texas' workforce needs and to provide excellence in healthcare-related education, research, and service with the diminishing levels of per-unit support. HRIs have reduced state-funded administrative staff, increased deferred maintenance, and limited or postponed new programs in order to continue to produce a quality healthcare workforce. Institutions are leveraging local funding sources,

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

including institutional reserves and clinical enterprise revenue needed for patient care, in order to offset formula reductions.

External factors are 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 also face major funding uncertainties with the implementation of healthcare reform legislation. 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.

For the FY2018-19 biennium, we recommend that Texas 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 one-third of the difference between the 2016-17 and 2000-01 biennium rates. Additionally, we recommend GME funding at the same rate recommended for the 2016-17 biennium. See recommendation details below:

2018-19 Biennium Recommendation	FY 2000-01	FY 2014-15	FY 2016-17	FY 2018-19
Instruction & Operations (I&O) Funding Rate	\$ 11,383	\$9,527	\$ 9,829	\$10,347
Infrastructure Rate				
All Other HRIs	\$ 11.18	\$6.63	\$6.65	\$8.16
UTMDACC & UTHSCT	\$ 10.68	\$6.09	\$6.26	\$7.73
Research Enhancement Rate	2.85%	1.22%	1.23%	1.77%
Graduate Medical Education Rate	N/A	\$5,122	\$ 6,266	\$8,444

None of the figures above reflects any adjustment for purchasing power changes over the past sixteen years since the funding formulas were established.

Enrollment, research, and infrastructure growth without adequate formula funding carries the potential risk of quality erosion. The path to reduced quality is short but restoring lost quality education, research, and infrastructure takes much longer. Without additional funding sufficient to support both the growth of existing HRIs as well as the new medical schools in the 2018-19 biennium, rates for all formulas will significantly decline as reflected below.

Without Additional Funding	FY 2016-17	FY 2018-19 ⁽¹⁾	FY 2018-19 ⁽²⁾
Instruction & Operations (I&O) Funding Rate	\$ 9,829	\$9,458	\$9,383
Infrastructure Rate			
All Other HRIs	\$ 6.65	\$6.37	\$6.19
UTMDACC & UTHSCT	\$ 6.26	\$6.04	\$5.83
Research Enhancement Rate	1.23%	1.22%	1.06%
Graduate Medical Education Rate	\$ 6,266	\$6,345	\$6,072

⁽¹⁾ Rate Resulting from Projected Growth in Existing HRIs, but without new Funding

⁽²⁾ Rate Resulting from Projected Growth in Existing HRIs plus new Medical Schools, but without new Funding

Such declines in funding would seriously limit the ability of HRIs to meet the goals outlined in the Coordinating Board's *60x30TX* strategic plan for higher education.

Report and Committee Recommendation

HRIs are funded by four primary formulas: *Instruction and Operations (I&O)*, *Infrastructure*, *Research Enhancement* (all implemented by the 76th Legislature), and *Graduate Medical Education* (GME) (established by the 79th Legislature). The University of Texas M. D. Anderson Cancer Center (UTMDACC) and The University of Texas Health Science Center at Tyler (UTHSC-Tyler) have additional formulas that reflect their unique missions:

- The 80th Texas Legislature converted the UTMDACC Mission-Specific formula into a new "Cancer Center Operations formula."
- The 81st Legislature converted the UTHSC-Tyler Mission-Specific formula into a new "Chest Disease Center Operations formula."

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 Legislature fund the four HRI formulas at levels that address the requirements of the *60x30TX* higher education strategic plan.

Since the establishment of HRI formula funding in 1999 for the 2000-01 biennium the Texas Legislature has increased appropriations for HRI formula funding; however, funding per Full Time Student Equivalent (FTSE), per predicted square foot, and per research dollar expended has declined as follows:

Funding Per Unit	FY 2000-01	FY 2016-17	% Change
Full Time Student Equivalent (FTSE)	\$ 11,383	\$9,829	(14%)
Per Square Foot -			
HRIs except UTMDACC & UNTHCT	\$11.18	\$6.65	(41%)
UTMDACC/UTHSC-Tyler	\$10.68	\$6.26	(41%)
Research Dollars Expended	2.85%	1.23%	(57%)

The Graduate Medical Education (GME) formula did not exist at the inception of HRIs' formula funding in 2000. Even with the recent increase, funding levels are insufficient to cover the costs of residency education and program administration, estimated to approach \$15,000 per resident per year.

Despite these per-unit reductions in funding, HRIs have made important progress in increasing enrollment and research to serve the workforce and healthcare needs of Texas. However, they have done so by using funds from other sources, including institutional funds; they have also deferred new programs, limited other programs, and delayed investments in technology and facilities infrastructure renewal. All of these factors have hampered education and enrollment growth.

Two new medical schools have been established in Texas. First, in the 83rd Legislative Session, the Texas Legislature authorized the creation of The University of Texas Rio Grande Valley (UTRGV) School of Medicine. Secondly, The University of Texas System authorized, and The

University of Texas at Austin established, the Dell Medical School. These are the first medical schools created within general academic institutions (GAI) since the HRI formulas were developed and implemented. The HRIFAC deliberated regarding the appropriate funding option for these new schools considering the inclusion of these medical schools within the GAI formulas or within the HRI formulas. The recommendation set forth by the HRIFAC in this report for funding these new medical schools was not unanimous.

It is recommended that these two schools be included in the existing HRI formula funding models for I&O, infrastructure, research, and graduate medical education such that funding for each medical school is consistent with the principles and funding levels for the other medical school programs included in the existing formulas. This will require that additional incremental funding from the Legislature be added to the HRI formula funding pool, while applying the recommended 2018-19 rates, to fund growth for existing HRIs and the two new medical schools. The table below shows a detailed comparison of the HRIs' formula funding amounts for 2016-17 (historical) and amounts recommended for 2018-19, which include the two new medical schools.

	Per Unit Growth Existing HRIs	Per Unit Growth w/ New Schools	FY 2016-17 Appropriations	FY 2018-19 Requested	\$ Change	% Change
Instruction & Operations Formula	3.82%	4.22%	\$ 1,170,698,696	\$1,286,894,426	\$116,195,730	9.93%
Infrastructure Formula	4.21%	7.45%	265,414,098	350,564,702	85,150,604	32.08%
Research Enhancement Formula	1.26%	2.08%	74,562,294	101,834,078	27,271,784	36.58%
Total			\$ 1,510,675,088	\$ 1,739,293,206	\$228,618,118	15.13%
Mission Specific Graduate Medical Education	3.82%	4.22%	\$323,162,046	\$ 355,236,952	\$32,074,906	9.93%
	3.20%	3.20%	70,249,148	97,700,292	27,451,144	39.08%
Total All Formulas			\$ 1,904,086,282	\$2,192,230,450	\$288,144,168	15.13%

The table below details recommended 2018-19 funding amounts for HRIs and the two new medical schools.

	Per Unit Growth Existing HRIs	Per Unit Growth w/ New Schools	FY 2016-17 Appropriations	FY 2018-19 Requested	\$ Change	% Change
Existing HRIs						
Instruction & Operations Formula	3.82%	4.22%	\$1,170,698,696	\$1,277,059,010	\$106,360,314	9.09%
Infrastructure Formula	4.21%	7.45%	265,414,098	339,849,056	74,434,958	28.04%
Research Enhancement Formula	1.26%	2.08%	74,562,294	95,638,296	21,076,002	28.27%
Total			\$1,510,675,088	\$1,712,546,362	\$201,871,274	13.36%
Mission Specific Graduate Medical Education	3.82%	4.22%	\$323,162,046	\$355,236,952	\$32,074,906	9.93%
	3.20%	3.20%	66,539,954	92,549,282	26,009,328	39.09%
Total- All Formulas HRIs			\$1,900,377,088	\$2,160,332,596	\$259,955,508	13.68%
New Medical Schools						
Instruction & Operations Formula			\$-	\$9,835,416	\$9,835,416	
Infrastructure Formula			-	10,715,646	10,715,646	
Research Enhancement Formula			-	6,195,782	6,195,782	
Total			\$-	\$26,746,844	\$26,746,844	
Mission Specific Graduate Medical Education			\$-	\$-	\$-	
		3.20%	3,709,194	5,151,010	1,441,816	38.87%
Total- All Formulas 2 New Medical Schools			\$3,709,194	\$31,897,854	\$28,188,660	
Total- All Formulas (HRIs & 2 New Medical Schools)			\$1,904,086,282	\$2,192,230,450	\$288,144,168	15.13%

The above amounts apply the recommended 2018-19 rates and reflect a 13.68 percent increase in formula funding for HRIs and a 15.13 percent overall increase in funding when including the two new medical schools using existing formulas.

Texas' significant population growth is challenging the health education system that delivers professionals to the healthcare front line. To address this challenge and meet the health education needs of a growing Texas, funding sources and methodologies must supply equitable, predictable, and reliable support for the existing, developing, and evolving institutions stepping up to meet those needs. To that end, we encourage the Texas legislature to dedicate the necessary resources and examine alternatives beyond existing methodologies to meet this critical state need now and into the future.

In this report, only “All Funds” figures are used; General Revenue and General Revenue-Dedicated Funds are a subset of “All Funds” and this report does not detail those amounts. This approach is consistent with the historical Committee and Coordinating Board approach on providing formula recommendations. The Instruction and Operations and the Infrastructure formulas use an “All Funds” method of finance where approximately 90-95 percent of the formula is General Revenue and the balance is General Revenue-Dedicated Funds (certain tuition and fee revenue). General Revenue funds other formulas entirely.

The following sections discuss detailed rates and other information:

Instruction and Operations (I&O) Formula

The Instruction and Operations formula provides support for the Instruction, Academic Support, Student Services, and the Institutional Support categories. The I&O formula rate recommended for the *60x30TX* higher education strategic plan for FY 2018-19 is \$10,347.

Current funding for students’ education and training is provided through the I&O formula, the largest of the formulas or 77.5 percent of the main formulas funding HRIs. A base rate is established and FTSE weights are assigned, dependent on the student’s particular program of study (e.g., medicine, nursing, dentistry, etc.).

The per FTSE I&O formula funding rate has decreased 14 percent between the 2000-01 and 2016-17 biennia (even before considering purchasing power reductions). During the same period, HRIs have served the needs of Texans by increasing their enrollment of medical and health professionals by 96 percent to help address the state’s participation and success goals in the *60x30TX* higher education strategic plan. Continuation of this increasing divide between FTSE growth and funding per FTSE is not in the best interest of the State of Texas.

While HRIs are grateful for the significant investment in I&O, at the current rate of funding – \$9,829 per “base” FTSE per year – fully achieving the goals of *60x30TX*, as well as serving the increasing demands for healthcare in Texas, is not attainable. HRIs continue to explore and implement cost-effective and efficient methods to educate quality healthcare professionals. However, costs savings from increases in scale (i.e., enrollment increases) are limited by the nature of healthcare education. Such limitations include costs associated with required faculty supervision and monitoring ratios in clinical settings, additional laboratory facility requirements, and the costs of additional clinical training settings for students.

Texas is one of the fastest growing states in the U.S. in terms of population. At the same time, Texas has experienced significant growth in the number of physicians practicing in the state. From U.S. Census estimates, Texas’ population has increased by over 2.5 million people, or 10.9 percent, from 2006 to 2012. During this same period, the number of “active physicians” in the state has increased by 16.7 percent (or nearly 8,000). In addition, the number of “active patient care physicians” has increased by 11.6 percent (or 5,000 physicians) since 2009, the first year for this data. This has led to Texas improving from 46th to 41st among U.S. states, in terms of active physicians per 100,000 population.

AAMC State Physician Workforce Data

Data Book Year	2009	2011	2013	2015	% Inc
Texas population	24,326,974	25,213,445	26,059,203	26,956,958	10.80%
Texas Active Patient Care Physicians	42,649	44,395	47,586	51,430	20.60%
Active Patient Care Physicians Rank (per 100k population)	46	46	41	42	

Note: The AAMC issues its *The AAMC Physician Workforce Data Book* in its current form every other year, since 2007. The data represented is through the year prior to the issuance of the data book, i.e. 2015 includes 2014 data. The AAMC first tracked "Active patient care physicians" in the 2009 report, and the stated percent increase is from 2009-2015.

Recommendation:

The committee recommends that the Legislature add additional funds equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates per FTSE in the next biennia as follows:

	FY 2000-01	FY 2014-15	FY 2016-17	FY 2018-19
I&O Funding Rate	\$ 11,383	\$ 9,527	\$ 9,829	\$ 10,347

The committee recommends that the Legislature calculate both base student population and the growth according to the most updated FTSE student count (or spring enrollment) at the recommended base rate (\$10,347) and multiply it by the discipline weights. This calculation will ensure and maintain the base rates at the recommended dollar value when growth is considered.

Infrastructure Formula

The Infrastructure Support formula for plant support and utilities for HRIs calculates funding by using the predicted square feet⁵ for the HRIs produced by the Space Projection Model. Currently in the Space Projection Model, all HRIs are functioning with a deficit in predicted square feet versus actual square feet. Because the Space Projection Model does not account for hospital space, separate infrastructure funding for hospital space at The University of Texas Medical Branch at Galveston, UTMDACC, and UTHSC-Tyler are included in the total funding for hospital and patient care activities. It currently represents 17.6 percent of the total for the main formulas funding HRIs.

The predicted square footage is based on five factors (teaching, research, office, clinical and support), making it the one formula that truly reflects the complexity of the HRIs. Current infrastructure funding levels only partially cover utility, facility support, and routine maintenance costs. Increased infrastructure rates would allow institutions to address deferred maintenance (which ultimately extends the life of current facilities, a much less expensive alternative to replacing facilities entirely).

When the infrastructure formula was established, a lower rate was set for UTMDACC and UTHSC-Tyler because they did not contribute tuition and fees to the formula. UTMDA has

⁵ "Clinical Space" included in the Space Projection Model, is the actual educational and general (E&G) clinical space devoted to the diagnosis and care of patients in the instruction of health professions and allied health professions.

enrolled students since FY 2002 and contributed tuition and fees in the method of finance for the infrastructure formula since FY 2004. In FY 2012 UTHSC-Tyler enrolled students and contributed tuition and fees to the formula in FY 2016.

Recommendation:

The committee recommends that, in the next biennia, the Legislature add additional funds equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates as follows:

	FY 2000-01 Rates	FY 2014-15 Rates	FY 2016-17 Rates	FY 2018-19 Rates
All Other HRIs	\$11.18	\$6.63	\$6.65	\$8.16
UTMDACC & UTHSC-T	\$10.68	\$6.09	\$6.26	\$7.73

Research Enhancement Formula

Under the current Research Enhancement formula, each HRI annually receives research enhancement funding in the base amount of \$1,412,500 plus an amount equal to 1.23 percent of each institution's research expenditures (as reported to the THECB). The current Research Enhancement formula represents 4.9 percent of the total for the main formulas funding HRIs. While the base amount of this formula has not changed since the inception of the formulas, the rate has decreased from 2.85 percent to the current level of 1.23 percent, a 57 percent overall decline. The committee believes that this generates a relatively small amount of research funding when considering the positive impact research outcomes have on the state and the ability of the HRIs to leverage state dollars. The committee believes that this reduction impedes research growth and achievement of the state's excellence and research goals for the *60x30TX* higher education strategic plan.

Recommendation:

Consistent with the formula recommendations above, the committee recommends and requests that the Legislature add additional funds equivalent to one-third of the difference between the 2016-17 and 2000-01 biennium rates in the next biennia (see table below). Doing so would enhance the research capabilities of the HRIs.

	FY 2000-01	FY 2014-15	FY 2016-17	FY 2018-19
Research Enhancement Rate	2.85%	1.22%	1.23%	1.77%

Most HRIs conduct significant levels of research, which drives new and innovative approaches in medicine and clinical care, benefiting the citizens of Texas. By supporting research, this funding also supports economic growth more generally for the state.

Mission-Specific Formula

Since UTMDACC and UTHSC-Tyler do not provide formal medical education, which qualifies for instruction support under the I&O Support formula, funding for I&O support is allocated to these institutions based on separate criteria. Mission-Specific Support recognizes the patient care, research, and training programs that take place at these institutions. The 77th Legislature established the Mission-Specific formulas.

The 80th Legislature refined the “Cancer Center Operations Formula” for UTMDACC to provide funding for its patient care mission based on the total number of Texas cancer patients served. The funding requirement placed on this formula by Article III, Section 28, Special Provisions, Paragraph 9, Mission Specific states, “For formula funding purposes, 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 Instruction and Operations formula for the current biennium.”

Recommendation:

In accordance with the above requirement, the committee recommends that funding for UTMDACC and UTHSC-Tyler be increased by the “average growth in funding” recommended for the I&O formula.

Graduate Medical Education (GME) Formula

A separate HRI formula for GME started in 2006-07. The committee notes that the current level of funding for the GME formula covers less than one-third of the full GME education costs that the Coordinating Board estimated in 2004. Initially, the GME formula funding was \$25 million, resulting in a rate of \$2,340 per resident. In subsequent biennia, additional funds were added to the formula to approach the education costs estimated by the Coordinating Board. However, the current level of \$6,266 per resident in 2016-17 falls short of the \$15,000 required to support resident education.

Recommendation:

Given the importance of residency positions in retaining graduating residents in the state, the committee recommends that the GME rate for formula funding for the 2018-19 biennium increase by an additional 34.77%, which was the committee’s requested level for 2016-17.

	FY 2006-07	FY 2014-15	FY 2016-17	FY 2018-19
Graduate Medical Education	\$ 2,340	\$ 5,122	\$ 6,266	\$ 8,444

Goals of *60x30TX*

The HRIs across Texas support the goals of the Coordinating Board’s *60x30TX* higher education strategic plan. Although the GAIs and the Community and Technical Colleges may play a bigger role, Texas HRIs are committed to assisting the Coordinating Board in meeting the goals of *60x30TX*.

To reach the *60x30TX* goals, HRIs will continue to develop approaches to ease the transition from undergraduate to graduate studies. Already in place are accelerated programs and on-line course offerings, which improve access and appeal to a broader spectrum of students, especially adult learners. Furthermore, HRIs expect to continue to experience increased enrollment throughout most health-related programs. Graduates of HRIs have some of the most valued and marketable skills across Texas. The majority of the disciplines within the Health Science area are in high demand, as there are shortages of providers and other healthcare professionals across much of Texas. As the demand for increased skills and specialties continues to grow in the healthcare field, the occupations that align with HRI programs are likely to continue.

In 2007, the HRIFAC formulated a plan to help close the formula funding gap. This initiative was focused on restoring prior formula funding rates to enable HRIs to receive sufficient resources to meet the established educational goals of *Closing the Gaps*. The committee has chosen to continue this plan for the 2018 – 2019 biennium, which it believes will assist the State in meeting the goals of *60x30TX*.

Report and Recommendation Summary

The Legislature did not implement the Health-related funding formulas as originally envisioned by the 76th Legislature. Current HRI formula funding is already largely “outcome-based” because of our high graduation rates and rapidly expanding research enterprises. Therefore, the structure of existing formulas is appropriate. However, HRI formulas’ current implementation serve as a means for allocating available General Revenues. Using the formulas as an allocation vehicle has resulted in a significant reduction in formula funding rates at a time of substantial growth in formula indicators, or “drivers” (i.e., numbers of students, predicted square feet, research expenditures) at HRIs. Current funding levels place institutions at risk of compromising excellence to meet costs. Continued growth in enrollments and research prowess without additional funding, as well as stable per-unit state contributions, may negatively affect teaching capacity and accreditation and will increase the backlog of deferred maintenance.

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 committee’s plan historically consisted of restoring the formula’s per-unit funding rates over multiple biennia to the 2000-01 level (without any adjustment for inflation). Although some funding increases were achieved in the past two biennia, formula rates are still far below those in the 2000-01 biennium.

To highlight the need to close the “formula funding gap”, HRIs have not requested any structural changes to the formulas for the 2018-19 biennium.

Within this background and framework, the committee respectfully presents its recommendations to the Commissioner’s charges.

Attachment A

Texas Higher Education Coordinating Board Commissioner's Charge to the Health-Related Institutions Formula Advisory Committee (HRIFAC) For the FY 2018-2019 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 and technical colleges.

The HRIFAC will meet during the summer and fall of 2015 to discuss formula elements and make a formal recommendation in regard to funding amounts for FY 2018-19 to the Commissioner of Higher Education in December of 2015.

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 resident education. 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 the revised formula includes appropriations previously made outside the formula for patient care activities.

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.

Instructions & 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 \$9,829 per FTSE for the FY 2016-17 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 the following table:

Program	Formula Weight	Small Class Size Supp.	Funding Amt. for One Student
Allied Health	1.000	\$ 20,000	\$ 9,829
Health Informatics (Allied Health)	1.000	\$ 20,000	\$ 9,829
Biomedical Science	1.018	\$ 20,000	\$ 10,006
Nursing - Undergraduate	1.138	\$ 20,000	\$ 11,185
Nursing - Graduate	1.138	\$ 20,000	\$ 11,185
Pharmacy	1.670	\$ 20,000	\$ 16,414
Public Health	1.721	\$ 20,000	\$ 16,916
Dental Education	4.601	\$ 30,000	\$ 45,223
Medical Education	4.753	\$ 30,000	\$ 46,717

The I&O formula represents 77.5 percent of total I&O, Infrastructure, and Research Enhancement funding to the health-related institutions, an increase of 0.12 percent over the prior biennium.

The All Funds, I&O formula, funding appropriation of \$1.17 million represents an 8 percent increase in funding over the FY 2014-15 biennium, compared to a 6 percent increase in FTSE.

The I&O funding rate for FY 2016-17 represents 89 percent of the funding requested by the Committee in 2013.

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 - percent 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.

The Infrastructure rate per predicted square foot appropriated for FY 2016-17 is as follows:

HRIs except UT M. D. Anderson Cancer Center & UT Health Science Center at Tyler	\$	6.65
UT M. D. Anderson Cancer Center & UT Health Science Center at Tyler	\$	6.26

The Infrastructure formula represents 17.6 percent of total I&O, Infrastructure, and Research Enhancement funding to the health-related institutions, a decrease of 0.16 percent over the prior biennium. The FY 2016-17 total formula funding appropriation of \$265.4 million represents a 6.87 percent increase from the FY 2014-15 biennium, compared to a 6.0 percent increase in predicted square feet.

The Infrastructure funding rate for FY 2016-17 represents 70.2 percent of the funding requested by the Committee in 2013.

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 4.9 percent of total I & O, Infrastructure, and Research Enhancement funding to the HRIs, an increase of 0.03 percent over the prior biennium. The FY 2016-17 total formula funding appropriation of \$74.6 million represents an 8.56 percent increase over the amounts for the FY 2014-15 biennium, compared to a 5.73 percent increase in research expenditures.

The Research Enhancement funding rate for FY 2016-17 represents 67.1 percent of the rate requested by the Committee in 2013.

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 2016-17 biennium is as follows:

- The Cancer Center's total formula funding appropriations are \$264.8 million, an increase of 6.98 percent for the FY 2016-17 biennium.
- The Health Science Center's total formula funding appropriations are \$58.4 million, an increase of 6.98 percent for the FY 2016-17 biennium.

Mission-Specific funding for FY 2016-17 represents 88.5 percent of the amount requested by the Committee in 2013.

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 2016-17 biennium, a total of \$70.2 million was appropriated for Graduate Medical Education, an increase of 30.7 percent over FY 2014-15, compared to a 6.88 percent increase in residents. Appropriations provide \$6,266 per resident per year.

The GME formula funding rate for FY 2016-17 represents 94.1 percent of the rate requested by the Committee in 2013. Additional GME funding of \$53 million was trusted to the Coordinating Board for FY 2016-17.

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, 2015, 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, HB 1, 84th Texas Legislature, Section 28.8, 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.
- 4 Study and make recommendations on changes to the funding model that will enable institutions to meet the goals of *60x307X*.

Attachment B

Health-Related Institutions Formula Advisory Committee for The FY 2018-2019 Biennium

Name/Title	Institution/Address	Email/Phone/Fax
<u>Institution Representatives:</u>		
Mr. Elmo M. Cavin Executive Vice President	Texas Tech University Health Sciences Center 3601 4th Street Lubbock, TX 79430	elmo.cavin@ttuhsc.edu (806) 743-3080 FAX (806) 743-2910
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 FAX (979) 458-6477
Dr. Elizabeth Protas Dean of the School of Health Professions	The University of Texas Medical Branch at Galveston 301 University Blvd. Galveston, TX 77555-0126	ejprotas@utmb.edu (409) 772-3001 FAX (409) 747-0772
Mr. Kevin Dillon Executive Vice President, Chief Operating & Financial Officer	The University of Texas Health Science Center at Houston PO Box 20036 Houston, TX 77225-0036	kevin.dillon@uth.tmc.edu (713) 500-4952 FAX (713) 500-3805
Mr. Weldon Gage Senior Vice President & Chief Finanacial Officer	The University of Texas M. D. Anderson Cancer Center 1515 Holcombe Blvd., Box 95 Houston, TX 77030	wgage@mdanderson.org (713) 794-5162 FAX (713) 745-1034
Ms. Andrea Marks (Vice- Chair) 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 FAX (210) 567-7027
Mr. Bob Armstrong Associate Vice President, Controller	The University of Texas Health Center at Tyler 11937 US Hwy 271 Tyler, TX 75708	bobby.armstrong@uthct.edu (903) 877-7470 FAX (903) 877-7494
Mr. John Harman (Chair) Vice President for Business and Finance	University of North Texas Health Science Center at Fort Worth 3500 Camp Bowie Blvd. Fort Worth, TX 76107-2644	John.Harman@unthsc.edu (817) 735-2523 FAX (817) 735-5050

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Attachment C

**Health-Related Institutions
Formula Advisory Committee Meeting 1:00 P.M.
Texas Higher Education Coordinating Board
August 12, 2015**

Minutes

Members:

Elmo M. Cavin - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Absent
Kevin Dillon – UTHSCH	Present
Weldon Gage – M.D. Anderson	Absent
Andrea Marks - UTHSCSA	Present
Vernon Moore – UTHSCT	Absent
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange – TTUHSC-El Paso	Present
Mirna Gonzalez – UTRGV	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. Elmo Cavin nominated John Harman as the Chair. The nomination was seconded and Mr. Harman was voted as the new Chair.

Mr. Harman continued the meeting by requesting nominations for the new position of Secretary. Barry Nelson nominated Kevin Dillon as the Secretary. The nomination was seconded and Mr. Dillon was voted as the new Secretary.

Mr. Harman then requested nominations for the position of Vice-Chair. Elmo Cavin nominated Andrea Marks as Vice-Chair. The nomination was seconded and Ms. Marks was voted as the new Vice-Chair.

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 2016-17.

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

John Harman 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 impact of the two new medical schools in Austin and Rio Grande Valley was discussed as well as a request from the Legislative Budget Board (LBB) for options in how these two institutions should be included for formula funding purposes. In addition, there was discussion related to the infrastructure formula and part of the calculation for predicted square feet that results from Current E&G Expenditures reported on institution's Sources and Uses document. It was determined two workgroups would be needed: one for the LBB request on the two new medical schools led by Andrea Marks and a second on the infrastructure formula led by Kevin Dillon. The workgroups are made up of the entire committee.

The committee reviewed and considered the Commissioner's Charge #2 related to recommendations for the appropriate I&O formula weights. Elmo Cavin made a motion to adopt the current weights for the I&O formula. The motion was seconded and approved by the committee.

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. Andrea Marks made a motion that there not be any new weights for specialty programs. The motion was seconded and approved by the committee.

The committee then reviewed and discussed Commissioner's Charge #4 related to changes to the funding model that will enable institutions to meet the goals of *60x30TX*.

Kevin Dillon agreed that his institution would update the HRI state workforce metrics used in the Executive Summary of the committee report after the reporting organizations release their data in November.

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

The future meeting dates were reviewed, and the committee agreed to meet according to the previously published schedule.

Agenda Item VI: Adjourn

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions
Formula Advisory Committee Meeting 10:00 A.M.
Texas Higher Education Coordinating Board
September 9, 2015**

Minutes

Members:

Elmo M. Cavin - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Present
Kevin Dillon – UTHSCH	Present
Weldon Gage – U.T. M.D. Anderson	Present (by phone)
Andrea Marks - UTHSCSA	Present
Bob Armstrong – UTHSCT New Member	Present
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange, MD – TTUHSC-El Paso	Present
Mirna Gonzalez – UTRGV	Present

Agenda Item I: Call to order

John Harman convened the meeting in the Board Room of the Texas Higher Education Coordinating Board.

Agenda Item II: Consideration and approval of the minutes

Andrea Marks moved to approve the minutes from the previous meeting, and the committee voted to approve the minutes.

Agenda Items III and IV: Receive reports from workgroups/consideration and discussion of workgroup reports

John Harman noted that the committee approved current program weights and specialties at the previous meeting.

Andrea Marks provided a report on the recommendations of the workgroup on formula funding for the new medical schools. She discussed the guiding principles the workgroup developed and proposed that a new weight within the general academic institutions be created to fund the discipline of medicine at UT Austin and UTRGV. Elmo Cavin moved that the report be adopted.

John McCall moved to table the motion until the next meeting to allow for more time for discussion with leadership at the affected institutions.

The motion to table the motion prevailed.

Kevin Dillon provided a report on behalf of the workgroup recommending changes to the infrastructure formula. He noted that the institutions were in the process of gathering information

about the currently reported inputs for the infrastructure formula and that the workgroup will meet again and report additional progress at the October meeting.

Agenda Item V: Consideration, discussion, and approval of formula rates

Ed Buchanan from the Coordinating Board staff provided data requested at the previous meeting estimating the cost and percentage increase in appropriations that would be required to apply the 2000-2001 rates in the upcoming biennium.

Elmo Cavin asked that the data for the two new medical schools be presented separately rather than as part of the aggregate total for all HRIs.

John Harman moved that the committee continue to recommend a return to the 2000-2001 rates for the 2018-2019 biennium for the I&O, Infrastructure, and Research Enhancement formulas, as well as the GME rate that was recommended in the previous legislative session. The committee approved the motion.

Agenda Items VI & VII: Consideration, discussion, and reapproval of the current I&O formula weights and programs and determination of whether new weights should be requested or specialties assigned separate weights

John Harman noted that both issues were resolved at the previous meeting when the committee voted not to recommend new weights or assign separate weights to specialty programs.

Agenda Item VIII: Consideration, discussion, and approval of the HRIFAC draft report

John Harman noted that the HRIFAC draft report would be ready in October and that it would include information underscoring the importance of formula funding, as well as the Coordinating Board's new *60x30* initiative.

Agenda Item IX: Planning for subsequent meetings

The future meeting dates were reviewed, and the committee agreed to meet according to the previously published schedule, with the next meeting occurring on October 7 at 10:00 A.M.

John Harman reminded members to submit templates to Kevin Dillon.

Agenda Item X: Adjourn

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions
Formula Advisory Committee Meeting 10:00 A.M.
Texas Higher Education Coordinating Board
October 7, 2015**

Minutes

Members:

Elmo M. Cavin - TTUHSC	Present
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Absent
Kevin Dillon – UTHSCH	Present (by phone)
Weldon Gage – UT MD Anderson	Present
Andrea Marks - UTHSCSA	Present
Bob Armstrong – UTHSCT	Present
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange, MD – TTUHSC-El Paso	Present
Mirna Gonzalez – UTRGV	Present

Agenda Item I: Call to order

John Harman convened the meeting in the Board Room of the Texas Higher Education Coordinating Board (THECB).

Agenda Item II: Consideration and approval of the minutes

Richard Lange requested that the minutes include the report from the workgroup on formula funding for the two new medical schools. Barry Nelson made a motion to include the report, and Weldon Gage seconded the motion. The minutes as amended were unanimously adopted.

Agenda Item III: Discussion, review, and consideration of the Commissioner's 2018-2019 biennium charges

Julie Eklund (THECB staff) provided an overview of the *60x30TX* initiative.

John Harman recommended that the Committee consider old business.

Elmo Cavin made a motion to vote to approve the recommendations in the report provided at the previous meeting related to formula funding for the new medical schools.

John Harman suggested that since the motion to approve the report had been tabled in the previous meeting, there would need to be a subsequent motion to lay it on the table.

Elmo Cavin moved to lay the motion on the table, and Richard Lange seconded the motion. All others present opposed the motion.

Richard Lange then challenged the interpretation of the Chair based on the understanding that the Committee's intent at the previous meeting was not to table the motion, but rather to postpone its consideration to a time certain. Andrea Marks assumed the Chair to facilitate further discussion regarding the Committee's intent.

John McCall clarified that his intent at the previous meeting was to defer the vote on the recommendations included in the report to provide ample opportunity to discuss them with his institutional leadership.

After discussion, the challenge to the chair's decision by Richard Lange was before the committee and Elmo Cavin seconded the challenge. The challenge prevailed by a vote of 7-3.

The question before the committee was the original motion to adopt the recommendations in the report provided by the workgroup on formula funding for the new medical schools that was offered by Elmo Cavin and seconded by Richard Lange. The motion failed by a vote of 2-9.

Ed Buchanan (THECB staff) then provided a summary of the updated worksheets reflecting the fiscal impact of a return to the 2000-2001 I&O, infrastructure, and research formula per unit rates and a return to the GME formulas recommended in the previous biennium.

John McCall moved that the statement below be included in the report clarifying that the new medical schools should be included in the HRI formulas.

The University of Texas at Austin and The University of Texas Rio Grande Valley consider the best and only option available for the Dell Medical School and UT RGV School of Medicine, ensuring the most predictable and stable appropriations funding methodology, to be inclusion in the existing Health Related Institution (HRI) formula funding models. The HRI formulas best provide the mechanism for the distribution of general revenue appropriations for students, related predicted square footage, and research at UT Austin Dell Medical School and UT RGV School of Medicine.

Therefore, the recommendation is that the Dell Medical School and the UT RGV School of Medicine be included in the existing HRI formula funding models for I&O, infrastructure, and research, such that funding for each medical school is consistent with the principles and funding levels for the other medical programs included in the existing formulas.

Barry Nelson seconded the motion.

Discussion ensued regarding the estimates included in the worksheets. Richard Lange and Kevin Dillon requested that the estimates be amended to reflect the impact on the formulas if the new medical schools, plus typical growth (e.g., in enrollment, in research expenditures, etc.), are added at current funding levels.

John Harman identified additional issues that might be addressed in the recommendations, including revised instructions for reporting by the new schools and assertions that existing HRIs not be negatively impacted by the inclusion of new medical schools in the HRI formulas.

Richard Lange asked if John McCall would consider amending his amendment to include a commitment that those GAIs present would not pursue HRI formula funding for their other health-

related programs (e.g., nursing or pharmacy schools, at GAIs). McCall declined to amend his motion. The motion prevailed by a vote of 9-2.

Kevin Dillon provided a report from the infrastructure workgroup and moved the recommendation that the THECB, as part of the study directed to them in THECB Rider 55, work to provide consistency between the instructions for the various templates and reports health-related institutions complete and the space projection model instructions. Elmo Cavin seconded the motion, which was subsequently adopted unanimously.

Agenda Item IV: Planning for subsequent meetings

John Harman indicated that the next meeting is scheduled for November 4, 2015, at 10:00 A.M.

Discussion ensued regarding preparation of the draft report, and it was determined that the draft would be circulated prior to the November meeting to allow all members the opportunity to discuss with leadership and recommend changes.

Agenda Item X: Adjourn

With no other discussion, the committee voted to adjourn.

**Health-Related Institutions
Formula Advisory Committee Meeting 10:00 A.M.
Texas Higher Education Coordinating Board
November 4, 2015**

Minutes

Members:

Elmo M. Cavin - TTUHSC	Present (by phone)
Barry Nelson - TAMHSC	Present
Elizabeth Protas - UTMB	Present
Kevin Dillon – UTHSCH	Present (by phone)
Weldon Gage – U.T. M.D. Anderson	Present
Andrea Marks - UTHSCSA	Present (by phone)
Bob Armstrong – UTHSCT	Present
John Harman - UNTHSC	Present
Angelica Marin-Hill - UTSWMC	Present
John McCall – UT-Austin Dell	Present
Richard Lange, MD – TTUHSC-El Paso	Present
Mirna Gonzalez – UTRGV	Present

Agenda Item I: Call to order

John Harman convened the meeting in the Board Room of the Texas Higher Education Coordinating Board (THECB).

Agenda Item II: Consideration and approval of the minutes

Barry Nelson moved to approve the minutes from the previous meeting, and Elizabeth Protas seconded the motion. The committee voted to approve the minutes with a vote of 11-1.

Agenda Item III: Discussion, review and consideration of the Commissioner's 2018-2019 Biennium charges and Agenda Item IV: Discussion, review, and consideration of the Committee's report to the Commissioner

John Harman began discussion of the report and the committee's prior decision in the report to recommend a return to the 2000-01 rates. There was discussion that the overall cost of a full return to the 2000-01 rates would be substantial and a new modified approach was brought forward to recommend an increase equivalent to 1/3 of the difference in the 2016-17 rates and the 2000-01 rates.

The committee then turned to discussion of the growth assumptions in the various formulas that are being used in the cost estimates of the proposed committee recommendation, especially for the two new medical schools. THECB staff noted the estimates for the two new schools were provided by the institutions themselves. The two new schools will be reporting data separately from the academic in Sources and Uses and other reports.

Barry Nelson then moved adoption of the report subject to the completion of the data and metrics that need to be produced and recommend the use of the approach to recommend an increase

equivalent to 1/3 of the difference in 2016-17 rates and the 2000-01 rates as discussed. Richard Lange seconded the motion. After discussion, John Harman as chair postponed motion to later in the meeting.

The committee discussed further the inputs from the two new medical schools and the need for them to be reasonable. It was noted by the schools that they did their best to provide estimates in the timeframe provided earlier in the year and are willing to review and revise as necessary.

There was discussion related to GME costs in the report. It was recommended by the committee that the THECB study the education costs related to GME.

Discussion began on Handout #3 which is to replace language on page 4, paragraph 6 of the draft report provided related to the two new medical schools. Elmo Cavin made a motion to adopt the top half of Handout #3 with the exception of the first sentence which is replaced with the two paragraphs at the bottom of Handout #3. An amendment to the language clarifying that the Dell Medical School was not authorized by the Legislature but rather by The University of Texas System Board of Regents was proposed by John McCall and was adopted. An amendment adding "...since the creation of the HRI formulas" at the end of the sentence "These are the first and only Texas medical schools established within General Academic Institutions," was proposed by Barry Nelson and adopted. Richard Lange seconded the motion made by Cavin. The motion was adopted by a vote of 7-5.

John McCall made a motion to include a paragraph in the committee's report to explore future methods of funding to allocate funds to existing and future health institutions. Richard Lange seconded the motion. The motion was adopted unanimously. John McCall and Richard Lange will work on the draft language to be included.

The discussion returned to the estimated figures and data provided by the two new medical schools related to the infrastructure and research formulas. Richard Lange made a motion to have the two new medical schools provide updated estimates for the infrastructure and research formulas to be incorporated into the report. John Harman seconded the motion. The motion was adopted unanimously.

John Harman brought back for consideration the Barry Nelson motion on adoption of the report that was postponed earlier that had previously been seconded. The motion was adopted unanimously.

Agenda Item V: Planning for subsequent meetings

Discussion ensued regarding continued preparation of the draft report, and it was determined that the draft would be circulated to allow all members to review updated formula calculations.

Agenda Item VI: Adjourn

With no other discussion, the committee voted to adjourn.



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