



**Texas Public
General Academic Institution
Expenditure Study
Overview**

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**Division of Planning and Accountability
Finance and Resource Planning**



Texas Higher Education Coordinating Board

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Mission of the Coordinating Board

The Texas Higher Education Coordinating Board's mission is to work with the Legislature, Governor, governing boards, higher education institutions and other entities to help Texas meet the goals of the state's higher education plan, Closing the Gaps by 2015, and thereby provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.

Philosophy of the Coordinating Board

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is unacceptable. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies. The Coordinating Board will engage in actions that add value to Texas and to higher education. The agency will avoid efforts that do not add value or that are duplicated by other entities.

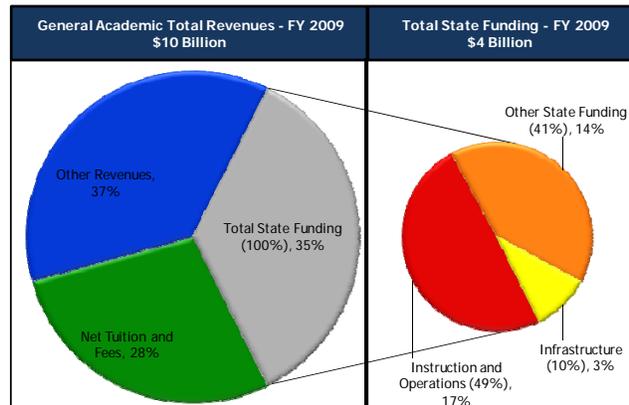
Texas Public General Academic Institutions Expenditure Study Overview

The Texas Public General Academic Institutions Expenditure Study draws on the “all funds” expenses reported in the institutions’ annual financial reports to produce a relative weight matrix used in calculating the Instruction and Operations (I&O) formula funding. In Fiscal Year 2010 (FY 2010), institutions received nearly 20 percent of their overall funding and 49 percent of their state funding through the I&O formula.

The study produces a relative weight matrix based on data from the last three fiscal years’ expenditures. In 2002, the General Academic Institution Formula Advisory Committee (GAFAC) developed a methodology to create an expenditure-based relative weights matrix for use in the I&O funding formula. This objective expenditure-based methodology uses the institutions’ three-year spending patterns to distribute I&O formula funds. This study includes all funds except Auxiliary, which include activities not legally supported with state funds.

State funding represented 35 percent of the universities’ total revenues in FY 2010. The relative weights established in the expenditure study are a key driver for the I&O formula, which accounted for 49 percent of total state funding distributed to the universities and 17 percent of the universities’ total revenues in FY 2010.

The use of the matrix relative weights equally funds all institutions at the same rate for a semester credit hour (SCH) at a given level and discipline. The relative weights in the matrix represent the ratio of educational expenses to SCHs compared to undergraduate lower-level liberal arts. The matrix defines ratios for the 5 levels of instruction and 20 disciplines used in the I&O formula, which distributes funding by multiplying a rate (\$62.19 for the 2010-2011 biennium) by the number of SCHs and relative weight for each level and discipline.



Parentetical numbers represent the percent of total state funding as presented in THECB Sources and Uses (FY 2009).

The relative weights calculation includes all funds, which reconcile to the institutions’ Annual Financial Reports (AFRs). The study allocates these funds by the operating expense elements: instruction, research, academic and institutional support, and student services. Academic and institutional support and student services are allocated as reported in the AFRs. Instruction and research elements are combined and distributed between salaries and departmental operating expenses. These five expenditure elements, plus associated capital outlay from current funds, comprise the higher education expenses funded by the I&O formula, as it is defined in the General Appropriations Act.

The study allocates the National Association of College and University Business Officers (NACUBO) elements to levels of instruction and disciplines using the specific allocation methodologies for each category. Teaching salaries include the portion related to teaching and teaching assistant salaries. The methodology identifies faculty-teaching salaries using teaching load credits (TLC) reported on the class report (CBM004). The TLCs represent the portion of a faculty member’s time spent teaching. Institutions complete surveys to report teaching assistant salaries. The remaining salaries are categorized as departmental operating expense.

Academic support expenses, which closely align with salaries, are allocated by level and discipline according to the percent distribution of faculty salary expenses. Institutional support and student services are allocated to the 5 levels using institution-specific headcounts and to the 20 disciplines by institution-specific SCHs. Departmental operating expenses (DOE) are allocated to the appropriate academic discipline and level based on the institutions' internal budget designations. The five allocation categories are summed by discipline and level and divided by the corresponding statewide SCHs to create expense per SCH rates. These rates are divided by the undergraduate lower-level liberal arts rate to establish relative weights.

The Legislative Budget Board allocates the optometry discipline using Senator Ratliff's weights. The optometry expenditure-methodology relative weights are not used to avoid the bias associated with a single institution contributing to the weight.¹ The staff will continue to publish the optometry expenditure-based relative weights availing the Legislature the option to use them.

The study results are published on the Texas Higher Education Coordinating Board's website (<http://www.theccb.state.tx.us/FRP>). The Relative Weights, Relative Weights History, Full-Time Student Equivalent (FTSE) Summary, Discipline Summary, Discipline Analysis, Budget-Neutral Analysis, and Institution Survey Results are included in the workbook posted on the website.

- The Relative Weights table shows the relative expenditure per SCH by discipline and level of instruction and is the result of dividing the individual expenditure per SCH by the Liberal Arts Lower-Level expenditure per SCH. The Expenditure per SCH is the quotient of the sum of the last three years of expenditures divided by the last three years of semester credit hours.
- The Relative Weights History tables show the year-over-year percent change in relative weights since the inception of the expenditure study.
- The FTSE Summary shows the total spent to support a FTSE in a given year by institution. An FTSE is calculated to be 30 SCHs for undergraduate students, 24 SCHs for master's and special professional students, and 18 SCHs for doctoral students.
- The Discipline Summary, derived by reordering the expenditure study data by discipline and institution, illustrates the most and least efficient institutions by discipline with no regard to the level or quality of the instruction offered.
- The Discipline Analysis, similar to the table above, shows expenditure per SCH by institution and level of institution for a given discipline.
- The Budget-Neutral Analysis applies the current and previous relative weight matrix to SCHs used in the current study adjusting the funding rate applied to the current matrix so the total amount funded equals that calculated using the previous biennium's funding rate and relative weight matrix. The difference in the two rates is the result of the changes in the relative weights.

End Notes

¹ The staff unsuccessfully attempted to collect optometry expenditure data from other states' public institutions to satisfy the requests from two Formula Advisory Committees (FAC). The other states do not collect expenditure data in alignment with the expenditure study requirements. The 2012-2013 biennium FAC was charged with making recommendations on how to manage relative weight calculations when fewer than three institutions offered programs. The committee recommended using expenditure-based relative weights in these situations and allowing weights to populate naturally.

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

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