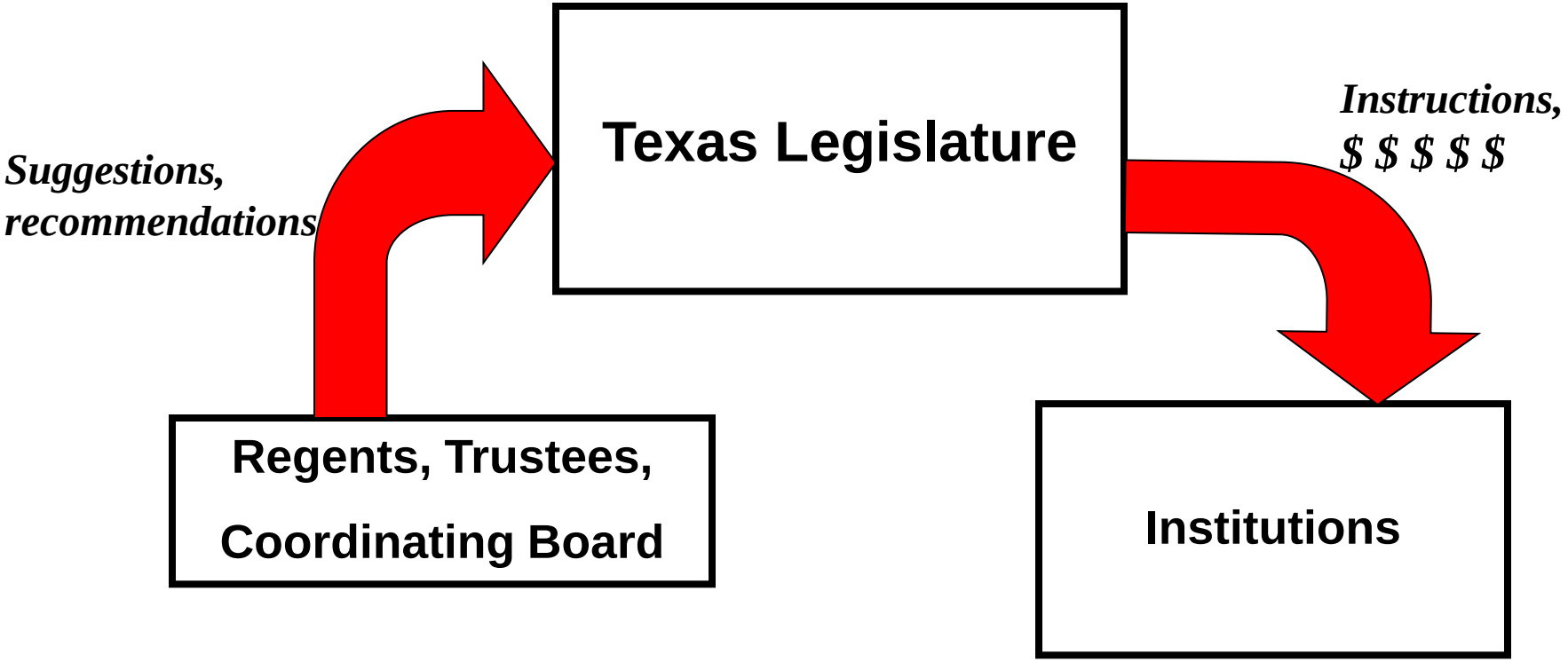
Funding Mechanisms for Texas Institutions of Higher Education

Community and Technical Colleges

November 8, 2010

Appropriations are made directly to institutions – Formulas are for ALLOCATION



Institutions receive funds from a variety of sources, a significant portion of which does not flow through the "formulas"

Appropriated Funds			Non-Appropriated Funds	
General Revenue	**Local Funds**	**State Endowments**	**Institutional Funds**	
▪Formula Funds ▪Special Items ▪HEAF ▪Research Development Fund	▪Statutory Tuition* ▪Some Fees* ▪Board Authorized Tuition	▪Available University Fund (PUF) ▪Tobacco Settlement Funds	▪Designated Tuition ▪Research Grants & Indirect Costs ▪Most Fees ▪Physician Practice Plans ▪Gifts & Grants	▪Intercollegiate Athletic Revenue ▪Housing ▪Food Service ▪Parking ▪Auxiliary Fees ▪Community College Tax Rev.

•Not appropriated for Community Colleges

Institutional revenue not flowing through the appropriations process varies by sector

Examples

- **Community Colleges**
  - Local taxes
  - Tuition and fees
- **Health-related Institutions**
  - Practice plan revenue
  - Designated tuition
  - Incidental fees
  - Research grants
  - Research Indirect cost recovery
- **Universities**
  - Designated tuition
  - Incidental fees
  - Research
  - Research Indirect cost recovery

The formulas are used for allocating funds rather than budgeting funds

- Formulas equitably allocate available funds among institutions
- Appropriations are made on a “lump-sum” basis, rather than by line item
- Except for a few items like debt service and benefit pay, institutions may spend their appropriated funds for any legal purpose without regard to the method by which the amount of funding was generated.
- Each sector has a different basis

Timeline for Formula/Appropriations Process Fall 2009 through Fall 2010

October-January
Formula Advisory Committees meet and make recommendations to Commissioner

Feb-March
Staff works thru the numbers; Commissioner decides on his recs.; SPP Com. meets

April 2010
CB Adopts Formula recs.

No later than 6/1
Staff forwards formula recommendations to LBB/GOBP

Summer Session 2010
Official base year begins

Nov/Dec
LBB runs formulas using Spring, Summer, Fall 2010 numbers (surrogate base year)

Timeline for Formula/Appropriations Process 2011

January 2011
82nd Texas Legislature convenes

Early January
HB1/SB 1 filed; Formula $s in bills reflect growth in enrollments only – usually includes changes in matrix

March 2011
New formulas are run using certified base year numbers

Late March — Early April
Each chamber passes its bill; bills may include new formula numbers, or not

Late April — Late May
Conferees negotiate final bill using actual base year numbers & decide how much $ will flow thru formulas

May 2011
Legislature adjourns sine die

By **June 2011**
Gov. signs bill; no line item veto for higher ed.

Community Colleges Formula

- **One formula**
  - Instruction and Administration
- Covers Academic and Technical programs
- Based on annual cost study of 26 disciplines
  - Instructional and Administrative costs
- Rather than a matrix of relative weights, the community college "matrix" is based on a per contact hour $ rate

Technical and Lamar Colleges Formulas

- Two-year colleges, but do not have local tax base
- Community College formula for instruction and administration costs
- University infrastructure formula for facility operations costs
- Small institution supplement