



OVERVIEW

Formula Funding Recommendations for the 2010-2011 Biennium

The Coordinating Board's formula funding recommendations for the 2010-2011 biennium recognize the need to shift from a focus on meeting the student participation goals of the state's higher education plan, *Closing the Gaps by 2015*, to more effectively meeting the state's student success goals. Texas higher education and the leadership of the state deserve recognition for significant gains in student enrollments over the past eight years since *Closing the Gaps* was first adopted – and those gains must continue. However, if the goals of *Closing the Gaps* are to be fully realized, much more emphasis must be placed on the success of those students and the effective use of state, institutional, and student resources in retaining and graduating students.

To this end, three critical changes in formula funding are recommended:

- Base funding on outcomes rather than on inputs. Currently, funding is based on attempted semester credit hours or contact hours (inputs). This recommendation bases funding on completed semester credit hours or contact hours (outcomes).
- Provide funding at levels that not only allow institutions to continue meeting participation goals, but enable them to put the infrastructure, policies, and programs in place necessary to retain students more effectively and improve student performance.
- Provide institutional performance funding to recognize achievement in meeting student success goals, such as increasing the number of degrees and certificates awarded as well as increasing the number of transfers from two-year institutions to universities.

Highlights of the specific funding recommendations for each sector of public higher education are outlined below.

Community and Technical Colleges

- Base Funding - Increase funding to full formula minus tuition and fees while implementing a phase-in of funding (25 percent first year, 50 percent second year, 75 percent third year, and 100 percent fourth year) on completed vs. attempted contact hours. (\$667 million)
 - The Coordinating Board expects two-year colleges to account for 70 percent of new enrollments. Since 2000 the amount of formula appropriations per contact hour has dropped from \$9.06 to \$7.00 in constant dollars.

- For the reasons mentioned above, the proposed change to fund on completed contact hours is only recommended if a minimum of \$400 million is added to the current base funding. That amount equates to funding 60 percent of full formula; the community colleges are currently receiving 56 percent. The Coordinating Board does not propose making this change in allocations if community colleges will be harmed financially.
- Performance Funding - Provide \$100 million for performance funding
 - Awards would be based on the number of degrees and certificates awarded, and transfers to universities.
- Developmental Education - Increase \$30 million in funding for developmental education.
 - Funds would be trusteeed to the Coordinating Board for innovative programs with positive results in developmental education. It would allow for funding of non-course based developmental education courses.
- Provide \$4.5 million for alternative teacher certification programs.
 - The state does not currently fund Community and Technical Colleges for these programs. Funding is proposed to be allocated based on certificates awarded.
- Provide \$4.8 million in additional small institution supplement funding.
 - Currently there is \$1.2 million in funding to assist two very small institutions. Originally designated for those institutions with fewer than 1 million contact hours. These funds would be tied to an institution's implementation of programs to increase enrollment and persistence.

General Academic Institutions

- Base Funding - Increase base funding by \$267 million and phase-in funding (25 percent first year, 50 percent second year, 75 percent third year, and 100 percent fourth year) on completed semester credit hours vs. attempted semester credit hours.
 - The proposed change to fund on completed semester credit hours is only recommended if a minimum of \$200 million is added to the current base instruction and operations funding. The purpose of the change is to encourage better outcomes from our universities, however without a sufficient base of funds to make needed changes and improvements those outcomes will not be realized. The Board does not propose making this change in allocations if universities will be harmed financially.
 - Since 2000 the amount of formula appropriations per weighted semester credit hour has dropped from \$66 to \$59 in constant dollars.
- Provide \$178 million for performance funding.
 - Awards would be based on the number of degrees awarded at all levels and is meant to work in conjunction with proposed incentive funding.
- Provide \$243 million increase in infrastructure funding.
 - Based on actual expenditures of general revenue and designated tuition during the prior fiscal year on educational and general square feet.
 - Utilities costs account for approximately 57.4 percent (\$139 million) of the infrastructure funding.
- Reduction of approximately \$1.5 million for the small institutions supplement.
 - Phase out the small institution supplement between 4,000 to 6,000 students using a three year average – Currently the small institutions supplement ends when the institution reached 5,000 headcount. The proposal is to reduce the supplement gradually based on a three year average enrollment to allow the institutions to adapt to the loss of the supplemental funds.

Health-Related Institutions

- The health-related institutions recommendations are all based on increasing to one half the difference between the 2008-09 biennium and the 2000-01 biennium, which the institutions felt was an adequate phase in level.
- Increase base funding by \$22.3 million
- Increase research enhancement by \$17.7 million
- Increase infrastructure (utilities, maintenance, and operations) by \$50.2 million
- \$0.3 million in multi-site adjustment for the new site that met the standards adopted in the past biennium.
- Increase mission specific formula by \$5.6 million.
 - These are funds for MD Anderson and UT Health Science Center Tyler
- Increase funding for graduate medical education by \$16.5 million.

All Institutions

- Increase the Nursing Shortage Reduction Program by \$10.3 million.
 - The Nursing Shortage Reduction Program is available to all institutions, including independent institutions, and is based on increases in nursing graduates.

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