

**Meeting of the General Academic Formula Advisory Committee  
Texas Higher Education Coordinating Board  
Board Room, First Floor  
1200 East Anderson Lane, Austin  
Thursday, December 8, 2011  
9:30 a.m.**

Agenda

- I. Call to Order
- II. Consideration to approve the minutes of November 8, 2011 meeting.
- III. Discussion, review, and consideration of the Commissioner's 2014-2015 Biennium charges.
- IV. Planning for subsequent meetings
- V. Adjournment

## General Academic Formula Advisory Committee for 2014-2015 Biennium

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**Meeting of the General Academic Formula Advisory Committee  
Texas Higher Education Coordinating Board  
Lone Star Room, Second Floor  
1200 East Anderson Lane, Austin  
Tuesday, November 8, 2011  
9:30 a.m.**

Minutes

Attendees: Ms. B.J. Crain, Mr. Charlie Martinez (for Ms. Cynthia Villa), Dr. F. Dominic Dottavio, Dr. Marc Nigliazzo, Dr. John Antel, Ms. Jean Bush, Dr. John Opperman, Dr. Perry Moore, Mr. Paul Woodfin, Dr. Alba Ortiz, Dr. Baker Pattillo, and Ms. Susan Sherman (for Mr. Scott Kelley).

Absent: Dr. John Price, Dr. Robert Neely, Dr. John Rudley, and Mr. Michael Reid.

Staff: Susan Brown, Gary Johnstone, and Paul Turcotte

1. The meeting was called to order at 9:34 a.m.
2. The minutes from the meeting on October 11, 2011 were reviewed and unanimously approved by nomination from Dr. Dottavio and second from Dr. Ortiz.
3. Discussion, review, and consideration of the Commissioner's 2014-2015 Biennium charges.
  - a. Ms. Bush presented the space model workgroup recommendation to continue funding on the existing model and establish a workgroup to engineer a new model for project approval purposes only. The committee unanimously approved the recommendation by nomination from Dr. Antel and second from Dr. Opperman.
  - b. Dr. Antel provided an update on the Expenditures Study workgroup.
  - c. Dr. Opperman provided an update on the Outcomes-Based Funding workgroup.
  - d. The chair recommended maintaining the small institution supplement at the amounts and thresholds funded last biennium. The committee unanimously approved the recommendation by nomination from Dr. Dottavio and second from Ms. Bush.
  - e. The chair recommended the split between operations and maintenance and utilities should be determined using the LAR schedule 9 contingent on the LBB's agreeing to add a field to collect the non-utility cost from each institution. In the event that the LAR schedule cannot be expanded, the split should be 50/50 as indicated by the survey conducted by this committee. The committee unanimously approved the recommendation by nomination from Dr. Opperman and second from Ms. Bush.
  - f. The chair agreed to draft a recommendation for funding levels for the instruction and operations and infrastructure formulas for consideration by the committee at the next meeting. The staff agreed to include a chart of the overall amount of funding generated at varying funding rates; both with and without the teaching experience supplement included.
4. The meeting was adjourned at 10:30 a.m.

**General Academic Formula Advisory Committee**  
**FY 2014 - 2015 Biennial Appropriations**  
**Report on the Commissioner's Charges**

DRAFT

**March 14, 2012**

The General Academic Formula Advisory Committee (GAFAC), organized in August 2011 (Attachment A), met to address the charges identified by the Commissioner related to formula funding for the 2014 - 2015 biennium (Attachment B). The GAFAC met on the following days: August 3, September 13, October 11, November 8, and December 8, 2011 and January 10 and February 7, 2012.

The GAFAC recommends the following:

1. On the charge to study and make recommendations on funding on outcomes-based methods that support student success, the GAFAC recommends funding on outcomes outside the formula using 10 percent of the undergraduate formula funding. Allocate funds using a three-year rolling average of the following metrics updated with the latest data available:

- Total Undergraduate Degrees
- Total Undergraduate Degrees adjusted by 6-Year Graduation Rate
- Total Undergraduate Degrees per 100 Undergraduate FTSE
- Total Undergraduate Degrees Expense Weighted
- Critical Fields: Undergraduate Degrees for Computer Science, Engineering, Math, Physics, Nursing, Allied Health and Teaching Certificates for Math and Science
- Non-Critical STEM Undergraduate Degrees
- At-Risk Pell, Part-Time, GED, First-Time Undergraduate 20 or Over
- Retention - 30, 60, and 90 Hours

Apply double the weight to the critical fields metric as compared to the others. This recommendation is contingent on a funding level of 10 percent or less. Require GAFAC to review the models metrics, weights, and effectiveness biennially. Reconsider the equity of the model if the funding level is significantly increased or funded inside of the Instruction and Operations (I&O) formula funding model. And, Fund Hold-Harmless to accommodate for drastic changes in funding associated with the recommended model.

- a. A review of the history and details of the funded Performance Incentive Funding model, the Coordinating Board recommended Outcomes-Based Funding model, and models adopted by other states resulted in the following:
- b. Funding on actual outcomes and not on increases, similar to the Tennessee model, is the more stable, practical, and equitable methodology. A majority agreed to exclude the increase component from the recommended model.
- c. Recommended that disciplines not considered Critical Fields (as defined in *Closing the Gaps*), but listed on at least two of the three major STEM lists (National Science Foundation (NSF), Consortium for Student Retention Data Exchange (CSRDE), and National Center for Education Statistics (NCES)) receive an additional point. Recommend the Coordinating Board reevaluate the list of critical fields.
- d. Varying the weights for individual metrics yielded the conclusion that a weight of two for critical fields and a weight of one for all other metrics most equitably allocated funds at the 10 percent of undergraduate funding level.

- e. The following metrics as defined serve the indicated purpose in the model:

**Total Undergraduate Degrees:** Undergraduate degrees reported on the Graduation Report in the given fiscal year (includes AAS degrees). Total undergraduate degrees is the primary outcome measure under the premise that most students enroll at a general academic institution with the intent that the outcome will be the award of a degree.

**Total undergraduate degrees adjusted by 6-Year Graduation Rate:** Total undergraduate degrees multiplied by 6-Year Graduation Rate (3-Year Graduation Rate for Upper-Level only institutions). The adjustment for graduation rate provides an incentive to have students graduate in a timely manner.

**Total undergraduate degrees per 100 undergraduate FTSE:** Total undergraduate degrees divided by Full-Time Student Equivalents (FTSE) and multiplied by 100. FTSE is calculated by dividing the undergraduate fall semester credit hours (SCH) reported on the Class Report (includes state funded and non-state funded hours) by 15. Total degrees per 100 undergraduate FTSE incents institutions to graduate students with the minimum number of hours as institutions with higher degrees and fewer fall FTSE will generate more points.

**Total undergraduate degrees expense weighted:** Total Undergraduate Degrees weighted using undergraduate upper-level relative weights similar to the I&O formula. Total undergraduate degrees expense weighted compensates for the varying cost associated with differing degree types. Institutions receive a relative increase for more expensive degrees.

**Critical fields:** Undergraduate degrees for Computer Science, Engineering, Math, Physics, Nursing, Allied Health and Teaching Certificates for Math and Science. Undergraduate degrees in these fields as reported on the Graduation Report or Math and Science Teacher Certifications per State Board for Educator Certification (SBEC) in the given fiscal year. The critical fields metric incents institutions to graduate more students in these fields, which are seen as critical to *Closing the Gaps*.

**Non-Critical STEM undergraduate degrees:** Undergraduate degrees reported on the Graduation Report in the given fiscal year and listed on at least two of the three Science, Technology, Engineering, and Mathematics (STEM) lists (NSF, CSRDE, and NCES), but not defined as a critical field in Texas. The Non-Critical STEM metric incents institutions to graduate more students in fields nationally considered STEM fields, but not included in the critical fields.

**At-Risk Pell:** Undergraduate degrees reported on the Graduation Report in the given fiscal year awarded to students who were Pell grant recipients (FADS). At-Risk Pell is a surrogate for compensates for the additional expense of graduating a financially challenged at-risk student. It incents institutions to adopt effective and efficient practices that will aid at-risk students to the completion of an award.

At-Risk SAT/ACT: Undergraduate degrees reported on the Graduation Report in the given fiscal year awarded to students whose SAT/ACT score is below the national average for the year taken.

At-Risk Part-Time: Undergraduate degrees reported on the Graduation Report in the given fiscal year awarded to students who were concurrently enrolled in fewer than 12 SCH when first reported on the Student Report.

At-Risk GED: Undergraduate degrees reported on the Graduation Report in the given fiscal year awarded to students who received a GED.

At-Risk first-time undergraduate 20 or Over: Undergraduate degrees reported on the Graduation Report in the given fiscal year awarded to students who were first reported on the Student Report at age 20 or older.

The at-risk factors: SAT/ACT, part-time, GED, and first time undergraduate 20 or Over are designed to compensate for the additional expense of graduating an at-risk student who is academically challenged. It incents institutions to adopt effective and efficient practices that will aid at-risk students to the completion of an award.

Retention - 30, 60, and 90 SCH: Count of undergraduate students, which have cumulatively earned 30, 60, or 90 SCH at their current institution. Hours earned prior to the student attending the institution reporting the hours are not included. A point can be earned for a student who completes multiple thresholds in a given fiscal year. These measures are designed to incentivize the use of effective persistence policies.

2. On the charge to recommend the appropriate funding levels for the I&O and infrastructure formulas and the percent split between the "utilities" and "operations and maintenance" (O&M) components of the infrastructure formula the GAFAC recommends the following:
  - a. Fund the I&O formula at \$3.7 billion with a rate of \$57.50 for the 2014 – 2015 biennium. The recommendation increases the rate by 7.0 percent from the \$53.71 funded during the 2012 – 2013 biennium and accounts for 2 percent inflation using the CPI-U index forecasted to 2014. The recommended total anticipates a 3.2 percent increase in weighted SCH between the 2011 and 2013 base year. The recommended rate is based on the \$66.30 last recommended by this GAFAC reduced by the estimated 15 percent cost efficiencies achieved by the institutions. While the GAFAC understands the Legislature reduced funded due to a reduction in tax collections, the GAFAC is confident institutions cannot continue to meet the *Closing the Gaps Goals* at current funding levels and urges Legislators to find funds to support higher education.
  - b. Conduct the expenditure study over the next two years and use the updated three-year rolling average cost per SCH to produce the relative weight matrix to allocate 2014 - 2015 biennium formula funding.
  - c. Fund the Infrastructure formula at \$818 million with a rate of \$5.63 for the 2014 - 2015 biennium. The recommendation increases the rate by 13.7 percent from the

\$4.95 funded during the 2012 – 2013 biennium and accounts for 2 percent inflation using the CPI-U index forecasted to 2014. The recommended total anticipates an 8.4 percent increase in predicted square feet between fall 2010 and fall 2012. The recommended rate is based on the \$6.49 last recommended by this GAFAC reduced by the estimated 15 percent cost efficiencies achieved by the institutions.

- d. Split the recommended Infrastructure rate using FY 2012 utility rates. This recommendation requires the LBB to augment its current biennial data collection to include total O&M expenditures. In the event this is not possible, the GAFAC recommends a 49 percent O&M and 51 percent utilities split based on the FY 2011 utility rate survey the GAFAC conducted.
  - e. Update the utility rate adjustment factors using the fiscal year 2012 utilities expenditures.
  - f. Allocate the Infrastructure formula using the fall 2012 space model predicted square feet.
3. On the charge to study and make recommendations on the treatment of programs delivered by fewer than three state institutions in the relative weight matrix, the GAFAC recommends implementing the use of expenditure-based relative weights for the optometry discipline. And, continuing to fund the veterinary medicine discipline based on actual SCH and an expense-based weight determined by dividing the disciplines' actual expense by calculated SCH (headcount times 24).
- a. Optometry and veterinary medicine are the two disciplines currently offered by fewer than three State institutions.
  - b. For optometry, prior GAFAC recommendations advised the preservation of the static weights for optometry until the collection of additional expense data could be collected for the discipline. However, the probability of successfully including other states' expense data into our study is unlikely and moving to expense based weights for this discipline is consistent with other disciplines in the study that have fewer than three institutions contributing expense data. Additionally, the conversion appears to have a minimal impact at this time to the University of Houston. Implementing expenditure-based relative weights for the optometry discipline will reduce the formula funding for the discipline by no more than \$500,000.
  - c. For veterinary medicine, the multiplier of nearly two to one created under the current methodology was an attempt by Coordinating Board staff to calculate a weight that would generate the same level of general revenue for the program as received prior to the program's inclusion in the I&O formula.
    - i. The program was funded as a special item in Texas A&M University's bill pattern for the 2000-2001 biennium at \$41.7 million, a decrease of \$4.3 million when compared to the 1994-1995 appropriation. For the 2002-2003 biennium appropriations, the Health-Related Formula Advisory Committee recommended the program be funded at the same level of general revenue as the 2000-2001

biennium and out of the general academic institution's pool of funds. The Program's special item was reduced to \$3 million for the biennium and Texas A&M University's I&O support strategy appears to have increased by the special item amount of approximately \$46 million.

- ii. For the 2004-2005 biennium appropriations, the Legislative Budget Board calculated a weight of 16.72 by estimating the general revenue appropriated for the program for I&O from the previous biennium and dividing by the actual SCH. For this biennium, general academic institutions' formula was calculated entirely on static weights.
  - iii. For the 2006-2007 biennium appropriations, the formula was to be funded using a combination of half static and half relative weights. Because veterinary medicine was not included in the initial expense studies, a weight needed to be developed. The Coordinating Board staff calculated the weight of 8.15 (only 49 percent of the previous weight of 16.72) which would have resulted in a 22 percent decrease in funding when compared to the previous biennium. To prevent a radical reduction in funding, Coordinating Board staff divided the program's expenses by a calculated SCH (headcount times 24) instead of actual to generate the expense-based weight.
  - iv. This methodology generated \$40 million in general revenue (I&O and Infrastructure) for the program, a 4 percent or \$1.7 million reduction compared to 2000-2001. Under an expense-based weight of 8.15, the program would have received \$18.2 million less in I&O formula general revenue, a 46 percent reduction.
4. On the charge to study and make recommendations on modifications necessary to improve the relative weight matrix for the I&O formula, the GAFAC recommends not making any modifications to the matrix and allowing it to function as is for the next three biennium to establish a trend.
- a. The GAFAC considered removing the enrollment classification adjustment and funding all the hours taught in a course at the same level. Funding at the enrollment classification level when the classification is lower than the course level prevents institutions from elevating reported course levels and effectively increasing funding levels. The measure is producing a minimal effect indicating there are few instances where classification is lower than course level. While the GAFAC appreciates the simplification of removing the adjustment, it recommends continuing the adjustment at this time.
  - b. The GAFAC considered establishing a separate discipline for developmental education and voted against it due to the cost of collecting the data in consideration that less than 1 percent of the hours taught at general academic institutions are classified as developmental education.
  - c. The GAFAC reviewed how mathematics were being funded and agreed these hours should continue to be funded as Science for junior and senior level courses and liberal arts for all other course levels.

5. On the charge to study and make recommendations on modifications necessary to improve the predicted space calculation for the infrastructure formula, the GAFAC recommends retaining the current model for funding purposes and establishing a workgroup to engineer a separate model that better estimates space need exclusively for use in project evaluations.
  - a. The GAFAC assigned a workgroup to review the history and details of the current space model and the nationally recognized Council of Educational Facility Planners International (CEFPI) model. While the current model at one time modeled space need near actual space use, it now predicts more space than used by most institutions.
  - b. In an attempt to analyze the issue efficiently and completely, the members considered scenarios based on the current model with adjusted coefficients and CEFPI and determined any change would significantly redistribute funding. Therefore, the workgroup agreed validation and modification of the model's coefficients in the provided time would result in an inequitable and inaccurate space model.
  - c. The follow-up workgroup should examine the effect of the changes in areas of technology and faculty and student expectations in distance education, library use, and other programmatic drivers on space requirements. The group should consider the use of faculty and staff Full-Time-Equivalents (FTE/FTSE) as a more accurate driver of space needs than the current use of expenditures. For two-year institutions, consider calculating academic and vocational FTSE's on reported contact hours instead of SCH. While only marginally increasing these institutions' modeled teaching space, this will increase the accuracy of the model. The workgroup should be encouraged to explore other methodologies and drivers as appropriate to assure the revised analysis provides an equitable representation of the space needs at each modeled institution.
6. On the charge to study and make recommendations on funding disciplines taught by general academic and health-related institutions at common rates and weights, the GAFAC does not have a recommendation to realign the two formulas at this time.
  - a. After extended discussion, it was determined that there is no conclusive comparative analysis of Health-Related Institutions (HRI) and General Academic Institutions (GAI) expenditures available to form a basis for significant changes to the formulas.
  - b. The differences between HRI based and GAI based funding formulas for nursing, health services, and pharmacy disciplines should be the subject of further study and discussion. The study should consider the inclusion additional funding for these disciplines outside the formulas. For example, outcomes-based funding or health program funding through appropriations outside the formula similar to the current Professional Nursing Shortage Reduction Program.
7. On the charge to study and make recommendations on mission specific funding for the general academic institutions, the GAFAC recommends the use of the incentive components in the recommended Outcomes-Based Funding model to provide for mission specific funding.

Attachment A  
General Academic Formula Advisory Committee Roster

Name	Institution
<b>Ms. B.J. Crain, Chair</b> Vice President for Finance and Chief Financial Officer Texas A&M University	Texas A&M University Rudder Tower, 8th Floor College Station, Texas 77843
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<b>Dr. Alba Ortiz</b> President's Chair for Education Academic Excellence, PH.D.	The University of Texas at Austin DSE, College of Education 1 University Station D5300 Austin, TX 78712

## Attachment B

### Commissioner's Charge to the General Academic Formula Advisory Committee (GAFAC) for the 2014-2015 Biennial Appropriations Texas Higher Education Coordinating Board

**Background:** The GAFAC addresses the Instruction and Operations (I&O), infrastructure, small institution supplement, and teaching experience supplement formulas. The general academic formulas, first used in the mid-1960s, were reworked for the 1998-1999 biennium, and first funded with an expenditure based relative weight matrix in the 2010-2011 biennium.

The I&O formula funds faculty salaries, departmental operating expenses, library, instructional administration, research enhancement, student services, and institutional support and allocates on attempted semester credit hours (SCH). Appropriated at \$53.71 per weighted SCH for the 2012-2013 biennium, the formula allocates 83 percent of the general academic formula funds (teaching experience supplement included). The teaching experience supplement incentivizes the use of tenured faculty instructors in undergraduate courses and allocated 2012-2013 biennium funds with a 10 percent bonus of weighted SCH.

The infrastructure formula funds plant-related and utility expenses and allocates on predicted space. Appropriated at \$5.25 per predicted square foot for the 2012-2013 biennium, the formula allocates 17 percent of the formula (small institution supplement included). The small institution supplement distributes additional resources on headcount for the reduced economies of scale associated with operating small institutions.

**Commissioner's Charges:** The GAFAC, 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 *Closing the Gaps*. A preliminary written report of its activities and recommendations is due to the Commissioner by December 15, 2011, and a final written report by February 1, 2012. The GAFAC's specific charges are to:

1. Study and make recommendations on funding on outcomes-based methods that support student success.
2. Recommend the appropriate funding levels for each funding formula and percent of infrastructure funding to dedicate to utilities.
3. Study and make recommendations on the treatment of programs delivered by fewer than three State institutions in the relative weight matrix.
4. Study and make recommendations on modifications necessary to improve the relative weight matrix for the instruction and operations formula.
5. Study and make recommendations on modifications necessary to improve the predicted space calculation for the infrastructure formula.
6. Study and make recommendations on funding disciplines taught by general academic and health-related institutions at common rates and weights.
7. Study and make recommendations on mission specific funding for the general academic institutions.