

Agenda Materials
General Academic Institutions Formula
Advisory Committee (GAIFAC) for the
2020-2021 Biennial Appropriations

November 2017

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Agenda

**Meeting of the General Academic Institution Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor, 1.170
1200 East Anderson Lane, Austin
Wednesday, November 8, 2017
1:00 p.m.**

Agenda

- I. Call to Order
- II. Consideration and approval of the minutes from October 19, 2017, meeting
- III. Discussion, review, and consideration of the Commissioner's 2020-2021 Biennium charges
- IV. Planning for subsequent meetings
- V. Adjournment

Prior Meeting's Draft Minutes

**Meeting of the General Academic Institutions Formula Advisory Committee
Texas Higher Education Coordinating Board
Board Room, First Floor
1200 East Anderson Lane, Austin
Thursday, October 19, 2017
1:00 p.m.**

Minutes

Attendees: Mr. Edward T. Hugetz (Chair), Mr. Bob Brown, Ms. Susan Brown, Mr. John Davidson, Dr. Danny Gallant, Dr. Dana G. Hoyt, Dr. Harrison Keller, Ms. Noel Sloan, and Ms. Angie W. Wright

Absent: Ms. Kathryn Funk-Baxter (Vice Chair), Mr. Raaj Kurapati, Dr. James Marquart, Dr. Karen Murray, Dr. Paula M. Short, and Dr. Jerry Strawser

Staff: Dr. David Gardner, Dr. Julie Eklund, Mr. David Young, Mr. Tom Keaton, and Ms. Jennifer Gonzales

1. The meeting was called to order at 1:00 p.m.
2. The minutes from the meeting on September 20, 2017, were unanimously approved with a motion by Dr. Gallant and a second by Mr. Davidson.
3. The committee considered the Commissioner's 2020-2021 biennium charges.
 - a. Related to Charge 3, Dr. Jennifer Nailos provided a presentation regarding competency-based education (CBE).
 - i. Mr. Hugetz asked Dr. Nailos to summarize what the committee might consider in its recommendation. Dr. Nailos suggested developing funding recommendations for each type of CBE program, since the programs vary across the state.
 - ii. Dr. Eklund shared that the new reporting requirements for CBE data this semester will allow these courses to be funded if the student has engaged in the coursework by the 12th day of class.
 - iii. Dr. Gardner said that in addition to thinking about funding current CBE programs, we also need to think long term. For example, if more institutions start doing prior learning assessments (PLA), how should they be compensated for the costs associated with those assessments?
 - iv. Mr. Brown questioned whether CBE was different enough from other instructional modalities to warrant a different methodology in funding. Several committee members agreed that the state should consider funding CBE the same way it funds other course-based delivery methods. The committee also supported the recommendation that institutions doing a significant amount of PLA should start tracking their costs, so the committee could take a closer look at funding PLA in two years.

- v. The committee requested that staff draft a recommendation for review at the November meeting.
- b. Related to Charge 2, the committee reviewed information on the graduation bonus methodology and the calculated values of the bonus based on the number of degrees awarded in FY 2014-2016.
- i. There was consensus among the committee in support for the graduation bonus as it is simple and rewards success. Discussion revolved around whether the committee should advocate to include the bonus as part of base formula funding or to have it funded separately. The committee agreed that leaving the bonus separate would communicate the importance of rewarding success on its own, and it would recognize the need for stability in base funding.
 - ii. Dr. Keller shared the idea of using progress toward degree as a metric that would provide an intermediate measure of success. Several committee members said their institutions are not able to standardize the use of this metric at this time.
 - iii. While the committee supported the goal of funding the graduation bonus at \$500 per bachelor's degree and \$1,000 per bachelor's degree for at-risk students, it decided that the best approach would be to ask for adoption of the bonus incrementally, at 50% of the total for the FY 2020-21 biennium, and advocating for the eventual adoption of 100% of bonus level funding.
 - iv. The committee requested that staff draft a recommendation for review at the November meeting.
- c. The committee discussed the following items related to Charge 1:
- i. Utility to O&M Split - The committee reviewed data provided by staff on the Utilities to O&M split in the Space Support formula.
 - ii. Funding Level - Mr. Keaton explained the calculations for growth and inflation in the funding level projections for the FY 2020-21 biennium.
 - 1. The committee agreed to request funding for inflation and growth in projected enrollments.
 - 2. Mr. Young explained that last biennium, the committee had recommended funding rates, meaning that when the base year data is available, there will be changes to the total recommended funding level. The committee supported this approach.
 - 3. The committee requested that staff draft a recommendation for review at the November meeting.

- iii. Expenditure Study Workgroup – Ms. Brown, Chair of the expenditure study workgroup, shared information on the progress of the group. She said they are still looking at data to better understand the compression that has taken place in the matrix. It was recommended that the workgroup continue to meet after the GAIFAC concludes its work.
4. A motion for adjournment was made by Ms. Brown, seconded by Dr. Keller, and the committee unanimously approved. The meeting adjourned at 2:48 p.m. The GAIFAC will conduct its next meeting on Wednesday, November 8, 2017, at 1:00 p.m.

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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 *60x307X* plan. A preliminary written report of its activities and recommendations is due to the Commissioner by December 7, 2017, and a final written report by February 2, 2018. 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 the appropriate funding level for, and for the refinement of, the graduation bonus formula. (TEC, Section 61.0593)
3. Study and make recommendations on the treatment of competency-based courses in formula allocations.

General Academic Institutions Formula Advisory Committee for the 2020-2021 Biennium

Name	Institution	Contacts
Ms. Kathryn Funk-Baxter (2022) Vice President for Business Affairs	The University of Texas at San Antonio, One UTSA Circle, San Antonio TX 78249	kathryn.funk-baxter@utsa.edu 210-458-4201
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Note: The year after the member's name is when that member's term expires.

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. (TEC, Section 61.059 (b))

Draft Recommendation for Discussion Purposes

The GAIFAC recommends the Legislature fund growth and inflation for the 2020-2021 biennium. Using an inflationary rate of 1.7%, a growth rate of 2.6% in weighted semester credit hours (WSCH), and a projected increase of 5.0% in predicted square feet, formula funding for the 2020-2021 biennium would be \$4,971 million; this represents an increase of \$219 million (4.6%). The committee believes this increase is necessary to move toward the goals of *60X30TX*, while preserving the quality of higher education. Regarding each portion of the formula:

- Fund the Operations Support formula and Teaching Experience Supplement at a rate of \$56.79 per WSCH for the 2020-21 biennium.
 - ❖ This rate would fund the Operations Support formula and Teaching Experience Supplement at approximately \$4,178 million, an increase of \$175 million or 4.4 percent;
 - ❖ The recommended rate would increase \$0.97, or 1.7 percent, to account for inflation, compared to the \$55.82 rate funded for the 2018-19 biennium;
 - ❖ The overall funding level assumes a 2.6 percent increase for growth in WSCH between the 2016 and 2018 base years at the recommended rate of \$55.82 per WSCH;
 - ❖ The recommendations would allocate available funding using a relative weight matrix based on the three-year average of expense per semester credit hour to include fiscal years 2016, 2017, and 2018.
- Fund the Space Support formula at a rate of \$5.36 per square foot for the 2020-21 biennium.
 - ❖ This rate would fund the Space Support formula at \$776 million, an increase of \$45 million or 6.1 percent;
 - ❖ The recommended rate would increase \$0.09, or 1.7 percent, to account for inflation, compared to the \$5.27 rate funded for the 2018-19 biennium;
 - ❖ The rate assumes a 5.0 percent increase for growth in square feet between fall 2016 and 2018;
 - ❖ Split the recommended space support rate between “utilities” and “operations and maintenance” components using FY 2018 utility rates, update the utility rate adjustment factors using the FY 2018 utilities expenditures, and allocate the space support formula using the fall 2018 space model predicted square feet.

- ❖ Fund the Small Institution Supplement for the 2020-21 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 \$16 million, which would be a decrease of approximately \$600,000, or 3.9 percent, compared to the \$16.7 million appropriated for the 2018-19 biennium.

The committee recommends that the estimated funding levels above, which are based on projected growth, be updated when institutions submit enrollment data for the base period.

It was noted by the committee at its first meeting that compression in the formula matrix had caused WSCH to grow at a lower rate than SCH. A workgroup appointed by the committee began to look at the expenditure study data, which affects the matrix, but it was not able to complete its analysis, because of the complexity of the issue and the limited time available for it to complete its work. The committee recommends that the workgroup continue its study so it can inform the next formula advisory committee.

Charge 2 – Study and make recommendations for the appropriate funding level for, and for the refinement of, the graduation bonus formula. (TEC, Section 61.0593)

Draft Recommendation for Discussion Purposes

The only way Texas will reach the completion goal of 550,000 by 2030, is if more low-income students and more students who aren't college ready graduate. These students require more services, such as advising and tutoring, but the current formulas don't account for these additional costs. The committee recommends a new graduation bonus formula to help fund these services. Believing this new formula is important, but also recognizing current fiscal realities, the committee recommends that funding for the graduation bonus be phased in over two biennia. The recommended rate for the 2020-21 biennium is \$250 for bachelor's degrees awarded to students who are not at risk and \$500 for bachelor's degrees awarded to students who are at risk. The recommended rate for the 2022-23 biennium is \$500 and \$1,000 respectively. Funding for the 2020-21 biennium would be approximately \$80 million, and funding for the 2022-23 biennium would be approximately \$160 million. This new formula would support advising, tutoring, and the other interventions may students need to earn a degree. Funding for at-risk students is recommended at a higher rate because these students require more services, and these extra services are not accounted for in the operations support formula. Funding would be based on a three-year average.

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.

Charge 3 – Study and make recommendations on the treatment of competency-based courses in formula allocations.

Draft Recommendation for Discussion Purposes

- Fund competency-based education courses (not modules) using the existing formula calculation and updated expenditure-based weights for the 2020-21 biennium.
 - ❖ Institutions offering competency-based courses should report hours to the Coordinating Board once the institution has an indication that the student has begun engaging with the course materials;
 - ❖ Competency-based education courses may only be reported for funding if they are linked to coursework in the Academic Course Guide Manual (ACGM), Workforce Education Course Manual (WECM), or the University Course Inventory.
- Institutions that want formula funding for prior learning assessments are encouraged to track these expenses and to provide this data to the THECB, so it can inform the next formula advisory committee as it makes funding recommendations.

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

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