

Funding Higher Education Basics

Faculty Advisory Committee Briefing

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Overview

Funding Higher Education Basics

- General Appropriations Act
- Funding Education - Article III
- Formula Basics
- Funding General Academic Institutions
- Funding Health Related Institutions



General Appropriations Act (GAA)



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General Appropriations Act (GAA)

- SB 1 / HB 1
- All Functions
 - Article I – General Government
 - Article II – Health & Human Services
 - Article III – Agencies of Education
 - Article IV – The Judiciary
 - Article V – Public Safety & Criminal Justice
 - Article VI – Natural Resources
 - Article VII – Business & Economic Development
 - Article VIII – Regulatory
 - Article IX – General Provisions
 - Article X – The Legislature



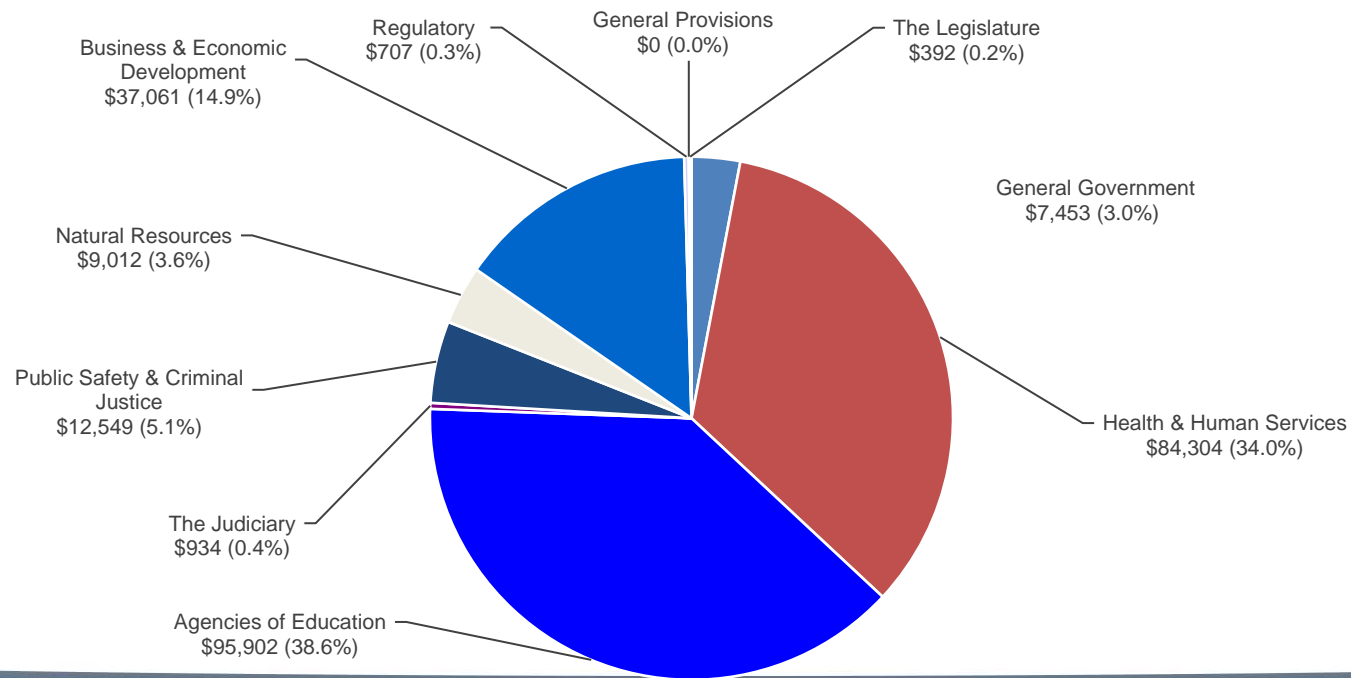
GAA – Method of Financing

- ALL FUNDS
 - General Revenue
 - General Revenue – Dedicated
 - Federal Funds
 - Other Funds

- Texas is a “Pay-As-You-Go State”



Texas State Budget – All Funds 2020-2021 Biennium (\$ in Millions)

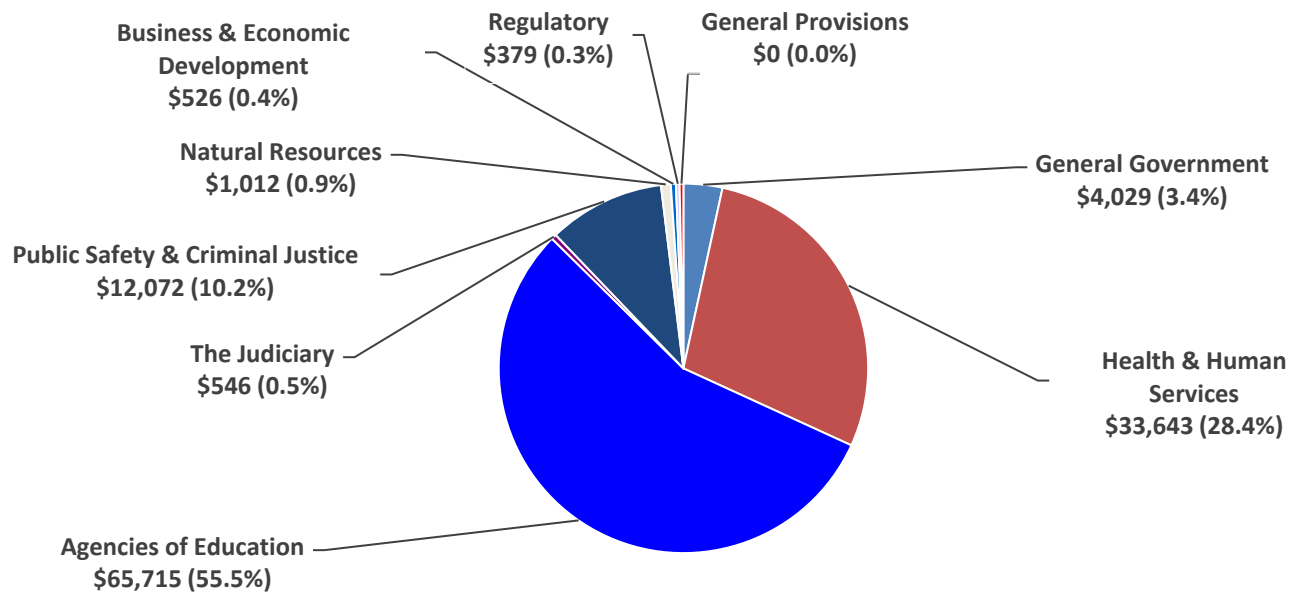


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TOTAL= \$248.3 BILLION

Texas State Budget – General Revenue 2020-2021 Biennium (\$ in Millions)



Funding Education – Article III



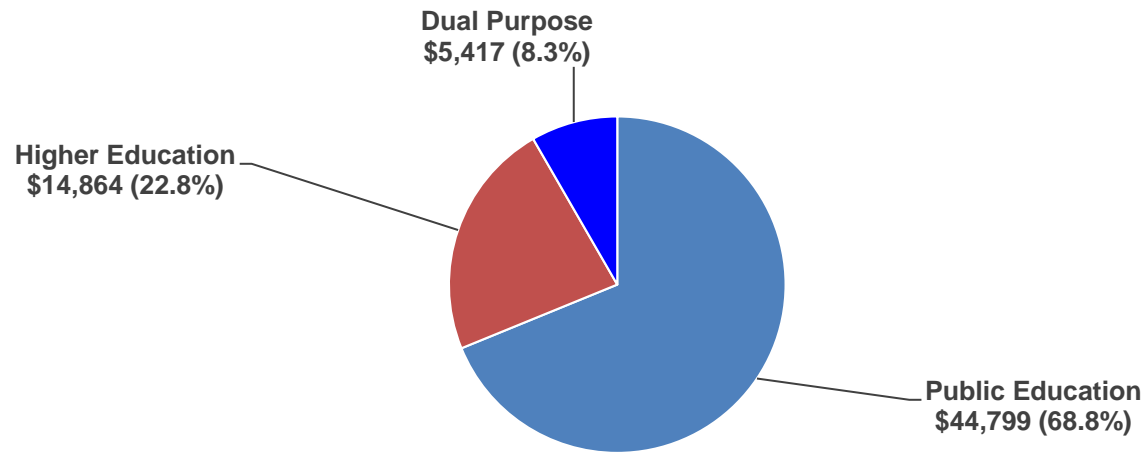
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Funding Education - Article III

2020-2021 Biennial Appropriations – General Revenue

(\$ in Millions)



The Texas System of Higher Education

- 37 General Academic Institutions
- 12 Health Related Institutions (including UT RGV School of Medicine and UT Austin's Dell Medical School)
- 50 Community and Junior College Districts
- 1 Technical College System with 4 Main Campuses
- 3 Lower Division State Colleges
- 8 Service Agencies at the Texas A&M University System
- Texas Higher Education Coordinating Board
- Other such as AUF and HEAF



Appropriated vs. Non-appropriated Funds

APPROPRIATED

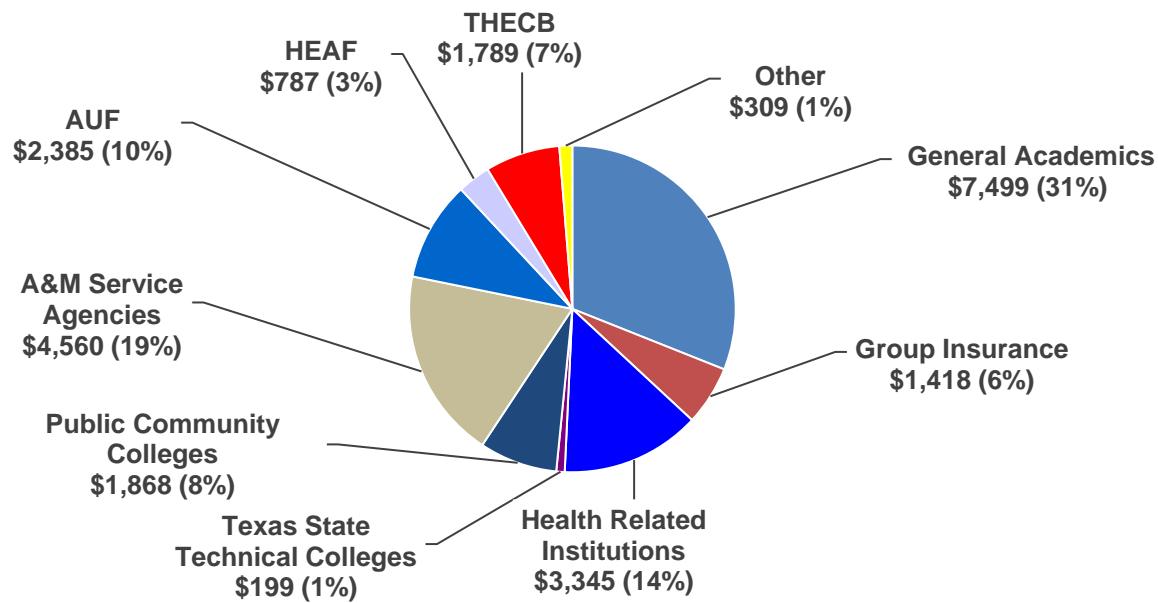
- General Revenue
- GR-Dedicated, "Local Funds"
 - Statutory Tuition
 - Student Teaching Fees
 - Special Course Fees
 - Organized Activity Fees
 - Income from sale of E&G Equipment
 - Interest Income
- Other Income
 - Available University Fund
 - Tobacco Endowment Proceeds
 - License Plate Scholarship Funds
- Patient Care (not in bill)
- Appropriated in various ways
 - Directly in bill pattern
 - Indirectly appropriated in other parts of the GAA

NON-APPROPRIATED

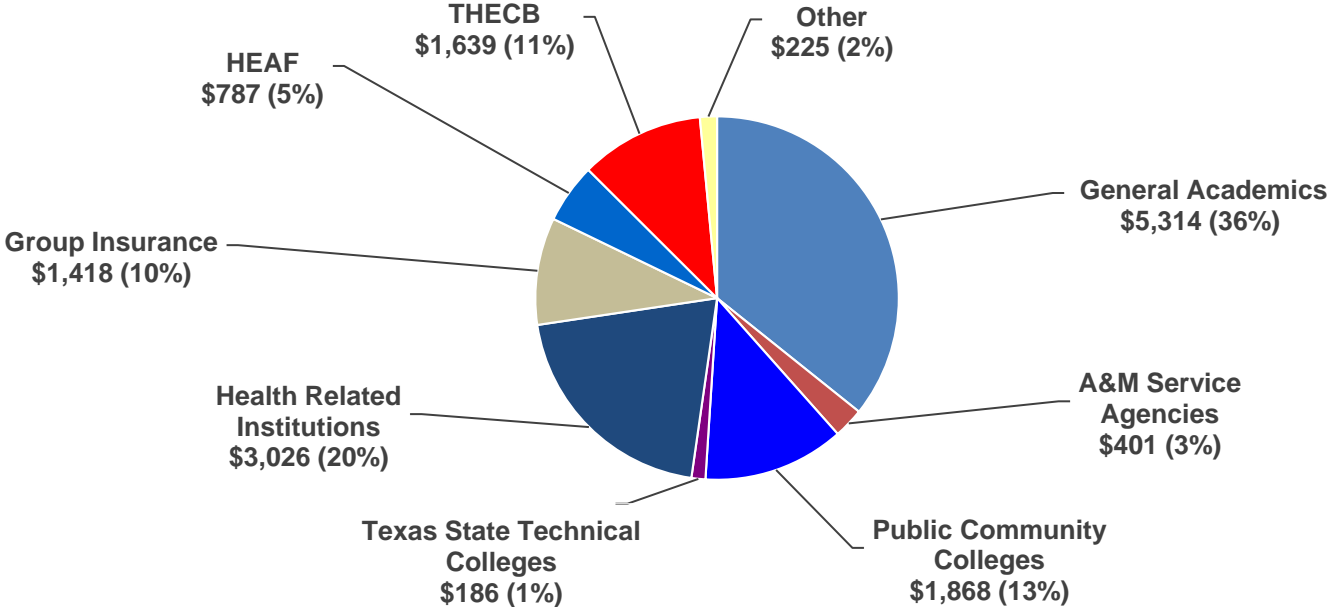
- Designated Funds
 - Designated Tuition
 - Incidental Fees
 - Patient Care (UT Southwestern only)
 - Practice Plans
 - TDCJ Contract
 - Indirect Cost Recovery Income
- Auxiliary Enterprises
- Restricted Funds
 - Federal/State/Local Grants and Contracts
 - Gifts
 - Earnings from Endowments



All Funds Appropriation by Type of Institution 2020-2021 Biennium (\$ in Millions)



General Revenue Appropriation by Type of Institution 2020-2021 Biennium (\$ in Millions)



Higher Education Principles

- General Revenue Funds are “sum certain” appropriations while Other E&G and Other Funds are estimated
- Direct appropriations to each institution are historically “lump sum.” Strategies are for information only
- State contributions for higher education group insurance and tuition revenue bonds are “sum certain” and must be spent only for those purposes
- General Revenue may be used for construction only if each house of the legislature passed the bill with 2/3 vote
- Formulas are used to allocate funds
- Formulas are not a Budgeting Device
- Base Year Concept



Formula Basics



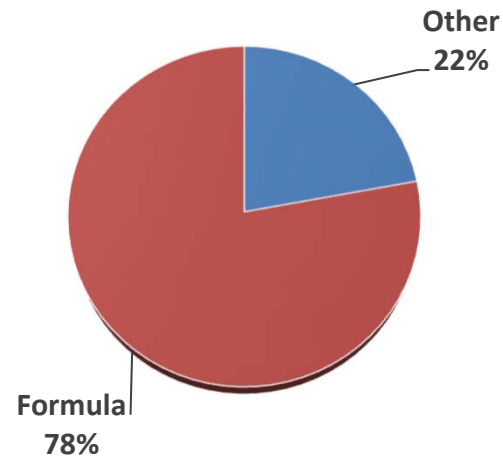
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Formula Basics

State Funding General Academics: \$4.6 B GR (net)*

- Formula GR as percent of Net GR (less TRBs) is 78 percent. No significant change since at least 2008-09 biennium.
- However, significant variation among institutions



*GR direct appropriations. Net of TRB debt service. Also does not include HEAF, health insurance, or retirement.

2020-2021



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Formula Basics Principles

- Formulas are an allocation methodology for state appropriations
 - The Legislature sets rates based on available funding, including consideration of enrollment changes and other factors
- Formulas use Base Year data
- Instruction & Operation (I&O) and Supplemental Formulas are based on weighted semester credit hours (WSCH) for General Academic Institutions and Headcount or full-time student equivalent for Health-Related Institutions.
- Infrastructure is based on THECB's "predicted" needs, not actual space, to encourage efficiency
- Formula Method of Finance uses the "All Funds" methodology where the amount of formula GR is offset by the amount of GR-D Other Educational and General Income (E&G) available to each institution



Types of Formulas

General Academic (GAI)

Base Formulas

- I&O
- Infrastructure

Supplemental Formulas

- Teaching Experience
- Small Institution
- Various Research Funds

Health Related (HRI)

Base Formulas

- I&O
- Infrastructure
- Research Enhancement
- Graduate Medical Education
- Mission Specific

Supplemental Formulas

- Small Class Supplement (included in I&O appropriation)



Base Period

Enrollment or SCH during:

- Summer 2018
- Fall 2018
- Spring 2019*

Determines appropriations for

*For introduced bill, Spring 2018 was used as a proxy for Spring 2019. Updates for Spring data was provided in March/April during the Session.

Fiscal Year 2020

- Fall 2019
- Spring 2020
- Summer 2020

Fiscal Year 2021

- Fall 2020
- Spring 2021
- Summer 2021



Funding General Academic Institutions



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General Academic Funding GR



Formula Types

- **Two Formulas**

Instruction and Operations: Provides funding for faculty salaries, departmental operating expense, library, instructional administration, research enhancement, student services, and institutional support

Infrastructure: Funding associated with plant related expenditures and utilities driven by the predicted square feet produced by the Space Model

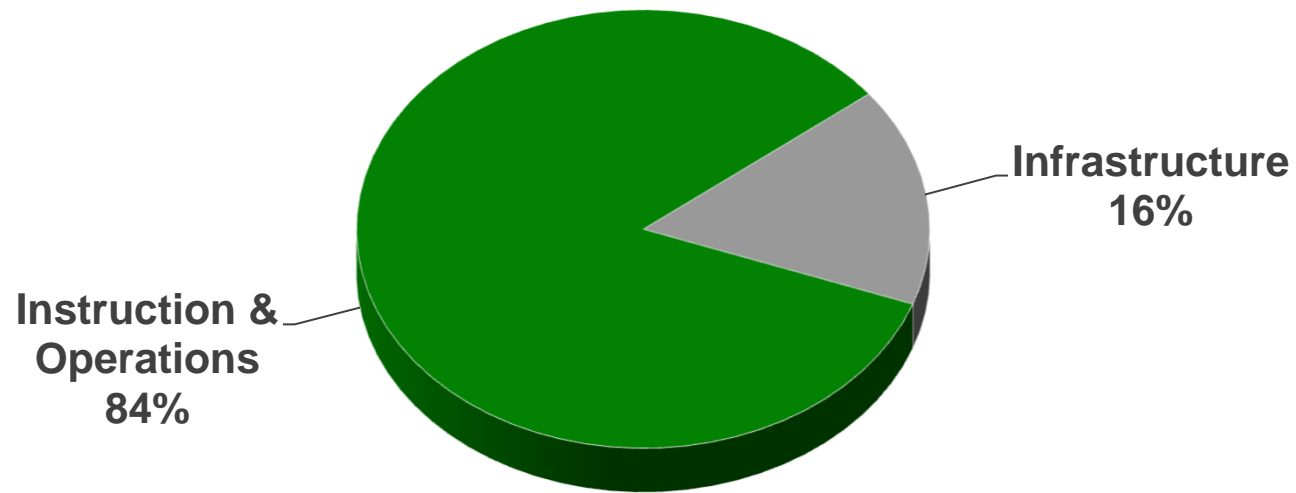
- **Two Supplements**

Teaching Experience: 10% premium for undergraduate semester credit hours taught by tenured or tenure-track faculty

Small Institution: for universities with a headcount of less than 10,000 students



Distribution of Formula Funding 2020-2021 Biennium – GR



Instruction and Operations Formula

- Based on academic and student-related functions
- Includes
 - Faculty Salaries
 - Department Operating Expenses
 - Library
 - Instructional Administration (e.g. Dean's offices)
 - Research Enhancement
 - Student Services
 - Institutional Support



Instruction and Operations Formula

	Lower Div.	Upper Div.	Masters	Doctoral	Special Professional
Liberal Arts	1.00	1.75	4.30	12.38	
Science	1.51	2.76	7.33	21.87	
Fine Arts	1.45	2.66	6.69	8.47	
Teacher Ed	1.46	1.98	2.41	8.12	
Agriculture	1.87	2.38	7.43	13.58	
Engineering	1.96	2.99	6.00	18.47	
Home Economics	1.11	1.80	3.06	10.50	
Law					4.99
Social Services	1.58	1.85	2.31	23.84	
Library Science	2.19	1.75	3.02	15.16	
Vocational Training	1.22	2.93			
Physical Training	1.38	1.33			
Health Services	0.97	1.56	2.62	11.28	2.80
Pharmacy	7.37	4.13	34.67	39.21	4.47
Business Admin	1.13	1.79	3.27	28.23	
Optometry					7.08
Teacher Ed Practice	2.00	2.19			
Technology	1.91	2.29	3.82	11.55	
Nursing	1.37	2.04	2.74	10.29	
Developmental Ed	1.00				
Veterinary Medicine					24.58



Instruction and Operations Formula

Each Semester Credit Hour (SCH) is weighted to reflect relative differences in costs. Weights are based on:

Level (lower division, upper division, masters, etc.)

- Example: Graduate courses are expected to be taught in smaller class sections than undergraduate classes so graduate credit hours are weighted heavier than undergraduate credit hours

Program area (liberal arts, science, nursing, etc.)

- Example: A credit hour in a lower division History course earns less formula funding than a lower division course in Art or Engineering



Instruction and Operations Formula

Semester Credit Hours

SCH in base period (Summer, Fall, Spring)

X

Weight

Based on discipline and level of instruction

X

Rate

Funding rate set by the Legislature in the General
Appropriations Act

\$55.85 for 2020-2021



Teaching Experience Supplement

- This is a simple add-on (or supplement) to the I&O formula
- Lower and upper division SCH taught by tenured and tenure track faculty are given an additional 10 percent weight
- Intended to provide an incentive for the institution to assign tenure/tenure track faculty to teach undergraduate students



Infrastructure Support Formula

- Infrastructure formula has 3 components
 - Operations and Maintenance (O&M)
 - Utilities
 - Small School Supplement
- Infrastructure formula is driven by the predicted space (**Net Assignable Square Feet or **NASF**) derived from the Coordinating Board's Space Projection Model**



Infrastructure Support Formula

Predicted Square Feet X
Operations & Maintenance Rate



Predicted Square Feet (adjusted based on utility expenditures) X
Utilities Rate



Small School Supplement (if applicable)



Research Funding for General Academic Institutions

Three different formulas dependent upon the status of the institution:

- **Texas Research University Fund (UT Austin and TAMU only)**
 - Based on 3-year average of total research expenditures
 - 10.9% of the average
- **Core Research Support (Emerging Research Universities)**
 - Based 50% on 3-year average of restricted research expenditures and 50% on 3-year average of total research expenditures.
 - 10.3% of the combined total.
- **Comprehensive Research Fund (All Others)**
 - Based on 3-year average of restricted research expenditures
 - 17.0% of the average



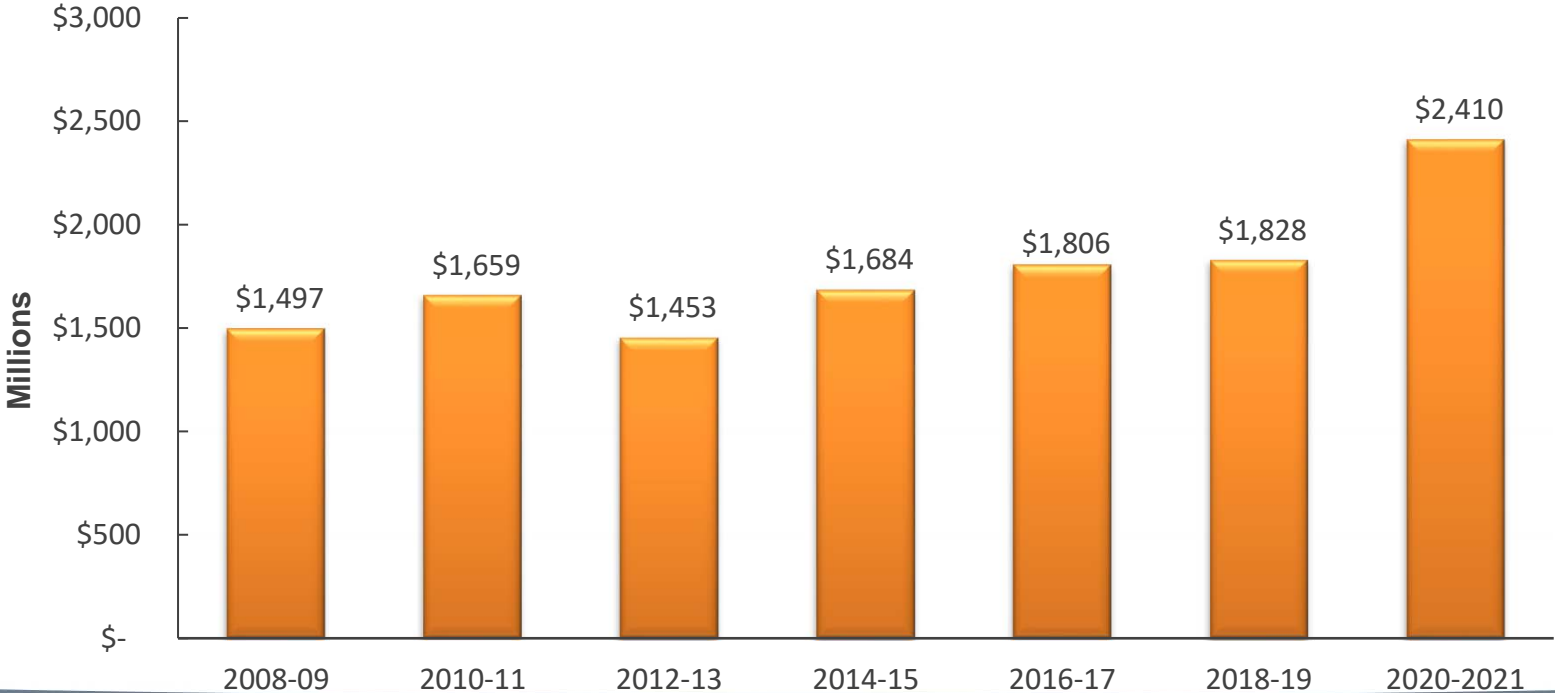
Funding Health Related Institutions



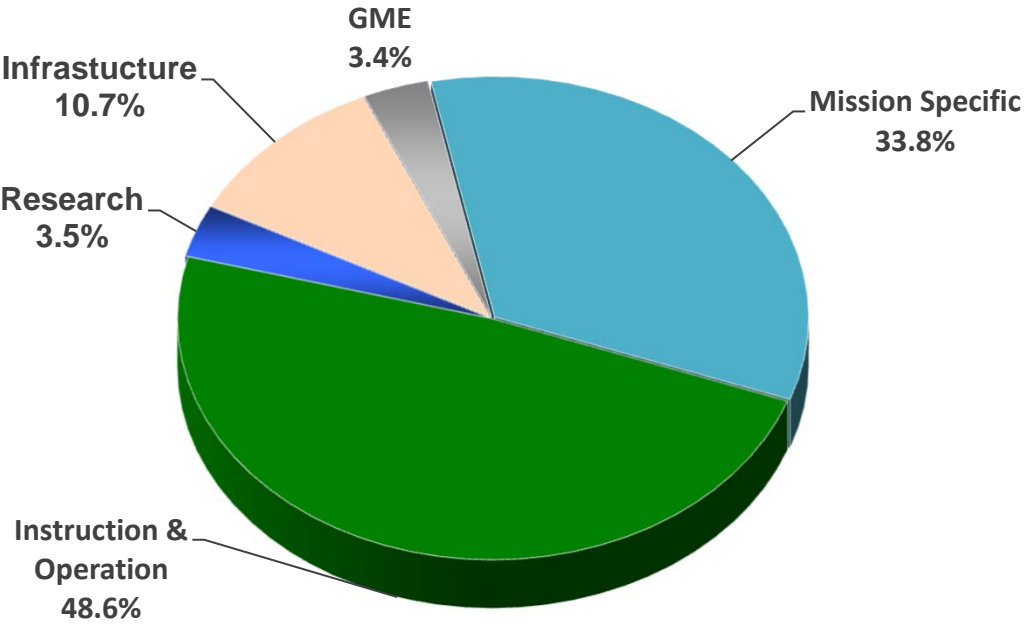
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Health Institutions Funding GR



Distribution of Formula Funding 2020-2021 Biennium - GR



Formula Types

1. **Instruction and Operations:** Intended to fund items such as faculty salaries, departmental operating expense, instructional administration and libraries.
2. **Infrastructure:** Facility maintenance and operations, utilities
3. **Research Enhancement:** Supports research activities
4. **Graduate Medical Education (GME):** Supports graduate medical education
5. **Mission Specific:** Mission specific formulas related to cancer at UT MD Anderson and chest diseases at UT HSC-Tyler [2020-2021: New pilot formulas related to research at UT Southwestern, UT HSC Houston, UT HSC San Antonio and new pilot formula related to patient care at UTMB Galveston]



Instruction and Operations Formula

$\$ = \text{Student FTE's} \times \text{program weight} \times \text{base value of } \$9,622$

<u>Program</u>	<u>Weight</u>
Allied Health	1.000
Biomedical Science	1.018
Nursing	1.138
Pharmacy	1.670
Public Health	1.721
Dental	4.601
Medical	4.753
Biomedical Informatics	1.750

+ Small Class Supplement: for instructional programs at remote locations and the main campus at UT HSC-Tyler with enrollments of less than 200 students at individual campuses to compensate for the diseconomies of scale.

Small Class Supplement Formula: $(1 - (\text{FTE}/200)) \times \text{Rate} \times \text{FTE}$. The rate for Medical and Dental is \$30,000; the rate for all other programs is \$20,000.



Infrastructure Support Formula

Infrastructure Formula Calculations

This formula calculation is similar to that for GAIs

$$\text{\$} = \text{Predicted Square Ft.} \times \text{\$6.14 per square foot}$$

(from space model)

Because the Space Projection Model does not account for hospital space, separate infrastructure funding for hospital space at UTMB Galveston, UTMD Anderson and UT HSC-Tyler shall be included in the total funding for hospital and center operations (now all part of mission specific formulas).



Other Formulas

Research Enhancement Formula Key driver is research expenditures

$$\text{\$} = \text{\$1,412,500 base} + 1.18\% \text{ of research expenditures}$$

Research conducted by faculty under a contract with a clinical partner shall be considered in the formula calculations (Research & Infrastructure)

Graduate Medical Education (GME) Provides funding on a per medical resident basis

$$\text{\$} = \text{\$5,970 / year / resident in an accredited program}$$

Mission Specific: Supports Cancer and Chest Disease research and treatment at UT MD Anderson and UT HSC-Tyler. Formula based on # of patients served and # of disease diagnoses and may not exceed the average growth in funding for HRI in the I&O formula. Four new pilot mission specific formulas were added by the 86th Legislature.



Bottom Line

- Formulas are the mechanics of how most of GR appropriations are determined
- Non-formula support is limited:
 - Special Item funding
 - Tuition Revenue Bond debt service (capital funding)
 - Minimal other (WCI, UCI, RGV Lease of Facilities)
- LBB takes all the inputs (SCH, space model data, actual expenditures) and uses same methodology for all institutions to determine appropriations



Questions?



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