The Senate Higher Education Committee will meet to take up the following charges:

- Study current funding methods for both general academic institutions and community colleges, examining current performance-based methods of funding for community colleges. Review funding methods used in other states and make recommendations on how to incorporate and/or change student outcome measures in institutional funding to benefit students and promote the education needs of a rapidly growing and changing workforce.

Testimony of:

Jacob Fraire, President & CEO, Texas Association of Community Colleges

Raymund Paredes, Ph.D., Commissioner, Texas Higher Education Coordinating Board

Demetrio Hernandez, Higher Education Team Leader, Legislative Budget Board
Testimony by
Jacob Fraire, President & CEO
Texas Association of Community Colleges
Before the
Senate Higher Education Committee
May 16, 2016

My name is Jacob Fraire; I serve as President & CEO of the Texas Association of Community Colleges.

Good morning, Chairman Seliger and distinguished committee members. Thank you for inviting Texas’ community colleges to testify before the committee to discuss performance-based funding for community colleges.

For the past four months, I have had the high privilege to serve the 50 community college districts of Texas. While I am not new to community colleges, I am relatively new to TACC and a new face before your committee. I will take just a moment to share a little bit about myself and then quickly dive into my testimony.

I am a Texan, who like Commissioner Paredes, was raised in El Paso. I also am the son of migrant farmworkers. For almost a decade, our family’s migration from town to town in search of seasonal agricultural work, gave me an early-age appreciation for hard work and later in life, a keen appreciation for the critical role that postsecondary education plays in economic and social mobility.

After 11 years of education advocacy work in Washington, DC, where I represented K-12 and higher education organizations, I returned home to Texas. For 15 years, I the led the philanthropic team at TG, serving as vice president of philanthropy for the last five years.

It was through the lens of philanthropy that I gained a deeper understanding and deep respect for community colleges. TG provided funding to TACC for the Student Success Center, UT Austin for the New Mathways Project, the Achieving the Dream network.

Finally, my learning of community colleges was fully crystalized when I married by wife, Virginia, who holds a doctorate degree in Community College Leadership, and proudly shares that she began her postsecondary studies at Austin Community College.

Let me repeat that I have the high privilege to serve the 50 Community Colleges of Texas. You have my commitment, and that of our presidents and chancellors, to serve as thoughtful partners with the state, the higher education coordinating board, and with our colleagues in public school districts and in universities, as we work together to achieve the laudable goals of 60X30TX.
Portrait of Texas Community Colleges

To provide some context for my remarks on performance-based funding, allow me to share a few data points that paint a portrait of Texas Community Colleges.

- In the fall 2015, Texas Community Colleges enrolled more than 700,000 students, a 62% increase from the fall 2000.
- My colleges enroll 47% of all students in higher education and 52% of students enrolled in public higher education.
- Texas community colleges serve more than 70% of freshman and sophomore students who are from low-income families.
- Texas Community Colleges awarded 103,750 certificates and degrees in academic year 2014-15, a 93% increase from 2005-06. Of these credentials, 39% were awarded to Hispanics, 37% to White and 13% to African-American students.
- In the 2014-15 academic year, Texas Community Colleges accounted for 40% of all degrees and certificates awarded at Texas public higher education institutions; compared to 33% in 2005-06.
- Texas Community Colleges are strengthening our partnerships with school districts and university colleagues, to create seamless pathways for our mutual students.
- My colleges provided more than 93% of the 133,000 dual credit courses provided to Texas high school students.
- While there is room for improvement in realizing student transfers from community college to university, we are seeing some success. For example, nearly 70% of bachelor degree recipients in Texas had some community college experience and 35% of those 4-year graduates had more than 30 credit hours from my colleges.
- Finally, Texas Community Colleges continue to be very affordable. As Commissioner Paredes has stated before this committee, our colleges (collectively) rank third in the nation among community college systems in terms of affordability.

To serve the state at scale and do so while maintaining quality and affordability are points of pride for our colleges. We recognize that service at this scale also carries with it great responsibilities. We embrace these responsibilities and are working on multiple fronts to innovate how we serve students.

For example, Texas has a strong representation within the Achieving the Dream network, which requires rigorous use of data to measure student progression.
All 50 of our colleges, in partnership with the Dana Center at the University of Texas at Austin, have engaged the New Mathways Project as the lead vehicle for accelerating student progress into and through college-level math.

This year, with the generous support of philanthropy, our colleges will engage the Texas-version of the Guided Pathways Project, a promising multi-year plan for reframing how we guide students into and through their college experience and into the workforce.

Texas community colleges fully embrace our role in realizing the goals of the new 15-year strategic plan for higher education, 60X30TX.

We commend Commissioner Paredes for his leadership in supporting a community college funding request appropriate to the resource demands of 60X30TX.

We are grateful to Lt. Governor Patrick and your committee for inviting a conversation on outcomes-based funding among community colleges during the interim hearings.

**Principals of Performance-Based Funding**

Texas Community Colleges embraced the principals of performance-based funding in 2010 and have worked diligently with these principals for the past five years. A focus on “students” as the nucleus of how we measure institutional success is an important element of performance-based funding.

You should have at your desk a fact sheet on Student Success Points. I will highlight our progress to date for each of the metrics and then end with our recommendations for policy.

Student Success Points, as one of three components of funding for Texas Community Colleges, was adopted in 2013 by the 83rd Legislature. The goal of the student success points system is to reward colleges for improvement in student achievement. A system of five key metrics is designed to reward achievement and progress for all students, from the least prepared to the most college-ready.

The five metrics include: (1) College Readiness; (2) Completion of First College-level Course; (3) Attainment of College Credits; (4) Credentials Awarded; and (5) Student transfers from community college to university.

**Total Student Success Points** generated by Texas Community Colleges have increased 9.4% since FY2010.

1) The number of students who are completing their first college-level course has increased 18% since FY2010.

2) The number of students earning a degree or certificate has increased 40% since FY2010.
3) The number of students who are transferring to a university with a least 15 semester credit hours has increased 28% since FY2010.

**For two metrics**, success points for completion of developmental education courses and accumulation of semester credit hours at 15 and 30 hour intervals, we have realized decreases in total success points since FY2010.

However, we have reached stabilization in more recent years. For example, student success points for completing 15 and 30 semester credit hours have decreased 10% since FY2010, but have increased 2% from FY2013 to FY2015.

**BEYOND THE DATA**

There is no question that Texas community colleges are realizing the types of improvements envisioned in the principals of performance-based funding. Still, we have much work ahead and especially within the larger context of 60X30TX. Our colleges continue to work tirelessly to unearth new strategies for advancing student success, and the Success Points system in place is an important driver of those conversations.

The Texas Association of Community Colleges and the 50 public institutions we represent affirm our commitment to performance-based funding and offer two recommendations for consideration by the Legislature. First, provide the level of funding for Student Success Points, which affirms the system’s incentive to reward institutions for successes realized.

We ask, as a part of our recommendations for state appropriations, that success points be funded at a rate of no less than $185 per point, which was the rate established for the 2014-15 biennium. We further recommend that the 10% cap on Success Point funding be removed.

As I conclude my remarks, I want to underscore that these two changes, combined, place further emphasis on success points as one of three key components of community college funding.

Our recommendation to increase funding for student success points should be in addition to, rather than in lieu of, current funding levels for core operations and instructional funding.

Mr. Chairman and Members of the Committee, thank you again for inviting our testimony. I will be pleased to answer your questions.
The goal of the student success points system is to reward colleges for improvement in student achievement.

The 83rd Legislature (2013) adopted a new model for funding community colleges which included 1) student success points, 2) core operations, and 3) contact hour funding.
- For the 2014-15 biennium, $172.0 million was appropriated for student success points.
- The 2014-15 student success point appropriation was based on a 3-year average of 929,188 student success points.
- Each student success point was funded at $185.12 per point.

The 84th Legislature (2015) continued funding of student success points as one component of the community college funding model.
- Rider 23 in S.B. 1 (83rd Legislature, 2013) required the development of a new allocation system that compares the performance of each college district against itself.
- The new allocation system proposed for the 2016-17 biennium was that student success points should be funded at a rate that is no less than the rate funded in the 2014-15 biennium ($185.12 per point).
The Student Success Point appropriation for the 2016-17 biennium was $169.2 million; 10-percent of the instructional funds appropriated to community colleges (after first deducting the core amount).

Student success points were funded at $173 per point; not funded at a level to reward student improvement and maintain the “compete against yourself” system ($185 per point).

• A priority of Texas Community Colleges for the 85th Texas Legislature is to have student success points funded at $185.12 per point.
  - This level of funding will ensure that community colleges have an incentive to increase performance.
  - This level of funding will ensure that each college district competes against itself.
  - The funding request of $186.6 million is based on the FY 13-14-15 3-year average of 1,008,112 student success points multiplied by the $185.12 rate.

- Total Student Success Points generated by Texas Community Colleges have increased 9.4 percent since FY 2010.
• The 3-year average for student success points has increased 2.7 percent since FY 10-11-12.

**Mechanics of Student Success Points**

• The metrics system in place for student success points is designed to reward achievement and progress for all students (from the least prepared to the most college-ready).
• Student success points metrics have been under development and refined since 2010.
• Student success points are calculated each fiscal year.
• A 3-year average is used for appropriating student success points (to account for fluctuations in points from year to year).
• Student success points measure a snapshot of a target fiscal year rather than a cohort data approach. For example, fall 2014 to summer 2015 is Fiscal Year 2015.
• The time period used to measure each student success point area differs and will be articulated in each of the definitions below.
Overview of Each Major Area of Student Success Points

**Complete Developmental Education**

Only students who are not ready in math, reading, and/or writing as first time undergraduates can potentially qualify for student success points in this category. The time period for completing developmental work is the target year being measured and the 2 previous years (3 years total). If a student successfully completes developmental work in the fiscal year being measured, then one point is awarded for math completion, .5 point for reading completion, and .5 point for writing completion.

Completing developmental education success points have declined 18.3% since FY 2010.

**First College Course for Credit**

If a student successfully completes the first college level math, reading, and/or writing course with a letter grade of “A-B-or C” in the fiscal year measured, then one point is awarded for completion of the math course, .5 point for completion of the reading course, and .5 point for completion of the writing course. The time period for tracking this measure is the target year being measured and the 3 previous years (4 years total).
Attain College Credits

**Complete 15/30 Semester Credit Hours**

If a student successfully completes at least 15 semester credit hours and/or 30 semester credit hours at the same institution during the target year being measured, then one point is awarded for completion of 15 hours and one point is awarded for completion of 30 hours. The time period for this measure is the fiscal year being measured and the 3 previous years (4 years total).

**Student Success Points for completing 15/30 semester credit hours have decreased 10.6% since FY 2010.**

First college course completers have increased 18.0% since FY 2010.
Earn a Degree or Certificate
If a student earns a Bachelor’s of Applied Technology (BAT), an Associate’s degree, a Level 1 or Level 2 Certificate, an Advanced Technology Certificate or completes the Core Curriculum during the target year being measured, then two points are awarded. If a student completes a degree or certificate in a critical field, then 2.25 points are awarded. Unduplicated degrees and certificates awarded by the district in the target year being measured are counted.

Certificates/Degrees earned have increased 40.2% since FY 2010.

Transfer to University with 15 Semester Credit Hours
If a student has successfully completed at least 15 semester credit hours at the same institution and a record is found by the Coordinating Board at a Texas public/private university in the target year being measured, then two points are awarded. The time period for this measure is the fiscal year being measured and the 3 previous years (4 years total). Colleges may report out-of-state enrollments using National Student Clearinghouse data.
Transfer to University with 15 Semester Credit Hours

Transfers to universities have increased 27.9% since FY 2010.

Student Success Points Model

- Complete Math DE, 1 point
- Complete reading DE, 5 point
- Complete writing DE, 5 point
- Pass 1st college math course, 1 point
- Pass 1st college reading course, 5 point
- Pass 1st college writing course, 5 point
- Complete 15 semester credit hours, 1 point
- Complete 30 semester credit hours, 1 point
- Degree/Certificate Awarded, 2 points
- Critical Field, 2.25 points
- Transfer to university after completing 15 semester credit hours, 2 points
Community College Funding Model

$1.745 Billion Appropriation for 2016-17 Biennium

Core Operations
$50 million
($1 million/district)
2.9% of total

Student Success Points
$169.2 million
9.7% of total

Contact Hour Funding
$1.52 billion
87.2% of total

For additional community college funding information:
Student Outcome Measures in Institutional Funding

Raymund A. Paredes, Ph.D.
Texas Commissioner of Higher Education

Senate Committee on Higher Education
May 16, 2016
The overarching goal of the state’s 2015 – 2030 strategic plan for higher education, 60x30TX, aims to **increase the percentage of 25- to 34-year-olds in Texas who hold a certificate or degree.**

- To meet its primary goal under 60x30TX, **by 2030, at least 550,000 students in that year will complete a certificate, associate, bachelor’s, or master’s from an institution of higher education in Texas.**

- To achieve the goals of 60x30TX, **more emphasis must be placed on the effective use of state, institutional, and student resources not only to graduate students but to do so efficiently.**
The legislature finds that it is in the state's highest public interest to evaluate student achievement at institutions of higher education and to develop higher education funding policy based on that evaluation.

Funding policies that promote postsecondary educational success based on objective indicators of relative performance, such as degree completion rates, are critical to maintaining the state's competitiveness in the national and global economy and supporting the general welfare of this state.

Therefore, the purpose of this section is to ensure that institutions of higher education produce student outcomes that are directly aligned with the state's education goals and economic development needs.

- Texas Education Code, Section 61.0593 (a)
Enrollment and Degrees Awarded at General Academic Institutions continue to grow

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<thead>
<tr>
<th></th>
<th>Fall 1994</th>
<th>Fall 2015</th>
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<tr>
<td>Undergraduate</td>
<td>314,326</td>
<td>488,408</td>
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<tr>
<td>Graduate</td>
<td>92,140</td>
<td>130,876</td>
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<td>Degrees awarded</td>
<td>73,898</td>
<td>138,448</td>
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Total Enrollment

<table>
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<tr>
<th>Year</th>
<th>Total Enrollment</th>
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<tr>
<td>2015</td>
<td>619,284</td>
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<td>1994</td>
<td>406,466</td>
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GAI graduation rates have increased since 2000.
Graduation rates still lag behind many states

• Using Coordinating Board data which tracks graduation at the same or another Texas public institution, the 6-year graduation rate in 2015 at all public universities was 59.3% but just 52.1% when UT and A&M aren’t included.

• Based on national data showing graduation from the same institution, Texas’s 6-year graduation rate of 53% at 4-year institutions ranks below the national average of 59.8% and that of 31 other states.

• Students who rely on Pell Grants to help pay for higher education graduate at even lower levels. In FY 2015, 47.9% of those receiving Pell graduated in 6 years.

• In FY 2015, the 3-year rate for students graduating from a public 2-year college or transferring to a 4-year institution was 26.6%. The 4-year rate was 31.8%.

Sources: Integrated Postsecondary Education Data System (IPEDS) and the Texas Higher Education Coordinating Board
The proportion of ‘at risk’ students receiving degrees at public universities continues to increase.

![Bar chart showing degrees by at risk students and all degrees for FY 2000 and FY 2015.]

- FY 2000:
  - Degrees by at risk students: 32.5%
  - All degrees: 100,000

- FY 2015:
  - Degrees by at risk students: 43.9%
  - All degrees: 200,000

Legend:
- Blue: Degrees by At Risk Students
- Orange: All Degrees
The genesis of the outcomes funding recommendation

• The Legislature appropriated $80 million for FY 2009 to the Board to establish a Higher Education Performance Incentive Fund to improve “teaching and educational excellence.” Funding ended in 2011.

• In 2010, the Board recommended an outcomes-based funding formula for public universities designating 10% of the baseline funding for degrees awarded and other factors.

• According to the National Conference of State Legislatures, 26 states employed some performance based funding for public four-year institutions as of July 2015.
The Coordinating Board recommends formula funding that rewards performance

• Board formula funding recommendations for the 2018-2019 biennium cover enrollment growth and the cost of inflation and **make a significant additional investment in student success points, outcomes based funding and graduate medical education.**

• Investing in outcomes sends a powerful message to institutions that results matter. Ultimately, student outcomes drive success and achieve **60x30TX goals.**
The GAI Formula Advisory Committee developed a Graduation Bonus program to reward institutions for completions.

The Board recommended the 85th Legislature adopt a lower funding level, providing $150 million for the biennium, based on institutions’ three-year average:

- $500 for each not “at risk” student awarded a bachelor’s degree
- $1,000 for each “at risk” student awarded a bachelor’s degree

An “at risk” student would be defined as any student who is eligible to receive a Pell Grant or whose SAT or ACT score was below average.

The Bonus directly impacts the 60x30TX goal to produce more graduates.

The Board recommends outcomes-based funding be institutionalized and that the Legislature determine whether it be inside or outside the formula.
Outcomes funding model principles

• Create incentives for institutional behavior.
• Get agreement on goals.
• Include all public institutions.
• Reward success in serving underrepresented populations.
• Reward degree completion.
• Limit the categories of outcomes to be rewarded.
• Use metrics that are unambiguous and difficult to game.
• Reward continuous improvement.
Community College Success Points - Increasing student completions to meet 60x30TX goals requires additional resources for advising, tutoring, and software.

- First funded by the 83rd Legislature.
- Formula linked to completions, transfers, etc.

Returned Value Formula – Ties funding for the Texas State Technical College System to success in job placement and earnings.

- First funded by the 83rd Legislature.
• The recommended level of $222.3 million for success points at our 2-year public colleges would provide $215 per point.

• Success point funding ties resources to results. Improvements increase when colleges understand that success is valued and will be rewarded.

• Any additional funds beyond the 2016-2017 base year funding, growth, and inflation should be used to incentivize student success efforts.
• The Coordinating Board delivers the **most sophisticated higher education data in the nation**.

• Agency resources inform policy decisions, monitor changes, indicate possible improvements and allow replication of successful models.

• The simplicity of **the Graduation Bonus prioritizes the overarching goal of 60x30TX**; emphasizing persistence and focusing resources on success.

• The Bonus **incentivizes universities’ internal success** in tutoring, mentoring and developmental education.

• The Bonus carries the **additional formula funding benefits** of increasing retention and transfer completion.
Texas Public Higher Education

Overview of Funding Formulas
for Institutions of Higher Education

PRESENTED TO SENATE HIGHER EDUCATION COMMITTEE
LEGISLATIVE BUDGET BOARD STAFF
MAY 2016
Overview of Presentation

Related to Senate Higher Education Committee Interim Charge #2, Performance Funding for GAIs and Community Colleges: Study current funding methods for both general academic institutions and community colleges, examining current performance-based methods of funding for community colleges. Review funding methods used in other states and make recommendations on how to incorporate and/or change student outcome measures in institutional funding to benefit students and promote the education needs of a rapidly growing and changing workforce.

1. Overview of Formula Funding Mechanics and Methods of Finance
2. Overview of General Academic Institution (GAI) Formulas
3. Overview of Lamar State Colleges (Lamars) and Texas State Technical College (TSTC) Formulas
4. Overview of Formula Appropriations for GAIs, Lamars, and TSTCs
5. Overview of Health Related Institution (HRI) Formulas and Appropriations
6. Overview of Public Community and Junior Colleges Formula and Appropriations
General Formula Funding Mechanics

- Formulas are a distribution method for higher education funding. Higher education formulas do not create a statutory or constitutional entitlement.

- Formula Method of Finance.
  - General Academic Institutions, Health Related Institutions, Lamar State Colleges and Texas State Technical Colleges are funded through an All Funds methodology which means that General Revenue and GR-Dedicated–Other Educational and General Income (E&G) are used to fund these formulas. The Community and Junior College formula is funded only with General Revenue.

  - “Other E&G” includes revenue generated by statutory tuition, interest on funds in the state treasury, and various fees. (Board Authorized Tuition is distributed after formula calculation, therefore does not affect the amount of General Revenue.)

- Other E&G Set Asides. Some E&G income is set aside for specific purposes. Specific amounts are unavailable for formula purposes and, consequently, as a formula method of finance. For example, institutions set aside a portion of their tuition to provide Texas Public Education Grants.
The General Academic Institution (GAI) Instruction and Operations (I&O) Formula is based on Semester Credit Hours (SCH) during a three-semester base period. SCH is a measure of how many classes an institution delivers. The base period used for the 2016-17 biennium is Summer and Fall of 2014 and Spring of 2015.

SCH are weighted by discipline (e.g. nursing is weighted more than liberal arts) and by level (lower and upper division, masters, doctoral, and professional). The weights are based on a cost study completed by the Texas Higher Education Coordinating Board of relative costs and are listed on the following slide.

The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

\[
\text{Semester Credit Hours} \times \text{Program/Level Weight} \times \text{Rate ($55.39)}
\]

Hours taught by tenured or tenure-track faculty qualify for the teaching experience supplement. The weight functions as it does in the Instruction and Operations formula.

\[
\text{Semester Credit Hours} \times \text{Program/Level Weight} \times \text{Supplement (0.10)} \times \text{Rate ($55.39)}
\]
# General Academic Institutions

## Cost Based Matrix

<table>
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<tr>
<th></th>
<th>LOWER DIVISION</th>
<th>UPPER DIVISION</th>
<th>MASTERS</th>
<th>DOCTORAL</th>
<th>SPECIAL PROFESSIONAL</th>
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<td>Liberal Arts</td>
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<td>1.76</td>
<td>4.00</td>
<td>10.77</td>
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<td>Science</td>
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<td>7.53</td>
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<td>Physical Training</td>
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<td>Health Services</td>
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<tr>
<td>Veterinary Medicine</td>
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The GAI Infrastructure Formula, which also includes the Lamar State Colleges and the Texas State Technical Colleges, allocates funding for physical plant support and utilities and is based on predicted square feet for universities’ educational and general activities produced by the Space Projection Model developed by the Coordinating Board.

As with the SCH rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

**Predicted Square Feet  X  Rate ($5.62)**

Additionally, institutions with a headcount of less than 10,000 students also receive the Small Institution Supplement. The supplement totals $1.5 million for the biennium for each institution with less than a 5,000 student headcount. Institutions with headcounts that range from 5,000 to 10,000 students receive an appropriation that decreases from $1.5 million with each additional student.
The Instruction and Administration (I&A) Formula for the Lamar State Colleges is based on contact hours. A contact hour is a standard unit of measure that represents an hour of scheduled academic and technical instruction given to students during a semester. The base period used for the 2016-17 biennium is Summer and Fall of 2014 and Spring of 2015.

Contact Hours \times \text{Rate ($3.53$)}

The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

The Eighty-third Legislature, Regular Session, 2013, modified the calculation of the Texas State Technical College (TSTC) I&A formula to base it on the returned value to the state generated by the TSTC System rather than student contact hours. The I&A formula now compares average student wages upon completion of nine semester credit hours or more at a TSTC institution to minimum wage to determine the additional value an individual generates for the state after attending a TSTC institution. Based on available funding, the Legislature then appropriates a percentage of this returned value amount to the TSTC System for I&A funding.

\text{Returned Value} \times \text{Percentage Allocated to TSTC (35.5%)}
### Formula Appropriations for General Academic Institutions, Lamar State Colleges, and Texas State Technical Colleges

<table>
<thead>
<tr>
<th>Formula</th>
<th>2014-15 Appropriations</th>
<th>2016-17 Appropriations</th>
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<tr>
<td></td>
<td>Formula General Revenue</td>
<td>Annual All Funds Rate</td>
</tr>
<tr>
<td>Instruction and Operations - GAIs</td>
<td>$2,664.5</td>
<td>$54.86</td>
</tr>
<tr>
<td>Infrastructure Support – GAIs, Lamars, and TSTCs</td>
<td>521.7</td>
<td>5.56</td>
</tr>
<tr>
<td>Instruction and Administration - Lamars</td>
<td>30.4</td>
<td>3.44</td>
</tr>
<tr>
<td>Instruction and Administration – TSTCs*</td>
<td>89.8</td>
<td>32.6%</td>
</tr>
<tr>
<td>Total</td>
<td>$3,306.4</td>
<td></td>
</tr>
</tbody>
</table>

*Percentage reflects the allocation of returned value appropriated to the TSTC System for I&A funding.
The Health Related Institutions (HRI) Instruction and Operations Formula is based on Full-Time Student Equivalents (FTSE) during a three-semester base period. The FTSEs are weighted by program, and the Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.

\[
\text{FTSE} \times \text{Program/Level Weight} \times \text{Rate ($9,829)}
\]

The HRI Infrastructure Support Formula allocates funding for physical plant support and utilities based on the predicted square feet at the institutions. As with the I&O rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

\[
\text{Predicted Square Feet} \times \text{Rate}
\]

(Rate is $6.65 for HRIs other than The University of Texas M.D. Anderson Cancer Center (UTMDACC) and The University of Texas Health Science Center at Tyler (UTHSCT) ; $6.26 for UTMDACC and UTHSCT)

Note: Baylor College of Medicine receives funding for its undergraduate medical students, by statute, based on the average cost per undergraduate medical student enrolled at The University of Texas Medical Branch and The University of Texas Southwestern Medical Center.
I&O Funding by Weights and Discipline

The I&O formula multiplies the number of FTSEs generated at an institution by a weight assigned to the program, regardless of level. The weights for each of these programs are shown in the table below. These weights are not based on a cost study and have not changed since the inception of the formulas in 2000-01.

<table>
<thead>
<tr>
<th>Program</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allied Health</td>
<td>1.000</td>
</tr>
<tr>
<td>Biomedical Science</td>
<td>1.018</td>
</tr>
<tr>
<td>Nursing</td>
<td>1.138</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>1.670</td>
</tr>
<tr>
<td>Public Health</td>
<td>1.721</td>
</tr>
<tr>
<td>Dental</td>
<td>4.601</td>
</tr>
<tr>
<td>Medical</td>
<td>4.753</td>
</tr>
</tbody>
</table>
The Research Enhancement Formula provides support for medical and clinical research of the institutions, and are allocated using a base amount plus a percentage of research expenditures from the most recent fiscal year.

Base ($1,412,500) + 1.23% of Research Expenditures

The Graduate Medical Education (GME) Formula provides funding on a per medical resident basis in an accredited program.

Number of Medical Residents X Rate ($6,266)

Note: Baylor College of Medicine receives Graduate Medical Education funding through the HRI GME formula.
Health Related Institutions
Mission Specific Formulas

 UTMDACC Cancer Center Operations Formula is a mission specific formula that provides support for UTMDACC based on Texas cancer patients served.

Number of Texas Cancer Patients Served  X  Rate ($1,877)

 UTHSCT Chest Disease Center Operations is a mission specific formula that provides support for UTHSCT based on the number of new primary chest disease diagnoses in Texas each year.

Number of New Primary Chest Disease Diagnoses  X  Rate ($215)

 For each of the mission specific formulas, the amount of growth in total funding from one biennium to another may not exceed the average growth in funding for Health Related Institutions in the I&O formula for the current biennium.
## Formula Appropriations for Health Related Institutions

<table>
<thead>
<tr>
<th>Formula</th>
<th>2014-15 Appropriations</th>
<th>2016-17 Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formula General Revenue</td>
<td>Annual All Funds Rate</td>
</tr>
<tr>
<td>Instruction and Operations*</td>
<td>$1,093.1</td>
<td>$9,527</td>
</tr>
<tr>
<td>Infrastructure Support</td>
<td>236.0</td>
<td>6.63; 6.09</td>
</tr>
<tr>
<td>Research Enhancement</td>
<td>68.7</td>
<td>1.22 percent</td>
</tr>
<tr>
<td>Graduate Medical Education*</td>
<td>65.7</td>
<td>5,122</td>
</tr>
<tr>
<td>Cancer Center Operations</td>
<td>247.5</td>
<td>1,944</td>
</tr>
<tr>
<td>Chest Disease Center Operations</td>
<td>54.6</td>
<td>378</td>
</tr>
<tr>
<td>Total</td>
<td>$1,765.6</td>
<td></td>
</tr>
</tbody>
</table>

*Included in these totals are amounts appropriated for Baylor College of Medicine through the Higher Education Coordinating Board’s bill pattern.
Public Community and Junior Colleges

Beginning in the 2014-15 biennium, the Legislature implemented a new outcomes-based model for the Public Community and Junior Colleges’ Instructional and Administrative (I&A) formula that includes three funding components:

- **Core Operations** ($1.0 million per institution)
- **Success Points** (10 percent of remaining formula funding)
- **Contact Hours** (90 percent of remaining formula funding)

Community colleges report contact hour and success points data to the Texas Higher Education Coordinating Board (THECB). THECB compiles the data and provides success points and weighted contact hour data to the Legislative Budget Board.
Core Operations and
Success Points Funding

- Core Operations
  - Each community/junior college district receives $1.0 million per biennium to help cover basic operating costs, regardless of size or geographic location.
  - Core Operations replaced the community college small institution supplement.

- Success Points
  - After Core Operations is funded, 10 percent of the remaining funds are distributed based on Success Points.
  - Success Points are funded based on a three year average of success points earned by students at each community college.
  - Students are able to earn success points through eleven different metrics.
# Success Points

<table>
<thead>
<tr>
<th>Metric</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Student successfully completes developmental education in mathematics</td>
<td>1.0</td>
</tr>
<tr>
<td>▪ Student successfully completes developmental education in reading</td>
<td>0.5</td>
</tr>
<tr>
<td>▪ Student successfully completes developmental education in writing</td>
<td>0.5</td>
</tr>
<tr>
<td>▪ Student completes first college-level mathematics course with a grade of &quot;C&quot; or better</td>
<td>1.0</td>
</tr>
<tr>
<td>▪ Student completes first college-level course designated as reading intensive with a grade of &quot;C&quot; or better</td>
<td>0.5</td>
</tr>
<tr>
<td>▪ Student completes first college-level course designated as writing intensive with a grade of &quot;C&quot; or better</td>
<td>0.5</td>
</tr>
<tr>
<td>▪ Student successfully completes first 15 semester credit hours at the institution</td>
<td>1.0</td>
</tr>
<tr>
<td>▪ Student successfully completes first 30 semester credit hours at the institution</td>
<td>1.0</td>
</tr>
<tr>
<td>▪ Student transfers to a General Academic Institution after successfully completing at least 15 semester credit hours at the institution</td>
<td>2.0</td>
</tr>
<tr>
<td>▪ Student receives from the institution an associate's degree, a Bachelor's degree, or a certificate recognized for this purpose by the Coordinating Board in a field other than a critical field, such as Science, Technology, Engineering and Mathematics (STEM), or Allied Health.</td>
<td>2.0</td>
</tr>
<tr>
<td>▪ Student receives from the institution an associate's degree, a Bachelor's degree, or a certificate recognized for this purpose by the Coordinating Board in a critical field, including the fields of Science, Technology, Engineering or Mathematics (STEM), or Allied Health.</td>
<td>2.25</td>
</tr>
</tbody>
</table>
Contact Hour Funding

- The remaining 90 percent of funds are distributed based on the number of contact hours for each community college.

- A contact hour is a time unit of measure that represents an hour of scheduled academic or technical class time, 50 minutes of which must be instructional.

- Contact hour funding is based on each community college’s share of total weighted base year contact hours. The base period used for the 2016-17 biennium is Summer and Fall of 2014 and Spring of 2015.

  Contact Hours  X  Rate ($2.69)

- The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.
# Public Community and Junior Colleges
## Formula Appropriations

<table>
<thead>
<tr>
<th>Formula</th>
<th>2014-15 Appropriations</th>
<th>2016-17 Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formula General Revenue (in millions)</td>
<td>Annual All Funds Rate</td>
</tr>
<tr>
<td>Contact Hour</td>
<td>$1,547.8</td>
<td>$2.65</td>
</tr>
<tr>
<td>Success Points</td>
<td>$172.0</td>
<td>$185.12</td>
</tr>
<tr>
<td>Core Funding</td>
<td>$50.0</td>
<td>$0.5 million per district</td>
</tr>
<tr>
<td>Total</td>
<td>$1,769.8</td>
<td></td>
</tr>
</tbody>
</table>

Note: 2016-17 amounts do not include hold harmless funding. 2016-17 appropriations included $4.0 million for a 90 percent hold harmless.
Contact the LBB
Legislative Budget Board
www.lbb.state.tx.us
512.463.1200