



LEGISLATIVE BUDGET BOARD

Overview of Funding for General Academic Institutions

**PRESENTED TO HOUSE APPROPRIATIONS COMMITTEE
LEGISLATIVE BUDGET BOARD STAFF**

SEPTEMBER 2022

Statement of Interim Charge

Related to House Appropriations investigation of Higher Education Affordability

- Overview of General Academic Institution (GAI) Formulas
 - Instruction & Operations Formula and Teaching Experience Supplement
 - Infrastructure Formula and Small Institution Supplement
- Overview of Non-Formula Support Item Appropriations
- Overview of Research Appropriations
- Overview of Capital Construction Assistance Projects Debt Service Appropriations

The following presentation outlines direct appropriations made to General Academic Institutions and does not include information pertinent to indirect appropriations or funds outside of the treasury.

General Formula Funding Mechanics

- The legislature provides formula funding to GAs through two main formulas and two supplemental formulas:
 - Instruction and Operations Formula & Teaching Experience Supplement
 - Infrastructure Formula & Small Institution Supplement
- General Academic Institution formulas are calculated using an All Funds methodology which accounts for estimated statutory tuition (General Revenue-Dedicated) as well as available General Revenue in base formula funding.
 - Board Authorized Tuition, tuition revenue for graduate programs, is distributed after formula calculation and therefore does not affect the amount of General Revenue in the formulas.
- Certain statutory tuition must be set aside for specific purposes and is therefore unavailable for formula calculations. For example, institutions must set aside a portion of tuition to provide Texas Public Education Grants to students.

General Academic Institutions Instruction and Operations (I&O) Formula

- The I&O formula allocates available formula funding based on the weighted semester credit hours (WSCH) at each institution times the I&O rate.
 - Weighted Semester Credit Hours provide a measure of courses delivered by the institution, weighted by discipline (e.g. liberal arts, nursing, etc...) and level (lower and upper division, masters, doctoral, professional).
 - Weights are based on an expenditure study of relative costs of course delivery conducted by the Higher Education Coordinating Board.
- The rate for the formula is calculated by dividing the total number of weighted semester credit hours across all institutions by the available I&O funding.
- The Teaching Experience Supplement provides institutions a 10% increase for certain semester credit hours taught by tenured or tenure-track faculty.

Semester Credit Hours X Program/Level Weight X Supplement (0.10) X Rate

2022-23 I&O Formula Funding and Drivers	
Total Weighted Semester Credit Hours	39,588,443
I&O Rate	\$55.66 per WSCH (annually)
Total I&O Formula Funding	\$4.4 Billion

General Academic Institutions

Cost Based Matrix

Weighting is determined by the following matrix:

	Lower Div.	Upper Div.	Masters	Doctoral	Special Professional
Liberal Arts	1.00	1.82	4.72	14.74	
Science	1.38	2.75	7.67	22.30	
Fine Arts	1.39	2.70	7.49	9.73	
Teacher Ed	1.40	1.91	2.34	8.70	
Agriculture	1.64	2.33	8.51	15.18	
Engineering	1.83	2.85	7.28	19.68	
Home Economics	1.04	1.82	3.65	13.66	
Law					5.56
Social Services	1.63	1.91	2.41	28.72	
Library Science	2.73	1.99	3.50	16.55	
Vocational Training	1.38	3.46			
Physical Training	1.54	1.60			
Health Services	0.93	1.60	2.72	11.99	3.17
Pharmacy	5.95	4.48	47.05	48.02	4.69
Business Admin	1.13	1.82	3.47	35.95	
Optometry					5.76
Teacher Ed Practice	1.98	2.30			
Technology	1.89	2.42	4.86	36.15	
Nursing	1.35	2.07	2.68	10.71	
Developmental Ed	1.00				
Veterinary Medicine					22.77

Source: GAA, 2022-2023, Special Provisions Relating Only to State Agencies of Higher Education, Section 26(1)

General Academic Institutions Infrastructure Formula

- The GAI Infrastructure Formula (INF), which also includes the Lamar State Colleges and the Texas State Technical Colleges, allocates funding for physical plant support and utilities.
- Funding is based on predicted square feet for universities' educational and general activities as calculated by the Space Projection Model developed by the Texas Higher Education Coordinating Board.
- As with the Instruction & Operations formula, rates are based on available funding, including consideration of changes in space and other factors.

Predicted Square Feet X Rate

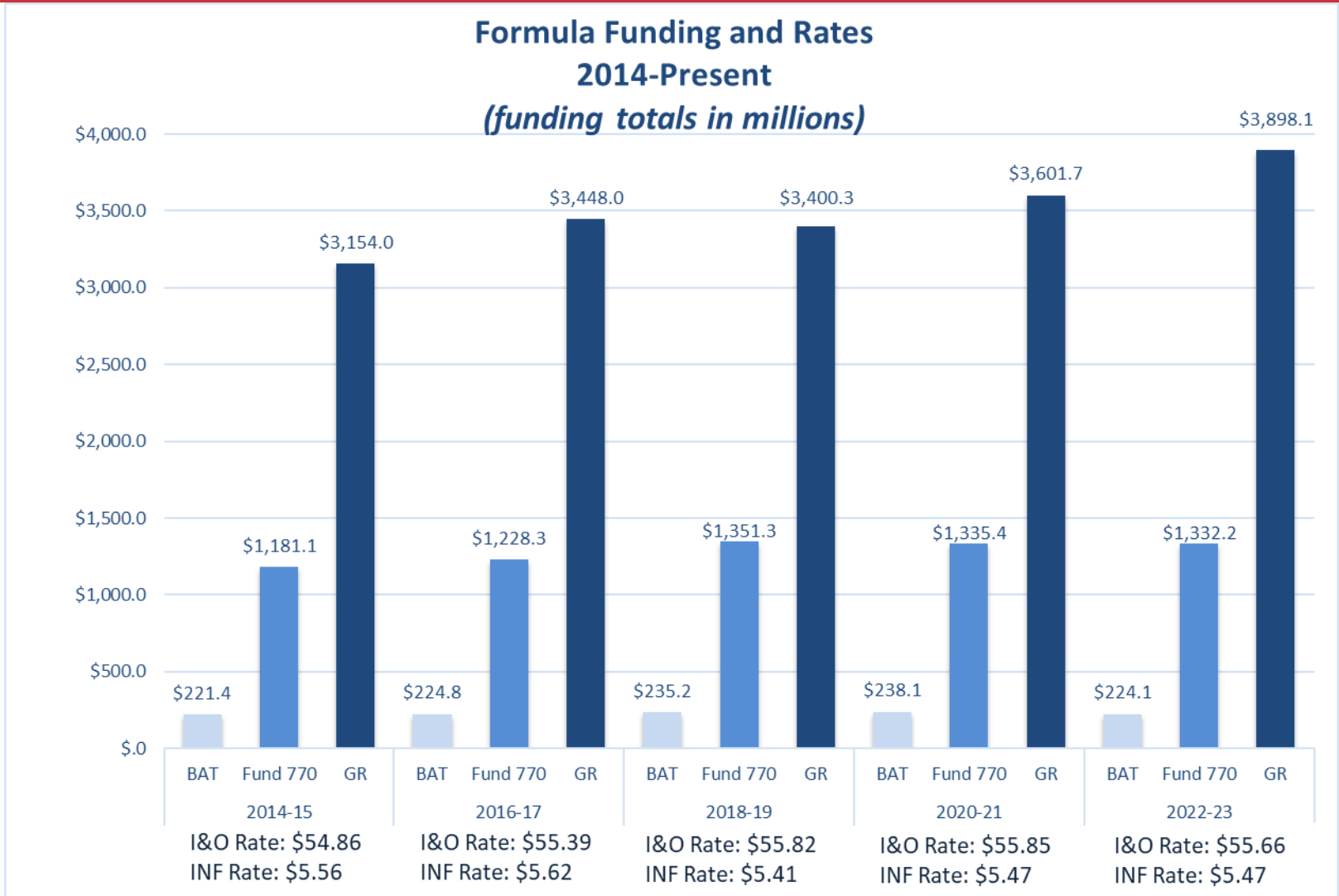
2022-23 Infrastructure (INF) Formula Funding and Driver	
Total Predicted Square Feet	73,711,167
INF Rate	\$5.47 per PSF (annually)
Total INF Formula Funding	\$823.4 million

Note: Total funding includes amounts for Small Institution Supplement and other set asides.

Small Institution Supplement

- Institutions with a headcount of less than 10,000 students also receive the Small Institution Supplement to address diseconomies of scale.
- For General Academic Institutions and Lamar State Colleges, the supplement totals \$2.6 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 \$2.6 million with each additional student.
- Sixteen General Academic Institutions were eligible for the Small Institution Supplement in 2022-23 with a total of \$30.2 million in appropriations.

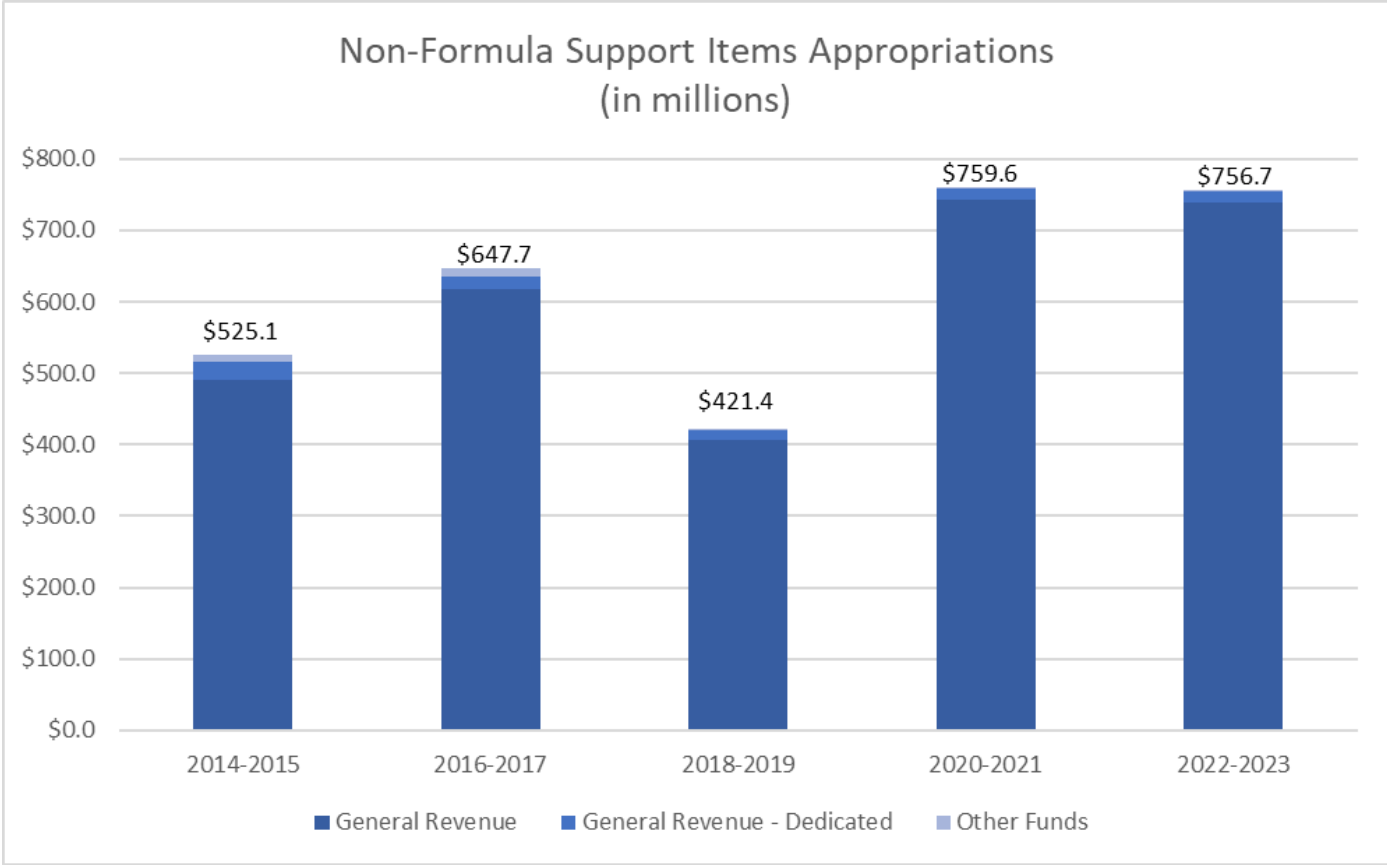
Formula Appropriations Trends



Non-Formula Support Item Appropriations

- State support for institutions of higher education includes funding for non-formula support items, formerly called special items, which are direct appropriations to institutions for programs or projects that are specifically identified by the Legislature for support.
- Most non-formula support items are funded from General Revenue Funds, but there are some non-formula support items that receive appropriations from General Revenue-Dedicated or Other Funds.
- General Academic Institutions received \$756.7 million for non-formula support items in 2022-2023.

Non-formula Support Item Appropriations

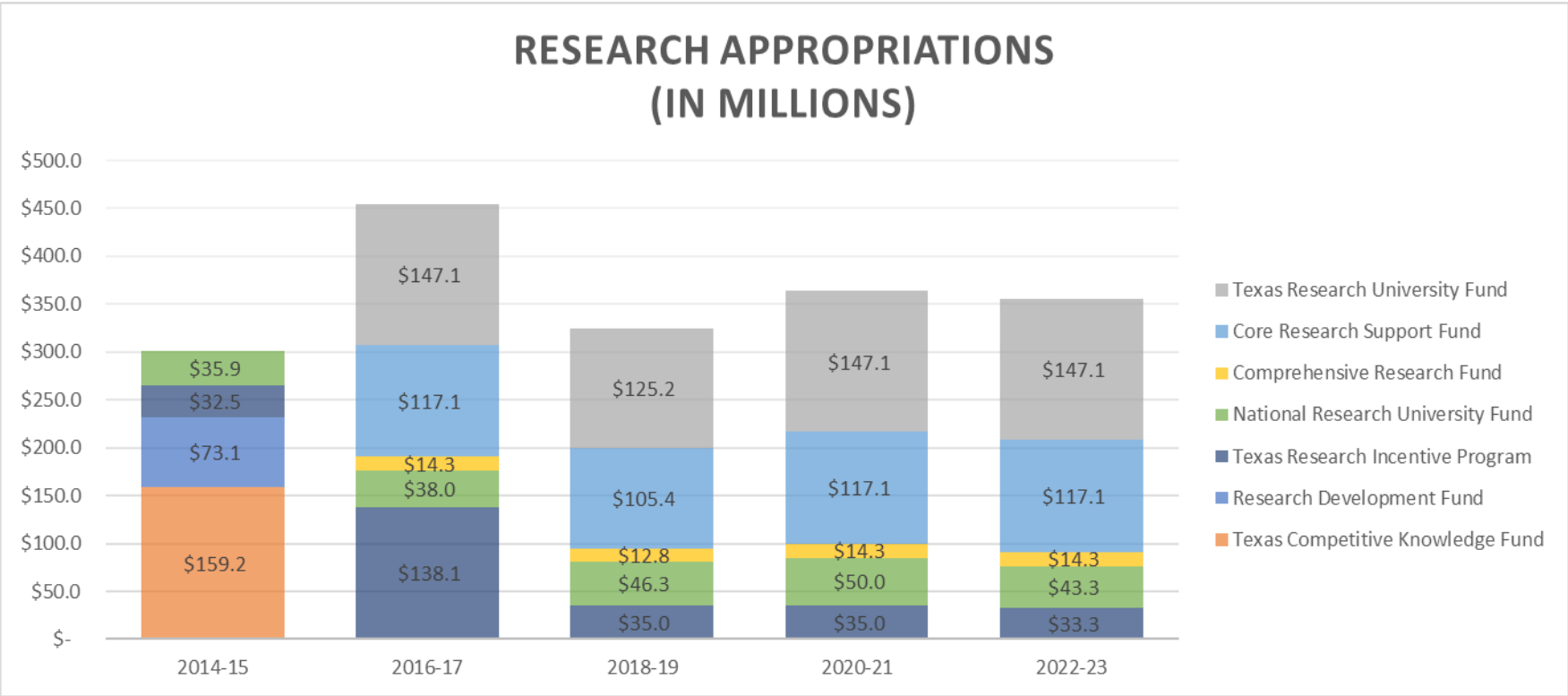


Note: Does not include supplemental appropriations.

Research Appropriations

- Institutions may receive research appropriations directly (within the bill pattern) and indirectly (in a different bill pattern) primarily through indirect or direct appropriations.
- **Direct appropriations** may include:
 - The Texas Research University Fund
 - The Core Research Support Fund
 - The Comprehensive Research Fund
 - Certain non-formula support items
- **Indirect appropriations** may include:
 - Texas Research Incentive Program
 - National Research University Fund
 - Matching grants awarded through the Governor's University Research Initiative
 - Grants awarded through the Cancer Prevention Institute of Texas

Direct Research Appropriations

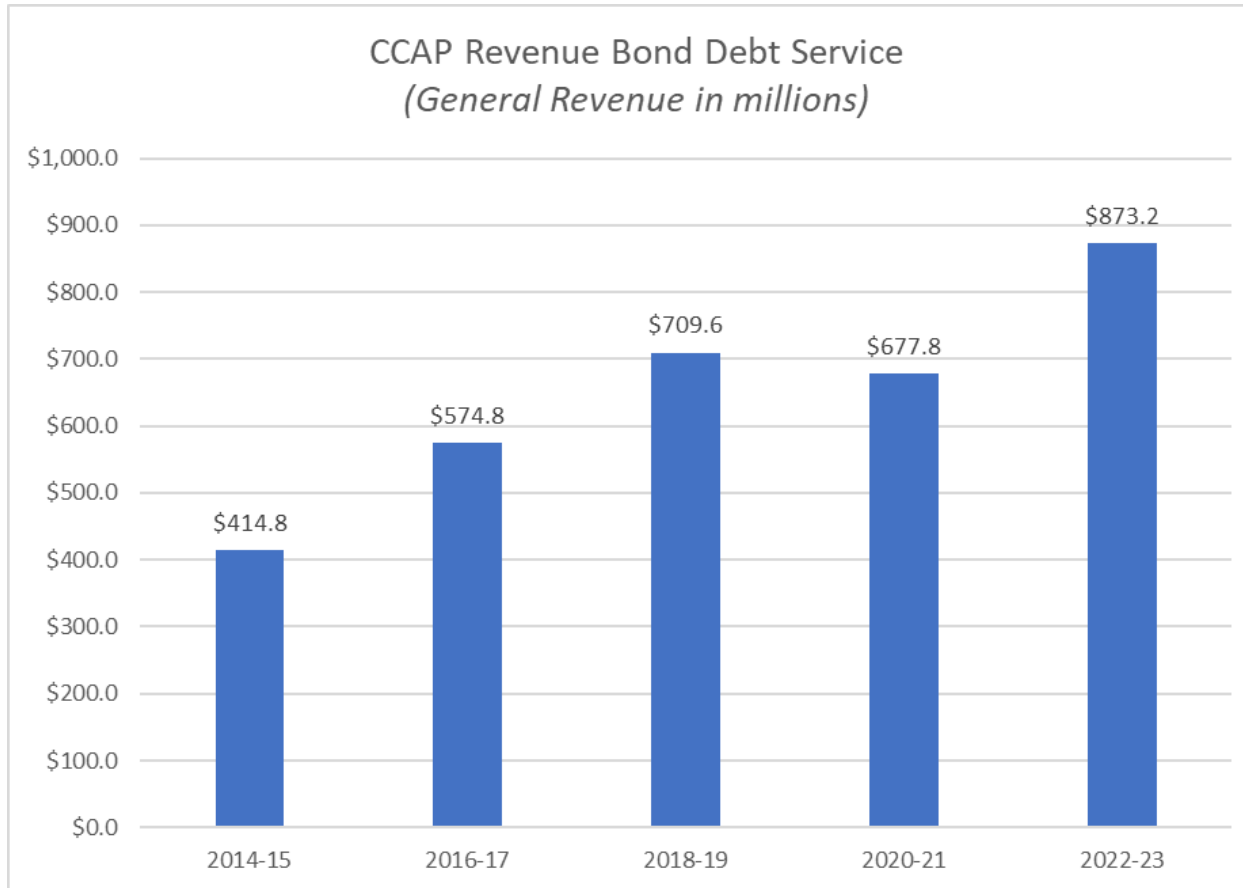


Notes:
 The Texas Competitive Knowledge Fund and the Research Development Fund were reallocated through the Texas Research University Fund, Core Research Support Fund, and Comprehensive Research Fund starting in 2016-2017.

Capital Construction Assistance Projects (CCAPS) Revenue Bonds

- Capital Construction Assistance Projects are defined in Chapter 55 of the Texas Education Code.
- The Legislature authorizes issuance of the bonds in legislation that specifies the projects to be financed at institutions of higher education. Typically, there is not an expiration date on the authorization.
- Historically, the Legislature has appropriated General Revenue for the purpose of paying the debt service on construction projects that are issued for institutions of higher education, though the bonds are legally secured by tuition.
- The General Appropriations Act limits the use of this General Revenue appropriation for only this debt service. Any unused portion of the appropriation must be lapsed back to the Treasury. The General Appropriations Act also prohibits the expenditure of educational and general funds for auxiliary purposes (ex. dormitories, athletics facilities, etc.).
- CCAP bonds do not count against the Constitutional Debt Limit.

Capital Construction Assistance Projects Revenue Bonds Debt Service for General Academic Institutions



Note: FY 2022-2023 Includes \$228.2 million appropriated to the Coordinating Board to be distributed to the General Academic Institutions per Senate Bill 8, 3rd Called Session, 87th Legislature. Amounts are as appropriated.

Other Appropriated Funds

Examples:

- Higher Education Group Insurance (HEGI)
- Available University Fund
- Higher Education Fund
- Support for Military and Veterans Exemptions
- Financial Aid at Texas Higher Education Coordinating Board (THECB)
 - Texas Grants
 - Tuition Equalization Grants (TEG)
 - Texas Educational Opportunity Grant (TEOG)
 - Other financial aid, scholarships, etc.

Note: GAls have funds available outside of the General Appropriations Act, including designated tuition, endowments, federal funds, and other institutional funds.



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