



General Academic Formula Funding

TACUBO Budget
Committee
April 2024



Formula Basics

Principles

- Formulas are an allocation methodology for state appropriations. The Legislature sets the rates based on available funding, including consideration of enrollment changes and other factors
- Formulas use Base Year data
- I & O Formulas are based on weighted semester credit hours (WSCH) for General Academic Institutions and Headcount (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 Other Educational and General Income (E&G) available to each institution

Formula Basics

Base Period for the Upcoming Biennium

Enrollment during:

Summer 2024

Fall 2024

Spring 2025*

Determines appropriations for

Fiscal Year 2026

Fall 2025

Spring 2026

Summer 2026

Fiscal Year 2027

Fall 2026

Spring 2027

Summer 2027

*For the base bill Spring 2024 will be used as a proxy for Spring 2025. Updates for Spring data are provided in April/May during the legislative session.



Formula Basics

Two Formulas:

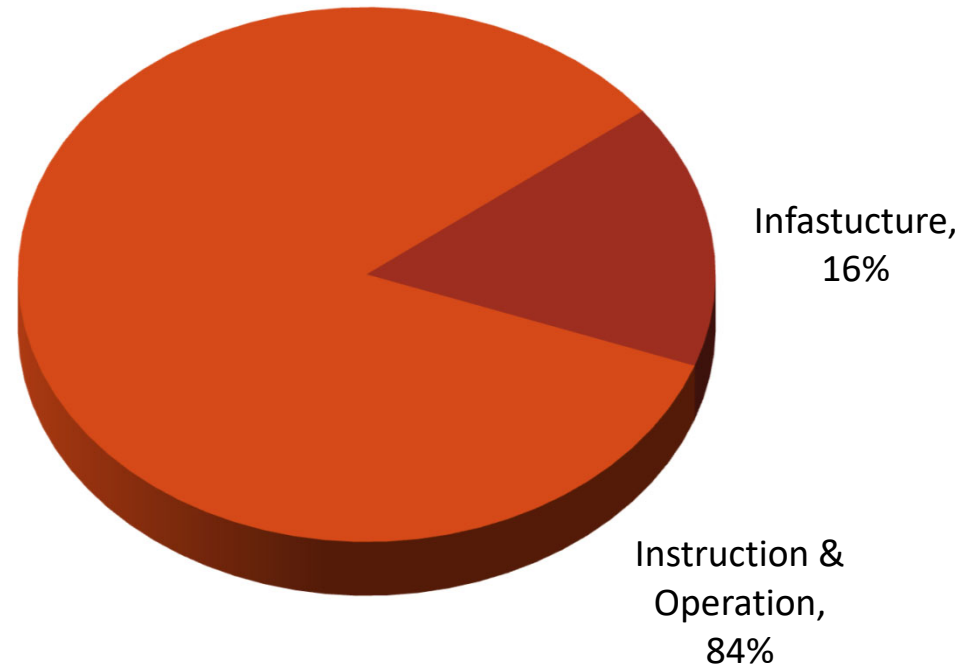
1. **Instruction and Operations:** Provides funding for faculty salaries, departmental operating expense, library, instructional administration, research enhancement, student services, and institutional support.
2. **Infrastructure:** Facility maintenance and operations, utilities.

Two Supplements:

1. **Teaching Experience:** 10% premium for all undergrad SCHs taught by tenured or tenured track faculty.
2. **Small Institution:** For universities with fewer than 10,000 headcount.

Formula Basics

Distribution of General Academic Total Formula Funding 2024-25 Biennium



Instruction and Operations

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

Each semester credit hour (SCH) is weighted to reflect relative differences in costs.

Weights are based on:

- Level (lower division, upper division, masters, etc.)
- Program area (liberal arts, science, nursing, etc.)

Weights are determined based on an expenditure study, an objective methodology using data from each institution's AFR.

- Includes all funding sources, except Auxiliary.
- All other weights are relative to lower level liberal arts, which has the weight of 1.
- All weights are displayed in a chart called the "Formula Matrix" which is included in the General Appropriations Act.
- Matrix is based on a 3-year rolling average of cost study weights. For the 2024-25 biennium, the matrix was based on the cost studies for fiscal years 2020, 2021, and 2022.

Instruction and Operations

2024-2024 Expenditure Study Matrix

	Lower Div	Upper Div	Masters	Doctoral	Special Professional
Liberal Arts	1.00	1.84	4.46	14.73	-
Science	1.34	2.63	7.00	21.74	-
Fine Arts	1.37	2.66	7.51	10.10	-
Teacher Ed	1.26	1.90	2.24	7.82	-
Agriculture	1.48	2.27	9.17	14.47	-
Engineering	1.76	2.80	6.91	18.79	-
Home Economics	0.95	1.80	3.45	14.04	-
Law	-	-	-	-	5.50
Social Services	1.58	1.91	2.44	29.07	-
Library Science	3.33	1.92	3.69	26.48	-
Vet Med	-	-	-	-	21.71
Vocational Training	1.52	3.52	-	-	-
Physical Training	1.62	1.97	-	-	-
Health Services	0.96	1.61	2.62	9.20	3.28
Pharmacy	11.64	4.73	44.01	52.25	4.67
Business Admin	1.10	1.87	3.16	38.06	-
Optometry	-	-	-	-	5.17
Teacher Ed Practice	1.97	2.34	-	-	-
Technology	1.78	2.40	5.84	15.77	-
Nursing	1.55	2.08	2.72	9.17	-
Development Ed	1.00	-	-	-	-

Instruction and Operations

Teaching Experience Supplement

- This is a simple add-on (or supplement) to the Instruction and Operations formula.
- Lower and upper division SCH taught by tenure 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.

Instruction and Operations

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
\$59.08 for 2024-25

Infrastructure

Infrastructure formula has three components:

- Operations and Maintenance (O&M)
- Utilities
- Small Institution 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

Coordinating Board Space Model

Factor	Variables
Teaching Space	SCH by program and level
Library Space	Faculty, students, approved programs and holdings
Research Space	SCH and Research expenditures
Office Space	Faculty, non-faculty, and current fund E&G Expenditures
Support Space	Percent of total predicted square feet for all other factors

Factor	Percent of Total	
	Predicted	Actual
Total	100.0%	100.0%
Teaching	36.6%	35.8%
Library	11.9%	11.3%
Research	12.1%	12.0%
Office	31.2%	35.0%
Support	8.3%	5.9%

Infrastructure

Predicted Square Feet
X
Operations & Maintenance Rate

+

Predicted Square Feet
X
Utilities Rate

+

Small Institution Supplement (if applicable)

Infrastructure

- **Operations and Maintenance (O&M)** \$3.39 (61.1%)
 - To provide for physical plant, grounds, maintenance, and custodial services.
- **Utilities (statewide rate)** + \$2.16 (38.9%)
 - Includes electricity, natural gas, water, wastewater, and thermal energy
 - Rate is adjusted for each institution to reflect local utility rates, relative to other institutions.
- **Statewide Avg. Infrastructure Rate/Pred. SqFt** = **\$5.54**
- **Small School Supplement** – provides an additional \$1,316,566 / year to institutions with headcounts of fewer than 5,000. For institutions between 5,000 and 10,000 headcount, the small school supplement proportionally decreases down to zero when an institution reaches 10,000 headcount.

Income Estimates

- Income that is included in the General Appropriations Act is set forth in statute
- Legislative Budget Board (LBB) estimates income for each institution
- Funds in the GAA include:
 - GR Dedicated Educational and General Income(E&G)
 - GR Dedicated Board Authorized Tuition Income (BATI)
- Both Methods of Finance are “estimated appropriations.”

Income Estimates

- E&G Income sources that are included in the Method of Finance (as defined in Texas Education Code 51.009):
- Net Statutory tuition
- Special course fees charged under Sections 54.051(e) and (l), Ed. Code
- Lab fees
- Student teaching fees
- Organized activity fees
- Proceeds from the sale of educational and general equipment

DESIGNATED TUITION is NOT included as a part of the method of finance for appropriations

Income Estimates

- Remissions/Exemptions:
 - Resident Waivers & Exemptions and Hazlewood Exemptions-> % SCH change
 - Non Resident Waivers & Exemptions-> % SCH+ rate change
- TPEG, OASI, and TRS/ORP are calculated in a similar manner based on proportions
- The E&G Staff Group Insurance is based on the LBB base bill funding rates for HEGI
- Other factors are based on what you report in the LAR

All Funds Methodology

- Formula method of finance uses the All Funds Methodology where the amount of formula General Revenue is offset by the amount of Other Educational and General Income (E&G) available to each institution.
- Historically, the Legislature has provided funding for enrollment increases, but it is not guaranteed.
- Increases in Other E&G income reduces the amount of GR needed.
- Decreases in Other E&G income increases the amount of GR needed.

All Funds Methodology

Estimated E&G Income is divided into:

- E&G Set Asides: Funds which are allocated to other strategies and therefore unavailable to fund the formulas
 - Texas Public Education Grants(TPEG)
 - Organized Activity fees (Ex. Vet Teaching Hospital)
 - Staff Group Insurance Premiums (proportional amount for those employees paid from Other E&G income sources)
- Formula E&G: LBB E&G estimate less the E&G Set Aside total. This is the amount which is allocated across the formula strategies

Amount of Formula E&G impacts the Formula GR

All Funds Methodology

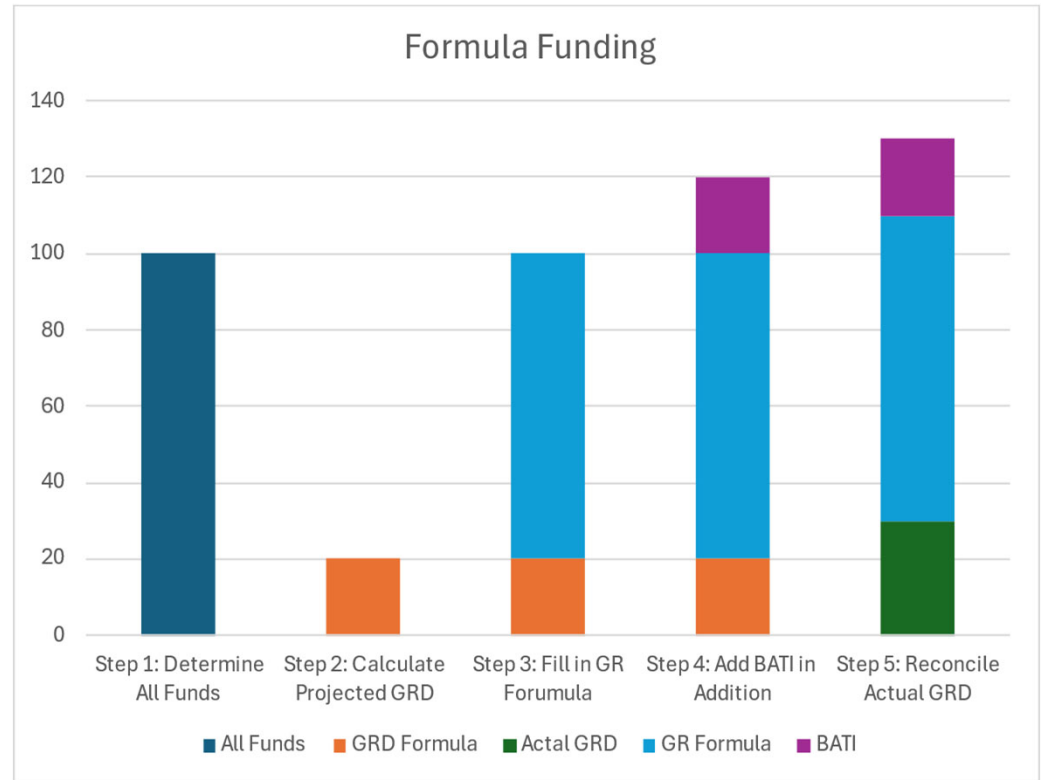
Use All Funds method to determine GR.

- Calculate formula total.
- Allocate Formula Other E&G across formula strategies.
- GR is the difference between Formula Total less Formula E&G Income

Board Authorized Tuition (graduate tuition charge above the \$50/sch rate) is distributed across formula components after GR is determined.

$$\text{Formula GR} = \text{Formula Total} - \text{Formula E\&G}$$

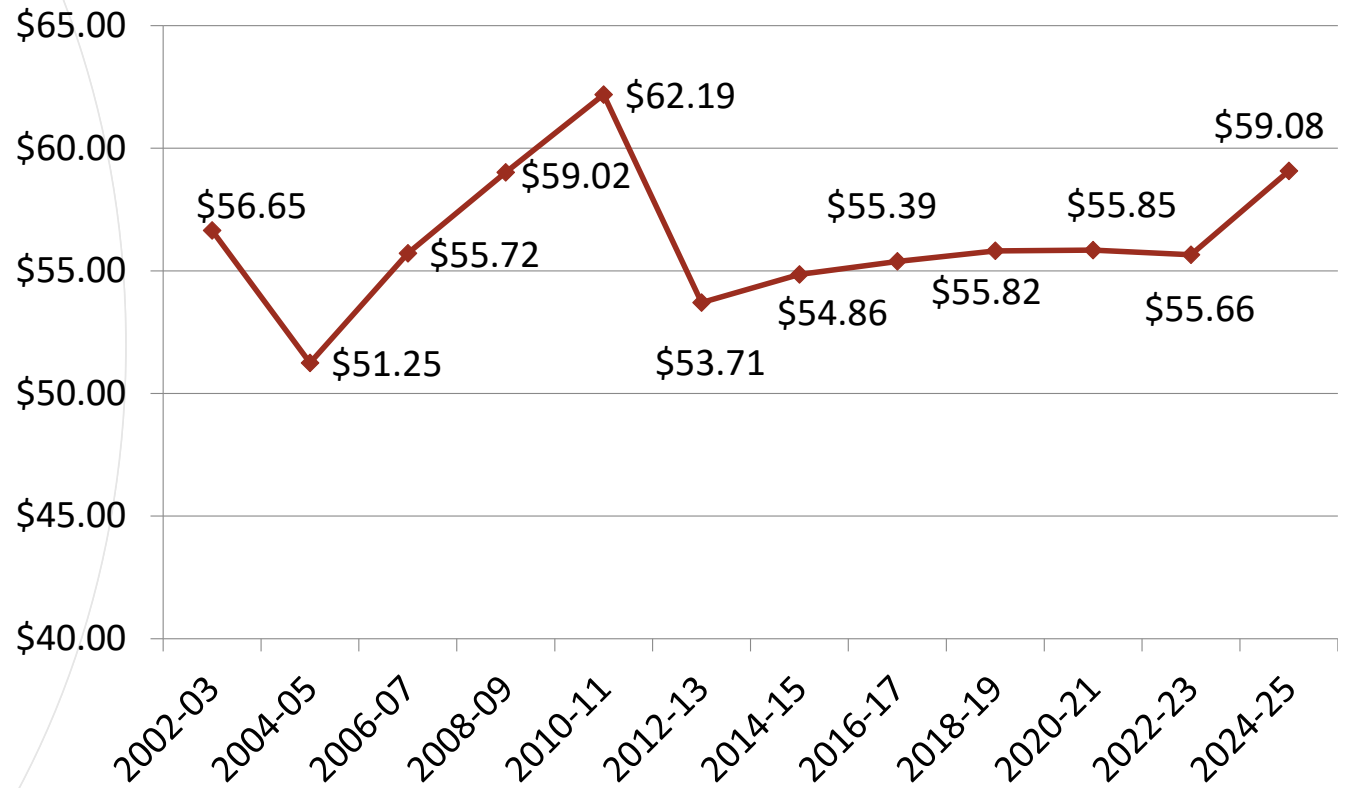
All Funds Methodology



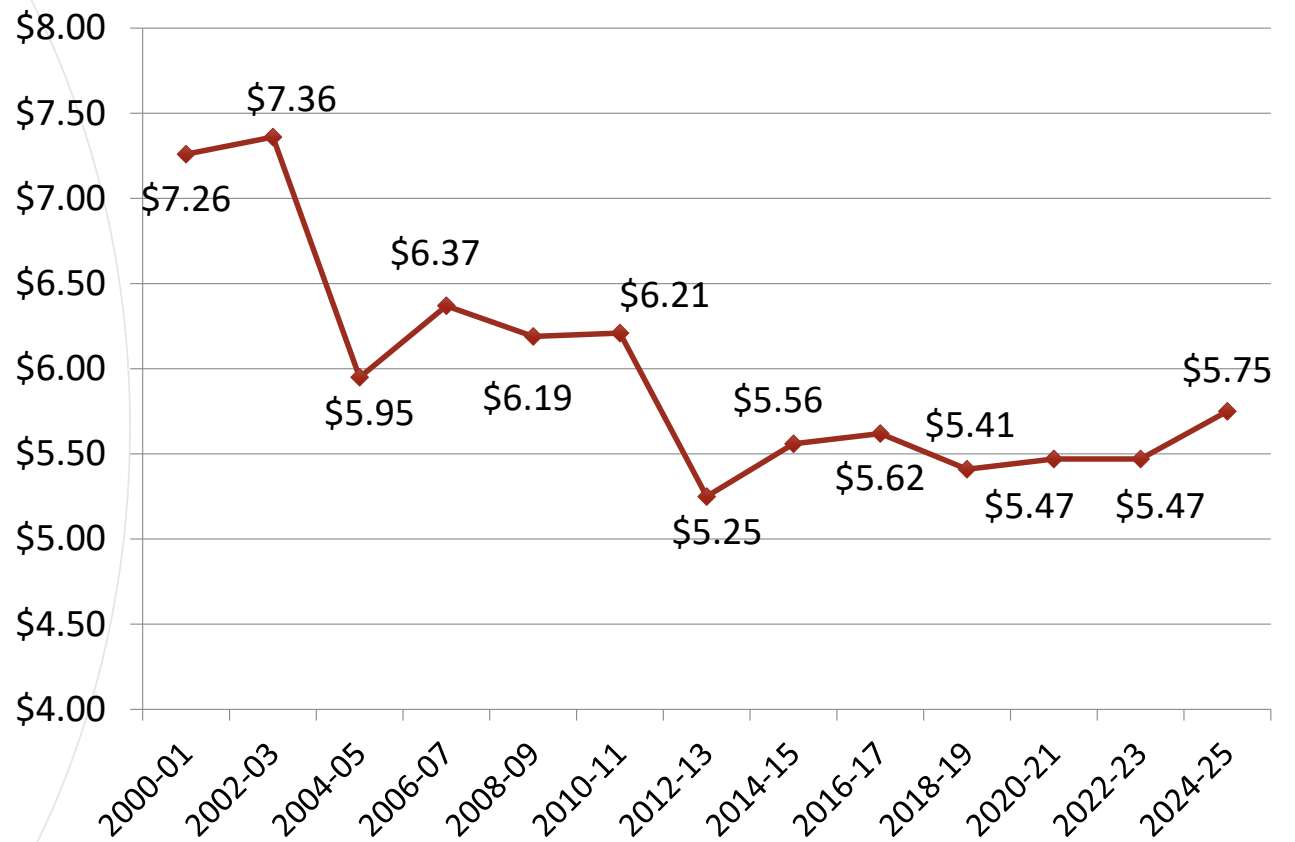
All Funds Methodology

- All Funds Methodology determines each institution's GR funding level.
- Important for E&G Income estimates to be as accurate as possible.
 - LBB determines income estimates. If too high, GR is lower. If too low, GR is higher. But if too low or high, it catches up next session.
- Issues:
 - Significant fluctuations, particularly for fast growing institutions
 - Non Resident Tuition calculations and forecast
 - How to report other E&G Income estimate for schools of medicine in Academic Institutions
- Work with LBB during interim to continue to improve and stabilize methodology.

Instruction and Operations Rates



Infrastructure Rates



Takeaways

- The formulas and the tuition income estimates are the mechanics of how each institution's GR formula appropriation is determined.
- LBB takes all the inputs (SCH, space model data, actual expenditures) and uses same methodology for all institutions to determine appropriations. So it is key that our LAR reporting is consistent.
- We have very limited ability to change how the inputs are mechanically used but will work with LBB to improve the methodologies.

