I. CALL TO ORDER

II. CHAIRMAN’S OPENING REMARKS

III. INTERIM CHARGE 10: HIGHER EDUCATION FUNDING FORMULAS

A. General Academic Institutions:
   - Overview of Instruction & Operation and Infrastructure Formulas
     - Jeff Pool, Analyst, Legislative Budget Board
   - Overview of New Texas State Technical College System Funding Formula
     - Mike Reeser, Chancellor, Texas State Technical College System
   - Non-Formula Items
     - Jeff Pool, Analyst, Legislative Budget Board
   - Nursing and Pharmacy Rates in the Health Related Institutions and General Academic Institutions
     - Emily Hoffman, Analyst, Legislative Budget Board
     - Dr. F. Lamar Pritchard, Dean of Pharmacy, University of Houston
     - Michael Mueller, Assistant Vice President for Administrative Affairs, Texas Tech Health Science Center
   - General Academic Institution and Health Related Institution Integration Updates
     - Dr. Francisco Cigarroa, Chancellor, University of Texas System
     - Dr. James Hallmark, Vice Chancellor for Academic Affairs, Texas A&M University System

B. Health Related Institutions:
   - Overview of Instruction, Infrastructure, Research, Graduate Medical Education Formulas, Small Class/Campus Supplement and Baylor College of Medicine Funding
     - Emily Hoffman, Analyst, Legislative Budget Board
• Review of Graduate Medical Education Rider Changes from 83rd Legislature
  • Dr. Stacey Silverman, Deputy Assistant Commissioner for Workforce, Academic Affairs, Texas Higher Education Coordinating Board

C. Junior Colleges and Community Colleges:
• Overview of New Outcomes-Based Formula
  • Susan Brown, Assistant Commissioner for Planning and Accountability, Texas Higher Education Coordinating Board
  • Dr. Brenda Hellyer, Chancellor, San Jacinto College District

D. Texas Higher Education Coordinating Board Programs:
• Overview and History of Health Programs
  • Dr. Stacey Silverman, Deputy Assistant Commissioner for Workforce, Academic Affairs, Texas Higher Education Coordinating Board
• Overview of all Trusteed Amounts
  • Arturo Alonzo, Deputy Commissioner for Finance and Administration, and Susan Brown, Assistant Commissioner for Planning and Accountability, Texas Higher Education Coordinating Board

IV. INTERIM CHARGE 11: HIGHER EDUCATION FUNDS:
A. Available University Fund, Higher Education Fund, National Research University Fund, Texas Competitive Knowledge Fund, Research Development Fund, Texas Research Incentive Program, and Norman Hackerman Advanced Research Program:
  • Demetrio Hernandez, Manager, Higher Education Team, Legislative Budget Board

V. PUBLIC TESTIMONY

VI. ADJOURN

APPROPRIATIONS INTERIM CHARGE 10:
Conduct a basic review of current public education and higher education funding formulas. Specifically, focus on whether items funded outside base formulas (Foundation School Program (FSP) and higher education formulas) should be included inside the formulas. After the review, the committee may recommend the addition or deletion of funding items or changes in levels of current funding.

APPROPRIATIONS INTERIM CHARGE 11:
Review existing research funds; evaluate the purpose for their creation and the progress made toward the goal of each fund. Recommend any changes necessary to improve the effectiveness or outcomes of each program's stated purpose. Determine to what extent eligibility overlap exists among the funds. Make recommendations on eligibility and funding levels for each fund.
FORMULA FUNDING FOR GENERAL ACADEMIC INSTITUTIONS

Legislative Budget Board Staff

Presented to the House Committee on Appropriations Subcommittee on Article III
May 13, 2014
Formulas are a distribution method for higher education funding. Higher education formulas do not create a statutory or constitutional entitlement.

Formula Method of Finance.

All Funds methodology which means that General Revenue and GR-Dedicated—Other Educational and General Income (E&G) are used to fund the formulas. “Other E&G” includes revenue generated by statutory tuition, interest on funds in the state treasury, and various fees. (Note, Board Authorized Tuition is distributed after formula calculation, therefore it does not affect the amount of General Revenue. Additionally, Designated Tuition is assessed by each institution’s governing board and is not appropriated by the state.)
General Academic Institutions Formula: Instructions and Operations

Semester Credit Hours X Program/Level Weight X Rate

**Semester credit hours** (SCH) SCH is a measure of how many classes an institution delivers. The time for which data is gathered is called the **base period**. The base period used in the GAA is the summer and fall of the year before session and the spring of the legislative session year. In March of session years, the Higher Education Coordinating Board will provide updated numbers based on the most recent base period.

SCH are **weighted** by discipline (e.g. nursing is weighted more than liberal arts) and by level (i.e. lower and upper division, masters, doctoral, and professional). The weights are based on a cost study of relative costs and are listed on the following page.

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

**Teaching Experience Supplement**

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

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.
### General Academic Institutions Cost Based Matrix

#### 2014-15 Biennium

<table>
<thead>
<tr>
<th>Field</th>
<th>Lower Div</th>
<th>Upper Div</th>
<th>Masters</th>
<th>Doctoral</th>
<th>Special Professional</th>
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<td>Law</td>
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<td></td>
<td>4.81</td>
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<td>Social Services</td>
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<tr>
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<td>Health Services</td>
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<td>9.75</td>
<td>2.72</td>
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<td>38.52</td>
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<tr>
<td>Business Admin</td>
<td>1.17</td>
<td>1.81</td>
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<td>Optometry</td>
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<tr>
<td>Developmental Ed</td>
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<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Veterinary Medicine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21.15</td>
</tr>
</tbody>
</table>
The infrastructure formula uses a statewide infrastructure rate, which is set in the appropriations act. The statewide infrastructure rate is divided into two rates: a utility rate and an “all other” infrastructure rate. As with the SCH rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

\[
(\text{Adjusted Utility} \quad + \quad \text{All Other}) \quad \times \quad \text{Predicted Square Feet}
\]

The **Adjusted Utility Rate** is adjusted for each institution to reflect local utility costs, relative to other institutions.

The **All Other Rate** is constant among institutions and accounts for physical plant, grounds, maintenance, and custodial services.

Institutions generate infrastructure funding according to the amount of space they *should* need, as predicted by the Coordinating Board's *space model*, not on the space they actually have.

The space model is based on factors including:

- number, program & level of SCH;
- number of faculty, non-faculty, students, programs, and library holdings; and
- research and current E&G expenditure

Institutions with enrollment less than 10,000 receive a **Small School Supplement** for infrastructure. The supplement totals $1.5 million for the biennium for each institution with a less than 5,000 student headcount. Institutions with headcounts between 10,000 and 5,000 receive a supplement that decreases from $1.5 million with each additional student.
Value-Add Funding Model

Benefits & Challenges

Funding Recommendations

TSTC Outlook
Value-Added Funding Model
Process Flow

1. Student leaves TSTC
2. Goes to work
3. Five year earnings report
4. Subtract minimum wage
5. Funding
6. Legislature
7. Economic impact
Value-Add Funding Model

Benefits & Challenges

Funding Recommendations

TSTC Outlook
Benefits

- Sharply focuses TSTC on student success
- Encourages efficient use of State resources
- Is self-funding by revenues already received by State of Texas
- Aligns best interests of all stakeholders
- Creates a buzz for Texas
Inherent lag is longer than contact hour method
May be more sensitive to cycles in the economy
Too new to be universally understood yet
No history yet for reliable predictive analytics
Value-Add Funding Model

Benefits & Challenges

Funding Recommendations

TSTC Outlook
Funding Recommendations

- Formula funding
- Start-up capital & new location funding
- Tuition Revenue Bonds
Skills GAP

“It is becoming more common that businesses in key industries in Texas are unable to find enough sufficiently trained workers to fill available, middle-skill jobs.”
Make Technical Training a Priority
Value-Add Funding Model

Benefits & Challenges

Funding Recommendations

TSTC Outlook
Outlook for TSTC

TSTC will:

- Squeeze every ounce of benefits from every dollar
- Be responsive to workforce needs of Texas
- Strive to fill the Skills Gap
- Reach more Texans
NON-FORMULA FUNDED ITEMS FOR GENERAL ACADEMIC AND HEALTH RELATED INSTITUTIONS

Presented to the House Committee on Appropriations Subcommittee on Article III
May 13, 2014
## Appropriated vs. Non-appropriated Funds

<table>
<thead>
<tr>
<th>Appropriated</th>
<th>Non-appropriated</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>Designated Funds</td>
</tr>
<tr>
<td>GR-Dedicated, “Local Funds” includes:</td>
<td></td>
</tr>
<tr>
<td>- Net Tuition</td>
<td>- All other fees</td>
</tr>
<tr>
<td>- Student teaching fees</td>
<td>- Interest on local funds</td>
</tr>
<tr>
<td>- Special Course Fees</td>
<td>- Restricted Funds</td>
</tr>
<tr>
<td>- Student Teaching Fees</td>
<td>- Earnings on endowments</td>
</tr>
<tr>
<td>- Organized Activity Fees</td>
<td>- Contracts &amp; grants</td>
</tr>
<tr>
<td>- Income from the sale of Educational and General Equipment</td>
<td>- Gift funds</td>
</tr>
<tr>
<td>Appropriated in various ways:</td>
<td></td>
</tr>
<tr>
<td>- Directly in institution’s bill pattern</td>
<td></td>
</tr>
<tr>
<td>- Indirectly appropriated in other parts of the General Appropriations Act</td>
<td></td>
</tr>
</tbody>
</table>
Institutions of higher education receive lump sum, estimated appropriations. Unlike other state agencies, higher education institutions are not bound to spend the appropriation within the specified strategy, with the following exceptions:

- Article VII, Section 17(j) and 18(l) of the Texas Constitution prohibits, with limited exceptions, the use of General Revenue Funds for construction projects. However, the legislature, by two-thirds vote in each house, may expressly determine that there is a natural disaster or demonstrated need for the project.
- Education Code Section 130.003(c) restricts the use of Public Community/Junior Colleges General Revenue Funds only for the purpose of instruction and administrative costs.
- Section 12 of the Higher Education Special Provisions, GAA, prohibits the use of appropriated funds for the support or maintenance of alumni organizations or activities.
- Section 6, Rider 8b of the Higher Education Special Provisions, GAA, prohibits the use of appropriated funds for auxiliary purposes, such as athletics and parking.
- Section 6, Rider 9 of the Higher Education Special Provisions, GAA, limits the use of appropriations for tuition revenue bond debt service to pay debt service for tuition revenue bonds.
- Section 52 of the Higher Education Special Provisions, GAA, also restricts the use of funds in the Research Development Strategy to purposes defined in Education Code Section 62.091.
- Certain institutions have riders that require appropriated funds to be spent on a particular program.
General Academic Institution Appropriations

1. Non-Formula General Revenue
   - Special Items, including Institutional Enhancement
   - Tuition Revenue Bond Debt Service
   - Texas Competitive Knowledge Fund
   - Research Development Fund
   - System Office Operations
   - Academic Development Initiative
   - Workers’ and Unemployment Compensation Insurance
   - Lease of Facilities

2. Non-Formula General Revenue-Dedicated
   - Public Education Grants
   - Staff Group Insurance
   - Organized Activities
   - Special Items
Health Related Institution Appropriations

1. Non-Formula General Revenue
   - Special Items, including Institutional Enhancement
   - Hospital Operations
   - Tuition Revenue Bond Debt Service and Facilities Operations
   - Workers’ and Unemployment Compensation Insurance

2. Non-Formula General Revenue-Dedicated
   - Staff Group Insurance
   - Public Education Grants
   - Medical Loans

3. Other Funds Include Tobacco Funds and Interagency Contracts; patient income was previously appropriated but is no longer appropriated and is instead included in informational riders.
Special Items

- Higher Education Special Items are generally defined as items that are not supported through formula funding and support the special mission of the institutions.

- Special Items can also be used to support new academic programs or address geographic disparities and other inequities among institutions.

- The funding level for each special item is specifically identified by the Legislature for each institution.
Special Items (cont.)

- Special Item appropriations total approximately $888 million in All Funds in the 2014-15 biennium ($513.3 million for GAIs and $374.7 million for HRIs).

- Appropriations for Special Items vary in scope and size. In 2014-15 biennium $15 million was appropriated to UT Southwestern Medical Center for the Texas Institute for Brain Injury and Repair and Sul Ross State University was appropriated $31,500 for Chihuahuan Desert Research.
Special Item Funding History: All Funds Appropriations (Includes General Academic and Health Related Institutions)

Note: Special Items for fiscal years 2008-09 and 2010-11 include Texas Competitive Knowledge Funds (TCKF). TCKF funds were moved from the Special Item Goal to the Research Fund Goal in Fiscal Years 2012-13.
General Academic Institutions 2014-15 General Revenue per Institution by Formula GR, Special Item GR, and Other GR*

* Other General Revenue includes Hold Harmless Funds, Academic Development Initiative, Worker's Compensation Insurance, Unemployment Compensation Insurance, Research Development Fund, and Texas Competitive Knowledge Fund. It does not include Lease of Facilities or Tuition Revenue Bond Debt Service
Health Related Institutions 2014-15 General Revenue per Institution by Formula GR, Special Item GR, and Other GR*

** Other General Revenue includes Hospital and Dental Clinic Operations, Worker's Compensation Insurance, and Unemployment Compensation Insurance. Other General Revenue does not include Lease of Facilities, Tuition Revenue Bond Retirement, and Debt Service at Round Rock.
NURSING AND PHARMACY FUNDING AT GENERAL ACADEMIC INSTITUTIONS AND HEALTH RELATED INSTITUTIONS

Legislative Budget Board Staff

Presented to the House Committee on Appropriations Subcommittee on Article III
May 13, 2014
Formulas for Nursing and Pharmacy Programs

The primary funding for nursing and pharmacy programs flow through the I&O formula for the general academic institutions and the I&O formula for the health related institutions.

General Academic Institutions
- I&O formula is based on weighted semester credit hours

Health Related Institutions
- I&O formula is based on weighted full time student equivalents (FTSEs)

Both formulas use the same base period for formula funding.
GAI I&O Funding by Weights and Discipline

General Academic Institutions

The I&O formula multiplies the semester credit hours generated at an institution by the weight assigned to the discipline (e.g., pharmacy and nursing) and the level. In the 2014-15 General Appropriations Act, the weights by level for each of these disciplines are as shown below.

<table>
<thead>
<tr>
<th>Professional</th>
<th>Lower Div.</th>
<th>Upper Div.</th>
<th>Masters</th>
<th>Doctoral</th>
<th>Special</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing</td>
<td>1.88</td>
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<td>Pharmacy</td>
<td>1.45</td>
<td>5.71</td>
<td>22.60</td>
<td>38.52</td>
<td>4.20</td>
</tr>
</tbody>
</table>
General Academic Institutions I&O Pharmacy Example

For example, a general academic institution generates 24 semester credit hours in the professional pharmacy program.

The I&O formula first weights the semester credit hours generated by the general academic institution:

\[ 24 \times 4.20 = 100.8 \text{ wsch} \]

After calculating the weighted semester credit hours generated, these hours will be multiplied by the I&O rate to determine the annual funding an institution will receive for those hours.

\[ 100.8 \text{ wsch} \times $54.86 = $5,529.88 \]
Health Related Institutions

The I&O formula multiplies the number of full time student equivalents (FTSEs) generated at an institution by a weight assigned to the discipline, regardless of level. In the 2014-15 General Appropriations Act, the weights for each of these disciplines are as shown below.

<table>
<thead>
<tr>
<th>Program Weight Per Student</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing</td>
<td>1.138</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>1.670</td>
</tr>
</tbody>
</table>
Health Related Institutions I&O Pharmacy Example

For example, a health related institution generates 1 FTSE in the pharmacy program.

The I&O formula first weights the FTSEs generated by the health related institution:

\[ 1 \times 1.670 = 1.670 \text{ weighted FTSE} \]

After calculating the weighted FTSEs, these FTSEs will be multiplied by the I&O rate to determine the annual funding an institution will receive for those FTSEs.

\[ 1.670 \text{ weighted FTSE} \times 9,527 = 15,910.09 \]
A Proposed Resolution in Support of Equitable Formula Funding for General Academic Institution (GAI) Pharmacy Programs

The University of Houston (UH) recognizes that an educated workforce is key to the economic growth of our state, both now and in the future. Moreover, UH recognizes the important role the region’s public universities have in preparing the health care leaders and workforce of tomorrow.

UH supports the allocation of resources to address the disparity in funding that impacts three Texas colleges of pharmacy located at the University of Houston (UH), the University of Texas at Austin (UT), and Texas Southern University (TSU). Currently, formula funding allocated for academic courses at General Academic Institutions (GAI) is substantially lower for the same courses of instruction at Health Related Institutions (HRI). The UH, TSU and UT pharmacy programs are all funded at the significantly lower academic rate. Students deserve a quality educational infrastructure that remains on par with every professional pharmacy program in the state of Texas. Funding equity is also essential for continuing the Accreditation Council for Pharmacy Education (ACPE) accreditation requirements for these programs.

BACKGROUND
There are a total of seven pharmacy schools in Texas; six of them are located in public institutions, with four located at health science centers. The disparity in funding for the pharmacy programs at UH, TSU and UT is substantial when compared to the HRI pharmacy programs. For example, if each respective school had 500 professional students the universities would receive the following financial support from the State of Texas:

- HRI Programs: 500 students x $15,910/student = $7,955,045
- GAI Programs: 500 students x $5,530/student = $2,764,944

All universities have a unique student population and UT, TSU and UH play extensive and specific educational roles within the state of Texas. The pharmacy programs at UH, UT and TSU face the same challenges as those programs at institutions associated with health science centers:

- Competition for highly qualified faculty
- Competition for uniquely qualified students
- Competition for experiential practice sites to train students
- Challenges to provide the same essential resources (equipment, teaching and learning environment)

Pharmacy is an evolving segment of the health care industry with the focus changing from simply dispensing medications to one of ensuring optimal patient outcomes associated with increasingly complex medication therapy. Pharmacy education has changed as well. With the shift in 2000 from the B.S. to Pharm.D. degree – and greater requirements for internships and experiential education – pharmacy education is more expensive now than it was in the past. Without suitable financial support, GAI pharmacy programs will not be able to keep pace with the changing professional and accreditation requirements they are facing. Currently, Texas imports almost 60% of its pharmacists from outside the state in order to meet the demand for essential pharmacy services for our increasing population. Eradicating funding discrepancies between public pharmacy programs will allow the GAI-based
programs to help the state of Texas meet its future demands for pharmacy services and ensure that Texas’ sons and daughters have an opportunity to fill the state’s professional pharmacy positions rather than the majority continuing to come from outside of Texas.

QUALITY
It is also important to note that the professional licensure of students in GAI pharmacy programs is excellent and the equivalent to that of students in HRIIs. In fact, the 2013 pass rates of UH and UT graduates on the North American Pharmacist Licensure Examination (NAPLEX) were the highest in the state – 100% and 99% respectively.

POSSIBLE SOLUTION
Convert current funding formula from semester credit hours to a per student arrangement, identical to the formulas utilized by HRI pharmacy programs.

Testimony provided by,
F. Lamar Pritchard, Ph.D.
Dean, College of Pharmacy

F. Lamar Pritchard, Ph.D., was named Dean of UH College of Pharmacy by UH President & UH System Chancellor Renu Khator in July 2009 and confirmed by the UH System Board of Regents in August 2009.

During Pritchard’s tenure at UH, the college received national reaccreditation for its Pharm.D. degree program through 2017 from the Accreditation Council for Pharmacy Education (ACPE) following the completion of a site visit by a team of ACPE evaluators and a Self-Study plan by college stakeholders (faculty, staff, students and alumni). The college also recently released its Vision 2020 Strategic Plan, which establishes such Strategic Imperatives as a new state-of-the-art Pharmacy building.

Pritchard serves on the Board of Directors of the Greater Houston Healthconnect, a nonprofit health information exchange established in 2010 to develop a secure network of electronic health records that will link all providers in Southeast Texas and enable higher quality healthcare at a more affordable cost. He also serves on the Medical Advisory Board for the Texas Children’s Hospital Health Plan and the editorial board of the Journal of Pharmaceutical Technology and Drug Research.

Before joining UH, Pritchard served as Professor and Dean of the University of Louisiana at Monroe College of Pharmacy from August 2005 to July 2009 and as Professor and Dean of the ULM College of Health Sciences and School of Pharmacy from July 2004 to July 2005.

In his positions of Regional Associate Director and Medical Science Manager at Bristol-Myers Squibb, Pritchard provided medical science and research support and targeted research initiatives for medical academic/research centers throughout the East Coast.

As a faculty member at the University of Georgia College of Pharmacy, his research interests included disease state management, outcomes research and quality management. His Phar-Serv-Qual pharmacy services quality assessment instrument has been used in six countries.
Health-related institutions (HRI) Cost Study:

As part of the Formula Advisory Committee proceedings in 2010, the health-related institutions (HRI), conducted a “cost study” based on a legislative directive. The cost study essentially was an evaluation of the “allocation of expenses” across the disciplines funded by the HRI Instruction and Operations Formula. There were some challenges to consistently evaluate the allocation expenses by discipline because there was no single, cost accounting system used by all HRI’s. The diversity of HRI’s (some own their own hospital resulting in some expenses showing up on those institution’s financial books that do not show up on the books of others) also complicated the process. This difference among HRI’s does not necessarily make one institution less efficient than the other, but it does create a variety of allocated expenses.

Despite the expense allocation challenges, a “cost study” was completed looking at all sources of revenue available to the institutions. As expected, a discipline such as medicine, greatly subsidized by non-formula revenue generated by faculty practice plans, has expenses far greater than the other disciplines and what the I&O Formula generates. All HRI’s agreed certain disciplines are able and expected to be self-subsidized. In addition, the I&O Formula weights should not be modified to drive more formula General Revenue to those programs currently self-subsidizing in an attempt to reflect the higher expenditure levels. Such changes to the formula would have resulted in a significant shift in the allocation of formula funds by program and among institutions based on an institution’s (percentage of total enrollment in those disciplines), without any additional funding overall.

Differences between Health-related Institutions (HRI) and General Academic Institutions (GAI):

As part of this “cost study” the Formula Advisory Committee noted the differences between health-related and general academic institutions (GAI). This 2010 report highlighted that the State takes different approaches overall to funding HRI’s and GAI’s which make it difficult, to isolate a small portion of funding for certain efforts and compare results.

Attempts to compare this isolated slice of funding should recognize the difference in I&O formula methodologies used:

GAI Overview

- Nearly 70 different weights representing 21 disciplines, with up to 5 program levels;
- **CALCULATION:** Semester Credit Hours X Discipline and Level Relative Weight X Rate;
- Semester credit hours are a measurement of how many class hours per week an institution delivers. On top of what is generated by the GAIs I&O formula, an additional weight of 10 percent is added to lower-division and upper-division SCH taught by tenured and tenure-track faculty; and,
- For GAI the SCH is based on the actual course, so a nursing student taking a non-nursing course, would generate funding based on that course, not the student’s discipline.
HRI Overview

- 7 weights—7 disciplines each with a single weight;
- CALCULATION: (FTSE X Program Weight X Rate) + Small Campus Supplement;
- A single FTSE is determined as follows: 30 undergraduate SCH; 24 masters’ SCH; and 18 doctoral SCH. A professional student (medical or dental) equals one FTSE. Institutions with less than 200 FTSE at a particular location may receive additional funding from the —Small Campus Supplement; and,
- For HRI the FTSE is based on the student, regardless of the course the student is enrolled.

Also, the HRI “Cost Study” reiterated a finding from the first “Texas Public University Cost Study” completed in May 2005:

“As expected, the research-oriented institutions tend to be relatively costly institutions on a total, full-time student equivalent (FTSE) basis. However, institutions with fairly small student populations also tend to be relative costly on a total FTSE basis because of the minimum requirements needed to provide higher education services...”

As a whole, HRI’s are more research-oriented and significantly smaller than GAI.

Impact of the GAI Cost Study (excerpted from HRI Cost Study)

When the Health-Related Institutions’ I&O formula was established for the 2000-01 biennium, the weight for nursing was based on historical funding levels of the HRIs, which reflected nursing salary-related costs. The disparity between what is provided for nursing programs in the respective formulas was smaller than it is now. The differences that currently exist between the two formulas fields may have more to do with the methodology of the Cost Study applied to the general academic matrix.

This is a notable result because the decline in the general academic nursing weights has occurred when each GAI cost study shows the institutions have spent more money per nursing student in each year. The GAI’s Cost Study looks at expenses not in context of what HRIs spend on nursing, but what the GAI’s are spending in context with other disciplines at GAI’s. Because of concentrated efforts to expand nursing enrollment and because of the fact that so much of the GAI overhead expenses are allocated to lower-level liberal arts because of the volume of SCH, the GAI weights for nursing continue to decline.
## Impact of Cost Study on GAI Pharmacy Formula

### Rate per student* / Type of Institution

<table>
<thead>
<tr>
<th></th>
<th>2000-01b</th>
<th>2006-07b</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate per PharmD Student - General Academic Institution</td>
<td>$17,547</td>
<td>$8,518</td>
<td>$5,530</td>
</tr>
<tr>
<td>Rate per PharmD Student - Health-related Institution</td>
<td>$19,010</td>
<td>$18,348</td>
<td>$15,910</td>
</tr>
</tbody>
</table>

**GAI rate per PharmD Student as a % of HRI rate per student**

<table>
<thead>
<tr>
<th></th>
<th>2000-01b</th>
<th>2006-07b</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate per PharmD Student - General Academic Institution</td>
<td>92.30%</td>
<td>46.42%</td>
<td>34.76%</td>
</tr>
<tr>
<td>Rate per PharmD Student - Health-related Institution</td>
<td>92.30%</td>
<td>46.42%</td>
<td>34.76%</td>
</tr>
</tbody>
</table>

### Take Aways and Understanding

1) The State takes different approaches overall to funding HRI’s and GAI’s;

2) The GAI’s Cost Study looks at expenses not in the context of what HRI’s spend on Pharmacy, but what the GAI’s are spending in context with other disciplines at GAI’s;

3) The GAI rate per PharmD student has declined not because the State is funding more per student at HRI’s – the difference in what is allocated to GAI’s in formula funding for Pharmacy is driven by the GAI Cost Study’s influence on reallocating GAI formula funding away from Pharmacy to other disciplines within the GAI Formula Cost Matrix. The GAI Cost Study attempts to reflect GAI’s expenditures on Pharmacy relative to other disciplines and it has resulted in changes in the weights for Pharmacy (decreases for PharmD and increases for masters and doctoral level);

4) Fundamentally Health-related Institutions (HRI) have a higher cost per student because they naturally have a smaller population of students than what is typically found on a General Academic Institution (GAI) campus, where enrollments are much higher. However, both GAI’s and HRI’s have the same traditional administrative costs to support the student’s academic needs. Because these same administrative costs are allocated across larger student populations on GAI’s, the cost per student is naturally lower. Whereas, the cost per student is much higher on HRI campuses because these same administrative costs are allocated across a much smaller student population; and,

5) Finally, HRI’s have a higher percentage of students at a graduate level and are more research oriented, this factor and the smaller population make HRI’s relatively more expensive on a per FTSE basis. **

* The rate per student was calculated according to the General Appropriations Acts for the respective biennium. For illustration purposes SCH data for GAI’s was converted into Full Time Student Equivalent data (FTSEs) comparable to HRI’s to determine the rate per Pharmacy Student.

** “… the research-oriented institutions tend to be relatively costly institutions on a total, full-time student equivalent (FTSE) basis. However, institutions with fairly small student populations also tend to be relative costly on a total FTSE basis because of the minimum requirements needed to provide higher education services…” **

(THECB first GAI Cost Study Report in May 2005)
Progress and Achievements

- **Facilities:**
  - Medical Education and Academic/Clinical Research Buildings in Harlingen
  - Research building at the Regional Academic Health Center on the UTPA campus
  - New 88,000 square foot academic building also located on the UTPA campus.

- **Recruitment:**
  - DIO: Yolanda Gomez, M.D. → hired January 2014
  - Inaugural Dean → Francisco Fernandez, M.D. (effective May 1, 2014)
  - Diabetes Center → Recruitment – 2 finalists
  - Senior Management → Witt-Kiefer under contract - recruitment underway

- **Community Advisory Board**
  - Community leaders, hospital and physician representatives, high school and community college leaders

- **Curriculum Advisory Committee**
  - 22 member committee from UTB, UTPA and clinical faculty.

- **Education:**
  - **GME**
    - i. Affiliate hospital commitments to increase the number of residency positions from 33 to 148 positions over 2-4 years
    - ii. Full time program directors to supervise the GME in core residency programs have recently been recruited
  - **UME**
    - i. At least 100 UTHSCSA medical students who elect both MS3 and MS4 clinical experiences in the region
    - ii. Community practitioners serving as clerkship directors and faculty.

- **Accreditation:**
  - Contracted Price, Waterhouse, Cooper to coordinate and facilitate self-study, application, site visit
  - Ongoing → planning and implementation of new curriculum
    - i. Based upon a curriculum from UTHSCSA and recently fully accredited by the LCME
    - ii. Guiding principles:
      1. Clinical integration from day one/foundational science throughout
      2. Incorporation of active learning
      3. Emphasis on teamwork
      4. Early patient encounters in the community
      5. Individualization of induction of clinical activities
      6. Emphasis on professional identity formation
    - iii. Preclinical experience will be for twenty months
    - iv. Clinical experiences stretched flexibly over twenty eight months.
  - Meeting LCME curricular and workforce - immediate needs
    - i. Organize the preclinical curriculum/modules
ii. Recruit two co-directors (one basic scientist/one clinician) to organize and
direct the modules
   1. Principle responsibilities → review of learning objectives and
desired student competencies and determination of key topics of
themes and content pertinent to the modules

What is next ...

• Refining longitudinal pre-clinical curriculum
• Recruit of module Co-Directors
• Recruit Discipline Directors
• Module Teaching
• Case-based Synthesis Facilitators
• Faculty Development Activities

Still to come ...

• Development of Clinical Curriculum
• Clinical Preceptors
• Clinical Skills Laboratories
• Develop longitudinal clinical experience → community focus
• Development and initiation of longitudinal ultrasound curriculum
• Benchmarking student outcomes in curriculum
• Complete transformation to competency based learning and exclusive electronic
testing
• Develop faculty peer evaluation pilot as data point for teaching effectiveness
Brief Paper

The New Medical School at The University of Texas Rio Grande (UTRGV) will be a regional institution with two existing buildings at the Regional Academic Health Center in Harlingen, an existing research building at the Regional Academic Health Center on the UTPA campus and a new 88,000 square foot academic building also located on the UTPA campus. The current objective is to matriculate the first medical students at this school in the fall of 2016.

Dr. Francisco Fernandez has been appointed the founding Dean of the Medical School and will be relocating to the region by May. Currently, there are at least 100 medical students who experience their fourth year clinical experiences in hospitals in the region with a large number of clinical faculty who serve as clerkship directors and teachers. Commitments by the hospitals have been made to increase the number of residency positions from 33 to 148 positions over the next two to four years. Full time program directors to supervise the graduate medical education residency programs have recently been recruited.

Accreditation depends crucially upon the planning and implementation of curriculum for the new Medical School. After consultation with a faculty advisory committee on curriculum and the Deans and Chairs at UTB and UTPA, it has been agreed that the template for the curriculum will be based upon a curriculum developed and implemented by the University of Texas Health Science Center San Antonio and recently fully accredited by the Liaison Committee on Medical Education (LCME). Educational experts at the Health Science Center In San Antonio have been participating in these discussions and will be available for consultation as the process develops. But, we need your help in making this happen!

There are a number of general principles of this curriculum. These include:

- Clinical Integration from day one/foundational science throughout
- Incorporation of active learning
- Emphasis on teamwork
- Early patient encounters
- Individualization of induction of clinical activities
- Emphasis on professional identity formation

The educational activities will focus upon student self-instruction and self-learning with classroom experiences emphasizing student interaction, problem-solving and applications of the knowledge. The educational facilities and the new academic building in Harlingen will emphasize small classrooms, seminar rooms with technology which will foster a ‘flipped classroom’ and team-based learning. An electronic library has been created for the students. There will also be opportunities for Interprofessional education as part of the curriculum.

The core preclinical experience will be for twenty months with the clinical experiences stretched flexibly over twenty eight months. The clinical experiences will include opportunity for research, global health/community service learning, dual degree opportunities and other activities. There will be a series of continuing courses in the language of medicine, clinical skills, and anatomy.
With almost 200 clinicians associated with the Regional Academic Health Center, there is a large pool of clinicians who can participate in both the preclinical and clinical years. A major challenge at the present time is to organize the preclinical curriculum. As shown in the attachment, the preclinical curriculum is generally organized in a number of modules. The attachment is for the 2012-2014 curriculum at The Health Science Center at San Antonio which has been successfully implemented.

The curriculum consists of a number of modules, including foundational modules, and organ-based modules. A continuing module on Medicine Behavior in Society is a high level experience, which will integrate these elements across the curriculum. The other foundational modules are Molecules to Medicine and Attack and Defense. Molecules to Medicine deals with fundamental cell structure, genetics, homeostasis, and fundamental concepts of pharmacology. Attack and Defense relates to principles of immunology, microbiology and related subjects. The remainder of the curriculum is organized around organ systems. These eight modules will each contain instruction in the histology, anatomy physiology, pathology, pharmacology and therapeutics, etc., around a particular organ. The curriculum consists of a matrix organization in which a particular organ system, for example, the respiratory system, is explored in depth, while there is crosscutting instruction in physiology across all of the organ modules.

Each foundational and organ module will require two co-directors to organize and direct the modules. The co-directors would, in most cases, involve a basic scientist and a clinician working together. This is consistent with the overall goals of clinical integration with foundational science as noted above. In addition to the co-directors for each module, there would be discipline coordinators who would oversee the various disciplines within modules. For example, to be certain that physiology is treated completely and appropriately as it is being taught across a variety of organ system modules.

The co-directors are absolutely essential to the success of the curriculum. They will have the benefit of Health Science San Antonio’s detailed curriculum for each module, which is articulated in a day-by-day, step by step manner. However, they will also be responsible for modifying and adjusting that curriculum when it is appropriate to the faculty resources and the interests of the faculty and the new Medical School. They will also meet together and serve as a mechanism by which faculty organizes as a whole to shape the curriculum. The principle responsibilities for the co-directors will include a review of learning objectives and desired student competencies, determination of key topics of themes and content pertinent to the module, as well as:

- Identification of appropriate instructors for the selected content
- Instructional strategy
- Develop the final schedule for the module
- Review and edit syllabus material
- Participate in developing rating rubrics
- Evaluate instructor performance
- Maintain open channels of communication with discipline coordinators

Module co-directors may monitor as many of the sessions within the module as they wish and coordinate with an associate dean within the Medical School who will monitor a substantial portion of the sessions within the curriculum. The module co-director may or may not choose to directly teach students in the module. This is a personal decision. In the faculty member’s role as co-director, a set annual stipend will be provided in addition to financial support to the faculty member’s department in

April 22, 2014
order to offset time away from undergraduate and other campus responsibilities. It is anticipated that the next two years, prior to matriculation of students, will be focused on organization and recruitment of faculty for each module. This will require approximately 20 percent of the faculty member’s time. Once the students matriculate, it is anticipated that there will be a requirement of 10 percent time between modules and approximately 40 percent time during the respective module for which the co-director is responsible.

The co-directors will report to the Vice Dean for Medical Education. Co-directors who choose to directly teach will be separately compensated for this activity in coordination with their departmental chair and college deans. There will be need for twelve basic science co-directors and twelve clinical directors. Every attempt will be made to find co-directors who are interested in working together with similar philosophies and approaches.

In addition, there will be requirements for discipline co-directors who will identify the key topics and themes consistent within the discipline as based on the LCME requirements for undergraduate medical education. The discipline coordinator will collaborate closely with the module co-directors and clinical course directors to make sure the content in their discipline is delivered at the appropriate level and amount.

The designated disciplines include:
- Adult Health
- Anatomy,
- Behavioral Science,
- Biochemistry
- Child Health
- Informatics/Translational Research
- Genetics
- Histology
- Microbiology
- Neuroscience
- Pathology
- Pharmacology
- Public Interventive Health
- Physiology
- Radiology

In many cases, the discipline coordinator will be a clinician but these roles will be open to both clinicians and basic scientists. It is anticipated that the discipline coordinator time commitment will be approximately 15-20 percent per year, but will vary in the course of the academic year.

A major role of co-directors and discipline coordinators will be the identification and selection of faculty who will actually teach in both pre-clinical and clinical instruction. All of the academic faculty engaged in these activities will be screened and recommended by Departmental Chairs to the Dean of the Medical School, with the approval of the college Deans and the Provosts. In most cases, a joint academic appointment in the Medical School will be made. Coordination of appointments with the chairs will be critical in order to meet the existing instructional and research commitments. The Dean of the Medical School will be working with the Provosts, Deans, and chairs to define a fair and equitable allocation of
resources such that faculty time to the Medical School will not compromise either departmental responsibility.

It is essential that the faculty participate sensibly in the application, implementation and conduct of the curriculum. As the medical school develops, additional medical school faculty will be recruited who will be able to participate in these programs. There is also faculty at The Health Science Center San Antonio who are prepared to participate in instruction and the organization of the curriculum. However, it is essential to identify module co-directors and discipline coordinators as soon as possible in order to move the process toward accreditation in a proper and timely manner. It would be important for faculty to indicate to their chairs as quickly as possible their level of interest in these leadership roles, as well as their interest in teaching specific courses of the curriculum.

Creation of a medical school provides exciting opportunities for the medical school to benefit from the expertise of the academic faculty. At the same time, as the medical school develops, it is anticipated that there will be a growing numbers of new faculty who will bring additional skills in both teaching and research to the faculty, and through expanded research activities, will bring additional funding. There are also real opportunities that Foundations and other entities will be interested in the innovative curriculum being applied in the RGV area, which is extremely short of physicians. Overall, the opportunities for additional resource development are outstanding. For further information with regard to these programs and additional details, about the proposed organization and curriculum content, contact Ken Shine at kshine@utsystem.edu.

Kenneth I, Shine, MD
Update on UT Austin Dell Medical School

Office of the Executive Vice President and Provost
The University of Texas at Austin

Appropriations Subcommittee, Article III
Texas House of Representatives
Public Hearing, May 13, 2014
Mission Statement

The University of Texas at Austin Dell Medical School is committed to improving human health through excellence in interprofessional and trans-disciplinary education, research, healthcare and community involvement.
Vision

**Transform** current and future medicine and the **healthcare delivery system** through **discovery, innovation, application, and translation**.

**Educate and inspire the next generation of physician leaders** by providing the foundation for our students to become skillful, ethical, and compassionate physicians; inquisitive scientists who are committed to the scholarship of discovery; and dynamic and successful medical educators.

Prepare clinicians to provide **person-centered, high-quality, safe and cost-effective care** that leads to optimal outcomes for the communities we serve.

**Advance boundaries of medicine** by being a vanguard of research and by creating an environment of scholarship, intellectual curiosity and exchange.

**Foster interprofessional team development** to enhance patient safety and improve healthcare outcomes.
Key Milestones

February 6, 2014

Board of Regents Final Approval of Three Buildings (572K GSF)

March 1, 2014

Appointment of Inaugural Dean S. Claiborne Johnston, MD, PhD
Upcoming Milestones in Q2-Q3

• Accreditation submission to LCME
• Recruit department chairs in internal medicine, pediatrics, surgery, Ob/Gyn, neurology
• Complete affiliation agreement with Seton
• Execute contract with Central Health
M.D. Degree Curriculum

- Curriculum committees with 250 members:
  - Oversight
  - Clinical Clerkships
  - Mechanism of Disease Block
  - Curriculum themes task force

- Guiding principles of curriculum:
  - Active, adaptive learning
  - Early clinical cases exposure
  - Student engagement and creative problem solving
  - Prepare for team approach to the patient
  - Train for multi-disciplinary collaborative practice
  - Creating an environment of scholarship, intellectual curiosity and exchange
What Will be Unique in Medical Education?

• Innovative educational program:
  – Guided, self-directed learning
  – New technologies
  – Inter-professional education
  – Learning how to improve health care delivery
  – Research and dual degrees

• Opportunities for research and dual degrees:
  – Life Sciences
  – Engineering & Computer Science
  – Public Policy & Public Health
  – Business
<table>
<thead>
<tr>
<th>Texas Higher Education Coordinating Board</th>
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</thead>
<tbody>
<tr>
<td>Obtained THECB planning authority</td>
</tr>
<tr>
<td>THECB New Doctoral Program Proposal submitted to UT System BOR</td>
</tr>
<tr>
<td>New Doctoral Program Proposal submitted for review by THECB</td>
</tr>
<tr>
<td>Recruit Charter Class</td>
</tr>
<tr>
<td>THECB Approval</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Liaison Committee on Medical Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial meeting with LCME Secretariat</td>
</tr>
<tr>
<td>Applied for LCME Applicant School Status</td>
</tr>
<tr>
<td>Submit preliminary application materials to LCME</td>
</tr>
<tr>
<td>LCME reviews, schedule site visit, advance to Candidate Status</td>
</tr>
<tr>
<td>LCME first survey visit</td>
</tr>
<tr>
<td>LCME Committee reviews &amp; approves for Preliminary Accreditation Status</td>
</tr>
<tr>
<td>Recruit Charter Class</td>
</tr>
<tr>
<td>Charter class begins</td>
</tr>
<tr>
<td>Submit Provisional Accreditation application and prepare materials to LCME</td>
</tr>
<tr>
<td>LCME second survey visit</td>
</tr>
<tr>
<td>Provisional accreditation</td>
</tr>
<tr>
<td>LCME third survey visit</td>
</tr>
<tr>
<td>Full Accreditation and Graduation of Charter class</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Southern Association of Colleges and Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submit substantive change prospectus to SACSCOC</td>
</tr>
<tr>
<td>SACSCOC schedules site visit</td>
</tr>
</tbody>
</table>
Research Programs Under Discussion

- Oncology
- Infectious Disease
- Bioinformatics
- Birth Defects
- Engineering and Healthcare
- Clinical Neurosciences
- Computational Biomedicine
National Institutes of Health (NIH) Research Awards to UT Austin, 2012

- Natural Sciences: 53%
- Engineering: 16%
- Liberal Arts: 14%
- Pharmacy: 13%
- Nursing: 2%
- Social Work: 1%
- Education: 1%

Total: $51.2M
UT Austin Research Funding by Disease, 2012

- **Cancer**: $7,050,627, 9%
- **Cardiovascular**: $9,294,224, 11%
- **Infectious Disease and Immune System**: $6,533,877, 8%
- **Metabolism**: $24,953,722, 30%
- **Neurology**: $1,893,245, 2%
- **Other**: $32,417,073, 40%

Total: $82.1M
Invited Testimony:
House Committee on Appropriations, Education Subcommittee
May 13, 2014

James Hallmark, Ph.D., Vice Chancellor for Academic Affairs
Texas A&M University System

TAMU / TAMHSC Merger
Background and Rationale: The Texas A&M University System (TAMUS) Board of Regents on August 2, 2012, approved an action to grant the Chancellor and the President of Texas A&M University (TAMU) the authority to take any and all actions to investigate and pursue an administrative change bringing Texas A&M Health Science Center (TAMHSC) under the administration of TAMU. The Board of Regents sought to realign the Health Science Center as a unit within the University administrative structure in order to increase interdisciplinary academic programs in health and life sciences and to accelerate and extend research collaborations across the expansive Texas A&M network of scientists, including faculty in multiple disciplines at TAMHSC’s eight campuses and at health system partners such as Baylor Scott & White.

The merger is less than one year old, having recently received the initial approval necessary from Southern Association of Colleges and School Commission on Colleges (SACSCOC), in July 2013. SACSCOC also requires a site visit after such a merger, which they conducted in February of this year. Our preliminary report from SACSCOC was very good, but they continue to monitor the merger through December 2014. Significant advancements in the platform for addressing research issues have already been made, particularly in the area of interdisciplinary research. Collaborations are occurring among faculty whose specializations center on human, animal and plant science. For example, a joint recruitment by the TAMHSC, the College of Agriculture, and AgriLife Research has brought Dr. Rod Dashwood to the Institute of Biosciences and Technology in Houston, where he and his associates are focusing on a complete paradigm shift in disease prevention from “bench to bedside” to “field to clinic.” Instead of using pharmaceuticals to halt disease progression or recurrence, the team of researchers is leveraging strengths in agriculture, chemistry and medicine to use natural food agents to prevent cancer and metabolic disease. In terms of academic and research opportunities, which we are only beginning to find and open, there will be enhanced prospects for students with regard to graduate education opportunities as well as expanded core curriculum offerings and increased undergraduate research options.

Summary: Bringing TAMHSC under the TAMU umbrella as a unit is affording students and researchers across both institutions the opportunity to participate seamlessly in interdisciplinary programs and research that intersect human, animal, and plant science. Ultimately, joining the strengths of these two institutions will allow the State of Texas and its citizens to reap numerous benefits through increased scientific discoveries and an influx of highly trained, innovative professionals who are even better prepared when they enter the state’s workforce.
Formulas for the Health Related Institutions

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

There are six formulas for the Health Related Institutions:

GR and GR-Dedicated Formulas:
- Instruction and Operations Support Formula
- Infrastructure Support Formula

GR Formulas:
- Research Enhancement Formula
- Graduate Medical Education Formula
- Cancer Center Operations Formula (mission specific formula)
- Chest Disease Center Operations Formula (mission specific formula)
Health Related Institutions: Instructions and Operations (I&O) Support Formula

\[
\text{Full Time Student Equivalent} \times \text{Program Weight} \times \text{Rate}
\]

**Full Time Student Equivalent** (FTSE) FTSE is a measure of how many students an institution delivers instruction to. The time for which data is gathered is called the **base period**. The base period used in the GAA is the Summer and Fall of the year before session and the Spring of the legislative session year. In March of session years, the Higher Education Coordinating Board provides updated enrollment numbers based on the most recent base period.

FTSEs are **weighted** by discipline (e.g. medical students are weighted more than nursing). The weights are set by the Legislature and are listed on the following page.

The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.
# Health Related Institutions: I&O Funding Weights, 2014-15 Biennium

## Program Weight Per Student

<table>
<thead>
<tr>
<th>Program</th>
<th>Weight</th>
</tr>
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<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>
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</tbody>
</table>
Health Related Institutions:
I&O Allied Health Weight and Biomedical Informatics

**Allied Health** includes disciplines related to the identification, evaluation, treatment, and prevention of diseases, injuries and conditions. Some of the degree programs offered under this program include the following:

- Occupational Therapy
- Physical Therapy
- Physician Assistant
- Audiology
- Emergency Medical Technology
- Dental Hygienist
- Rehabilitation Science

**Biomedical Informatics** is grouped under the Allied Health discipline and therefore receives a weight of 1.000 within the I&O formula.
Health Related Institutions:
Small Class Supplement

The I&O formula has a set-aside for the Small Class Supplement. Section 29(1) of Special Provisions Relating to State Agencies of Higher Education in the 2014-15 General Appropriations Act provides that:

*Instructional programs with enrollments of less than 200 students at individual campuses shall receive additional funding to compensate for the diseconomies of scale. The minimum formula shall generate additional funding per student, on a sliding scale, with programs with small enrollments receiving more additional funding per student.*

The Small Class Supplement is based on a sliding scale and provides for instructional programs at an institution with enrollment less than 200 students starting at $30,000 per student for medical or dental programs and $20,000 per student for all other programs. The amount received per student decreases with each additional student added to the program up to 200 students.

Based on actions of the 83rd Legislature, all programs with less than 200 students at remote campuses as reported by the Texas Higher Education Coordinating Board were eligible for, and received, the small class supplement funding.
Health Related Institutions:  
Infrastructure Support Formula

The **infrastructure formula** allocates funding for physical plant support and utilities based on the predicted square feet at the institutions. The infrastructure formula uses a statewide infrastructure rate, which is set in the appropriations bill. As with the I&O rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

<table>
<thead>
<tr>
<th>Rate</th>
<th>X</th>
<th>Predicted Square Feet</th>
</tr>
</thead>
</table>

All health related institutions have the same infrastructure rate except The University of Texas M.D. Anderson Cancer Center (UTMDACC) and The University of Texas Health Science Center at Tyler (UTHSC-T). These two institutions did not contribute tuition and fees to the infrastructure formula when it was established and the separate rates were created at that time.
Health Related Institutions: Infrastructure Support Formula

Institutions generate infrastructure funding according to the amount of space they *should* need, as predicted by the Coordinating Board’s *space model*, not on the space they actually have. The space model does not account for hospital space. The space model is based on factors including:

- Number and level of FTSEs
- Number of faculty
- Single or multiple programs and campuses
- Actual clinical space
- Research and current E&G expenditures
Health Related Institutions: Infrastructure Support Formula

Certain health related institution campus sites also qualify for a multi-campus adjustment to predicted square feet in the space projection model.

The FY 2008-09 HRI Formula Advisory Committee (2006) reviewed and formally approved the qualifying criteria for sites to be included for the multi-campus adjustment to the space projection model for HRIs. The criteria are as follows:

- The site must be specifically authorized by legislative actions (such as rider or change to the statute to establish the separate site of the campus).
- The site must not be in the same county as the parent campus.
- There may be more than one site (a recognized campus entity or branch location) in the separate location if the separate site meets all of the criteria for eligibility.
- The facilities must be in the facilities inventory report certified by the institution at the time the space projection model is calculated.
- The parent campus must demonstrate responsibility for site support and operations.
- Only the Education and General (E&G) square feet of the facilities are included in the calculation of the space projection model.
Health Related Institutions:
Research Formula and Graduate Medical Education Formula

The Research Enhancement Formula provides support for medical and clinical research of the institutions. Currently, funds are allocated to the health-related institutions using a base amount plus a percentage of research expenditures from the most recent fiscal year.

All institutions receive a base amount of $1,412,500 regardless of research volume and then funding for a percentage of actual research expenditures as reported to the Texas Higher Education Coordinating Board. As with the I&O rate, the Legislature sets the percentage of actual research expenditures based on available funding. In 2014-15, the percentage was set at 1.22%

\[ \text{Funding} = \text{Base Amount} + \left( \text{Percentage} \times \text{Research Expenditures} \right) \]

\[ = \$1,412,500 + (1.22\% \times \text{Research Expenditures}) \]

The Graduate Medical Education (GME) Formula provides funding on a per medical resident basis in an accredited program. Upon establishing this formula, the 79th Legislature, 2005, directed institutions to use these funds to increase the total number of residency slots in Texas and support faculty costs relating to GME. This funding is provided to all health related institutions and Baylor College of Medicine. As with the I&O rate, the Legislature sets the rate based on available funding.

\[ \text{Funding} = \text{Rate} \times \text{# of Medical Residents} \]
The University of Texas M.D. Anderson Cancer Center (UTMDACC) Mission Specific Support

UTMDACC has a statutory mission to eliminate cancer through patient care, research, education, and prevention. The mission specific formula provides support for cancer patients served. As with the I&O rate, the Legislature sets the rate based on available funding.

| Rate X | # of Texas Cancer Patients Served |

In addition, the growth of the UTMDACC Mission Specific Support Formula is limited by a Special Provisions requirement that the amount of growth in total funding may not exceed the average growth in funding for health related institutions in the I&O Formula.

The University of Texas Health Science Center at Tyler (UTHSC-T) Mission Specific Support

UTHSC-T has a statutory mission to conduct research, develop diagnostic and treatment techniques, provide training and teaching programs, and provide diagnosis and treatment of inpatients and outpatients with respiratory diseases. The Mission Specific Formula provides support for medical and research items based on the number of new primary chest disease diagnoses reported in Texas each year. As with the I&O rate, the Legislature sets the rate based on available funding.

| Rate X | # of Primary Chest Disease Cases |
Health Related Institutions: Baylor College of Medicine

Baylor College of Medicine (BCOM) receives funding for its undergraduate medical students in accordance with Texas Education Code, Section 61.093, 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.

This funding is appropriated through the Higher Education Coordinating Board’s (THECB) bill pattern. Rider 8 of THECB’s bill pattern in the 2014-15 General Appropriations Act (III-48) provides that funding shall be based on the following:

“…The cost of medical education per student…shall include General Revenue appropriations for instruction and operations, infrastructure, and staff benefits allocated to undergraduate medical education…”

The funding BCOM receives through the Graduate Medical Education formula is also appropriated to the institution through THECB’s bill pattern.
Graduate Medical Education Expansion Programs

Stacey Silverman, Ph.D.
Deputy Assistant Commissioner
Universities and Health-Related Institutions
Workforce, Academic Affairs and Research Division

Presentation to the
House Appropriations Committee
Subcommittee on Article III
May 13, 2014
Texas increased its medical school enrollments 32 percent from Fall 2002 to Fall 2013

First-Year Entering Medical Students

Source: Coordinating Board, certified data.
Increases in entering medical students are showing up in the number of medical school graduates.

Source: Coordinating Board, certified data.
Graduates and GME 1st Year Positions

Projections Needed to Achieve 1.1 to 1 Ratio

Source: Coordinating Board, certified data.
Note: *Projections of medical school graduates are based on a 95 percent graduation rate and include two planned medical schools projected to admit students beginning in fall 2016.
### The 83rd Legislature Increased Funding For Existing and Established New GME Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Created by</th>
<th>FY14/15 Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Practice Residency Program</td>
<td>Existing</td>
<td>$12.78M*</td>
</tr>
<tr>
<td>GME Planning Grants</td>
<td>HB 1025 (83rd)</td>
<td>$1.875M</td>
</tr>
<tr>
<td>Unfilled Residency Positions Program</td>
<td>HB 1025 (83rd)</td>
<td>$7.375M**</td>
</tr>
<tr>
<td>New &amp; Expanded Positions Program</td>
<td>HB 1025 (83rd)</td>
<td>$7.375M**</td>
</tr>
<tr>
<td>Additional Years of Residency</td>
<td>HB 2550 (83rd)</td>
<td>$0</td>
</tr>
<tr>
<td>Primary Care Innovation Program</td>
<td>HB 2550 (83rd)</td>
<td>$2.1M</td>
</tr>
<tr>
<td>Resident Physician Expansion Program</td>
<td>HB 2550 (83rd)</td>
<td>$5M</td>
</tr>
</tbody>
</table>

*Includes $7.75M appropriated for FY13 in HB 1025 with carry forward authority into FY14/15.
**These two programs share the same funding pool.
Family Practice Residency Program

• Established in 1977 to increase the number of physicians selecting family practice as their medical specialty, especially in rural and underserved communities

• Since its inception, the program has provided funding support for more than 8,940 family practice residents

• Provides grants to 29 nationally-accredited family practice residency programs located in every region of the state

• Additional funding of $7.75 million added by HB 1025
Texas Family Practice Residency Programs

Texas Tech University HSC (Amarillo)
Texas Tech University HSC (Lubbock)
Texas Tech University HSC (Odessa)
Texas Tech University HSC (El Paso)

Wichita Falls Family Practice Residency Program
John Peter Smith Hospital
UNTHSC-TCOM-Plaza Medical Center of Fort Worth
UTSW-St. Paul Medical Center & Parkland
Baylor Family Medicine Residency at Garland
Christus St. Michael Hospital-Texarkana
Methodist Health System's Family Medicine Residency Prgm
UTHSC-Tyler
McLennan County Medical Education & Research Foundation
Scott & White Family Medicine Residency Program
Texas A&M Health Science Center
Conroe Medical Education Foundation
The Methodist Hospital
Baylor College of Medicine
San Jacinto Methodist Hospital
UTHSC-Houston
University of Texas Medical Branch-Galveston
Memorial Family Medicine Residency
UTHSC-San Antonio
CHRISTUS Santa Rosa
UTSW - Austin Program
CHRISTUS Spohn - Corpus Christi
UTHSC-Bay Area Medical Center
McAllen Family Practice
Valley Baptist Family Practice
GME Expansion: Planning Grants

• Created and funded under HB 1025 (83rd Legislature)

• Designed to allow entities that do not currently operate a GME program to investigate the feasibility of establishing such a program

• Maximum of 12 awards at an amount of $150,000 each

• Coordinating Board developed rules, published Request for Application and announced awards in December 2013

• Nine applications were received and all were awarded funding for a two year planning grant
Graduate Medical Education Expansion Planning Grants

Texas Higher Education Coordinating Board
GME Expansion: Unfilled Position Grants

• Established to provide support for existing accredited residency programs to fill currently approved but unfilled first-year residency positions

• HB 1025 provides for a maximum of 25 positions to receive $65,000 per resident per year (i.e. $3.25 million for the biennium)

• Seven applicants were approved for 25 unfilled positions. Positions were funded in internal medicine, obstetrics/gynecology, family medicine, psychiatry, and anesthesiology
GME Expansion: New and Expanded Programs

- Established by HB 1025 to support:
  - Expansion of the number of accreditor-approved first-year residency program positions, or
  - Establishment of new first-year residency programs

- No awards made in FY15: $4.125 million available for FY15 awards after Unfilled Position commitments.

- Maximum grant award is $65,000 per newly created residency position

- Grants will assist programs by providing funding for the direct resident costs, including stipends and benefits

- Request for Applications will be released in Fall 2014
GME Expansion: Grants for Additional Residency Years

• Established by HB 2550 (83rd Texas Legislature, Regular Session) to fund residents who have completed at least three years of residency training and whose residency program is in a field in which the state has less than 80 percent of the national average of physicians per 100,000 population.

• HB 2550 restricts the award of these grants to the fiscal year beginning September 1, 2016 or subsequent years, contingent on appropriation of funds.
GME Expansion: Resident Physician Expansion

• Created by HB 2550 (83rd Legislature) to increase the number of residency positions in first-year GME programs.

• Provide awards on a competitive basis to encourage the creation of new GME positions through community collaboration and innovative funding.

• $5 million provided in SB 1 (THECB Rider 54) to support the program in Fiscal Years 2014-2015.

• Coordinating Board used negotiated rulemaking to establish program (consensus rules submitted to the Texas Register April 14, 2014).

• Anticipate applications will be solicited in Fall 2014.
GME Expansion: Primary Care Innovation

• Established to provide awards on a competitive basis to medical schools that administer innovative programs designed to increase the number of primary care physicians in the state.

• $2.1 million provided in SB 1 (THECB Rider 62) to support the program in Fiscal Years 2014-2015.

• Coordinating Board used negotiated rulemaking to establish program (consensus rules submitted to the Texas Register April 14, 2014).

• Applications will be solicited in Fall 2014.
Community College Funding: Overview of Outcomes-based Formula

Susan Brown
Assistant Commissioner for Planning and Accountability

Presentation to the House Committee on Appropriations Subcommittee on Article III
May 13, 2014
COMMUNITY COLLEGES ARE FUNDED FROM A VARIETY OF SOURCES

Tuition and Fees

Federal

Appropriated

Non-Appropriated

Local Funds

Formula General Revenue

Auxiliary Enterprises

Benefits

Special Items

Other General Revenue

Formula Funding intended to cover:

- Instruction
- Department operating expenses
- Academic support (including libraries)
- Student services
- Institutional support
## FOR FY14/15, COMMUNITY COLLEGE FORMULA FUNDING STRUCTURE WAS MODIFIED

### FY12/13 Structure

<table>
<thead>
<tr>
<th><strong>Small Institution Supplement</strong></th>
<th>($4.5 million for biennium)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available to certain low-revenue, low-enrollment institutions</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Instruction and Administration</strong></th>
<th>($1.732 billion for biennium)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculated on contact hours using a cost-based formula</td>
<td></td>
</tr>
</tbody>
</table>

### FY14/15 Structure

<table>
<thead>
<tr>
<th><strong>Core Operations Funding</strong></th>
<th>($50 million for biennium)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat $1 million per community college district</td>
<td></td>
</tr>
</tbody>
</table>

| **Instruction and Administration** | 90% of non-Core Formula | ($1.546 billion for biennium) |
|-----------------------------------|--------------------------|
| Calculated on contact hours using the cost based formula as in prior biennia |

| **Student Success** | 10% of non-Core Formula | ($172 million for biennium) |
|---------------------|--------------------------|
| Calculated using institutions’ student success points |
SUCCESS POINTS MEASURE STUDENT ATTAINMENT ON MULTIPLE INDICATORS

- **Developmental Education**
  Completion of development education in math, reading and writing
  *(1 point each)*

- **Gateway Course**
  Completion of first college level math or English course.
  *(1 point)*

- **College Credit Attainment**
  Completion of first 15 college credits and first 30 college credits.
  *(1 point each)*

- **Credentials Awarded**
  Completion of an associate degree, certificate, or bachelor’s degree (where offered.)
  *(2 points each; 2.25 for STEM credentials)*

- **Transfer to a General Academic Institution**
  Transfer to a general academic institution after having completed 15 hours of coursework.
  *(2 points)*
FY16/17 STUDENT SUCCESS ALLOCATION TO BE BASED ON INSTITUTIONAL INCREASES

• FY14/15 Student Success funding was allocated among institutions based on a three-year average of institutional performance on the defined metrics.

• Rider instructed Coordinating Board to work with community colleges to develop an FY16/17 recommendation that, “compares the performance of a district to itself using the allocation of student success points in the 2014-15 biennium as a baseline.”
FY16/17 STUDENT SUCCESS FUNDING RECOMMENDATION

• For FY16/17, fund Student Success points at the FY14/15 amount of $185 per point

• Compare institutions’ points earned during current three-year average baseline (FY 12, 13, 14) against the previous baseline (FY 10, 11, 12)

• Any increase in points will result in an increase in success funding; a decrease in points will result in a decrease in success funding
Student Success Points

The Student Success Points Model takes into account the fact that community college students enroll with different levels of college preparation and different goals. The underlying premise of the model is student success at community colleges should not be defined solely by end-point events (e.g., degrees and transfer). The model includes intermediate steps--completion of developmental work, first college-level course--that mark student success at community colleges. The model also details important missing elements that should be added in the future (ABE/ESL, GED, Employment/Workforce).

The 83rd Texas Legislature appropriated $172 million for Student Success Points for FY 2014 and FY 2015. The distribution of the Student Success appropriation was based on the three year average (FY 10-11-12) of Student Success Points for each college district. Success points were awarded as students progressed through developmental courses to earning college credit to successful outcome metrics. The 2014-15 Student Success appropriation is a starting point for incorporating performance funding into the community college instructional appropriation. Rider #23 in the General Appropriations Act (SB 1) requires a new methodology for success points allocation be developed for the 2016-17 biennium “that compares the performance of the college district to itself” (SB1, p. III-200).

Proposed Student Success Points Methodology for the 2016-17 Biennium

For the 2016-17 biennium, student success points should be funded at a rate that is no less than the rate student success points were funded for the 2014-15 biennium ($185 per student success point). A 3-year average of success points (FY12-FY13-FY14) should be the basis for determining how many points each college district has earned for the 2016-17. Since FY 2014 certified data will not be available at the beginning of the 84th Legislature, a preliminary 3-year average of success points (FY11-FY12-FY13) should be used in the introduced versions of the General Appropriations Act.

A Task Force of community college leaders and Coordinating Board staff developed this recommendation. The Task Force was chaired by Dr. Brenda Hellyer, Chancellor, San Jacinto College.
Overview and History: Health Professions Grant Programs

Stacey Silverman, Ph.D.
Deputy Assistant Commissioner for
   Universities and Health-Related Institutions
Workforce, Academic Affairs & Research Division

Lesa Moller
Interim Assistant Commissioner for
   State Financial Aid Programs
Business and Support Services Division

Presentation to the
House Appropriations Committee
Subcommittee on Article III
May 13, 2014
## Graduate Medical and Medical Education Programs:
### History of Programs Established and Funded

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Practice Residency Program</td>
<td>1977 – present</td>
</tr>
<tr>
<td>Family Practice Residency Program – Pilot Projects</td>
<td>1993 – 2003</td>
</tr>
<tr>
<td>Primary Care Residency Program</td>
<td>1995 – 2011</td>
</tr>
<tr>
<td>Primary Care Preceptorship Program (medical students)</td>
<td>1995 – 2010</td>
</tr>
<tr>
<td>Graduate Medical Education Program</td>
<td>1997–2010</td>
</tr>
<tr>
<td>Joint Admissions Medical Program (medical students)</td>
<td>2003 – present</td>
</tr>
<tr>
<td>GME Formula Funding</td>
<td>2006 – present</td>
</tr>
<tr>
<td>Emergency and Trauma Care Education Partnership</td>
<td>2011 – present</td>
</tr>
<tr>
<td>GME Expansion Programs: Unfilled, Expansion, New Positions, Planning Grants, Primary Care Innovation Grant Program, and Residency Physician Expansion Program</td>
<td>2013 – present</td>
</tr>
</tbody>
</table>
Family Practice Residency Program

• Established in 1977 to increase the number of physicians selecting family practice as their medical specialty, especially in rural and underserved communities

• Since its inception, the program has provided funding support for more than 8,940 family practice residents

• Provides grants to 29 nationally-accredited family practice residency programs located in every region of the state

• Additional funding of $7.75 million added by HB 1025
# Family Practice Residency Program

<table>
<thead>
<tr>
<th>Program Operating Funding</th>
<th>Per-Resident Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011: $9,968,400</td>
<td>FY 2011: $14,396</td>
</tr>
<tr>
<td>FY 2012: $2,800,000</td>
<td>FY 2012: $3,895</td>
</tr>
<tr>
<td>FY 2013: $2,800,000</td>
<td>FY 2013: $3,841</td>
</tr>
<tr>
<td>FY 2014: $6,207,920</td>
<td>FY 2014: $8,504</td>
</tr>
<tr>
<td>FY 2015: $6,378,322</td>
<td>FY 2015: $8,737</td>
</tr>
</tbody>
</table>

An additional $14 million above the current biennial level of funding of $12.75 million (SB1 $5M and HB 1025 $7.75M) would be required to restore the per resident funding level to the 2010-2011 biennium per resident funding average.
Joint Admission Medical Program (JAMP)

- Created to support and encourage economically-disadvantaged Texas resident students pursuing a medical education

- JAMP students are eligible to receive a scholarship each semester beginning in their sophomore year of college and receive mentoring and personal assistance to prepare for medical school

- If JAMP students fulfill all requirements, they receive a guarantee of admission to attend a Texas medical school

- The first cohort of JAMP students was selected in 2003 and graduated from medical school in spring 2010; cohorts from 2004 through 2007 have also graduated from medical school
Joint Admission Medical Program (JAMP)

- Of the 196 JAMP graduates in the first five classes:
  - 71 percent (139) entered residency programs in Texas, and
  - 66 percent (129) are training to become primary care physicians

- More than 500 students are currently participating in the program

- Program has successfully expanded medical education outreach to high school and undergraduate students through statewide programming

### Biennial Funding

<table>
<thead>
<tr>
<th>Biennial Period</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10-FY11</td>
<td>$10,607,155</td>
</tr>
<tr>
<td>FY12-FY13</td>
<td>$7,006,794</td>
</tr>
<tr>
<td>FY14-FY15</td>
<td>$10,206,794</td>
</tr>
</tbody>
</table>
JAMP -- Student Participation

Undergraduate [Year] | Medical School [Year]

- UG Soph
- UG JR
- UG SR
- MS 1
- MS 2
- MS 3
- MS 4
Emergency and Trauma Care Education Partnership Program (ETEP)

- Supports partnerships between hospitals and GME programs to increase emergency medicine and trauma care physician residents and fellows

- Also supports partnerships between hospitals and graduate nursing programs to increase the education and training experiences in emergency and trauma care for Registered Nurses

- Eligible GME programs include:
  - Emergency Medicine
  - Pediatric Emergency Medicine
  - Surgical Critical Care

**Biennial Funding**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12-FY13</td>
<td>$ 4.5 million</td>
</tr>
<tr>
<td>FY14-FY15</td>
<td>$ 4.5 million</td>
</tr>
</tbody>
</table>
FY 12/13 ETEP Awards

GME
- 13 programs funded
- Residency and fellowship programs include emergency medicine, pediatric emergency medicine, and surgical critical care
- Grants support an additional 55 residents/fellows in Texas

Nursing
- Three nursing programs applied and received an award to increase the number of RNs by an estimated 159
Physician Education Loan Repayment Program

• Provides loan repayment funds totaling up to $160,000 (over a period of four years) on behalf of qualifying physicians
• Main purpose is to recruit and retain primary care physicians in Health Professional Shortage Areas (HPSAs)
• Up to ten physicians per year may qualify by serving patients in a Texas Juvenile Justice Department or Texas Department of Criminal Justice facility
• Applications from subspecialists practicing in HPSAs are considered during the final quarter of each fiscal year if funds are available for disbursement the following fiscal year
PELRP Funding History

<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986-2009</td>
<td>Approximately $1 million per year</td>
</tr>
<tr>
<td>FY2010-2011</td>
<td>$22 million</td>
</tr>
<tr>
<td>FY2012-2013</td>
<td>$5.6 million</td>
</tr>
<tr>
<td>FY2014-2015</td>
<td>$33.8 million</td>
</tr>
</tbody>
</table>

Prior to September 1, 2009, PELRP was funded by state General Revenue and tuition set-asides. House Bill 2154 (81st Legislature) added revenue from sales tax on smokeless tobacco as a funding source. FY2014-15 funding is provided exclusively through revenue from sales tax on smokeless tobacco.
PELRP Changes for Fiscal Years 2014-15

• SB 1 (83rd Legislature) funding was designed to cover physicians already participating in the program, as well as a cohort of 100 physicians entering PELRP in FY14, and a second cohort of 100 entering in FY15. The appropriated amount covers both cohorts for four years of loan repayment at maximum awards.

• HB 2550 (83rd Legislature) allows awards to non-HPSA physicians who have provided health care services to a designated number of Medicaid or Texas Women’s Health Program enrollees
  — These applicants may be funded only after all other eligible applicants have been awarded
FY14 PELRP Awards Status

• **Goal:** Enroll at least 100 new physicians (from HPSAs and up to 10 in correctional facilities) by 8/31/13

• **Actual:** Enrolled 138 physicians (HPSAs, 3 correctional facilities)

• An additional 44 applicants are attempting to qualify on the basis of Medicaid service levels (to be determined in September)
Overview of THECB Trusteed Programs

Arturo Alonzo, Ed.D.
Deputy Commissioner for Finance and Administration

Susan Brown
Assistant Commissioner for Planning and Accountability

Presentation to the House Committee on Appropriations Subcommittee on Article III
May 13, 2014
TRUSTEED FUNDS ACCOUNT FOR 97% OF COORDINATING BOARD APPROPRIATED BUDGET

THECB FY14/15 Appropriated Funding by Goal

- Financial Aid: 75%
- Baylor COM: 6%
- Quality and Participation: 2%
- Tobacco Funds: 1%
- Research Programs: 2%
- Administrative Functions: 3%
- Federal Programs: 4%
- Health Programs: 7%

Source: Fiscal Size-up 2014-15 Biennium, Legislative Budget Board
TRUSTEED PROGRAMS HAVE DIFFERENT GOALS AND SERVE DIFFERENT ENTITIES

• For FY14/15, Coordinating Board has 37 trusteed budget strategies totaling $1.44 billion in All Funds
• Some of the largest trusteed programs include:
  – Financial aid for students currently in higher education
  – Student loan repayment programs for certain career fields
  – Research funds for individual researchers and institutions
  – Graduate Medical Education funds for residency programs
  – Pass-through funding to Baylor College of Medicine
  – Federal Perkins Grants to support vocational and technical education
SB 215 (83rd Legislature):

The board shall engage institutions of higher education in a negotiated rulemaking process . . . when adopting a policy, procedure, or rule relating to:

(2) the allocation or distribution of funds, including financial aid or other trusteed funds. . .

Negotiated Rulemakings begun or completed as of 5/13/14:

- TEXAS Grants
- B-on-Time Loan Program (GR portion)
- Tuition Equalization Grant
- Texas Educational Opportunity Grant
- Texas College Work-Study
- Primary Care Innovation Grant Program
- Resident Physician Expansion Program
ALLOCATION: TEXAS GRANT

Goals of TEXAS Grant Allocations

Prioritize all eligible renewal students

Distribute funding for initially eligible students such that an equal share of students is served at each institution

Serve the neediest students (defined in terms of Expected Family Contribution (EFC))
### ALLOCATION: TEXAS GRANT

#### Determine Renewal Student Funding
- Identify number of current recipients at the institution
- Adjust for graduation, attrition, award size and other factors
- Multiply by target award amount for institution’s renewal student total

#### Determine Initial Student Funding
- Identify students at institution who are:
  - Texas residents
  - At least ¾-time
  - Below EFC cap ($4,800 for FY15)
- Award initial student funding proportional to institution’s share of sector population meeting above criteria

#### Institution Funding

\[
\text{Renewal Student Funding} + \text{Initial Student Funding} = \text{Institution’s Total TEXAS Grant Allocation}
\]
FACTORS IMPACTING TIMING OF ALLOCATIONS

• CB gives institutions until February 20 to make awards
  – Reallocate unused funds (which impacts renewal award estimates).

• CB uses most recent and complete data sources.
  – Availability of data can impact timing of allocations.

• In odd years, CB waits until appropriations are final (target June notification).

In even years, allocations are typically announced in late March/early April.
STATUS OF NEGOTIATED RULEMAKING ON TEXAS GRANT ALLOCATION METHODOLOGY

- Negotiated rulemaking committee of financial aid officers held initial meeting on March 5 to revise rules regarding the TEXAS Grant allocation process
- Committee examining ways to make process quicker, such as using previous years’ data
- Negotiated rulemaking process designed to build stakeholder consensus behind allocation methodology that meets institutions’ needs
- Scheduled to reconvene April 30 (after these materials were submitted)
Goals of PNSRP Allocations

Provide incentive funding to institutions to:

• Increase the number of professional nursing graduates in Texas

• Increase initial licensure nursing enrollment in Texas
PNSRP COMPOSED OF THREE PROGRAMS WITH DIFFERENT ALLOCATION METHODOLOGIES

“Under 70” Program
- For nursing programs with less than 70% graduation rate
- Programs set targets for increasing graduations
- Institutions are advanced funds based on projected increases
- Unearned funds must be returned to Coordinating Board
- FY14/15 funding: $3.6 million

“Over 70” Program
- For nursing programs with greater than 70% graduation rate
- Programs must meet increased enrollment targets set by statute
- Institutions are advanced funds based on targets
- Unearned funds must be returned to Coordinating Board
- FY14/15 funding: $7.7 million

Regular Program
- Allocations are based on the institution’s increase in nursing graduates compared to the prior year
- Institutions receive a prorate share of the available funding for each year
- FY14/15 funding: $5.3 million
OVERVIEW OF CERTAIN HIGHER EDUCATION FUNDS

Legislative Budget Board Staff

Presented to the House Committee on Appropriations Subcommittee on Article III

May 13, 2014
Constitutional Funds

- The Available University Fund (AUF) is the money available from the Permanent University Fund (PUF) for use by The University of Texas and Texas A&M University Systems.

- The AUF is composed of a certain percent of all PUF investments and all net surface income from PUF lands. The distribution amount is determined annually by The University of Texas System within two constitutional limitations: the annual distribution may not exceed 7 percent of the average market value of the PUF and the purchasing power of the PUF is sustained over a 10-year rolling average. For fiscal year 2014, the UT System Board of Regents approved a distribution from the PUF to the AUF of 5.5 percent.

- The Texas Constitution dedicates two-thirds of the AUF to The University of Texas System and one-third to the Texas A&M University System.

- Within each system, the amount of AUF funds allocated to each eligible institution is determined by each system's respective governing board.

- The Texas Constitution requires that the first use of the AUF is to pay debt service on PUF-backed bonds that are used for the following purposes: acquiring land; constructing, equipping, and repairing buildings; and acquiring capital equipment, library books, and library materials.

- For certain institutions, the Texas Constitution allows AUF funds to be used for the support and maintenance of eligible institutions.
Constitutional Funds (continued)

- The Available University Fund (AUF) is a separate bill pattern. AUF appropriations are estimated and are “Other Funds.”

- Funds may be used to provide support and maintenance at the following schools or system offices:
  - The University of Texas System
  - The University of Texas at Austin
  - The Texas A&M System
  - Texas A&M University
  - Prairie View A&M University

- Funds may be used for debt service on PUF-backed bonds for the following institutions:
  - The University of Texas at Arlington
  - The University of Texas at Austin
  - The University of Texas at Dallas
  - The University of Texas at El Paso
  - The University of Texas of the Permian Basin
  - The University of Texas Rio Grande Valley
  - The University of Texas at San Antonio
  - The University of Texas at Tyler
  - The University of Texas Southwestern Medical Center at Dallas
  - The University of Texas Medical Branch at Galveston
  - The University of Texas Health Science Center at Houston
  - The University of Texas Health Science Center at San Antonio
  - The University of Texas M.D. Anderson Cancer Center
  - The University of Texas Health Science Center at Tyler
  - The University of Texas System
  - Texas A&M University
  - Texas A&M University System Health Science Center
  - Texas A&M University at Galveston
  - Prairie View Texas A&M University
  - Tarleton State University
  - Texas A&M University – San Antonio
  - Texas A&M University – Central Texas
  - Texas A&M AgriLife Research
  - Texas A&M AgriLife Extension Service
  - Texas A&M Forest Service
  - Texas A&M Transportation Institute
  - Texas A&M Engineering Experiment Station
  - Texas A&M Engineering Extension Service
  - Texas A&M University System
Constitutional Funds (continued)

- The Higher Education Fund (HEF) is an annual General Revenue Fund appropriation dedicated by the Constitution to support certain capital purposes at eligible state institutions, including: acquiring land; constructing, equipping, and repairing buildings; and acquiring capital equipment, library books, and library materials.

- Appropriations are allocated using an “equitable formula” based on space deficit, facility condition, and institutional complexity variables, with a separate allocation for the Texas State Technical College System. The formula is administered by the Texas Higher Education Coordinating Board (THECB). The resulting appropriation amounts for each institution are set in statute.

- THECB recommends a formula reallocation to the Legislature every five years using updated formula elements. The 84th Legislature will have the opportunity both to increase and reallocate the annual HEF appropriation for the 2016-2025 decennium.

- HEF-eligible institutions are limited to using at most 50 percent of their respective annual HEF allocations for debt service on HEF-backed bonds.
Constitutional Funds (continued)

- HEF is a separate bill pattern that contains General Revenue appropriations that are not estimated. Currently, the following institutions receive HEF allocations:

- Texas A&M University – Corpus Christi
- Texas A&M International University
- Texas A&M University – Kingsville
- Texas A&M University – Commerce
- Texas A&M University – Texarkana
- West Texas A&M University
- University of Houston
- University of Houston – Clear Lake
- University of Houston – Downtown
- University of Houston – Victoria
- Texas Tech University
- Texas Tech University Health Sciences Center
- Angelo State University
- Texas State Technical College System
- University of North Texas
- University of North Texas at Dallas
- University of North Texas Health Science Center
- Midwestern State University
- Stephen F. Austin State University
- Texas Southern University
- Texas Woman’s University
- Lamar University
- Lamar State College – Orange
- Lamar State College – Port Arthur
- Lamar Institute of Technology
- Sul Ross University
- Sul Ross University – Rio Grande College
- Sam Houston State University
- Texas State University
Constitutional Funds (continued)

- The Permanent Higher Education Fund corpus was transferred to the credit of the National Research University Fund (NRUF) corpus with the voter passage of Proposition 4 in 2009. In order to receive allocations from NRUF, an institution must be designated an emerging research university by the THECB, report at least $45 million in restricted research expenditures in each of the last two years, and meet at least four of the following criteria:
  1. Endowment of more than $400 million
  2. Awards more than 200 Ph.D.s per year
  3. Selective entering Freshman class
  4. Recognition of institution’s research capability and scholarly attainment
  5. Possesses high-quality faculty
  6. Demonstrated commitment to high-quality graduate education

- NRUF is a separate bill pattern and appropriations are estimated and are “Other Funds.”

- Of the total amount appropriated from the NRUF each fiscal year, each eligible institution receives a distribution in an amount equal to the sum of: (1) one-seventh of the total amount appropriated, and (2) an equal share of any remaining appropriation amount, not to exceed at amount equal to one-fourth of the remainder. However, if more than four institutions are eligible to receive NRUF appropriations, then each eligible institution would receive an equal share of the appropriation.

- Currently the following institutions receive distributions from the fund:
  - The University of Houston
  - Texas Tech University
Statutory Funds

- Texas Competitive Knowledge Fund and Research Development Fund are funded with General Revenue and are appropriated directly to institutions in their bill patterns.

- Texas Competitive Knowledge Fund (TCKF) is intended to support faculty and instructional excellence and research, per Sec. 56, Special Provisions Relating Only to State Agencies of Higher Education, 2014-15 General Appropriations Act. Institutions are eligible to receive TCKF funding if the institution’s average annual research expenditures for three consecutive fiscal years exceeds the following amount: $450 million for research institutions; and $50 million for emerging research institutions.

- 2014-15 General Appropriations Act includes appropriations to:
  - The University of Texas at Austin
  - Texas A&M University
  - The University of Houston
  - Texas Tech University
  - The University of Texas at Dallas
  - The University of Texas at Arlington
  - The University of Texas at El Paso
  - The University of Texas at San Antonio
Research Development Fund is allocated based on the three-year average of restricted research expenditures and the purpose is to promote increased research capacity. All General Academic Institutions are eligible except for the following:

- Texas A&M University
- The University of Texas at Austin

The Texas Research Incentive Program (TRIP) is General Revenue that is trusteed to the THECB. The purpose is to provide matching funds to assist in the enhancement of research and faculty recruitment. Institutions designated as an emerging research university under the THECB’s accountability system are eligible. Institutions currently eligible are:

- Texas Tech University
- University of Houston
- The University of Texas at Dallas
- The University of Texas at San Antonio
- The University of Texas at Arlington
- The University of Texas at El Paso
- University of North Texas
- Texas State University

The Norman Hackerman Advanced Research Program (NHARP) is General Revenue that is trusteed to the THECB. It is a competitive grant program that is open to public and independent, private institutions of higher education for the purpose of encouraging and providing support for basic research conducted by faculty members and students.
## Comparison of AUF and HEF eligibility for Institutions of Higher Education, 2014-15 Biennium

<table>
<thead>
<tr>
<th>General Academic Institutions</th>
<th>HEF</th>
<th>AUF</th>
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<tbody>
<tr>
<td>The University of Texas at Arlington</td>
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<td>The University of Texas at Austin</td>
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<td>The University of Texas at Dallas</td>
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<td>The University of Texas El Paso</td>
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<tr>
<td>The University of Texas of the Permian Basin</td>
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<tr>
<td>The University of Texas at San Antonio</td>
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<tr>
<td>The University of Texas at Tyler</td>
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<tr>
<td>Texas A&amp;M University</td>
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<tr>
<td>Texas A&amp;M University at Galveston</td>
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<tr>
<td>Tarleton State University</td>
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<tr>
<td>Texas A&amp;M University—Corpus Christi</td>
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<td>Texas A&amp;M University—Kingsville</td>
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<td>Texas A&amp;M University—Commerce</td>
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<td>Texas A&amp;M University—Central Texas</td>
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<td>Texas A&amp;M University—Nacogdoches</td>
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<td>Texas Tech University</td>
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<td>Angelo State University</td>
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<td>University of North Texas</td>
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<td>Midwestern State University</td>
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<td>Stephen F. Austin State University</td>
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<tr>
<td>Sul Ross University</td>
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<td>Sul Ross University—Rio Grande College</td>
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<tr>
<td>Lamar University</td>
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<tr>
<td>Institution</td>
<td>AUF</td>
<td>HEF</td>
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<tr>
<td>----------------------------------------------------------------------------</td>
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<tr>
<td><strong>Health-Related Institutions</strong></td>
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<tr>
<td>The University of Texas Southwestern Medical Center at Dallas</td>
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<tr>
<td>The University of Texas Health Science Center at Houston</td>
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<tr>
<td>The University of Texas M.D. Anderson Cancer Center</td>
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<tr>
<td>The University of Texas Health Science Center at Tyler</td>
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<td>Texas A&amp;M University System Health Science Center</td>
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<td>Texas Tech University Health Sciences Center</td>
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<td>University of North Texas Health Science Center</td>
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<td><strong>Two-Year Lamars and TSTCs</strong></td>
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<td>Texas State Technical College System</td>
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<td>Lamar State College—Orange</td>
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<td>Lamar State College—Port Arthur</td>
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<tr>
<td>Lamar Institute of Technology</td>
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<td><strong>A&amp;M System Agencies</strong></td>
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<td>Texas A&amp;M Engineering Experiment Station</td>
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<td>Texas A&amp;M University System</td>
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## Comparison of Research Fund Eligibility for Institutions of Higher Education, 2014-15 Biennium

<table>
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<tr>
<th>Institution</th>
<th>TRIP</th>
<th>RDF</th>
<th>TCIF</th>
<th>TCKF</th>
<th>NRUF</th>
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<td>Texas Tech University</td>
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<td>University of North Texas</td>
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<td>University of North Texas—Dallas</td>
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<td>Lamar University</td>
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<td>Sul Ross University</td>
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*This chart denotes which institutions are eligible to receive funding from each respective research fund, but does not necessarily imply those institutions have received funding from the research fund.

**All institutions of higher education are eligible for NHARP; however, the fund was not included in this comparison due to the relatively small size of the fund and because private institutions are also eligible recipients.
### Comparison of Constitutional Funds, 2014-15 Biennium

<table>
<thead>
<tr>
<th>FUND</th>
<th>2014–15 APPROPRIATION</th>
<th>FUNCTION/PURPOSE</th>
<th>ELIGIBILITY</th>
<th>LEGAL BASIS</th>
<th>ALLOCATION METHODOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available University Fund</td>
<td>$1,320.5 million</td>
<td>Texas Constitution: &quot;...for the purpose of acquiring land ...constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under this Section...&quot; Also: &quot;...for the purpose of the support and maintenance of The Texas A&amp;M University System administration, Texas A&amp;M University, and Prairie View A&amp;M University&quot; and &quot;The University of Texas at Austin and The University of Texas System&quot;.</td>
<td>Texas Constitution: For &quot;support and maintenance&quot;: UT Austin, Texas A&amp;M University, Prairie View University, UT System, A&amp;M System For debt service: All components, including the TAMU System Agencies except Texas Veterinary Medical Diagnostic Laboratory (which per Education Code Section 88.701 &quot;is a state agency under the jurisdiction and supervision of the board&quot;), and excluding UT Pan American and UT Brownsville (because they receive HEF allocations - an institution cannot receive both AUF and HEF dollars).</td>
<td>Article VII, Section 18(a-j) of the Texas Constitution General Appropriations Act</td>
<td>Texas Constitution requires 1/3 of the annual AUF proceeds be transferred to the Texas A&amp;M University System. Each System office determines how to apportion its share of the AUF between debt service and &quot;support and maintenance&quot;, within guidelines specified by the Texas Constitution.</td>
</tr>
<tr>
<td>Higher Education Fund</td>
<td>$525.0 million</td>
<td>To support institutions ineligible for AUF support.</td>
<td>Article VII, Section 17(a): &quot;...for the purpose of acquiring land...constructing and equipping buildings ...major repair ....acquisition of capital equipment...other permanent improvements, or capital equipment used jointly for educational and general activities....&quot;</td>
<td>Article VII, Section 17(c) provides an allowance to add a new institution by a 2/3 vote of both houses of the Legislature if the new institution is outside the UT and A&amp;M Systems.</td>
<td>Article VII, Section 17(a-l) of the Texas Constitution Education Code, Section 62.002 General Appropriations Act</td>
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<tr>
<td>Available National Research University Fund</td>
<td>$55.9 million</td>
<td>Designated an emerging research university by Texas Higher Education Coordinating Board; Reports at least $45 million in restricted research expenditures in each of the last 2 years. Plus four of the following additional criteria: 1) Endowments &gt; $400 million; 2) Produces &gt; 200 PhDs per year; 3) Selective entering Freshmen class; 4) Member of Phi Beta Kappa or equivalent; 5) Possesses high quality faculty; and 6) Demonstrated commitment to high-quality graduate education.</td>
<td>Article VII, Section 20 (a): &quot;...for the purpose of providing a dedicated, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities.&quot; Article VII, Section 20 (h): &quot;...only for the support and maintenance of educational and general activities that promote increased research capacity at the university.&quot;</td>
<td>Article VII, Section 20 (a-h) of the Texas Constitution Education Code, Section 62.141 General Appropriation Act</td>
<td>Education Code, Section 62.146 (c): &quot;...of the total amount appropriated from the fund for distribution in a state fiscal year, each eligible institution is entitled to a distribution in an amount equal to the sum of: (1) one-seventh of the total amount appropriated; and (2) an equal share of any amount remaining after distributions are calculated under Subdivision (1), not to exceed an amount equal to one-fourth of that remaining amount.&quot; Education Code, Section 62.146 (e): &quot;If the number of institutions that are eligible for distributions in a state fiscal year is more than four, each eligible institution is entitled to an equal share of the total amount appropriated from the fund for distribution in that fiscal year.&quot;</td>
</tr>
</tbody>
</table>
## Comparison of Research Funds, 2014-15 Biennium

<table>
<thead>
<tr>
<th>Fund</th>
<th>2014–15 Appropriations</th>
<th>Function/Purpose</th>
<th>Eligibility</th>
<th>Legal Basis</th>
<th>Allocation Methodology</th>
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</thead>
<tbody>
<tr>
<td>Research Development Fund</td>
<td>$73.1 million</td>
<td>Education Code Section 62.091: &quot;...to promote increased research capacity at eligible general academic teaching institutions.&quot;</td>
<td>Education Code Section 62.092: &quot;Eligible institution' means a general academic teaching institution, as defined by Section 61.003, other than The University of Texas at Austin or Texas A&amp;M University.&quot;</td>
<td>Education Code, Section 62.091 Note, the RDF as a stand-alone appropriation item has not been funded since the 2006–07 biennium. However, funds called the RDF have been appropriated directly into the bill patterns of each eligible General Academic Institution.</td>
<td>Education Code Section 62.095: &quot;The amount shall be apportioned among the eligible institutions based on the average amount of restricted research funds expended by each institution per year for the three preceding state fiscal years.&quot;</td>
</tr>
<tr>
<td>Texas Competitive Knowledge Fund</td>
<td>$159.2 million</td>
<td>Texas Education Code Section 62.051: &quot;...to provide funding to eligible research universities and emerging research universities to support faculty to ensure excellence in instruction and research.&quot;</td>
<td>Education Code Section 62.051: &quot;Eligible institution&quot; means an institution of higher education designated as a research university under the coordinating board's accountability system and, for any three consecutive state fiscal years made total annual research expenditures in an average annual amount of not less than $450 million or an institution designated as an emerging research university under the coordinating board's accountability system and, for any three consecutive state fiscal years made total annual research expenditures in an average annual amount of not less than $50 million.</td>
<td>Education Code, Section 62.051</td>
<td>The 2014–15 appropriation provides approximately $0.93 million to each eligible institution for every $10.0 million in unrestricted research expenditures as averaged over a 3-year period</td>
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<td>Texas Research Incentive Program</td>
<td>$35.6 million</td>
<td>Education Code, Section 62.122: &quot;...to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment.&quot;</td>
<td>Education Code, Section 62.121: &quot;...&quot;Eligible institution&quot; means an institution of higher education designated as an emerging research university under the coordinating board's accountability system.&quot;</td>
<td>Education Code, Section 62.121 (House Bill 51, Eighty-first Regular Session)</td>
<td>Education Code, Section 62.123: &quot;...is entitled to receive, out of funds appropriated for the purposes of the program for that fiscal year, a matching grant in an amount determined according to the following rates: (1) 50 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is $100,000 or more but not more than $999,999; (2) 75 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is $1 million or more but not more than $1,999,999; or (3) 100 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is $2 million or more.</td>
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<td>Norman Hackerman Advanced Research Program</td>
<td>$1 million</td>
<td>Education Code, Section 142.002: &quot;...to provide support for basic research conducted by faculty members and students...in eligible institutions.&quot;</td>
<td>Education Code, Section 142.01: &quot;Eligible institution&quot; means an institution of higher education or a private or independent institution of higher education.&quot;</td>
<td>Education Code, Section 142.01</td>
<td>Education Code, Section 142.03: &quot;The coordinating board shall appoint an advisory committee that consists of experts in the specified research areas to advises the coordinating board regarding the board’s development of research priorities, guidelines, and procedures for the selection of specific projects at eligible institutions.&quot;</td>
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