

Formula Funding Health Related Institutions

Formula Funding

Why are we here?

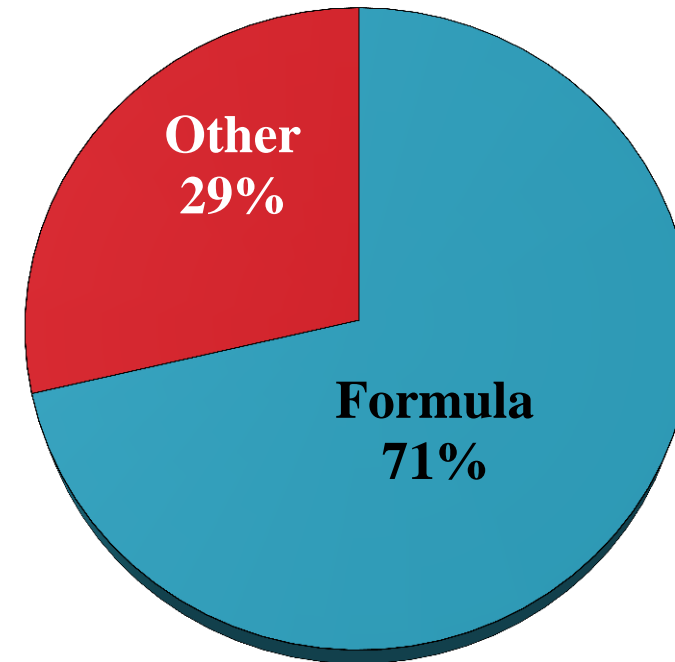
- ▶ Because they are such an important revenue source, it is important to understand the formulas
- ▶ Certain data included within the LAR plays a big role in how the formulas are calculated

Formula Basics

State Funding

Health Related Institutions: \$2.5 B GR (net)*

Formula GR is \$1.8 billion which is 71% of Total GR (less TRBs)



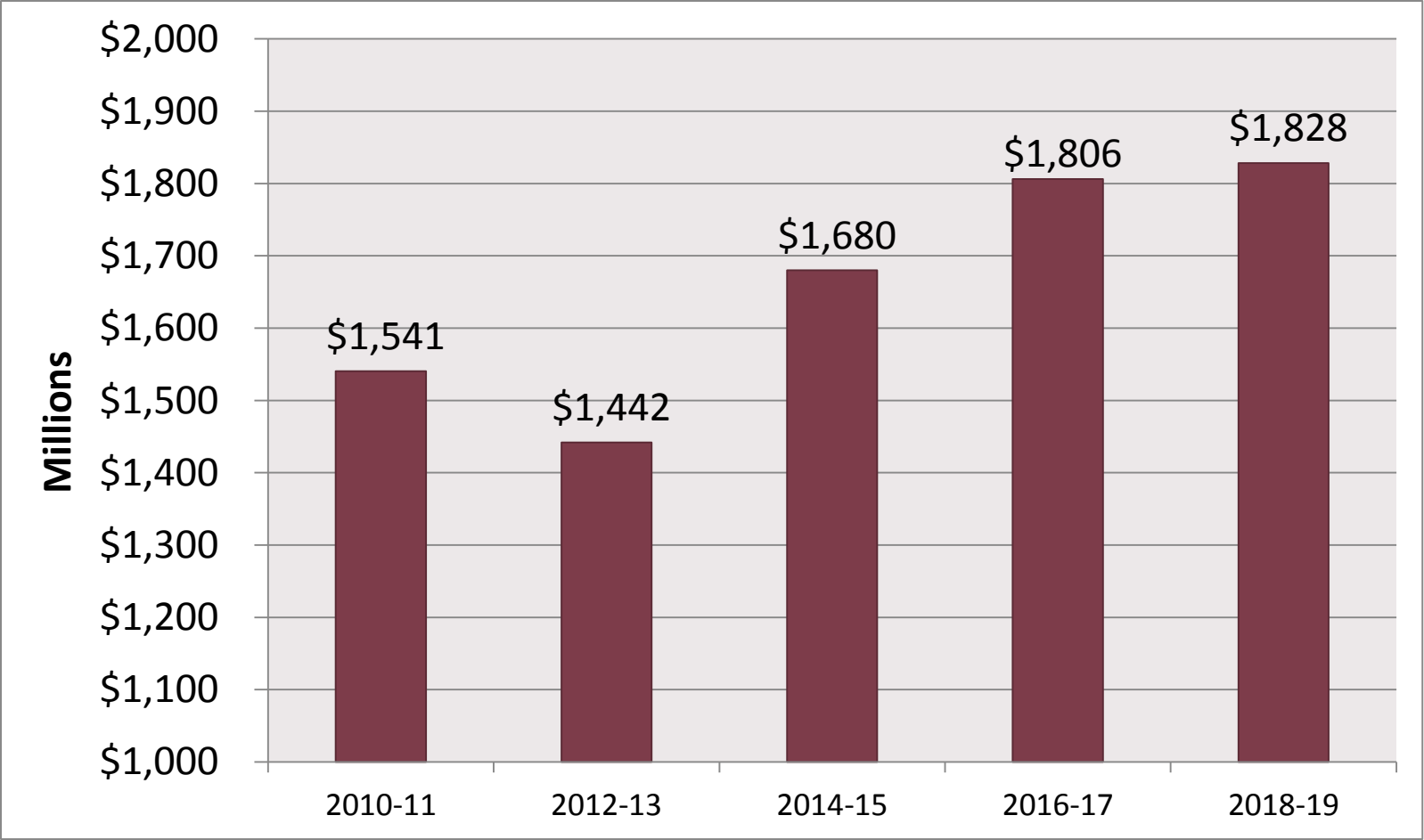
2018-19

*GR direct appropriations, including Instruction and Operations, Infrastructure, Research, Graduate Medical Education and Mission Specific formulas. Net of TRB debt service. Does not include HEF, health insurance, or retirement.

Formula Basics

Health Related Institutions Formula GR

in millions



*Does not include appropriations for Baylor College of Medicine

Formula Basics

Principles

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

Types of Formulas

General Academic (GAI)

Base Formulas

- ▶ Instruction & Operations (I&O)
- ▶ Infrastructure

Supplemental Formulas

- ▶ Teaching Experience
- ▶ Small Institution

Health Related (HRI)

Base Formulas

- ▶ Instruction & Operations (I&O)
- ▶ Infrastructure
- ▶ Research Enhancement
- ▶ Graduate Medical Education
- ▶ Mission Specific

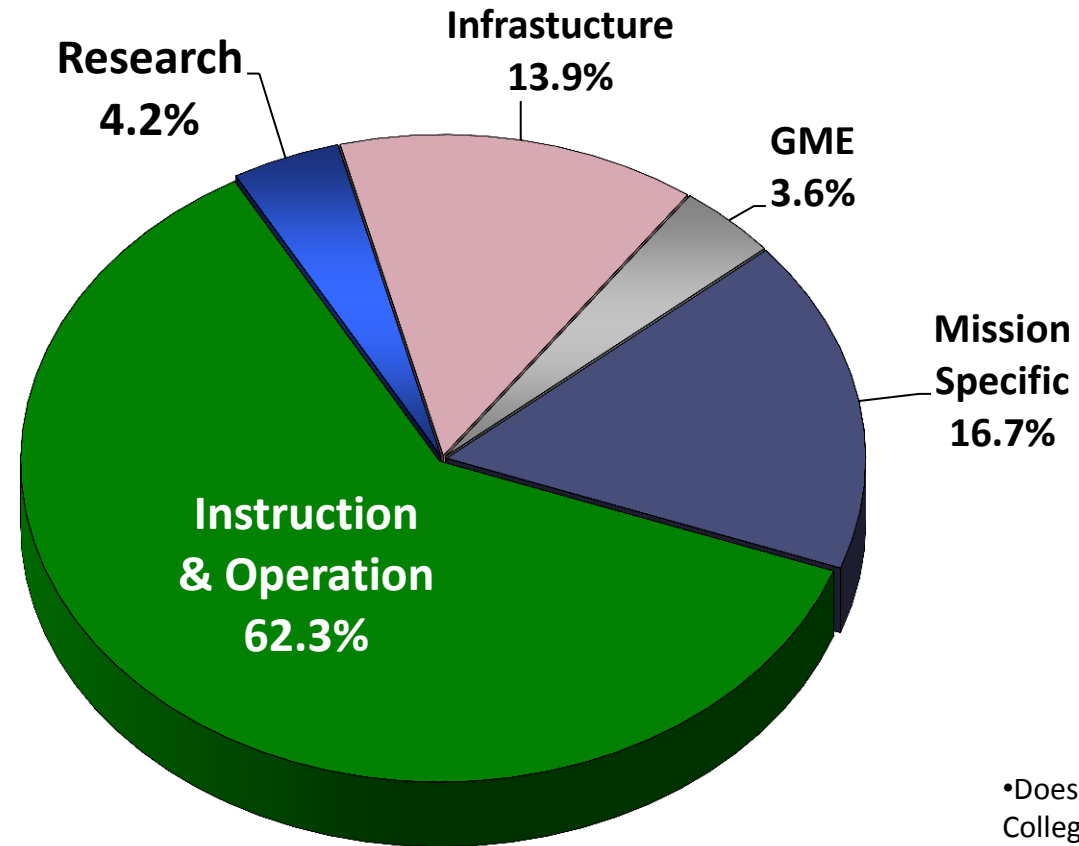
Supplemental Formulas

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

Health Related Formulas

Health Related Institutions

Distribution of Formula Funding 2018-19 Biennium



Health Related Institutions

Formula Types

Five Formulas:

- 1. Instruction and Operations:** Intended to fund items such as faculty salaries, departmental operating expense, instructional administration and libraries.
- 2. Infrastructure:** Facility maintenance and operations, utilities.
- 3. Research Enhancement:** Supports research activities.
- 4. Graduate Medical Education (GME):** Supports graduate medical education.
- 5. Mission Specific:** Mission specific formulas related to cancer at MD Anderson and chest diseases at UTHSC Tyler.

Health Related Institutions

Instruction and Operations Formula

$\$ = \text{Student FTE's} \times \text{program weight} \times \text{base value of } \$9,431$

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

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

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

Health Related Institutions Infrastructure Support Formula

Coordinating Board Space Model

Factor

Teaching Space

Research Space

Office Space

Support Space

Clinical Space

Multi-Campus

Variables

Enrollment by program

Faculty FTE or Research expenditures

Faculty & non-faculty FTEs and/or E&G
Expenditures

Nine percent of total predicted SF for all
other factors plus 50,000 SF for library (or
25,000 SF for single program institutions)

Actual E & G clinical space

Percent of the actual square feet at multi
campuses

Health Related Institutions Infrastructure Support Formula

Coordinating Board Space Model

Factor	Predicted	Actual
Teaching	10.9%	10.9%
Research	38.9%	29.2%
Office	32.0%	40.3%
Clinical	5.8%	8.5%
Support	10.5%	11.2%
Multi Campus Adj	1.9%	0.0%

Health Related Institutions Infrastructure Support Formula

Infrastructure Formula Calculations:

This formula calculation is similar to that for GAIs.

$$\text{\$} = \text{Predicted Square Ft.} \times \text{\$6.11 per square foot}$$

(from space model)

Because the Space Projection Model does not account for hospital space, separate infrastructure funding for hospital space at UTMB Galveston, UT MD Anderson and UTHSC Tyler shall be included in the total funding for hospital and center operations.

Health Related Institutions

Other Formulas

Research Enhancement Formula: Key driver is research expenditures

$$\text{\$} = \text{\$1,412,500 base} + 1.16\% \text{ of research expenditures}$$

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

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

$$\text{\$} = \text{\$5,824 / year / resident in an accredited program}$$

Mission Specific: Supports Cancer and Chest Disease research and treatment at MD Anderson and UTHSC Tyler. Formula based on # of patients served and # of disease diagnoses and may not exceed the average growth in funding for HRI in the I&O formula.

Income Estimates and All Funds Methodology

Income Estimates

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

Income Estimates

E&G Income sources that are included in the Method of Finance (as defined in Ed. Code, Ch 51.009):

- Net Statutory tuition
- Special course fees charged under Sections 54.051(e) and (l), Ed. Code
- Lab fees
- Student teaching fees
- Organized activity fees
- Proceeds from the sale of educational and general equipment

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

E & G Income Estimates Health Related Institutions

- ▶ Health Related E & G Income Estimates for the FY 2018 – FY 2019 biennium were based on FY 2016 actual revenue, except for UT Austin Dell Medical School and UTRGV School of Medicine which was based on FY 2017 estimates.
- ▶ The LBB could adjust estimate for proportionality and/or other updates during session.
- ▶ Patient Income is not included.

Income Estimates

Estimated E&G Income is divided into:

- ▶ **E&G Set Asides:** Funds which are allocated to other strategies and therefore *unavailable* to fund the formulas
 - Texas Public Education Grants (TPEG)
 - Dental Loans (Select HRIs only)
 - Staff Group Insurance Premiums (*proportional amount for those employees paid from Other E&G income sources*)
- ▶ **Formula E&G:** LBB E&G estimate less the E&G Set Aside total. This is the amount which is allocated across the formula strategies

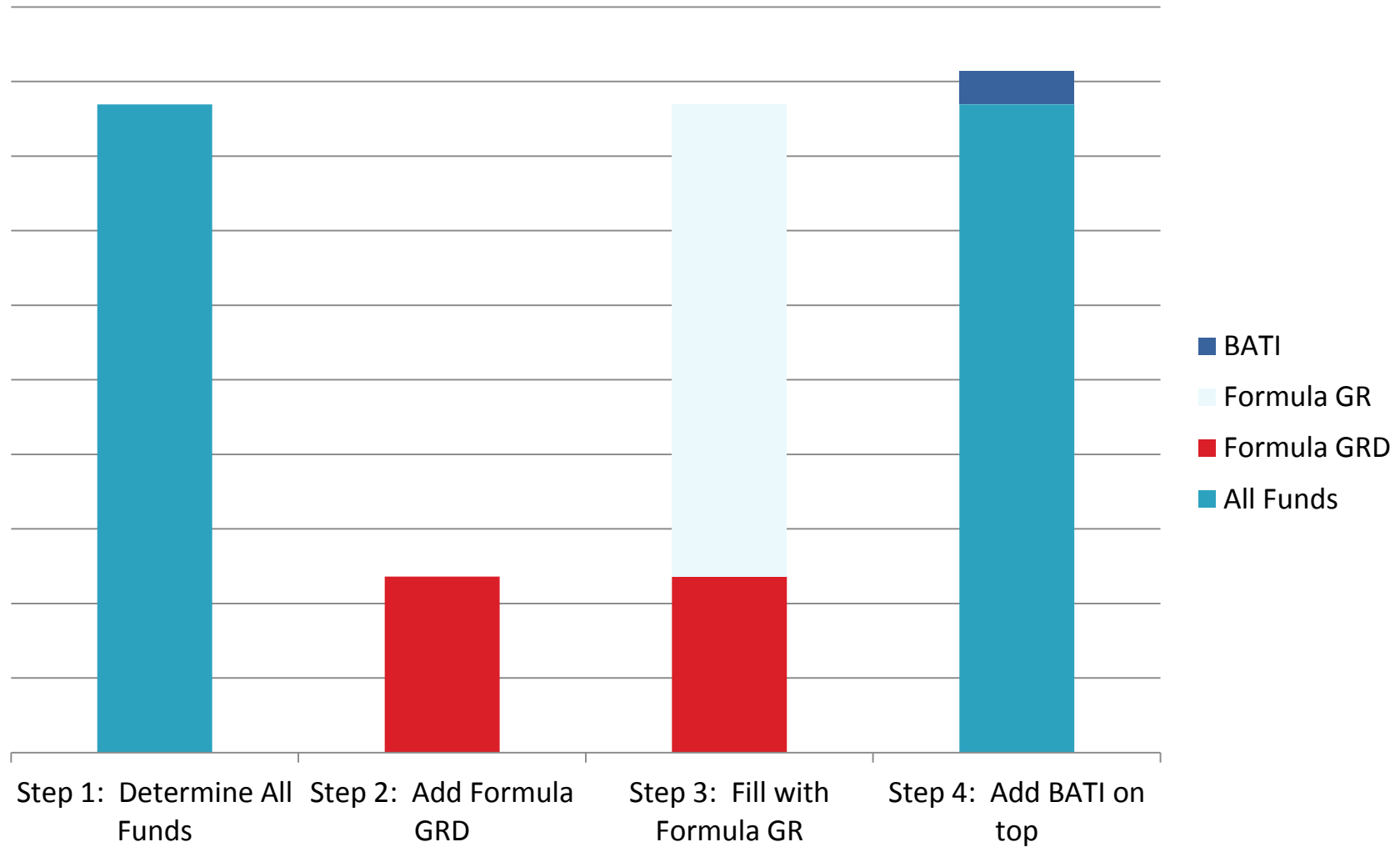
Amount of Formula Other E&G impacts the Formula GR

Income Estimates

- ▶ Use All Funds method to determine GR.
 - Calculate formula total
 - Allocate Formula Other E&G across formula strategies
 - GR is the difference between Formula Total less Formula E&G Income
- ▶ Board Authorized Tuition (graduate tuition charge above the \$50/sch rate) is distributed across formula components **after** GR is determined

Formula GR = Formula Total – Formula Other E&G

All Funds Methodology



All Funds Methodology

- ▶ All Funds Methodology determines each institution's GR funding level
- ▶ Important for E&G Income estimates to be as accurate as possible
 - LBB determines income estimates. If too high, GR is lower. If too low, GR is higher.

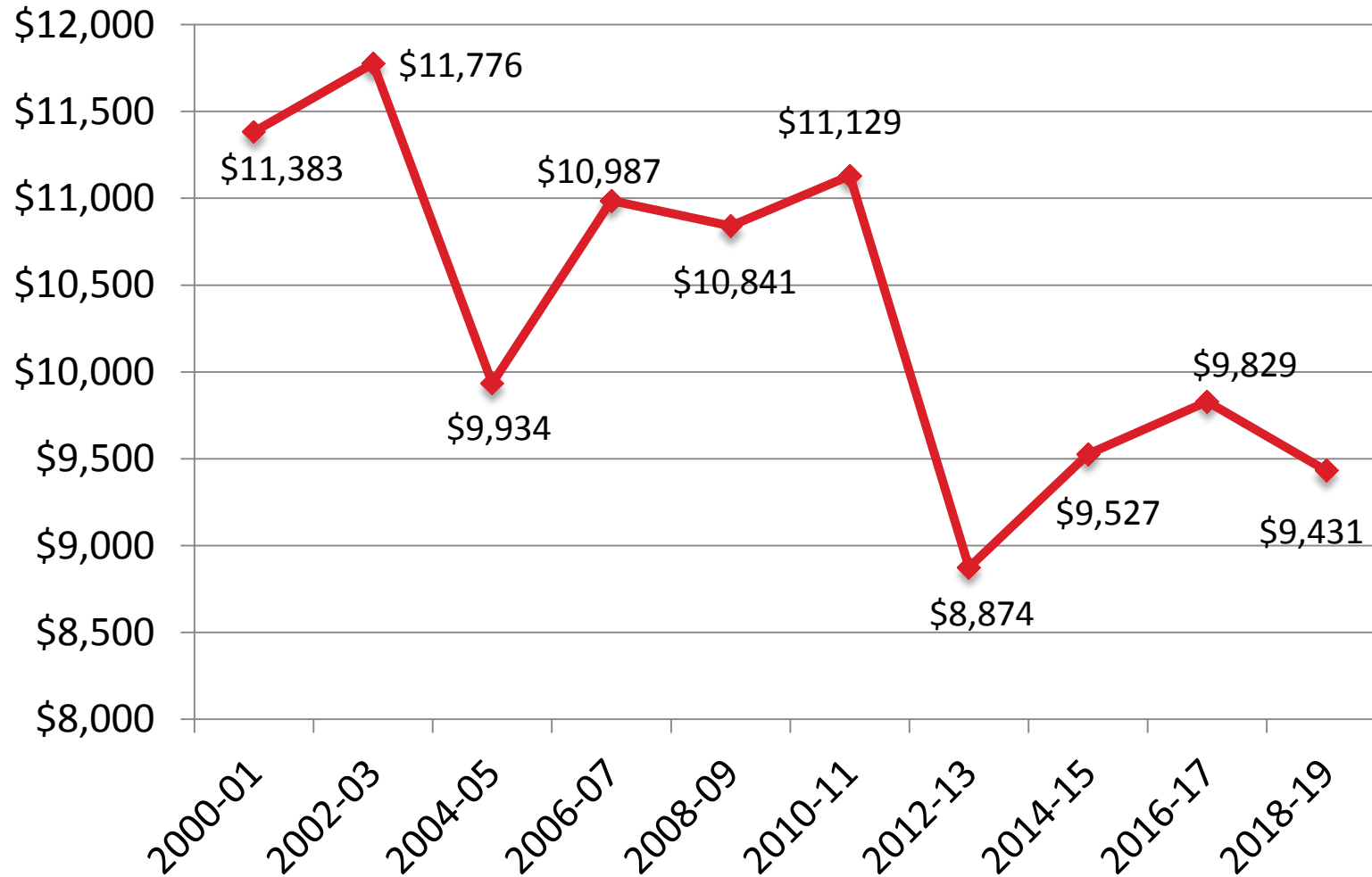
Formula Funding Rates

All Funds Methodology

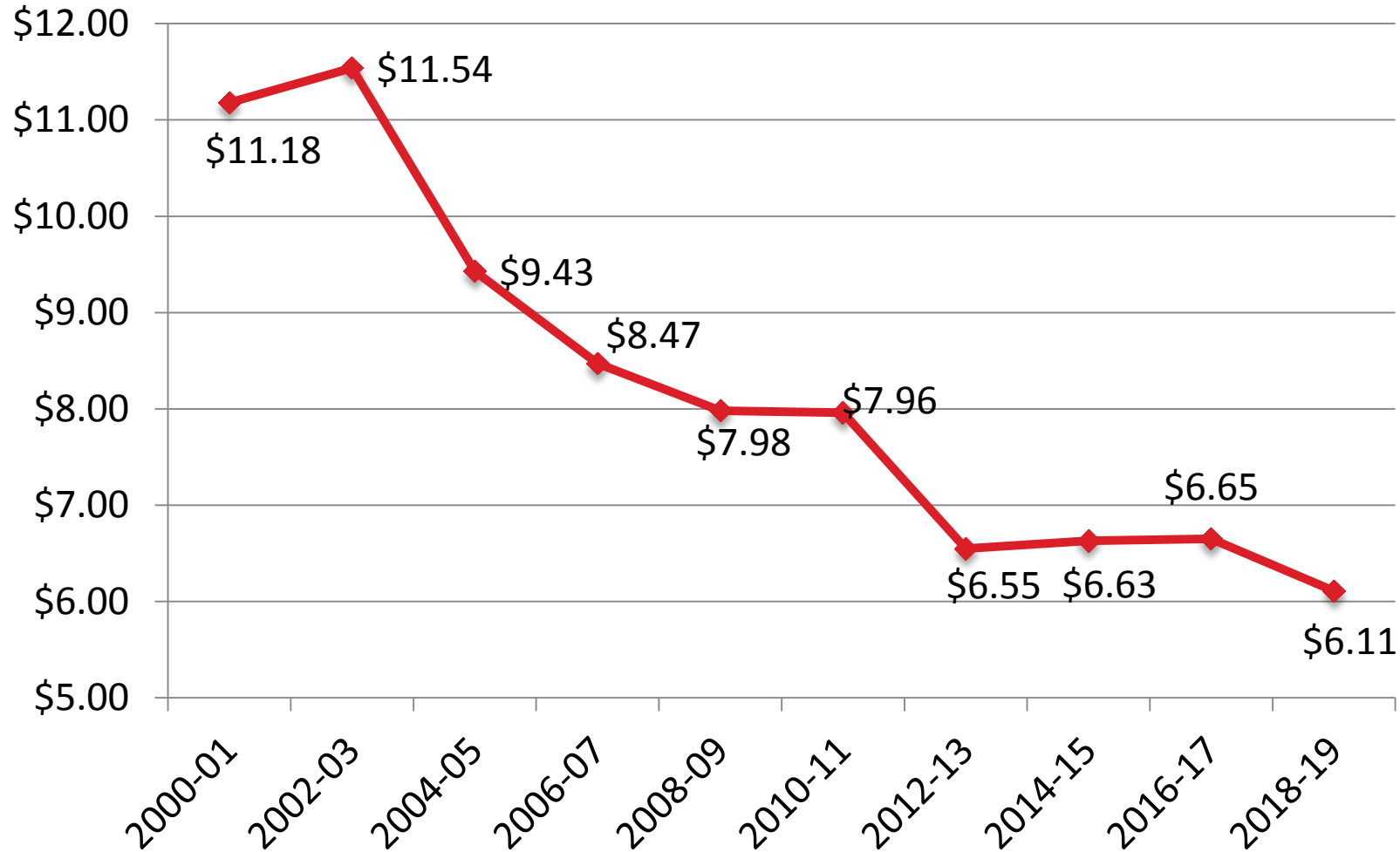
- ▶ Formulas are an allocation methodology for state appropriations. The Legislature sets the rates based on available funding, including consideration of enrollment changes and other factors.
- ▶ Formula method of finance uses the All Funds Methodology where the amount of formula General Revenue is offset by the amount of Other Educational and General Income (E&G) available to each institution.
 - Historically Legislature has provided funding for enrollment increases, but it is not guaranteed.
 - Increases in Other E&G income reduces the amount of GR needed.
 - Decreases in Other E&G income increases the amount of GR needed.

Health Related Institutions

Instruction and Operations Rates (per WFTE)

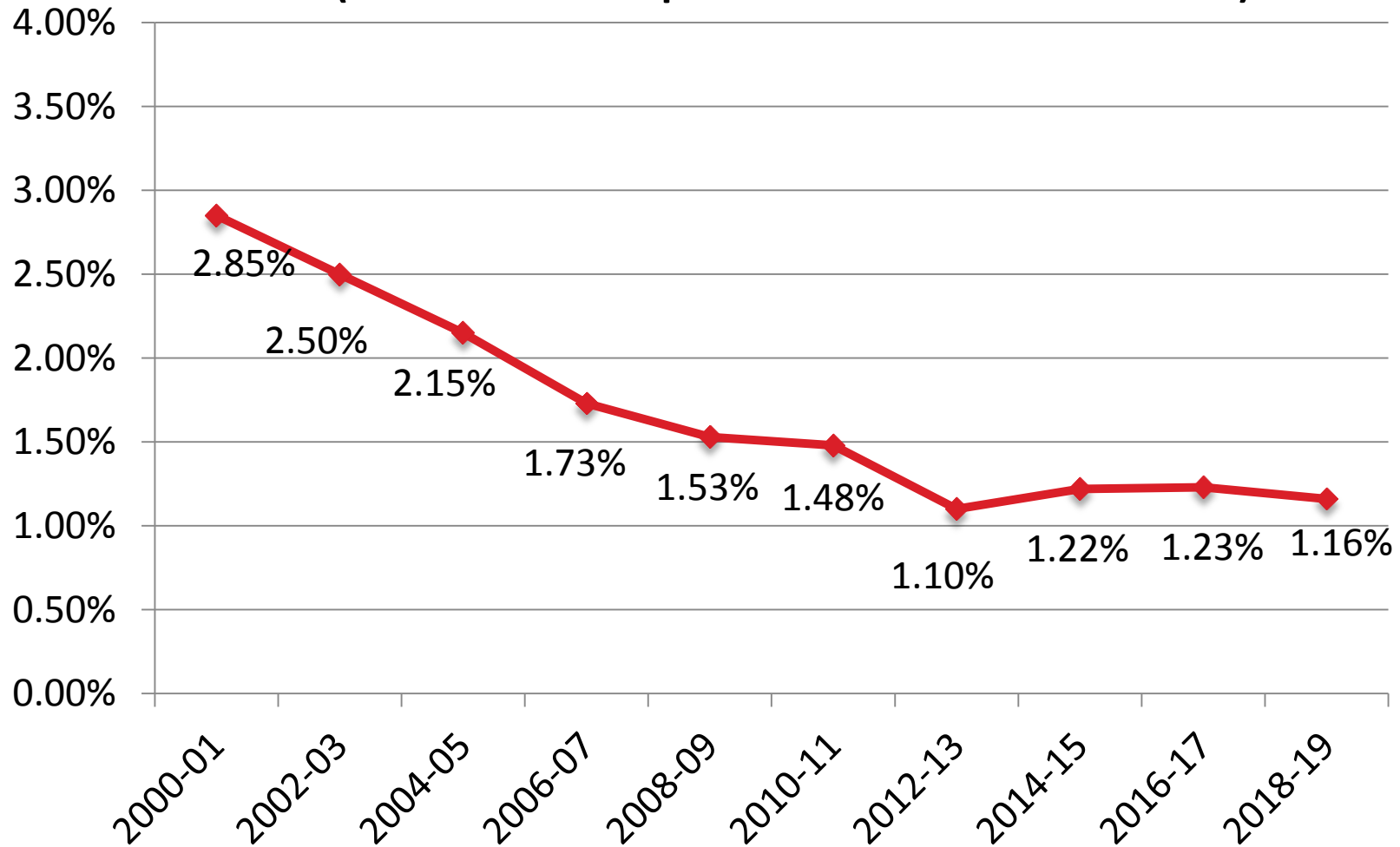


Health Related Institutions Infrastructure Formula Rates (per NASF)



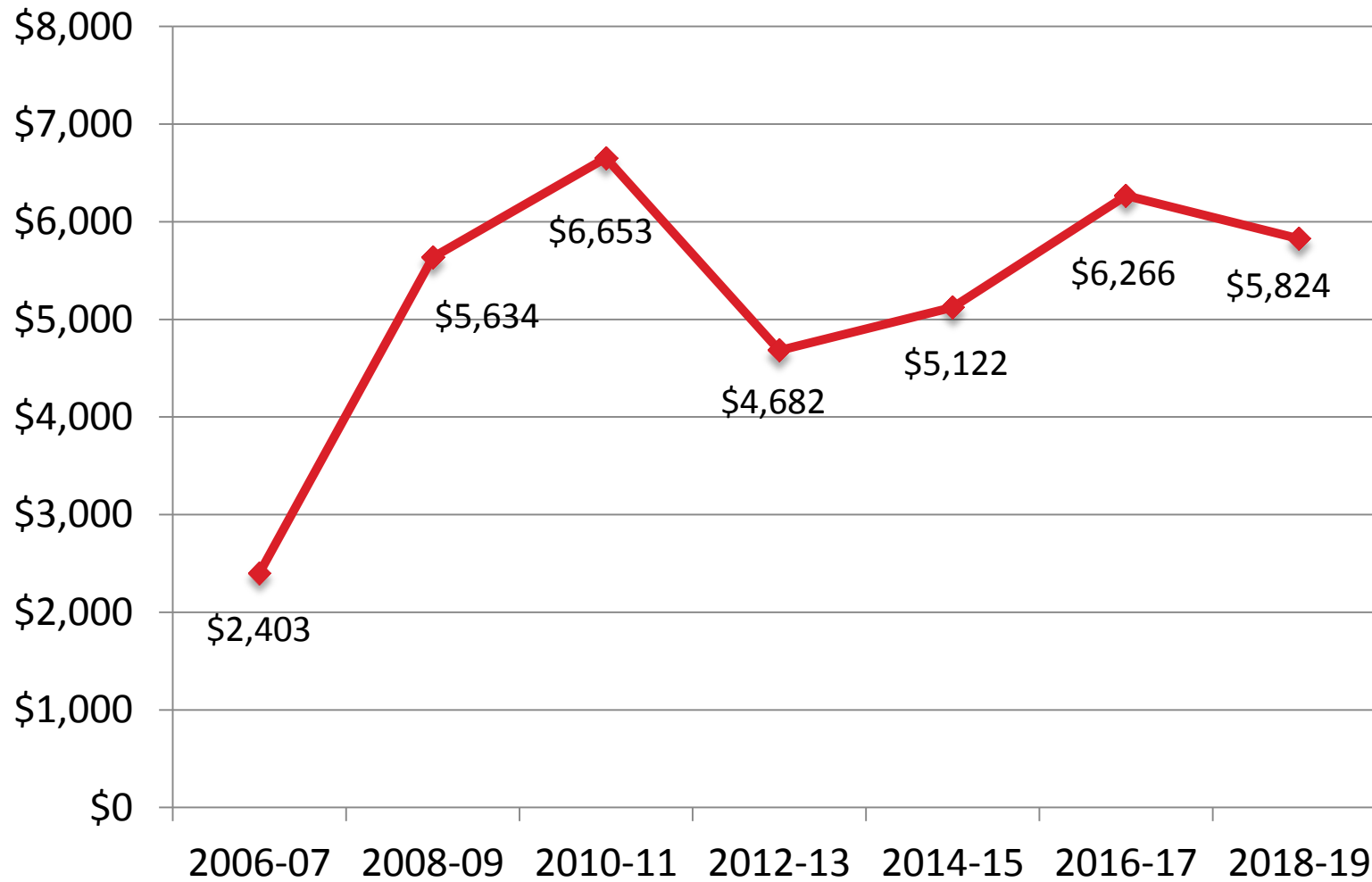
Health Related Institutions Research Enhancement Rates

(% of research expenditures in addition to base)



Health Related Institutions

Graduate Medical Education (per Medical Resident)



Bottom Line

- ▶ The formulas and the tuition income estimates are the mechanics of how your GR formula appropriation is determined.
- ▶ LBB takes all the inputs (SCH, space model data, actual expenditures) and uses same methodology for all institutions to determine appropriations.
- ▶ We have very limited ability to change how the inputs are mechanically used but will work with LBB to improve the methodologies.