

# **Formula Funding Health Related Institutions**

# Formula Funding

Why are we here?

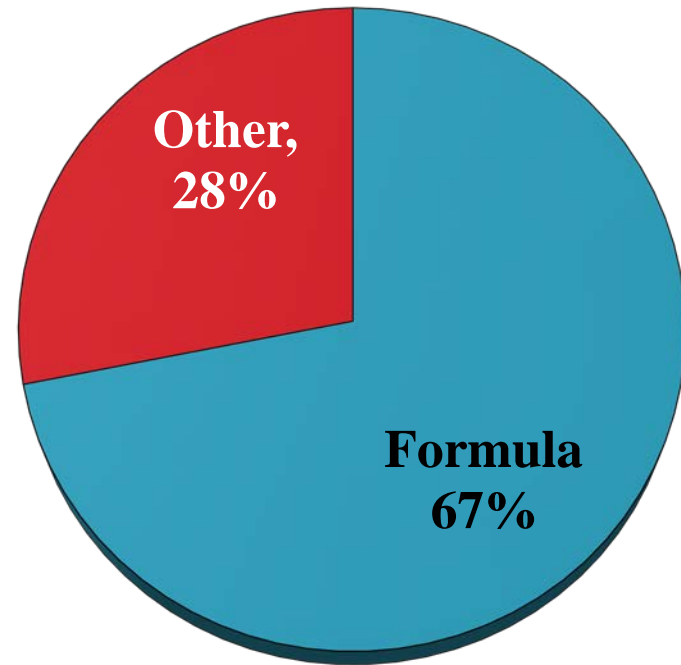
- ▶ Because they are such an important revenue source, it is important to understand the formulas
- ▶ Certain data included within the LAR plays a big role in how the formulas are calculated

# Formula Basics

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## *State Funding* *Health Related Institutions*

Formula GR is \$1.8 billion which is 72% of Total GR (less TRBs)



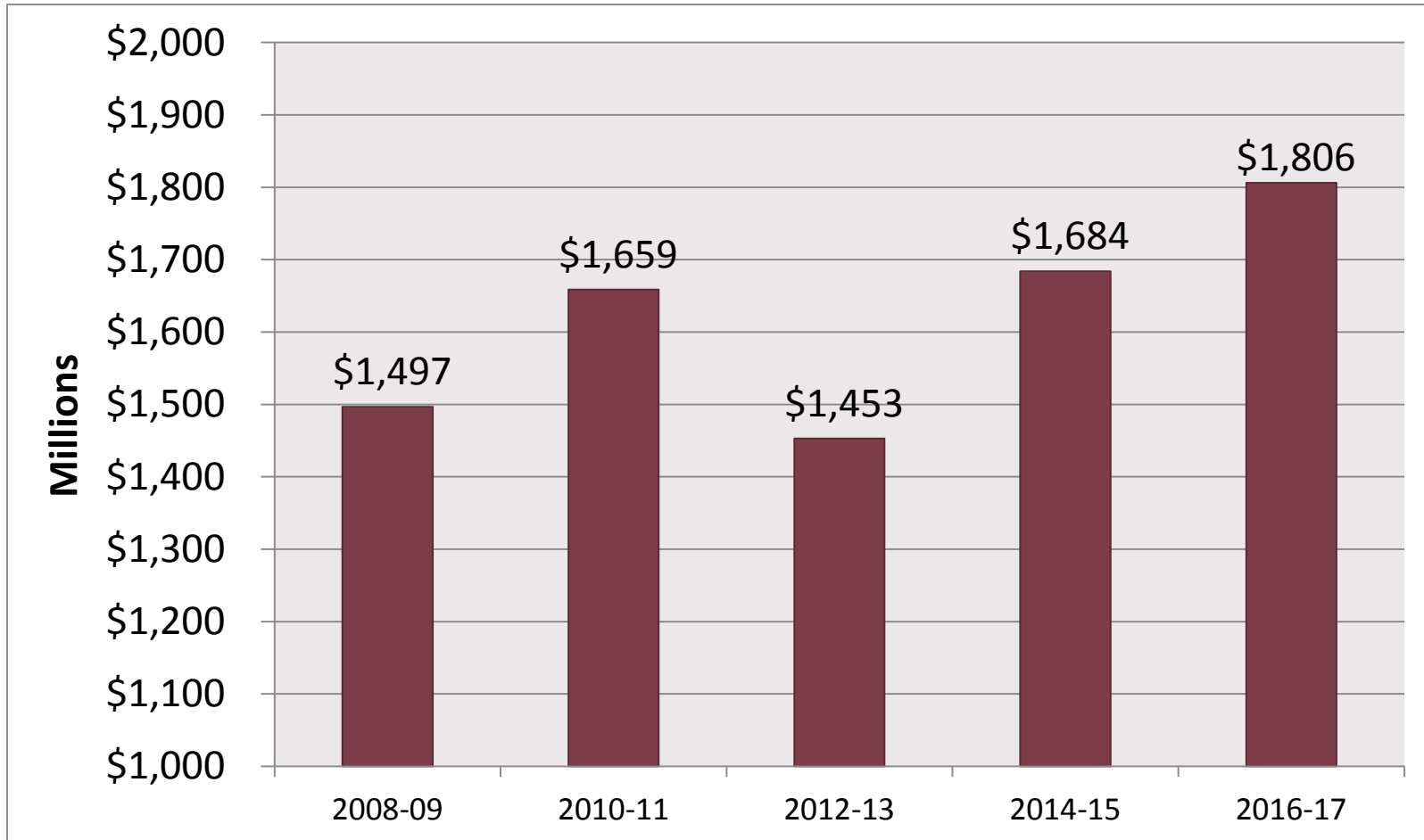
**2016-17**

•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



# 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)

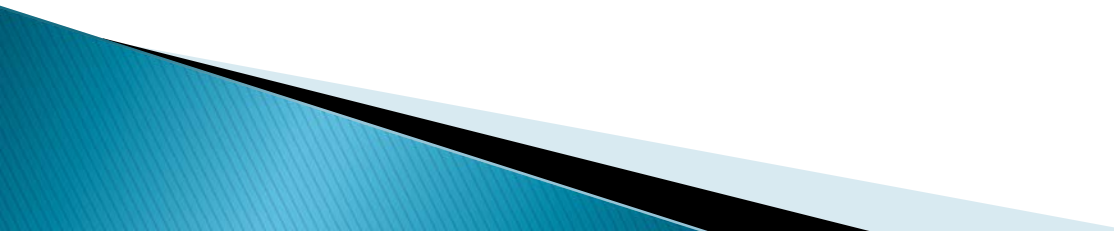
### Base Formulas

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

### Supplemental Formulas

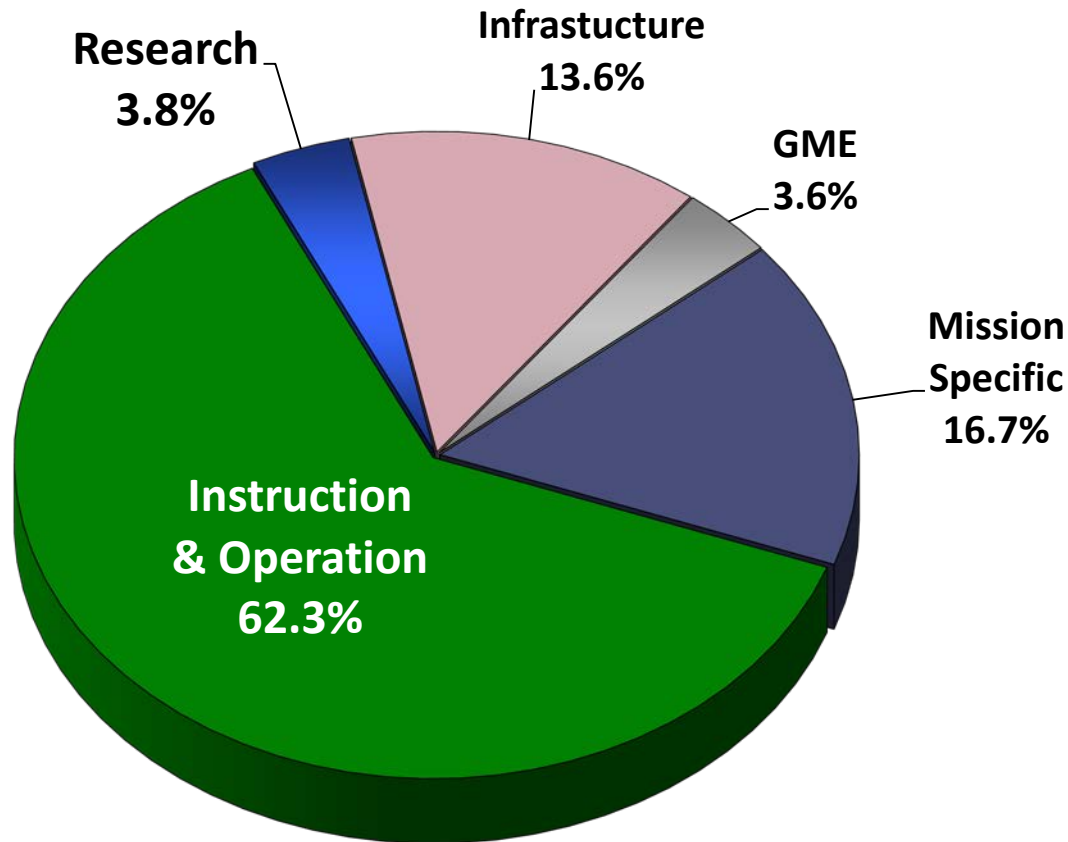
- ▶ Small Class Supplement  
(included in I&O appropriation)

# Health Related Formulas



# Health Related Institutions

## Distribution of Formula Funding 2016-17 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

**Key driver is number of student FTE's for the Base Period**

- Medical and Dental 1 student = 1 FTE
- Undergraduate 30 SCH = 1 FTE
- Master's 24 SCH = 1 FTE
- Doctoral 18 SCH = 1 FTE

# Health Related Institutions

## Instruction and Operations Formula

$\$ = \text{Student FTE's} \times \text{program weight} \times \text{base value of } \$9,829$

<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	Percent of Total	
	Predicted	Actual
Teaching	11.0%	10.5%
Research	39.6%	30.6%
Office	31.5%	39.9%
Clinical	5.3%	7.5%
Support	10.2%	11.5%
Multi Campus Adj	2.4%	0.0%

# Health Related Institutions Infrastructure Support Formula

## Infrastructure Formula Calculations:

This formula calculation is similar to that for GAIs, but includes only one rate for all institutions except for UT M.D. Anderson Cancer Center and UTHSC Tyler which have another rate.

$$\begin{array}{l} \$ = \text{Predicted Square Ft.} \quad \times \quad \$6.65 \text{ per square foot} \\ \quad \quad \quad \text{(from space model)} \quad \quad \quad \text{or } \$6.26 \text{ (UT MD Anderson \&} \\ \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \quad \text{UTHSC Tyler.} \end{array}$$

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

$$\text{\$} = \text{\$1,412,500 base} + 1.23\% \text{ of research expenditures}$$

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

$$\text{\$} = \text{\$6,266 / year / resident in an accredited program}$$

**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 2016 – FY 2017 biennium were based on FY 2014 actual revenue
- ▶ The LBB could adjust estimate for proportionality and/or other updates during session.
- ▶ Patient Income 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)
  - Organized Activity fees (Ex. Vet Teaching Hospital)
  - Medical Loans (HRIs only – FY 2015 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

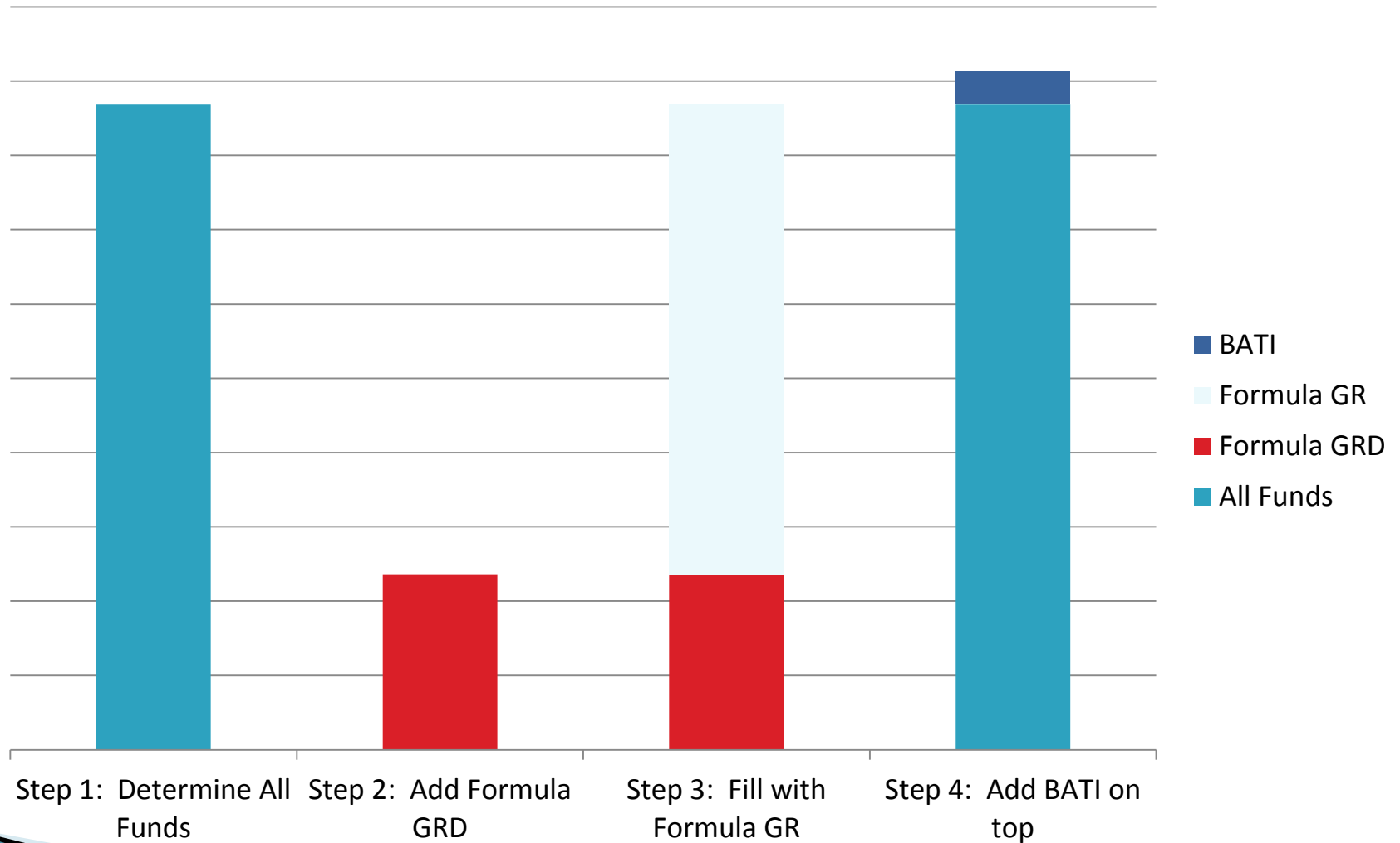
**Amount of Formula Other E&G impacts the Formula GR**

# 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. But if too high or low, it catches up next session.
- ▶ Issues:
  - Significant fluctuations, particularly for fast growing institutions
  - Non Resident Tuition calculations and forecast
  - How to report other E&G income estimate for schools of medicine in Academic Institutions
- ▶ Will work with LBB during interim to improve and stabilize methodology

# Formula Funding Rates



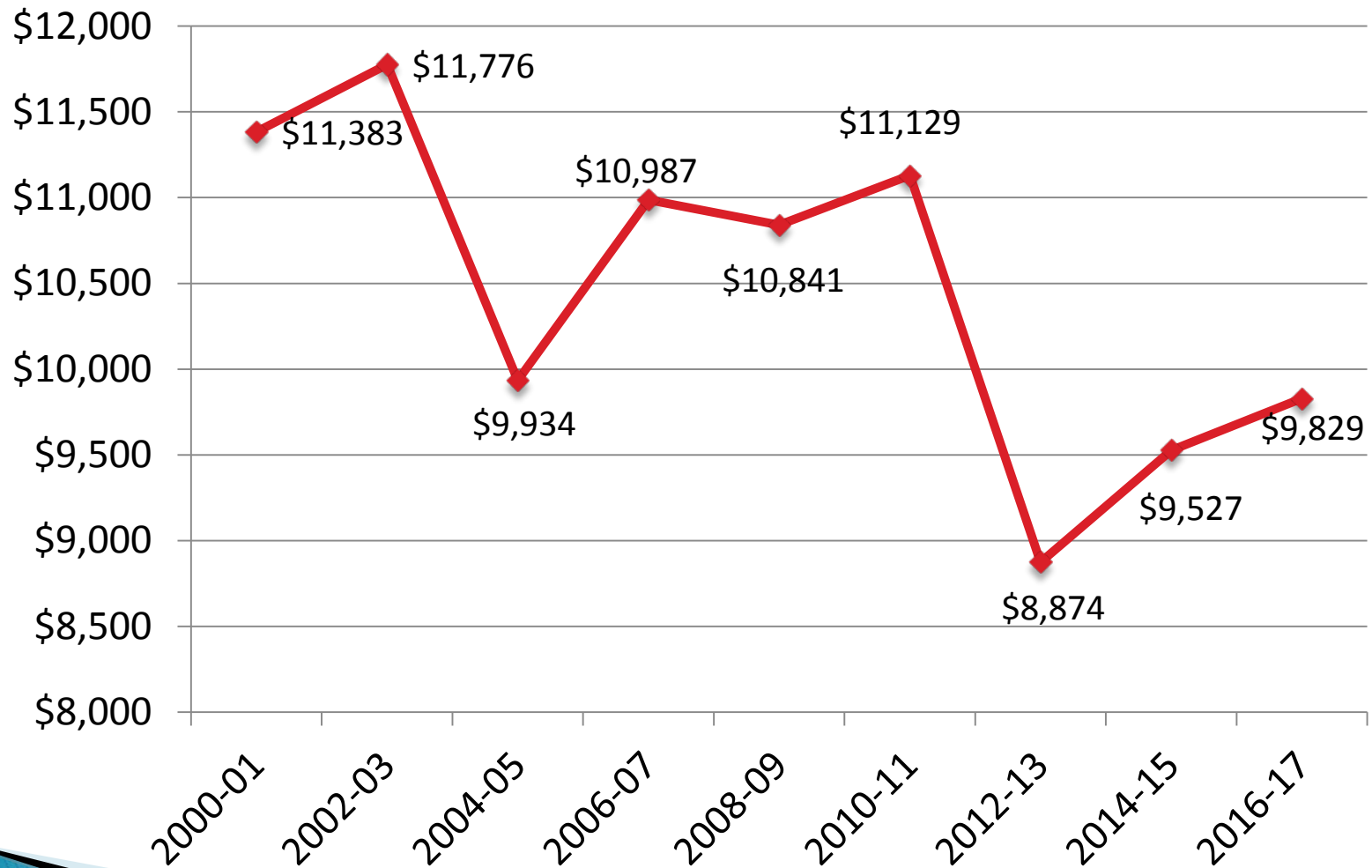


# All Funds Methodology

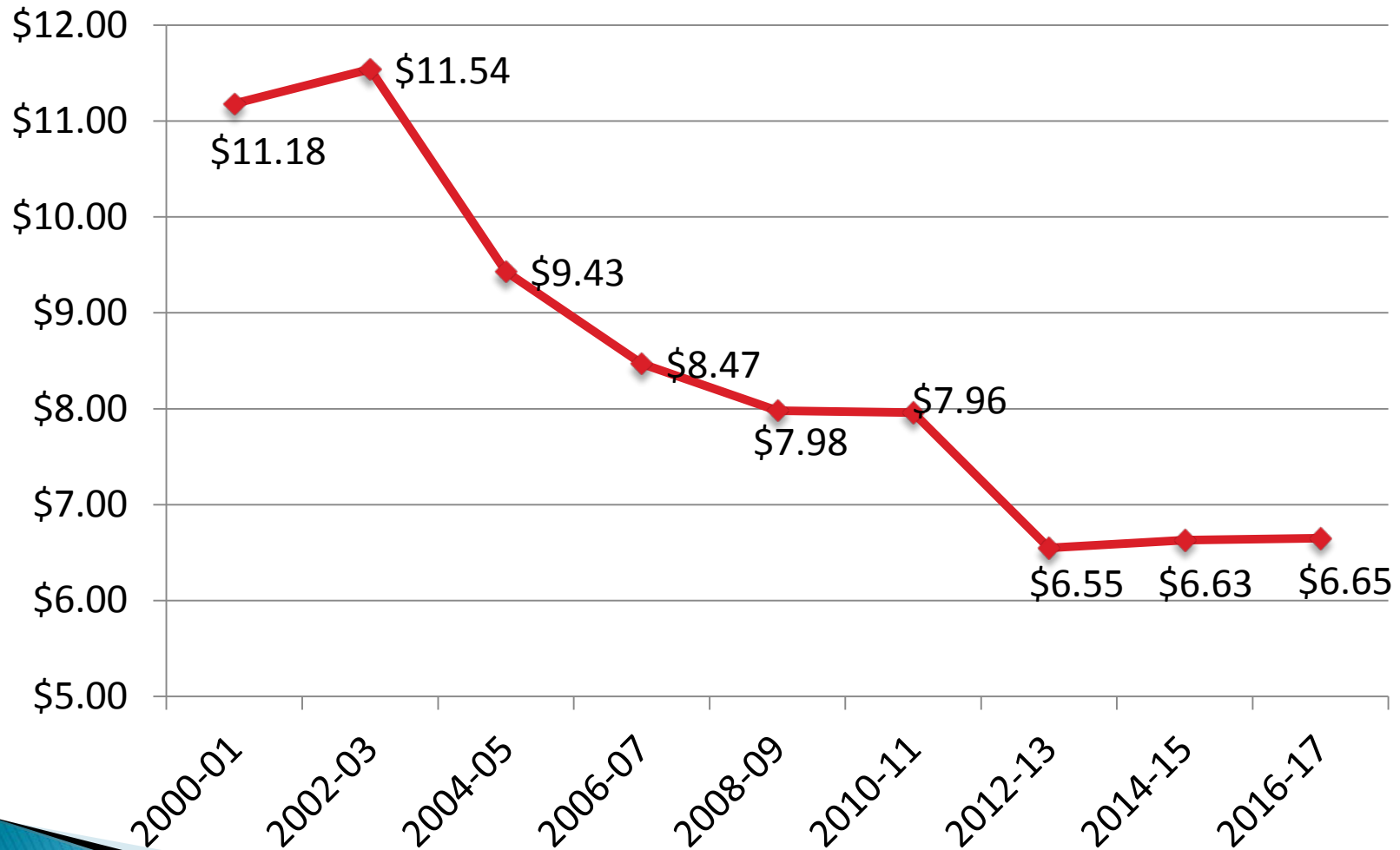
- ▶ Formulas are an allocation methodology for state appropriations. The Legislature sets the rates based on available funding, including consideration of enrollment changes and other factors.
- ▶ Formula method of finance uses the All Funds Methodology where the amount of formula General Revenue is 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)

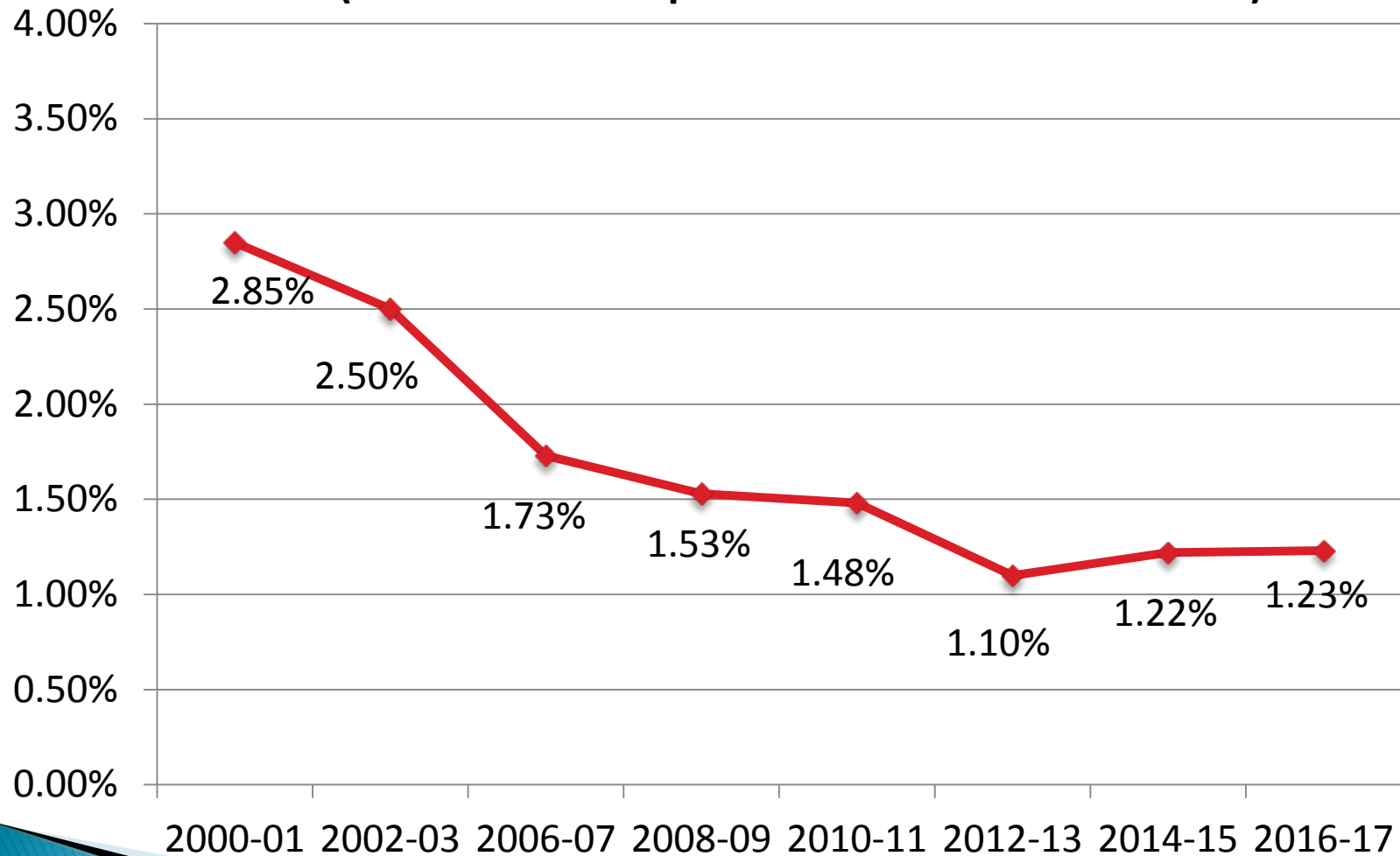


# Health Related Institutions Infrastructure Formula Rates (per NASF)



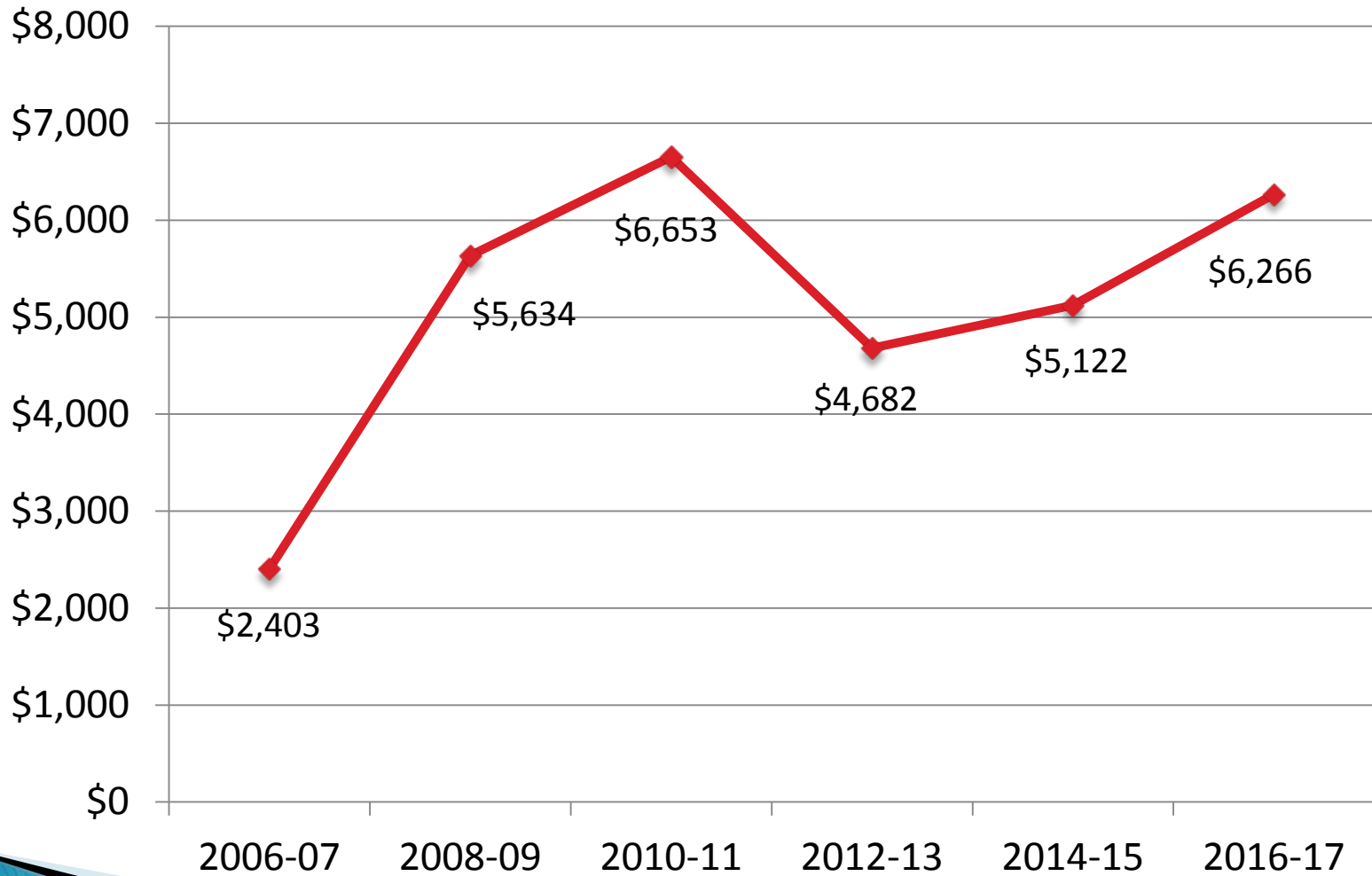
# Health Related Institutions Research Enhancement Rates

(% 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.