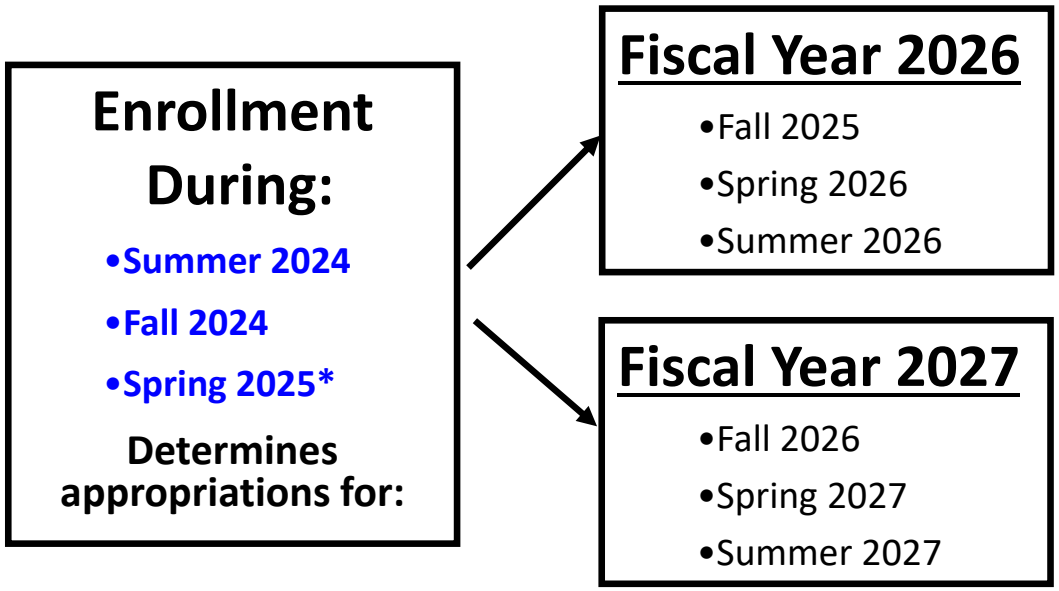
Formula Funding
Health Related Institutions

Formula Basics
Principles

- Formulas are an **allocation methodology for state appropriations**. The Legislature sets the rates for each biennium based on available funding and considers driver changes and other factors.
  - Historically Legislature has provided funding for growth, however it is not guaranteed.
- Formulas use **Base Year data**
- **Formula Method of Finance (MOF)** uses the **"All Funds" methodology:** Formula General Revenue (GR) is offset by the amount of Other Educational and General Income (E&G) available to each institution.
  - Increases in Other E&G income reduces the amount of GR needed.
  - Decreases in Other E&G income increases the amount of GR needed.

Formula Basics

Base Period for Upcoming Biennium



*Base Bill will include Spring 2024 (used as proxy), Summer 2024, Fall 2024.
* Updates with Spring 2025 data are provided in April/May during the Session.

Types of Formulas

General Academic (GAI)

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

Formula Supplements
- Teaching Experience
- Small Institution

Other
- Research
- Comprehensive Regional Universities Formula

Health Related (HRI)

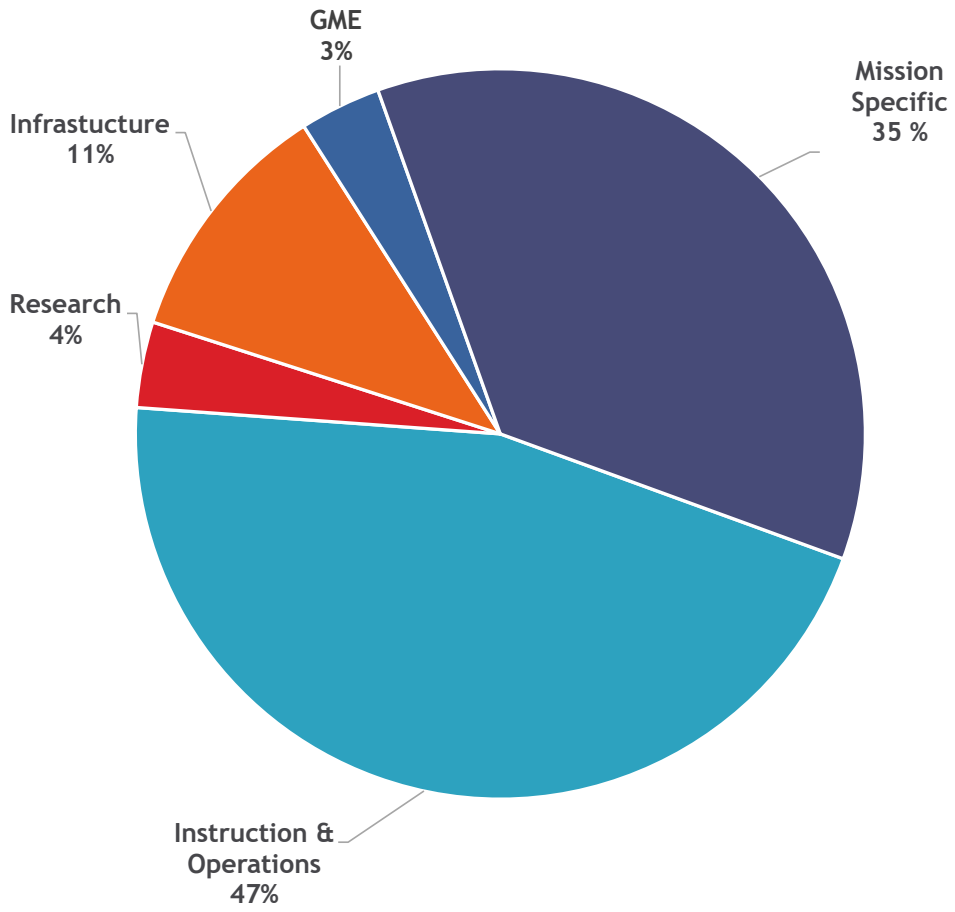
Formulas
- Instruction & Operations (I&O)
- Infrastructure
- Research Enhancement
- Graduate Medical Education
- Mission Specific

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

HEALTH RELATED FORMULAS

Health Related Institutions

Distribution of Formula Funding GR 2024-25 Biennium



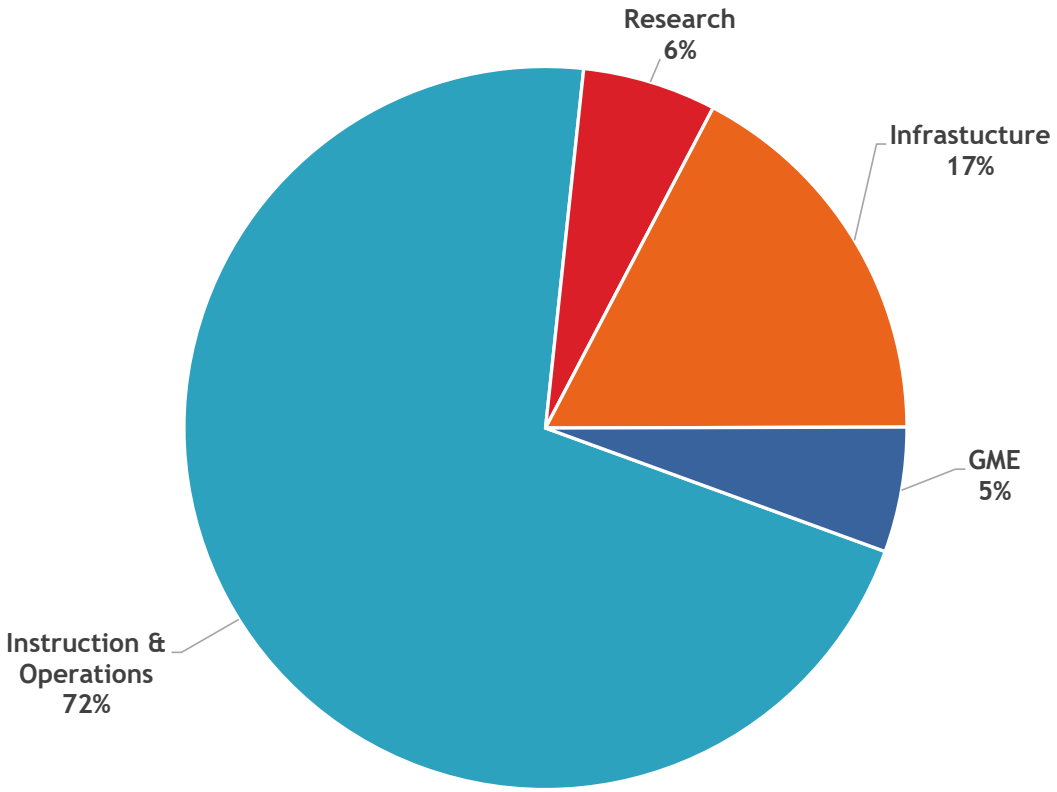
•Does not include GME formula appropriations for Baylor College of Medicine

Health Related Institutions

Distribution of Formula Funding GR

(excluding Mission Specific Formulas)

2024-25 Biennium



•Does not include GME formula appropriations for Baylor College of Medicine

Health Related Institutions

Five Formula Types

1. **Instruction and Operations**: Intended to fund items such as faculty salaries, departmental operating expense, instructional administration and libraries.
2. **Infrastructure:** Supports facility maintenance and operations and utilities.
3. **Research Enhancement:** Supports research activities.
4. **Graduate Medical Education (GME):** Supports graduate medical education.
5. **Mission Specific**
   Clinical Operations: UT MD Anderson; UT HSC Tyler; UTMB, TTU HSC El Paso
   Research Operations: UT Southwestern, UT HSC Houston, UT HSC San Antonio, TAMU HSC, UNT HSC, TTU HSC

Health Related Institutions

Instruction and Operations (I&O) Formula

I&O Formula Calculation

$ = Student FTSE's x program weight x base value of $9,689

(key driver CBM001) (fixed variable) (set by legislature)

Program Level	FTSE Base Year Calc
Medical / Dental	1 Student = 1 FTSE
Undergraduate	30 SCH = 1 FTSE
Masters	24 SCH = 1 FTSE
Doctorate	18 SCH = 1 FTSE

Program	Weight
Allied Health	1.000
Biomedical Science	1.018
Nursing	1.138
Pharmacy	1.670
Public Health	1.721
Biomedical Informatics	1.750
Dental	4.601
Medical	4.753

Health Related Institutions

Instruction and Operations (I&O) Formula

Small Class Supplement

Small Class Supplement:

- Instructional programs at remote locations (and the main campus at UTHSC Tyler) with enrollments of less than 200 students at individual campuses receive additional funding to compensate for the diseconomies of scale.
- The minimum formula generates additional funding per student, on a sliding scale.
- The rate for Medical and Dental is $30,000; the rate for all other programs is $20,000.
- Small Class Supplement Formula: (1-(FTSE/200)) * Rate * FTSE.

Health Related Institutions

Infrastructure Support Formula

Coordinating Board Space Model

Space Projection Model:

Factor	Variables	Source
Teaching Space	Enrollment by program (Students, Residents, Postdocs)	CBM001, CBM00R
Research Space	Faculty FTE or Research Expenditures	CBM008, Sources and Uses
Office Space	Faculty & Non-faculty FTEs and/or E&G Expenditures	CBM008, LAR Sch 7, Sources and Uses
Support Space	9% of total predicted SF for all other factors + 50,000 SF for library (or 25,000 SF for single program institutions)	
Clinical Space	Actual E&G clinical space	CBM011, CBM014
Multi-Campus	% of the actual SF at multi campuses	

Health Related Institutions

Infrastructure Support Formula

Coordinating Board Space Model

Space Projection Model

Institution	Predicted	Actual	Surplus (Deficit)
UT-SMC	$ 5,053,476	$ 2,960,827	$ (2,092,649)
UT-MB-Galveston	$ 2,310,586	$ 2,136,880	$ (173,706)
UT-HSC-Houston	$ 4,171,410	$ 2,487,779	$ (1,683,631)
UT-HSC-San Antonio	$ 2,542,571	$ 1,919,804	$ (622,767)
UT-MD Anderson	$ 5,429,009	$ 3,188,303	$ (2,240,706)
UT-HSC-Tyler	$ 356,400	$ 176,581	$ (179,819)
TAMU-SHSC	$ 2,080,119	$ 982,548	$ (1,097,571)
North Texas HSC-Fort Worth	$ 722,399	$ 556,817	$ (165,582)
Texas Tech-UHSC	$ 1,580,909	$ 1,457,641	$ (123,268)
Texas Tech-UHSC-El Paso	$ 528,870	$ 499,908	$ (28,962)
UT-RGV-Medical School	$ 282,523	$ 230,611	$ (51,912)
UT-Austin Medical School	$ 433,288	$ 138,030	$ (295,258)
UH-Medical School	$ 145,710	$ 102,326	$ (43,384)
SHSU-College of Osteopathic Medicine	$ 98,108	$ 65,145	$ (32,963)
Total	**$ 25,735,378**	**$ 16,903,200**	**$ (8,832,178)**

Health Related Institutions

Infrastructure Support Formula

Infrastructure Formula Calculation

(similar to GAIs)

$ = Predicted Square Ft. x $6.14 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

Research Enhancement

Research Enhancement:

Key Driver: Research Expenditures (Sources and Uses)

$ = $1,412,500 base + 1.17% of research expenditures

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

Health Related Institutions

Graduate Medical Education (GME)

Graduate Medical Education (GME):

Key Driver: Medical Residents (CBM00R)

$ = $5,970 per year per resident in an accredited program

Health Related Institutions

Mission Specific Formulas

(Clinical Operations)

Institution	Metric	Governor
The University of Texas M.D. Anderson Cancer Center	# of Texas cancer patients served	The formula growth in funding may not exceed the average growth in funding for HRIs in the I&O formula for the biennium.
The University of Texas Health Science Center at Tyler	# of primary chest disease patients served	
The University of Texas Medical Branch at Galveston	Total # of patients including inpatient, outpatient and telemedicine encounters	
Texas Tech University Health Sciences Center – El Paso	Total # of Texas patient encounters	

Health Related Institutions
Mission Specific Formulas
(Research Operations)

Institution	Dynamic Base Match	Base Match Rate %	Base Match Methodology	Tiered Match Methodology	Governor
The University of Texas Southwestern Medical Center	Yes	13.35%	3-year average of total research expenditures excluding state appropriations	Tier 1: $0m - $10m at 25% Tier 2: $10m - $20m at 50% Tier 3: $20m+ at 75%	Performance Based Research Operations formula increases are limited to 5.0 % of the institution's general revenue funds appropriations during the previous biennium, excluding Capital Construction Assistance Project (CCAP) bond debt service.
The University of Texas Health Science Center at Houston		6.46%		Tier 1: $0m - $10m at 25% Tier 2: $10m - $20m at 50% Tier 3: $20m+ at 75%	
The University of Texas Health Science Center at San Antonio		8.58%		Tier 1: $0m - $10m at 25% Tier 2: $10m - $20m at 50% Tier 3: $20m+ at 75%	
Texas A&M University Health Science Center	No	12.17%	3-year average of total research expenditures excluding state appropriations & amts associated w/ the Biomedical Advanced Research & Development Authority	Tier 1: $0m - $2.5m at 20% Tier 2: $2.5m - $5m at 40% Tier 3: $5m+ at 60%	
University of North Texas Health Science Center		28.58%	3-year average of total research expenditures excluding state appropriations	Tier 1: $0m - $1.5m at 20% Tier 2: $1.5m - $3m at 50% Tier 3: $3m+ at 60%	
Texas Tech University Health Sciences Center		10.00%	3-year average of total research expenditures from federal and private sources	Tier 1: $0m - $2.5m at 25% Tier 2: $2.5m - $5m at 50% Tier 3: $5m+ at 75%	

INCOME ESTIMATES AND ALL FUNDS METHODOLOGY

Income Estimates

- Income included in the General Appropriations Act (GAA) 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 (BAT)
- Both Methods of Finance are “estimated appropriations.”

Income Estimates

E&G Income sources included in the Method of Finance (as defined in TEC, Ch 51.009):

- Net Statutory tuition
- Proceeds from the sale of educational and general equipment
- Interest on funds held in the state treasury
- Statutory Fees
  - Special course fees charged under TEC Sections 54.051(e) & (l)
  - Lab fees
  - Student teaching fees

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

Income Estimates

- Health Related E & G Income Estimates for the FY 2024 – FY 2025 biennium were based on FY 2022 actual revenue.
- 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

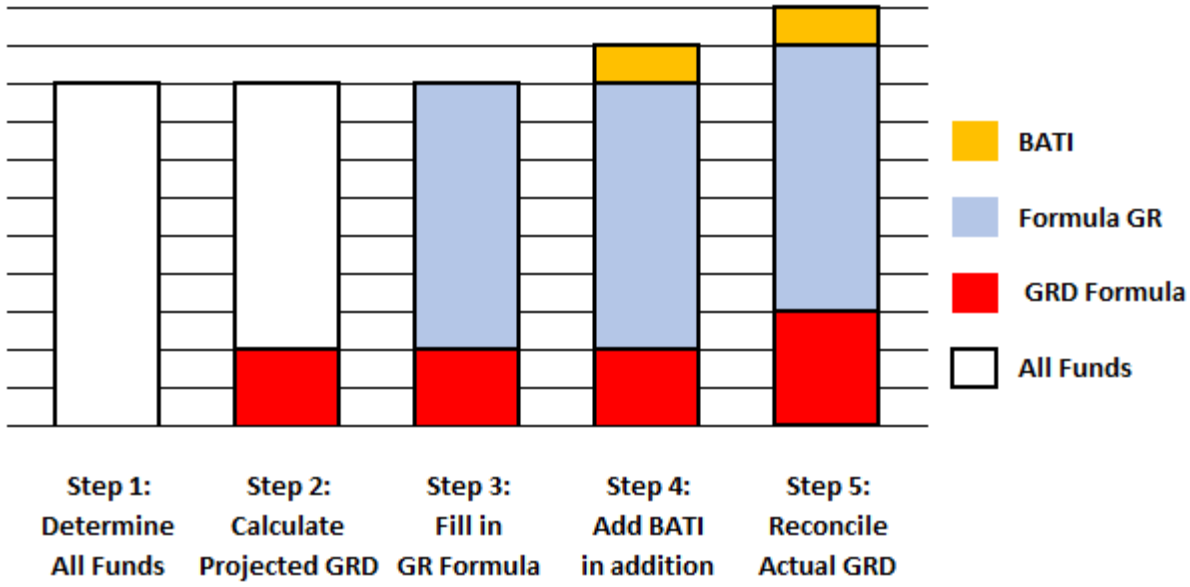
- Board Authorized Tuition (graduate tuition charge above the $50/sch rate) is distributed across formula components **after** GR is determined

Formula GR = Formula Total – Formula Other E&G

All Funds Methodology

Formula Funding

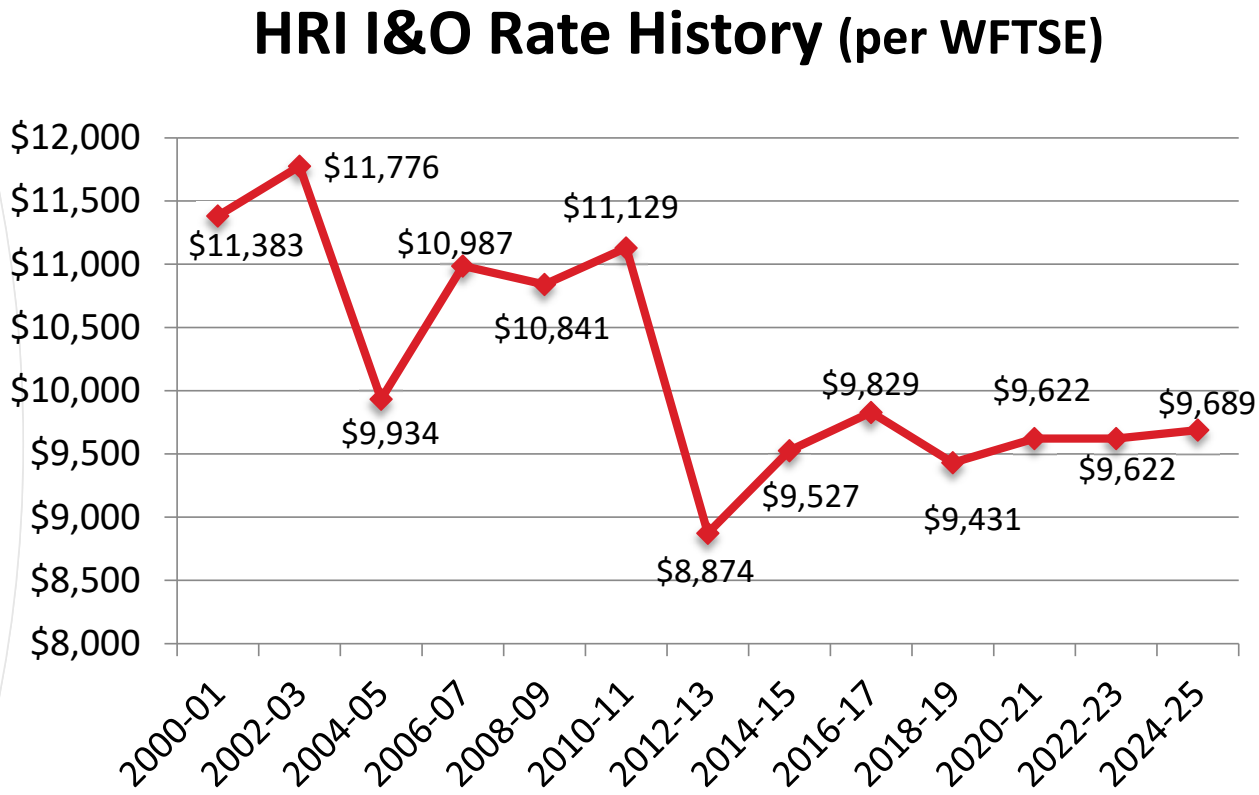
All Funds Methodology: Formula Funding



FORMULA FUNDING RATES

Health Related Institutions

Instruction and Operations (I&O) Rates

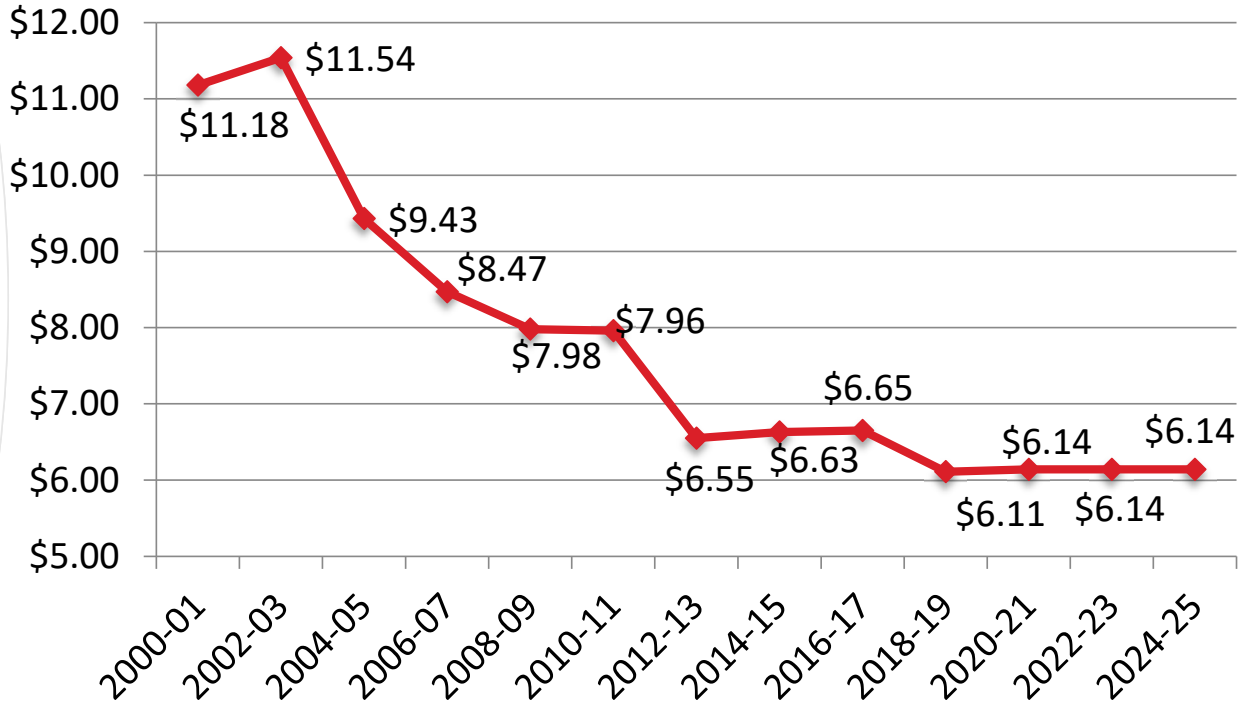


WFTSE = Weighted Full-Time Student Equivalent

Health Related Institutions

Infrastructure Formula Rates

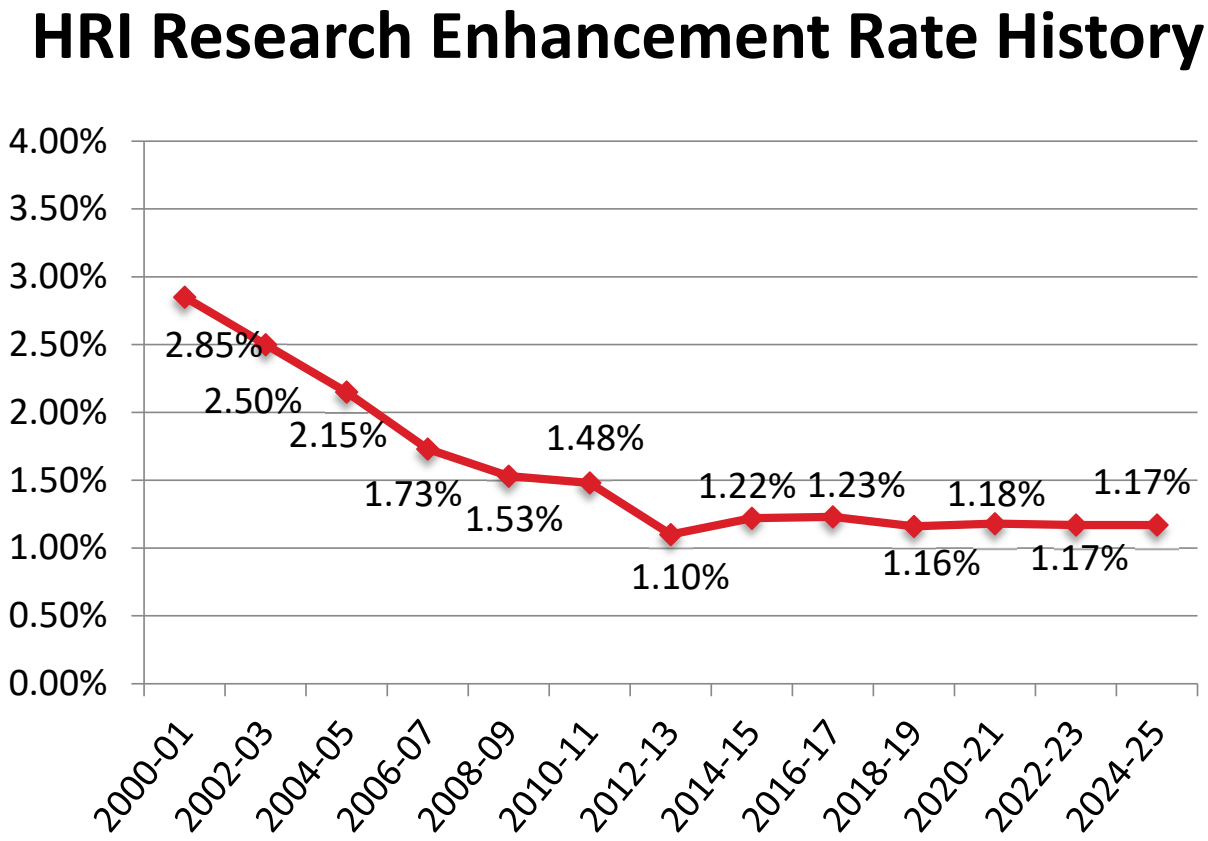
HRI Infrastructure Rate History (per NASF)



NASF = Net Assignable Square Feet

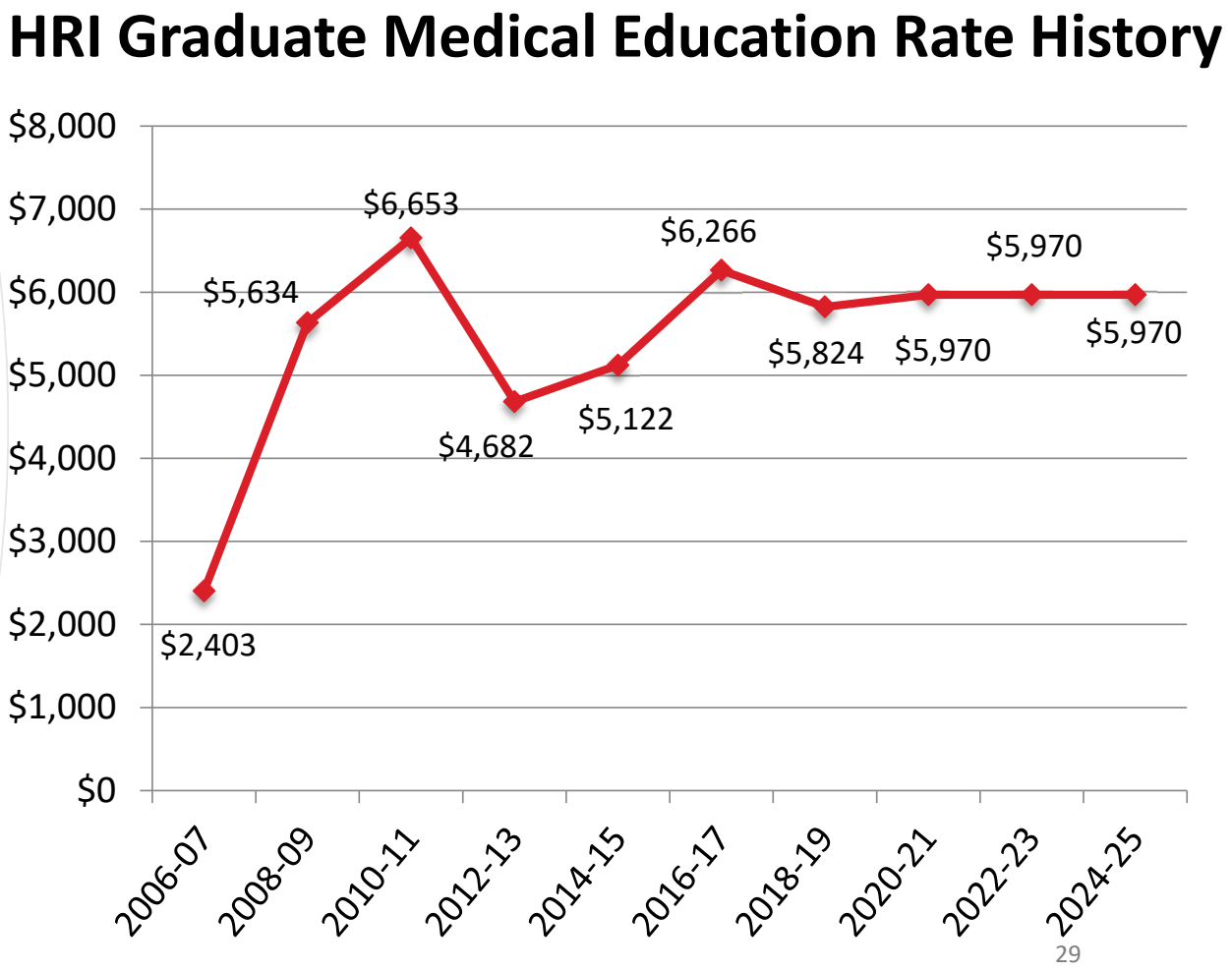
Health Related Institutions

Research Enhancement Formula Rates



Health Related Institutions

Graduate Medical Education (GME) Formula Rates



Takeaways

- The formulas and the tuition income estimates are the mechanics of how your GR formula appropriation is determined.
- LBB takes all the inputs (semester credit hours, 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.

Resources

Texas Higher Education Coordinating Board (THECB) Reporting Manual

THECB Published Space Projection Models

Published Sources and Uses Reports

Formula Advisory Committees