

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 12, 2023

TO: Honorable Greg Bonnen, Chair, House Committee on Appropriations

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB881 by Metcalf (Relating to the eligibility of Sam Houston State University to receive formula funding for the Sam Houston State University College of Osteopathic Medicine.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB881, As Introduced : a negative impact of (\$28,416,838) through the biennium ending August 31, 2025.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Contingent formula funding is currently provided in House Bill 1 for this purpose.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$14,208,419)
2025	(\$14,208,419)
2026	(\$24,177,944)
2027	(\$24,177,944)
2028	(\$25,370,831)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Probable Revenue Gain from Est. Other Educational & General 770</i>	<i>Probable (Cost) from Est. Other Educational & General 770</i>	<i>Change in Number of State Employees from FY 2023</i>
2024	(\$14,208,419)	\$2,943,437	(\$2,943,437)	137.2
2025	(\$14,208,419)	\$2,943,437	(\$2,943,437)	137.2
2026	(\$24,177,944)	\$2,943,437	(\$2,943,437)	192.1
2027	(\$24,177,944)	\$2,943,437	(\$2,943,437)	192.1
2028	(\$25,370,831)	\$3,442,625	(\$3,442,625)	236.0

Fiscal Analysis

The bill would remove the prohibition for Sam Houston State University College of Osteopathic Medicine (SHSU COM) to receive formula funding. This would permit SHSU COM to receive funding through the Health Related Institution Instruction and Operations (I&O) formula, the Infrastructure Support formula, and the Research Enhancement formula. Currently, SHSU COM does not report any Graduate Medical Education (GME) residents and would not receive GME formula funding for the 2024-25 biennium.

Methodology

For the purposes of this fiscal note, it is assumed that SHSU COM would receive a formula allocation through the I&O formula, Infrastructure Support formula, and Research Enhancement formula for the 2024-25 biennium using the Fall 2022 enrollment, space, and research expenditure data as reported by the Texas Higher Education Coordinating Board (THECB).

SHSU COM currently has an enrollment of 330 medical students based on data reported by THECB. Based on information reported by the institution, it is assumed that enrollment will increase in future years, culminating in an estimated total enrollment of 548 medical students in 2024 and 585 medical students in 2026. THECB Space Projection Model and reported research expenditures are assumed using 2021 data as reported in fall 2022 and no growth is included in the assumptions.

As reported in the THECB Space Projection Model, assumptions use the 2021 predicted square feet of 70,894. Assumptions also include total research expenditures of \$364,302 as reported by THECB for fiscal year 2021.

While SHSU COM does not currently report GME residents, it is possible that the institution could develop and operate a GME program that would generate new funding through the GME formula and have a fiscal impact in future biennia. Assumptions do not include GME resident estimates.

While General Revenue funding is the primary method of finance for formula funding, the I&O and Infrastructure formulas use an All Funds rate that includes estimated statutory tuition (GR-D 770). Estimated tuition for the purposes of this fiscal note use fiscal year 2024 estimates provided by the institution for the 2024-25 and 2026-27 biennia and fiscal year 2025 estimates provided by the institution for the 2028-29 biennium.

Included in the assumed GR-D 770 amounts are staff group insurance premium estimates provided by the institution.

Instruction & Operations Formula. Using an annual All Funds rate of \$9,622 per full-time student equivalent (FTSE) and a program weight of 4.753 for all medical students enrolled at SHSU COM, the current I&O rate and Medical Education weight for health related institutions for the 2022-23 biennium, it is estimated that the All Funds formula costs for these students would be \$15,091,483 in each fiscal year of the 2024-25 biennium, \$25,061,008 in each fiscal year of the 2026-27 biennium, and \$26,753,083 in each fiscal year of the 2028-29 biennium.

Infrastructure Support Formula. Using an annual All Funds rate of \$6.14 per predicted square feet, the current Infrastructure rate for the 2022-23 biennium, it is estimated that SHSU COM formula costs would be \$435,158 each fiscal year through the 2028-29 biennium.

Research Enhancement Formula. Using a rate of 1.17 percent of reported research expenditures, the current Research Enhancement rate for the 2022-23 biennium, plus an annual base funding amount of \$1,412,500 each fiscal year, it is estimated that SHSU COM formula costs would be \$1,416,752 in General Revenue each fiscal year through the 2028-29 biennium.

Full-time Equivalent Positions. Assumptions for full-time equivalent positions (FTEs) use the current health related institution FTE methodology which provides 1.0 FTE for every \$250,000 in formula General Revenue and General Revenue-Dedicated funding provided to the institution.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 758 Texas State University System, 781 Higher Education Coordinating Board

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