



Briefing Document: UNLV School of Medicine Funding Projections
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Executive Summary & Background

External consulting firm Tripp Umbach, hereafter referred to as 'consultants,' was retained to perform an economic impact study and develop a preliminary forecast of the cost to launch a new medical school in Nevada. The study relied on several assumptions as specific plans for the school had not been developed.

UNLV has been asked to provide information on the differences between the original forecast for the upcoming biennium and the current request. Since current staff at UNLV were not here at the time of the study and were not involved in meetings with the consultants, we do not know the basis for the assumptions used develop the forecast. UNLV cannot address every difference between the preliminary forecast and the current request. However, UNLV has summarized the most significant areas between the forecast and actual plans in Table 1.

In summary, the request for the FY20 / FY21 biennium is higher than 2014 forecast because **Actual Total Expenses** required to operate the school **are higher** than projected **Expected Student Fee Revenue is lower** than projected. The state budget request for each biennium is calculated as follows:

$$\begin{aligned} &\text{Estimated Total Expenses} \\ &\text{less Expected Student Fee Revenue} \\ &= \text{State General Fund Revenue Request} \end{aligned}$$

- **Total Expenses are higher** because the forecast did not include cost of living adjustments (COLA), used below market salary estimates, and did not identify several positions that are essential to operation of a medical school.
- **Expected Student Fee Revenue is lower** because the forecast assumed that the SOM would have larger class sizes and that 30% of the students would pay nonresident tuition in their first year. Under its provisional accreditation, the SOM is required to keep incoming classes at 60 until space is built out to support larger classes.

The budget request for the FY20 and FY21 biennium is based on the LCME approved plan to build out the SOM. While the request is higher than the 2014 forecast, the request is aligned with updated projections for the expected growth over the next biennium and is lower than the total calculated in Table 1.

Table 1: Pro forma budget requests with adjustments:

This table compares the amounts noted as the consultant forecasted request for FY20 and FY21 that was included on page 59 of the board materials for the August 22, 2014 meeting. **Note:** *The numbers in the 2014 board materials did not agree with the schedule the consultants provided to UNLV. UNLV requested but did not receive an explanation why the numbers were different.*

During the 2017 legislature, Governor Sandoval recommended, and the legislature allocated, general fund revenue that corrected the base funding for FY18 and FY19. Going forward, the FY19 base budget should be used as a reference point rather than the 2014 preliminary forecast. The request for the FY20 and FY21 biennium is aligned with the expectations of the governor's office and legislative budget committee.

The most significant factors that differ from the 2014 forecast are summarized in the table below. Additional detail is provided later in this document.

Fiscal Year	Forecast with Adjustments
Forecasted increase for 2019-20	\$ 519,448
Adjustments:	
- Increased expenses ¹	\$ 3,551,081
- Decreased tuition & fee revenue ²	\$ 1,371,000
Increase reflecting these adjustments	\$ 5,441,529
<i>UNLV's request is lower</i>	<i>\$ 4,205,012</i>
Forecasted increase for 2020-21	\$ 4,137,191
Adjustments:	
- Increased expenses ¹	\$ 3,551,081
- Decreased tuition & fee revenue ²	\$ 2,625,000
Increase reflecting these adjustments	\$ 10,313,272
<i>UNLV's FY21 request is lower</i>	<i>\$ 10,105,012</i>

¹ The forecast underestimated staffing required to support the SOM, used salary estimates that were below national averages and medians and did not include cost of living adjustments. See Table 2.

² The forecast overestimated the amount of tuition and fee revenue that would be generated. See Table 3.

Expense Projections

The following table summarizes the financial impact of the primary areas in which actual expenses differ from the assumptions.

Table 2: Calculation of increased expenses

Expense Assumptions	Amount
A. Essential personnel not included in forecast	\$ 1,078,000
B. Salaries higher than in forecast	\$ 1,367,000
C. Cumulative effect of COLA through FY19	\$ 1,106,081
Total	\$ 3,551,081

2. A. Essential Personnel and Salary Requirements

Several staff positions essential to a medical school were not identified in the assumptions, including compliance, legal, planning, and communications staff.

2. B. Salaries higher than in forecast

UNLV needed to fill positions by hiring at competitive salaries. Salary estimates for many positions in the forecast were below these national averages and medians. This is the total of current salaries for positions that are higher than in the forecast. All but one of these positions are below the 50th percentile.

2. C. Cost of Living Adjustment (COLA) financial impact calculations:

The forecast did not include COLA. If COLA had been included, the forecasted expenses would have been more closely aligned with the updated base budgets for FY18 and FY19, which resulted in an increase of \$333,188 to the FY18 base budget and \$1,106,081 to the FY19 base budget.

Revenue Projections

The following table summarizes the financial impact of the primary areas in which actual revenues differ from the assumptions.

Table 3. Financial impact calculations:

Fiscal Year	Enrollment Size Impact	Nonresident Impact	Total
2019-20	\$ 675,000	\$ 696,000	\$ 1,371,000
2020-21	\$ 1,755,000	\$ 870,000	\$ 2,625,000

Enrollment Size Impact: FY20 = 205 forecast less 180 actual students, x \$27,000 per year; and **FY21** = 305 forecast less 240 actual students, x \$27,000 per year

Nonresident Impact: FY20 = 80 first year students forecast x 30% nonresident x \$29,000 per year; and **FY21** = 100 first year students forecast x 30% nonresident x \$29,000 per year

3. A. Enrollment size impact

Class of:	Enrollment Forecast				Actual Enrollment			
	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
2021	60	60	60	60	60	60	60	60
2022		65	65	65		60	60	60
2023			80	80			60	60
2024				100				60
Total	60	125	205	305	60	120	180	240

On November 2, 2016, the Liaison Committee on Medical Education granted UNLV SOM provisional accreditation based on the documentation submitted. The comprehensive documentation included the planned curriculum and enrollment of 60 students per year.

UNLV cannot make changes to the planned curriculum or enrollment without advance notice to and approval from LCME.

3. B. Nonresident Tuition Impact

The original projections prepared by Tripp Umbach (TU) assumed that 30% of the students would pay an additional \$29,000 in nonresident tuition in their first year, then would become eligible for resident tuition.

Since the class is primarily made up of Nevada residents, nonresident tuition revenue did not materialize. As a result, the state budget request is higher. Students with Nevada connections are more likely to remain in the state to serve the growing healthcare needs that were a key impetus to building the school of medicine in southern Nevada.