

Operating Budget Request Summary

ESTIMATED FY 2015-16 STATE TAX FUNDS ADJUSTED BASE BUDGET \$805,738,800

USHE BUDGET PRIORITIES TOWARD THE 66% GOAL (On-Going Increase) \$78,396,100

1. Compensation (75%) ¹		\$28,296,100
A. 3% Performance Based Compensation	23,159,100	
B. 5% Health/Dental Premium Increases ²	5,137,000	
2. Mission Based Funding		\$30,000,000
A. Student Participation	15,000,000	
B. Distinctive Mission (Completion, Economic Development, Technology)	15,000,000	
3. Performance Funding	5,000,000	\$5,000,000
4. Research I Graduate Programs (UU, USU)	10,000,000	\$10,000,000
5. Statewide Programs		\$5,100,000
A. Cyber Security	2,100,000	
B. Regents' Scholarships	3,000,000	
Total USHE Budget Priorities		\$78,396,100
USHE Budget Priorities Percent Increase		9.7%

¹ State funded portion (75%) of a 1% salary and related benefits is \$7,719,700; health \$977,800; dental \$49,600; URS \$255,200.

² Early estimate of 5% used until updates available this fall.

SEPTEMBER 26, 2014
UTAH SYSTEM OF HIGHER EDUCATION
UNIFIED BUDGET REQUEST
FISCAL YEAR 2015-16

Background

The Board of Regents and the Utah System of Higher Education (USHE) continues its support of Utah's statewide attainment goal of 66 percent of Utah adults (with a focus on ages 25-35) with a college degree or certificate by the year 2020. This goal is also a priority of Governor Gary R. Herbert and endorsed by the Utah Legislature in 2012. In January 2014, the Board of Regents adopted a seven-year budget projection to identify the resources necessary to increase capacity within USHE to accommodate the number of students required to reach the state's 2020 goal. This projection estimates that an annual operating budget increase of \$128.5 million per year in appropriations (tax funds and tuition) will be needed (approximately \$67 million in tax funds). The statutory authority for the Board of Regents in recommending a unified budget to the Governor and Legislature provides that the request shall meet a "dual objective" of being consistent with the needs of higher education institutions and within "the financial ability of the state" (U.C.A. 53B-7-101-4b).

Introduction

The focus of this budget request is to increase student access and success (the number participating, persisting, and graduating in high-quality, meaningful academic programs) by providing the necessary resources to move Utah forward toward the 66 percent goal. The Board considered and approved on July 18, 2014, a framework for the 2015-16 operating budget recommendation, including increases in employee compensation and the following elements:

- 1) Per-student funding at each institution based on its mission to provide capacity, access and success;
- 2) Funding of statewide strategic priorities as established by the Board in keeping with each institution's Distinctive Mission; and
- 3) Performance funding.

FY 2015-16 USHE Request

The major components of the 2015-16 budget request are:

1. Employee Compensation
2. Mission Based Funding—comprised of Student Participation and, Distinctive Mission
3. Performance Funding
4. Research Universities Graduate Program Support
5. Specific statewide needs—including funding to enhance information technology security and growth in state scholarships.

1. Compensation

Total compensation comprises base salary, medical benefits (health and dental), and salary-related benefits (unemployment, Social Security, retirement, workers compensation, disability and basic life insurance). By agreement with the Utah Legislature, 75 percent of incremental increases in salaries and salary-related benefits is funded with tax funds; the remaining 25 percent is funded through increased tuition. (Medical benefit increases are typically benchmarked to increases in the State PEHP plan.) A high priority of the Utah System of Higher Education is to have the resources to provide fair and competitive compensation for employees—faculty and staff. This is the top priority in the 2015-16 budget request.

The Board of Regents requests an increase equivalent to 3 percent of salaries to be used for performance-based salary increases totaling \$23,159,100 (75 percent of cost). The Board also requests an increase to cover an estimated 5 percent increase in health and dental insurance premiums, totaling \$5,137,000 (75 percent of cost; this estimate will be updated when information is available).

2. Mission Based Funding

2-A. Mission Based Funding – Student Participation

To build capacity and quality to meet current and future student demands including the 66-percent goal, it is proposed that Student Participation be a distinct category of Mission Based Funding. This reflects institutional mission type based on per-student cost of attendance and/or state and local funding of Carnegie peer institutions (or institutional peers in the case of SUU) as compared to USHE institutional funding levels. To include all institutions a minimum floor of 1 percent of the total allocation was included.

The focus of these funds is to provide the capacity to ensure access to quality programs for a growing number of students. Specifically, institutions may use these funds for student-focused efforts as follows:

- Increased capacity and quality
 - Additional faculty and faculty support
 - Additional advising resources
 - Additional course sections (with an emphasis on reducing “bottleneck” courses)
 - Expanding program offerings in the summer and off-peak hours
 - Enrollment growth to maintain per-student funding

Based on their portion of the funding gap between peers, it is proposed funding for student support should be allocated as follows:

- University of Utah 47%
- Utah State University 10%
- Weber State University 7%

- Utah Valley University 18%
- Southern Utah University 5%
- Snow College 1%
- Dixie State University 2%
- Salt Lake Community College 10%

Each institution will submit proposals to the Board of Regents for approval in January 2015, as to how the funds will be used to increase capacity and quality as outlined above.

2-B. Mission Based Funding – Distinctive Mission

Distinctive Mission funding is used to assist institutions in initiatives that are distinct to the individual mission of each institution which also support statewide goals and objectives approved by the Board of Regents. For Distinctive Mission, each President proposes the specific uses and outcome measures for funds allocated. The use of technology to support teaching and learning as well as student services has grown exponentially during the past decade. Better and smarter uses of technology must continue to be deployed in the future. To encourage the use of the latest technology to support the missions of the institutions, it is recommended that this be a newly permitted use of Distinctive Mission funding. The allocation is based on 1/3 annualized budget related resident FTE enrollment, and 2/3 appropriated on-going tax funds. For 2015-16, institutions may target Distinctive Mission funds for initiatives in the following areas:

- Completion
- Economic Development
- Technology

Each institution shall submit for approval by the Board of Regents in January 2015 their proposal for use of Distinctive Mission funding.

The Board of Regents requests a total of \$30 million in new funding for Mission Based Funding as follows:

- \$15 million in ongoing funding for student participation to be allocated to institutions based on the gap in funding between their current per-student funding (with a minimum allocation of one percent) and those of peer institutions focused on student support to increase capacity and quality.
- \$15 million in ongoing funding to be allocated to Distinctive Mission initiatives by the institutions to further statewide priorities of completion, economic development, and the use of technology.

3. Performance Funding

It is proposed for 2015-16 that performance funding be changed from one-time to on-going funding and that the amount increase significantly (more than tripled) to \$5 million. During the 2013 legislative session, \$1 million in one-time funding was allocated for performance, to be focused on efforts to improve the rate of students successfully completing college. In the 2014 legislative session, \$1.5 million in one-time funding was allocated for performance, and metrics for measurement were similar to the first year. A working group on Performance funding chaired by President Charles Wight, with President David Pershing and President Scott Wyatt as members is working on a recommendation to the Commissioner, Council of Presidents and the Board of Regents. These recommendations will be advanced to the Board of Regents for approval in January 2015.

The Board of Regents requests \$5 million in on-going funding for Performance Funding.

4. Research Universities Graduate Program Support

By statute, Utah has two research universities: the University of Utah, which is the flagship institution of the USHE, and Utah State University, the state's land-grant institution. By mission each has a responsibility for graduate programs including at the doctoral and professional level. These advanced levels of education and training are critical to maintain the quality of instruction at USHE institutions, build Utah's economy through advanced skills that attract higher wages, and promote innovation among Utah's workforce.

The University of Utah and Utah State University shall submit for approval by the Board of Regents in January 2015 their proposal for use of Distinctive Mission funding specific to graduate programs.

The Board of Regents requests \$10 million in ongoing funding for Research Universities Graduate Program Support.

5. Statewide Programs

5-A. Enhanced Cyber Security

Capable and well-equipped attackers probe academic and corporate computer networks to find vulnerabilities they can exploit, including identity theft, harvesting personal information, or to steal valuable research or clinical data. The Chief Information Officers (CIOs) of institutions within USHE are recommending funding to better equip our institutions to protect against attacks on institutional information technology networks.

5-B. Funding of Statewide Scholarships

The Utah Legislature has enacted the Regents' Scholarship (2008) to encourage high school students to take a rigorous course of study to better prepare for college. The application deadline for the scholarship is on February 2, 2015. Funds are needed to replace one-time funding. The Legislature will be provided updated information in February of the amount of new funding necessary to fully fund the scholarship, and the amount of awards if no new funding is provided.

The Board of Regents requests a total of \$5.1 million in new ongoing funding for statewide programs as follows:

- \$2.1 million in ongoing funding to the Board of Regents to be used to improve information technology security at the eight institutions.
- \$3 million in ongoing funding to the Board of Regents to fund expected growth in the Regents' Scholarship.

Conclusion

Support for Utah's public colleges and universities are critical to Utah's success as a state. Data are clear that post-secondary educational attainment is linked to higher wages, lower levels of poverty and unemployment, and greater civic engagement and community volunteerism. This illustrates the importance of Governor Herbert's 2020 goal of 66 percent of Utah adults ages 25-35 with a college degree or certificate: in order to realize the results of this brighter future, investment must be made today.

As 82 percent of Utah high school graduates who enroll in post-secondary education choose to attend one of USHE's eight institutions, it is crucial that these institutions receive strong support so they can continue effectively educating the vast majority of Utah's students. This budget request is focused on building capacity, quality and the success of Utah's students.