

May 7, 2014

MEMORANDUM

TO: State Board of Regents
FROM: David L. Buhler
SUBJECT: USHE – Budget Framework for FY 16

Issue

One of the statutory responsibilities of the Board of Regents is to recommend a unified budget to the Governor and Legislature for the Utah System of Higher Education. This budget request is to meet the “dual objective” of being consistent in meeting the needs of higher education institutions and within “the financial ability of the state” (U.C.A. 53B-7-101-4b). At the March 2014 meeting the Board directed the Commissioner, after consulting with the presidents, to bring to the May 2014 meeting a preliminary framework for the 2015-16 operating budget recommendation, including three elements:

1. Per-student funding at each institution based on its mission and role with a goal of each institution reaching its benchmark over time.
2. Funding of statewide strategic priorities as established by the Board; and
3. Post-performance funding.

Attached is a draft budget framework for Fiscal Year 2016. After receiving input from the Finance and Facilities Committee and the Board in May, further refinements will be made and a recommendation will be made to the Board at the July 2014 meeting. This framework will then guide the formulation of the Commissioner’s recommendation for the FY 2016 budget request, to be considered at the September 2014 board meeting.

Commissioner's Recommendation

The Commissioner recommends the Board carefully review the Draft Budget Framework for the Utah System of Higher Education operating budget request for fiscal year 2015-16, and provide feedback and suggestions. This is an information item with the intent of a final draft being advanced as an action item at the July 2014 Board meeting.

David L. Buhler
Commissioner of Higher Education

DLB
Attachment

DRAFT—May 7, 2014
UTAH SYSTEM OF HIGHER EDUCATION
BUDGET FRAMEWORK
FISCAL YEAR 2015-16

Background

The Board of Regents and the Utah System of Higher Education support 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. In support of this goal the Board adopted on January 24, 2014 a seven-year budget projection to identify the resources necessary to increase capacity within the system to accommodate the number of students required to reach the 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. 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 Board of Regents directed the Commissioner, after consulting with the Presidents, to bring forward to the May 2014 Board meeting a preliminary framework for the 2015-16 operating budget recommendation, including the following elements:

- 1) Per-student funding at each institution based on its mission and role with a goal of each institution reaching its benchmark median over time.
- 2) Funding of statewide strategic priorities as established by the Board; and
- 3) Post-performance funding.

This framework is in response to that direction. It was reviewed with the Council of Presidents on April 29, 2014. Much of the data needed to prepare the budget request is available between mid-June and early August (see table of important dates at the end of this document). This document will be presented to the Board's Finance and Facilities Committee in May for their consideration and feedback. A final recommendation will be made to the Board at their July meeting. This framework will then be used in preparing the Utah System of Higher Education unified budget request, to be presented at the September Board of Regents meeting.

Framework FY 2015-16

The major components of the 2015-16 budget request will be: Employee Compensation and Mission Based Funding---the latter comprised of Student Support, Distinctive Mission, and Post-Performance Funding. Other items will also be included in the request such as state scholarships and other statewide programs. These budget request components are detailed below.

I- 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 are funded with tax funds; the remaining 25 percent is funded through 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, whether faculty or staff. It is expected that this will be the top priority in the 2015-16 budget request.

II- Mission Based Funding – Student Support

For 2014-15 the Mission Based Funding Acute Equity request was determined by using 90 percent of the Carnegie regional average (\$4,800) per student FTE as the benchmark for ALL USHE institutions, comparing this \$4,800 value to individual USHE institutional averages, and then multiplying by budget-related resident FTE for the total gap amount. An allocation for participating institutions was agreed to, and this allocation was used for distribution of the funding provided by the Legislature. When this approach was approved by the Board in September 2013 it was noted that each USHE institution, when compared with its own set of comparable peers, is funded on a per-student basis at less than its peers and that this would be addressed in the future, once acute equity was initially addressed.

For 2015-16 it is proposed that Student Support be a part of Mission Based Funding. This will reflect institutional mission type, and be based on per-student state and local funding of Carnegie peer institutions, as compared to USHE institutional funding levels. Benchmarks for each institution will be established based on a percentage of per-student medians with the goal of reaching, over time, those benchmarks. Some of the data needed by this model to set the benchmarks will not be available until August 1, 2014.

III- Mission Based Funding – Distinctive Mission

Distinctive Mission Funding is used to assist institutions in achieving statewide goals and objectives (participation, completion or economic development) as approved by the Board of Regents. Consideration may be given to refining or updating the strategic objectives. For Distinctive Mission, each President proposes the specific uses and outcome measures for funds allocated. The allocation is based on 1/3 annualized budget related resident FTE enrollment, and 2/3 appropriated on-going tax funds. A portion of the data needed to compute the allocations used by this model is not available until August 1, 2014.

IV- Mission Based Funding—Post-Performance

During the 2013 legislative session, \$1 million in one-time funding was allocated for performance, to be focused on efforts to increase completions to reach the state's 66 percent by 2020 goal. In the 2014 legislative session, \$1.5 million in one-time funding was allocated for performance, and metrics for measurement will be similar to the first year. For 2015-16, however, it is proposed that on-going funding be

sought and that performance funding metrics be further developed as an important component of new funding as part of the system budget. A working group on post-performance funding chaired by President Charles Wight, with President David Pershing and President Scott Wyatt as members, with staff assistance from Associate Commissioner Greg Stauffer, is working on recommendations to the Commissioner, Council of Presidents, and the Board of Regents.

V- Statewide Programs

Statewide programs (including state scholarships), and collaborations (such as UDA and UALC) will also be considered. However most of the budget request will be included in compensation and the three components of Mission Based Funding.

Conclusion

Once the budget framework is approved by the Board of Regents, the Commissioner, in consultation with the Presidents, and as necessary data becomes available, will fashion a budget recommendation for consideration by the Board in September. This recommendation will be consistent with the strategic objectives of the Board including building capacity for the 66 percent goal and advancing post-secondary participation and completion.

Important Dates—Data Availability

Available Now – IPEDS FY13 enrollment provisional

May 31, 2014 – IPEDS FY13 finance provisional available

June 20, 2014 – USHE FY15 budgeted employee salary and benefits available

June 20, 2014 – USHE FY15 final budgeted state appropriations (tax & tuition) available

July 16, 2014 – PEHP FY16 health and dental increases available

August 1, 2014 – USHE FY14 annualized end of term FTE enrollments available

October 1, 2014 – URS FY16 increase available

Important Dates—Budget Process

April 29, 2014 – Council of Presidents considers and provides input on FY15-16 Budget Framework

May 16, 2014 – Board of Regents review and adopt FY15-16 Budget Framework

August 8 and Sept. 9, 2014 – Council of Presidents considers and provides input on proposed FY 15-16 unified budget

September 26, 2014 – FY16 USHE budget request approved by Board of Regents