

July 6, 2016

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – FY18 Budget Development Process (BDP) Guidelines

Issue

The Commissioner requests that the Board of Regents approve the FY18 Budget Guidelines which establish the framework for the system wide budget request for the next year. The final FY18 Operating Budget Request will be presented for approval at the September Board meeting.

Background

One of the statutory responsibilities of the Board is to recommend a unified Utah System of Higher Education budget request to the Governor and Legislature. Statute (U.C.A. 53B-7-101-6b) requires that the budget request be made with the “dual objective” of:

1. “justifying for higher educational institutions appropriations consistent with their needs, and consistent with the financial ability of the state; and
2. determining an equitable distribution of funds among the respective institutions in accordance with the aims and objectives of the statewide master plan for higher education.”

To assist Regents with these objectives, budget guidelines have been developed by the Commissioner’s Office in partnership with Presidents and Business VPs. The overarching goal of the guidelines is to create a budget request framework which advances the Board’s strategic objectives of Affordable Participation, Timely Completion, and Innovative Discovery and requests adequate annual state tax funding for higher education to fulfill institutional missions without increasing reliance on tuition.

FY18 Budget Guidelines:

- The FY18 USHE Budget Request will be at least equivalent to a 5% increase in total funding (ongoing tax funds and tuition) to support the goals outlined in the Regents 2025 Strategic Plan (not including the request associated with the Regent Scholarship program).
- When developing the USHE Budget Request, the Commissioner’s staff will consider the following categories:

1. **Compensation**: This request is for a total compensation package similar to that received by other state and public education employees (inclusive of salary/wage adjustments, health insurance increases, and retirement adjustments for URS participants). As directed by the Legislature, 25% of the approved compensation package will be funded by additional first-tier tuition.
 2. **Growth (New Students)**: This request will help institutions address new student growth (Fall 2017 over Fall 2016) at their institution. These funds will be used to ensure that new students receive a quality educational experience from application to graduation by expanding capacity for teaching and support functions associated with growing student needs and demand.
 3. **Market Demand**: This request will help address market demands, including program development and enhancement, as well as advising, counseling, IT needs, and other critical operational needs.
 4. **Performance Based Funding**: This request would be used to increase an institution's performance focused on improving completion in the areas outlined in the allocation model and defined by law.
- As in years past, a request to support the Regent Scholarship program will be advanced for the Governor and Legislature's consideration during the upcoming legislative session. The Regent Scholarship request will be listed below the four system priorities, as the scholarship funds go directly to students rather than institutions.
 - Each institution will prioritize and provide summary details on how they intend to use funds for each of the budget categories to the Commissioner's staff in August.
 1. Initial growth estimates for FY18 are due to the Commissioner's Office by August 1st.
 2. Proposals regarding how institutions plan to use Growth, Market Demand, and Performance Based funds are due to the Commissioner's Office by August 19th.
 3. The Commissioner's Office will work with USHE institutions, primarily through the Business Affairs Council (BAC) and Budget Officers System Subcommittee (BOSS) to collect this information.
 - For planning purposes, compensation will be calculated as a percentage increase of payroll, payroll related benefits, and expected premium increases for health and dental insurance.
 - The Growth request will be calculated using the USHE growth formula used last year based on average cost for institutional type and student course level. Institutions will provide initial growth estimates in early August and then revised numbers in January showing actual student growth for fall.
 - The Market Demand Program request will be allocated based on the institution's respective share of ongoing tax funds received in FY17.
 - The Performance Based Funding request will be allocated using the adopted funding model.

- To continue to support student affordability efforts, first-tier tuition increases will be kept at a minimum and be used to support the required match for compensation and limited operational needs.

Commissioner's Recommendation

The Commissioner recommends that the Board approve the general Budget Guidelines and budget framework for the Utah System of Higher Education Operating Budget Request for fiscal year 2017-18.

David L. Buhler
Commissioner of Higher Education

DLB/KLH