

July 12, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – FY19 Budget Development Process (BDP) Guidelines

Issue

The Commissioner requests that the Board review and approve the FY19 Budget Guidelines which will establish the framework for the system wide budget request for the 2018 legislative session. The FY19 Operating Budget Request will be presented for final 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 the Board in meeting these statutory objectives, budget guidelines have been developed by the Commissioner’s Office in partnership with Presidents and Business VPs for Board consideration. The overarching goal of the guidelines is to create a budget request framework that 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 while trying to minimize reliance on increased tuition revenues.

FY19 Budget Guidelines:

- The FY19 USHE budget request will be at least equivalent to a 5% increase in ongoing base funds to support the goals outlined in the Board of Regents 2025 Strategic Plan.
- 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.

- Institutions may submit initiatives that address priority needs associated with student growth and capacity, performance based initiatives focused on increasing student completion, and workforce initiatives based on regional employment needs for high demand, high wage jobs.
- Funds received through Performance Based Funding will be allocated using the adopted funding formula and expected performance outcomes.
- Initial annual growth estimates for FY19 are due to the Commissioner's Office by August.
- Each institution will be asked to prioritize and provide additional details on how they intend to use funds for each of the budget categories to the Commissioner's Office by August 19.
 - The Commissioner's Office will work with USHE institutions, primarily through the Council of Presidents (COP), Business Affairs Council (BAC) and Budget Officers System Subcommittee (BOSS) to collect this information.
- As in years past, a request to support the Regents' Scholarship program will be advanced for the Governor and Legislature's consideration during the upcoming legislative session. The Regents' Scholarship request will be listed as part of the Statewide Initiatives.
- 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.
- When developing the FY19 USHE Budget Request, the Commissioner's Office is asked to include the following categories:
 1. **Compensation**: The system will request funds for compensation increases (inclusive of salary/wage adjustments, health and dental insurance increases, and retirement adjustments for URS participants) on behalf of USHE employees. As directed by the 2017 Legislature, 25 percent of the approved compensation package will be funded by additional first-tier tuition revenues.
 2. **Student Growth & Capacity Building Initiatives**: The system will request funds to help institutions address new student growth expected at USHE institutions. Funds will be used to ensure USHE students receive a quality educational experience from application to graduation by expanding capacity for teaching and operations support associated with growing student needs. Funds received in this category are designed to address the Board goal of *Affordable Participation*.
 3. **Performance Based Initiatives**: The system will request funds to further advance performance based initiatives focused on increasing student completion rates. Funds received in this category are designed to address the Board goal of *Timely Completion*.
 4. **Workforce Initiatives**: The system will request funds to help build capacity in programs that support regional workforce needs in high demand, high wage positions. By investing in these programs, USHE will further advance its ongoing efforts to strengthen the economic base for

the future. Funds received in this category will help address workforce needs in the following industry clusters:

- a. Nursing and Healthcare
- b. Computer Science and Information Technology
- c. Engineering
- d. Science, Aviation, and Career Technology Education (CTE) Programs
- e. Business, Hospitality, and Tourism

5. **Statewide Initiatives:** The system will request funds to support state wide initiatives administered by the Board that impact multiple USHE institutions. The Statewide Initiatives for the FY19 budget requested are designed to help address the Board goal of *Affordable Participation* and *Innovative Discovery* and include:
- a. Higher Education Technology Initiative – IT Network and Wireless Infrastructure Costs
 - b. Regent's Scholarship Program

Commissioner's Recommendation

The Commissioner recommends that the Board approve the general budget guidelines and framework for the Utah System of Higher Education Operating Budget Request for fiscal year 2018-19.

David L. Buhler
Commissioner of Higher Education

DLB/KLH