

July 11, 2018

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – FY20 Budget Development Process (BDP) Guidelines

Issue

The Commissioner requests the Board review and approve the FY20 Budget Guidelines which will establish the framework for the system wide budget request for the 2019 legislative session. The final FY20 Operating Budget Request will be presented for final approval at the September Board meeting.

Background

Annually, the Board of Regents advances an operating budget request for appropriations increases that reflects the top priorities of the Board and the institutions. The final adopted budget request will represent the collaborative efforts of a months-long preparation, planning and prioritization process that aligns Regent and institution budget priorities to the Board's strategic priorities and long-term budget projections. The request will capture the most urgent institutional needs and strive to drive economies of scale through shared priorities. As with many state-funded enterprises, state-funded support of higher education creates major leveraging opportunities enabled by additional non-state funding resources including tuition revenues, grants and private donors.

Statutory Background:

One of the primary 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, Research and Workforce, and Capacity

and Growth, while requesting adequate annual state tax funding for higher education to fulfill institutional missions and maintain affordability for students by minimizing reliance on increased tuition revenues.

When developing the FY20 USHE Operating Budget Request, the Board will establish priorities in the following areas:

- **Regents' Priority Initiatives:** The system will identify and prioritize strategic initiatives which are administered by the Board via the Commissioner's Office and may impact multiple institutions and include in the FY20 Operating Budget Request.
- **Institution Priorities and Strategic Initiatives:** The system will request funds to help institutions address specific budget priorities and initiatives that help address student growth & capacity building, student affordability, timely completion, performance based initiatives, and regional workforce program needs.
 - **Access, Affordability and Student Growth & Capacity Building:** Institutions are charged to ensure USHE students receive a quality educational experience from application to graduation. This includes ensuring adequate capacity is available to support teaching and general operations support while leveraging state tax funds to help keep college affordable for all students.
 - **Timely Completion and Performance Based Outcomes:** Institutions are charged to ensure USHE students complete their educational goals in a timely fashion.
 - **Workforce:** Institutions are charged to ensure regional and statewide workforce needs are supported especially for high demand, high wage positions in the following employment sectors.
 - Nursing and other health professions
 - Engineering, Computer Science and Information Technology
 - Construction, Mechanic and Repair Technologies/Technicians
 - Business, Management, Marketing and Related Support Services
 - Economic Development
- **Compensation:** The Board will request funds for the same compensation increases as state employees (inclusive of salary/wage adjustments, health and dental insurance increases, and retirement adjustments) on behalf of USHE employees. As directed by the 2018 Legislature, 25 percent of the approved compensation package will be funded by additional first-tier tuition revenues. The Board may consider extraordinary priority and equity compensation adjustments advanced by USHE institutions.

FY20 Budget Guidelines:

- The FY20 USHE budget request will be at least equivalent to a total 5% increase in ongoing base funds (tax funds and tuition) to support the goals outlined in the 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 statutory funding formula and expected performance outcomes.
- Initial fall semester enrollment growth estimates for FY20 are due to the Commissioner's Office by August 1st.
- Each institution will be asked to prioritize and provide additional details on how they intend to use requested funds for FY20 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 any growth in 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 Regents' 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.

Commissioner's Recommendation

The Commissioner recommends the Board approve the general Budget Guidelines and budget framework for the Utah System of Higher Education Operating Budget Request for fiscal year 2019-20.

David L. Buhler
Commissioner of Higher Education

DLB/KLH