Utah and Higher Education
Budgeting

Rich Amon
Chief Financial Officer
3 Areas for Discussion

1. Budgeting Basics
2. Budgeting in Utah
3. Budgeting for the System of Higher Education
Budgeting 101
Public Budgeting

• What is Budgeting?

• What experience do you have with budgets?

  • Personal

  • Professional
Public Budgeting

Process of:

• Setting Goals
• Allocating Resources
• Measuring Progress
• Assigning Responsibility
• Controlling Activities
Why do we Budget?
Responsible Budgeting

• Budgeting developed in the United States as a way to hold public officials accountable

• Government Officials (elected and appointed) are responsible to the public and have a standard of care over revenues (taxes, tuition, utility fees, etc)

• Separation of Powers and Checks and Balances in the U.S distribute power and limit abuse, but also create inefficiencies and redundancies

“The governments of the U.S. were not designed to be efficient or powerful, but to be tolerable and malleable.”

James Q. Wilson, Bureaucracy 1989
Budget as Policy

• All policy requires some form of budget to accomplish
  • Personnel are one of the largest sources of government expenditure
  • Most policies require someone to implement and/or be responsible
• Follow the money to find an organization’s priorities
Who are the budget players involved in public budgeting?
Budget Players

• Public Organization
• Legislative Body
• Budget Office
• Executive Officer (Gov/Mayor)
• Lobbyists and Interest Groups
• Citizenry
Role of the Legislature

• Hold the purse - appropriate money
• More representative of geographically diverse areas than executive
• In states and local government - mostly part-time (hold other jobs)
• Budget committees
  • Appropriations committees
  • Executive committees
Role of the Chief Executive

• Set context for spending

• Important to balance the budget
  • Recession
  • Growth Economy

• Tactical concerns
  • Relationship with Federal and local governments
  • Relationship with the legislature
  • Citizen concerns with taxes and government services
Utah Budgeting Process
Utah Budget Cycle

- **July 1**: Current Year begins
- **Aug**: Next Year Internal Budget Discussions begin
- **Sep**: Finalize Next Year Budgets
- **Oct**: Submit to Governor
- **Nov**: Governor Budget Office Review and Analyze Budgets
- **Dec**: Governor Budget Recommendations
- **Jan**: Legislative Session Begins
- **Feb**: Legislative Committee Hearings
- **Mar**: Legislative Session Ends
- **Apr**: Final Budgets Appropriated Current Year
- **May**: Appropriated Next Year
- **June 30**: FY ends

Key Dates:
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Legislative Budget Committees

Each legislator assigned to a committee by legislative management (Speaker/President)

2. Executive Offices and Criminal Justice
3. Higher Education
4. Infrastructure and General Government
5. Natural Resources, Agriculture, and Environment
6. Public Education
7. Retirement and Independent Entities
8. Social Services

Executive Appropriations Committee oversees all committees
Differentiate specific Legislative funding purposes
Funds may not be moved between Line Items
Provide flexibility as well as accountability
Funds may be moved between Programs within a Line Item

To Utah Valley University - Education and General

From General Fund 59,301,600
From Education Fund 57,256,600
From Dedicated Credits Revenue 136,545,700
From Education Fund Restricted - Performance Funding Rest. Acct. 1,000,900
From Beginning Nonlapsing Balances 22,339,400
From Closing Nonlapsing Balances (22,339,400)

Schedule of Programs:

Education and General 249,522,300
Operations and Maintenance 4,582,500
USHE Systemwide Line Items

• Education and General
  • The principal line item that funds each higher education institution
  • Provides significant flexibility for the institution to fund instruction, student services, operations, and other mission-related programs

• Educationally Disadvantaged
  • Support educational needs of students who, because of their social-economic status or demographics, have historically been disadvantaged from pursuing a higher education
  • Funds may be spent on tuition assistance, counselors, advisors, or tutoring
USHE Institution Specific Line Items

• University of Utah (12 Line Items)
  • School of Medicine
  • Cancer Research/Treatment

• Utah State University (11 Line Items)
  • Statewide Campuses
  • CTE (Career and Technical Ed.)

• Weber State University (2 Line Items)

• Utah Valley University (2 Line Items)

• Southern Utah University (4 Line Items)
  • Shakespeare

• Snow College (3 Line Items)
  • CTE (Career and Technical Ed.)

• Dixie State University (3 Line Items)
  • Zion Park Amphitheater

• Salt Lake Com. College (3 Line Items)
  • School of Applied Technology (CTE)
Where it all comes from...

$18.5 billion

FY 2020 operating and capital budget including expendable funds and accounts, from all sources, by source of finance.
Where it all goes...

$18.5 billion

FY 2020 operating and capital budget including expendable funds and accounts, from all sources, by use.
GOVERNOR GARY R. HERBERT

BUDGET RECOMMENDATIONS

FISCAL YEAR 2020
FISCAL YEAR 2019 SUPPLEMENTALS

THEME: GROWTH AND QUALITY OF LIFE

BUDGET OVERVIEW

Goal: Maintain Utah’s quality of life by proactively managing growth

Utah’s population is expected to double by about 2070. The state needs to proactively address growth-related challenges while maintaining and improving Utah’s already enviable quality of life and economic opportunities for all Utahns. The Governor’s budget focuses on foundational economic development drivers such as those listed below.

KEY AREAS OF FOCUS IN FY 2020

- Quality of Life in Thriving Communities
- Qualified Workforce
- Tax Modernization
- Water & Clean Air
- Effective & Efficient Government

QUALITY OF LIFE IN THRIVING COMMUNITIES

Utah is growing rapidly, but limited undeveloped land remains on the Wasatch Front. Much of the growth should be absorbed through market-driven infill and mixed-use redevelopment coordinated with high-capacity transportation.

Open Space & Efficient Land Use

More than $30 Million

- To fund efforts, together with local matching funds, that integrate and preserve open space as part of mixed-used plans, including funding for redeveloping under-used spaces, large community parks, and open space within developments.

- Allow a portion of the Transportation Investment Fund to be used for active transportation pathways.

Community-focused Growth

$6 Million

- To the arts community through a merit-based process.

- Enhance transit system and make targeted system expansions.

$17 Million

For affordable housing.

QUALIFIED WORKFORCE

K-12 Education - $445 Million Total New State-directed Funding ($293 Million Ongoing, $152 Million One-time)

$1 Billion

- Budget meets K-12 Funding targets & full year ahead of schedule (25% increase over 4 years).

$25 Million

- WPU add-on for children at risk of academic failure.

$1 Billion

- in unused local property tax.

$104 Million

- for upgrading school facilities.

$8 Million

- for school counseling.

$32 Million

- for teacher bonuses.

$30 Million

- AMBITIOUS TARGET

Offer at least three unique computer science classes in every middle school in Utah

$34 Million

- ($16 million new, $18 million existing) for flexible funds to address priority needs, including counseling and mental health.

Higher Education - Targeted Investments in Areas That Demonstrate Measurable Impact

$50 million scholarship endowment

$19 million for equipment and technology

$6.2 million for three-year bachelor’s degree

$6 million to post-secondary advisory corps counseling

Targeted investments together with compensation increases total $69 million ongoing, meeting the $275 million 4-year target a full year ahead of schedule.

Targeted Investments

- IMPROVING EFFICIENCY & GETTING RESULTS

- Ensure affordability for students and taxpayers

- Increase student completion rates

- Decrease the time to completion

- Targeted Investments

- $50 million scholarship endowment

- $19 million for equipment and technology

- $6.2 million for three-year bachelor’s degree

- $6 million to post-secondary advisory corps counseling

- Targeted investments together with compensation increases total $69 million ongoing, meeting the $275 million 4-year target a full year ahead of schedule.
The Governor continues commitment and challenges higher education to increase graduation rates while keeping the cost of education affordable.

Objective
Prepare a critical mass of skilled workers for high-paying jobs to support significant job growth in the coming years by:
- dramatically increasing the completion rate and number of graduates while lowering per-student costs
- leading the nation in students completing high-quality technical education
- ensuring access and equity for all students, including first-generation and nontraditional students
- supporting training and certification programs for sectors currently experiencing skill gaps and labor shortages, and aligning graduate skills with workforce needs

Background
The 21st century economy requires a dynamic and educated workforce. Education drives innovation, attracts employers looking to fill high-skill jobs, and supports a higher quality of life. Post-secondary education levels correspond to higher average income and less government dependence.

Post-secondary education is among the largest state funding commitments and constitutes approximately 16 percent of the combined Education Fund and General Fund budget.

The Utah System of Higher Education (USE), the Utah System of Higher Education Budget Priorities

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (Thousand)</th>
<th>Prior Year</th>
<th>Amount (Thousand)</th>
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<td>2019-20</td>
<td>$57,019,700</td>
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The Governor calls on the Board of Regents to set new and ambitious goals that use innovative approaches to leverage system opportunities, lower costs, and increase quality and completion rates.

The Governor calls on the Legislature to amend the Performance Funding statute to raise the bar and reach for more ambitious targets.

The Governor calls on the Legislature to return program approval authority to the Board of Regents.

The Governor recommends optimizing the use of existing facilities and recommends pausing new building construction for state and higher education buildings until a robust building utilization study is fully integrated into the building evaluation process.

$132.2 million of new funding for FY 2020 ($68.5 ongoing and $63.7 one-time).

Enough new ongoing funding has been allocated since FY 2016 to finance substantive changes—$275 million (100 percent of the Governor’s goal to invest $275 million by FY 2021).
Utah System of Higher Education (USHE) Budgeting
The Utah System of Higher Education

Top 6 Employers in Utah 2017 **

<table>
<thead>
<tr>
<th>Employer</th>
<th>Employees</th>
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</thead>
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<tr>
<td>USHE + UU Hospital</td>
<td>40,000+</td>
</tr>
<tr>
<td>IHC</td>
<td>20,000+</td>
</tr>
<tr>
<td>State of Utah</td>
<td>20,000+</td>
</tr>
<tr>
<td>BYU</td>
<td>15,000 - 19,999</td>
</tr>
<tr>
<td>Walmart</td>
<td>15,000 - 19,999</td>
</tr>
<tr>
<td>Hill Air Force Base</td>
<td>10,000 - 14,999</td>
</tr>
</tbody>
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Population Size Comparison

- Salt Lake City: 181,743*
- USHE: 220,000+

*Population Estimate from SaltLakeCityUtah.org – November 26, 2018

- 40,739 FTE employees including UU Hospital and Clinics
- 33.8 million square feet of owned space with locations through the state
- FY18 Appropriated Operating Budget: $1.9 billion
- Total Operating Budget with Hospitals: $6.7 billion
- Over 180,000 students served annually
USHE Budget Timeline

Legislative Session
Jan - Mar

Regent Budget Development
Mar - Sept

Governor Budget Recommendation
Sept - Dec

Step 0 (July)
- Review prior year
- Discussion

Step 1 (August)
- Establish Priority Guidelines

Step 2 (August)
- Submission of Requests
- Review
- Compilation

Step 3 (September)
- Presentations
- Regent Review
- Adoption
FY 2020-21 Budget Development Process Guidelines

Four budget categories:

1. Compensation and Mandatory Increases
2. Institution Priorities (Performance, CTE, O&M)
3. Growth Funding
4. Regent Priority Initiatives
FY 2021 Budget Development Guidelines

Budget Priorities

1. College Access Advisors - $3M
2. Compensation (75/25 split) - $36M
3. Institutional Priorities
   • Performance Funding - $34.5M
   • O&M - $0.5M
4. Growth Funding - $3.9M
   ❖ USHE Schools of Applied Technology

Performance Funding Allocation - $34.5M

- University of Utah: $10,136,400
- Utah State University: $6,866,000
- Weber State University: $3,647,700
- Southern Utah University: $1,859,200
- Snow College: $1,007,000
- Dixie State University: $1,671,900
- Utah Valley University: $5,372,100
- Salt Lake Community College: $3,939,700
# Current Performance Funding Model

<table>
<thead>
<tr>
<th>Weighting</th>
<th>Underserved Completion</th>
<th>Underserved Students</th>
<th>Market Demand</th>
<th>Market Research</th>
<th>Awards per FTE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>10%</td>
<td>25%</td>
<td>10%</td>
<td>40%</td>
<td>100%</td>
<td></td>
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</table>

**University of Utah**

<table>
<thead>
<tr>
<th>Available Allocation (29.31%)</th>
<th>$1,175,820</th>
<th>$783,880</th>
<th>$1,959,700</th>
<th>$783,880</th>
<th>$3,135,520</th>
<th>$7,838,800</th>
</tr>
</thead>
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<table>
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<tr>
<th>1% Progress Measure (increase/decrease)</th>
<th>3.16%</th>
<th>150.46%</th>
<th>5.15%</th>
<th>4.22%</th>
<th>3.17%</th>
</tr>
</thead>
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<tr>
<td>Actual Award within Available Allocation</td>
<td>$1,175,820</td>
<td>$783,880</td>
<td>$1,959,700</td>
<td>$783,880</td>
<td>$3,135,520</td>
</tr>
<tr>
<td>Percent (% Funded)</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
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**Balance**

|        | $0 | $0 | $0 | $0 | $0 | $0 |

### Key Steps:

1. **Measures**
2. **Weight**
3. **Appropriation**
4. **Allocation**
5. **Progress**
6. **Award**
7. **Balance**
USHE Capital Prioritization Process

Step 0 (Apr)
- Review
- Capital Facilities Committee

Step 1 (May)
- Establish Priority Guidelines

Step 2 (July)
- Submission of Requests
- Committee Tour

Step 3 (Aug)
- Analysis
- Scoring of Needs

Step 4 (Sept)
- Regent Scoring
- Prioritization
SB 102 - Utah System of Higher Education - Capital Funding Model

Ongoing Capital Base Funding:
- Legislature Appropriates $$$
- Regents Allocate $$$ Based on Formula
- Restricted Account

Restricted Account

May

Regents

June-August

Institutions

Identify Capital Needs and Potential Uses of Allocation

June-August

Regents

September

Regents Review and Approve Requests to Use Allocation:
- Cost Effective
- Mission-Based
- Master Plan
- Facility Need

October

Building Board Review and Recommend Requests

January-March

Legislature Approves Project and Restricted Account Appropriation and Considers O&M

On Completion

Regents Review Costs and Design

One-time Capital Funding

June-August

Institutions Review Allocation, Identify Capital Needs, Request Additional Funding

September

Regents Review Requests and Prioritize based on Formula

October

Building Board Review and Prioritize Requests

January-March

Legislature Determines Appropriations and O&M

1. Institutional Capital Facility Need
2. Utilization of Facilities
3. Maintenance and Condition of Facilities
4. Other Factors Determined by the Regents

Limitations depending on Ongoing Base Funding:
- 3 Projects until $50M
- 2 Projects $50M-$100M
- 1 Project after $100M

1. Enrollment
2. Total Performance Metrics (53B-7-706)
3. Projected Growth in Student Population
4. Existing Square Feet per Student FTE
5. Facility Age and Condition
6. Utilization of Academic Space including Off-Campus

November

Building Board Review and Prioritize Requests

December

Regents Approve Project and Restricted Account Appropriation and Considers O&M

On Completion

Regents Review Costs and Design

References:
- SB 102 - Utah System of Higher Education - Capital Funding Model