



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

June 6, 2024

Higher Education Student Success Endowment Spending Policy Considerations

Endowment Background

Following the state's exit from the Utah Higher Education Assistance Authority student loan guaranty program, [S.B. 172](#) (2022 General Session) created the Higher Education Student Success Endowment ("endowment"). As outlined in [Utah Code 53B-7-802\(6\)\(a\)](#), endowment deposits from the sale of the program and portfolio liquidation may be used to:

- "Advance System priorities...; and
- Support prospective students or current students enrolled at an [eligible] institution."

In its December 1, 2023, meeting, the Utah Board of Higher Education adopted [Policy R1100, Higher Education Student Success Endowment](#), which recognizes the Utah Office of the State Treasurer Investment Policy Statement and includes an annual endowment withdraw formula. The Commissioner's office estimates that under the formula, there may be roughly \$8.5 million in endowment proceeds available for use in FY 2025. In preparation for the deployment of these funds, this memo summarizes current state aid programs and includes a proposal for how an endowment spending policy could be structured.

Current State Aid Programs

The Commissioner's office oversees 15 active state aid programs, remaining cohorts from two retired state aid programs, and five programs that are primarily federally funded. Attachment 1 briefly summarizes the 15 active state aid programs.

Nationally, each state and public system of higher education administers state aid unique to the needs of the students they serve. When comparing state aid across states, consideration should be granted to the multiple variables that contribute to the cost of higher education, including the state contribution to net revenue, state and institution tuition waivers, participation in federal aid programs, and state aid programs.

Each state funds higher education differently, complicating a direct comparison of state aid programs. Legislatures in some states, for example, fund higher education at a relatively lower percent of net

revenue and appropriate relatively more funds as state aid to benefit specific populations of students. Legislatures in other states, including Utah, appropriate a relatively higher percentage of net revenue and authorize tuition waivers as a strategy to attract and retain students. Attachment 2 compares the amount of grant and non-grant aid provided per capita for each state.

Possible Endowment Fund Uses

In accordance with the statutory intent of the endowment, the Commissioner suggests that the Board consider retaining 10 percent of endowment returns to use for Board initiatives and allocate the remainder to USHE institutions. Institution allocations could be used to supplement the following pre-identified eligible use programs:

- Utah Promise Grant
- Talent Development Grant (degree-granting institutions)
- Technical Education Scholarship (institutions with technical education programs)
- One Utah Service Fellowship (created by [S.B. 206 \(2024 GS\)](#))

Additionally, the policy could allow for institutions to submit a proposal to the Commissioner's office to request their endowment allocation be used to support alternative existing state aid programs or other potential uses consistent with statute. Flexibility to use the funds in this manner will promote a prudent use of funds based on each institution's unique needs. To the extent institution-proposed uses are novel, proposals should persuasively describe why the institution requests to use funds for new purposes rather than to supplement existing programs. The proposal should include detailed eligibility criteria, awarding procedures, and a post-award evaluation process of the program.

Possible Endowment Allocation Formula

The Commissioner proposes that the Board consider allocating the remaining 90 percent of annual endowment-eligible spending proceeds to USHE institutions at a 90/10 split, with USHE degree-granting institutions receiving 90 percent and 10 percent going to USHE technical colleges. Institution allocations could then be distributed to each institution based on the following:

- 50 percent — each institution's pro rata share of resident, undergraduate, budget-related, full-time equivalent students, as defined by [Board Policy R501-3.4](#), from the prior fiscal year.
- 50 percent — each institution's pro rata share of state aid allocated for the four eligible programs cited above from the prior fiscal year.

Attachment 3 shows the anticipated allocation based on this formula for FY 2025.

Commissioner's Recommendation:

The Commissioner recommends the Board review and consider elements of the Higher Education Student Success Endowment Spending Policy and provide the Commissioner with direction to come back with a proposal. At a future Board meeting, the Commissioner's office will propose an administrative rule that incorporates Board direction and recommendations.

Attachments

- Attachment 1 – Utah State Aid Program Summary
- Attachment 2 – National State Aid Comparisons
- Attachment 3 – Possible Endowment Proceeds Allocation Formula
- Attachment 4 – FY 2024 Endowment Monthly Change in Net Assets
- Attachment 5 – March 2024 Endowment Asset Allocation
- Attachment 6 – FY 2024 & FY 2025 Endowment Budget Estimates