



UTAH SYSTEM OF
HIGHER EDUCATION

MEMORANDUM

March 27, 2025

Legislative Update

The following report on the 2025 General Legislative Session summarizes higher education budget developments, outlines new statutory responsibilities, and provides other insights to help facilitate discussion at the March 27 Board meeting.

Budget Review

Revenue Environment: State revenue collections are expected to continue to flatten next year as interest rate earnings and corporate income tax payments are contracting, along with a normalization of sales tax and income tax collections more generally. Fiscal Year 2026 consensus revenue estimates settled at slightly more than \$300 million in combined ongoing General Fund and Income Tax Fund after an enacted \$143 million in income tax reductions, child care tax credits, and a single sales appropriation for financial institutions. After a downward revision to the December consensus estimates, one-time revenues measured -\$70 million, requiring on-budget repurposing of resources to fund new one-time legislative priorities.

For comparison, in FY 2023, state General Fund and Income Tax Fund appropriations increased by over \$1 billion ongoing and \$2 billion one-time, and in FY 2024, state General Fund and Income Tax Fund appropriations increased by over \$1.7 billion ongoing and \$2.5 billion one-time.

Operating Budget: The Legislature approved a \$87.3 million increase (4.9%) in state tax dollars to the System's operating budget. Moreover, the Legislature recognized the FY 2026 USHE consensus operating budget request, with more than 92% of new ongoing operating budget tax dollars supporting USHE consensus request items. New USHE one-time operating budget items were exclusively funded through USHE-related sources, such as one-time back-outs of performance funding and operations and maintenance funding.

Compensation

- **Salary and Benefits:** funding to support a 2.5% discretionary pay increase for higher education employees and parity with state employees for health and dental benefits increases.

Performance Funding

- 2024 GS Performance Funding: \$2,180,800 in previous-year performance funding was appropriated to Utah State University, Weber State University, and Mountainland Technical College as recoveries based on performance against the AY 2023-2024 adopted performance funding goals.
- New 2025 GS Performance Funding: \$9,709,500 of \$20,000,000 in new performance funding was appropriated ongoing to institutions, with the balance appropriated to the performance funding restricted account for future recovery.

Strategic Reinvestments: House Bill 1, *Higher Education Base Budget*, reallocated over \$60 million of degree-granting institution ongoing state tax appropriations to the Utah Board of Higher Education as a companion appropriation to HB 265, *Higher Education Strategic Reinvestment*. Upon completion and approval of institution strategic reinvestment plans, the UBHE will transfer this funding back to institutions in FY 2026.

Select Systemwide and Institutional Operating Budget Highlights

- Technical College Growth: \$4,707,000 in ongoing funding
- Technical College Equipment: \$5,000,000 in one-time funding, with intent language requiring equitable distribution of the funding.
- Cybersecurity Software and Tools: \$3,000,000 in one-time funding
- First Credential Initiative: \$1,000,000 in one-time funding to the Utah Board of Higher Education.
- Talent Ready Utah – Engineering and Computer Science Initiative: \$4,000,000 in ongoing funding.
- University of Utah - Spencer Fox Eccles School of Medicine in St. George: \$5,500,000 in ongoing funding.
- Southern Utah University – Workforce Alignment Partnership & Accelerated Master Degrees: \$1,000,000 in one-time funding.
- Utah Tech University – Higher Education for Incarcerated Youth Program Expansion: \$200,000 in one-time funding.
- Nucleus Institute – Innovation Support: \$847,000 in ongoing funding was transferred from the Governor’s Office of Economic Opportunity to the newly created Nucleus Institute (see HB 542 below).

Capital Budget: The Legislature appropriated nearly \$90 million in dedicated project funds to fully address the entirety of this year’s System request for dedicated capital projects. With respect to non-dedicated projects, \$8 million was appropriated for the planning and design of Dixie Technical College’s Trades and Technology Building and \$3.5 million was appropriated for Utah State University’s Math, Artificial Intelligence, and Data and Analytics Center. Additionally, \$500,000 was appropriated for the

design of Southern Utah University's Engineering and Computational Sciences Building, and \$36.5 million was appropriated for the construction of the Convergence Hall at The Point. Given the revenue environment as described above, a number of on-budget reductions were imposed in order to fund legislative priorities; this included a recommendation to reduce Fiscal Year 2026 ongoing appropriations to the Higher Education Capital Project Fund and Technical Colleges Capital Project Fund by \$49.5 million and \$12 million, respectively. While this reduction may decelerate future institutional dedicated projects, the System will be exploring alternative capital development frameworks and funding strategies over the interim.

Finally, Senate Bill 9 authorized \$65 million in bond issuance authority for the University of Utah Huntsman Cancer Institute Vineyard Campus Facility and \$100 million in bond issuance authority for Utah State University student housing projects, as requested by the Board. With this legislative authorization, institutions can move forward in engaging bond counsel and financial advisors to develop and propose financing terms for the Board's consideration.

Bill Review

HB 260, *First Credential Program*

[HB 260](#), sponsored by Representative Val Peterson and Senator Ann Millner, repeals the PRIME Program and establishes the First Credential Program.

The bill requires the Commissioner, State Superintendent of Public Instruction, and the Governor's Education Advisor to establish the **First Credential Oversight Committee**, which shall include representatives from industry (including professional associations or trade groups and employers from high-demand sectors), education (including members from the Utah State Board of Education, local education agency administrators, professionals from higher education institutions, career and technical education (CTE) specialists, and Talent Ready Utah), and workforce development experts (including representatives from the Department of Workforce Services). Duties of the First Credential Oversight Committee include establishing a **First Credential Master Plan**, which shall include:

- A framework for developing and maintaining a Master Credential List;
- A comprehensive needs assessment framework;
- Credential approval processes;
- Methods for ensuring industry demand alignment;
- Wage considerations for occupations associated with approved credentials;
- Clear definitions of industry-recognized credentials;
- Strategies for promoting stackability and sequencing of credentials;
- Approaches to ensure regional relevance of credentials;
- Mechanisms for collaboration between education, workforce development agencies, and industry;
- Strategies for continuous evaluation and improvement;

- Creation of a credentials review committee, including membership and duties;
- An established framework for planning, implementation, and student outcome performance funding for Local Education Agencies (LEAs) administering First Credential programming;
- A weighted system for the Master Credential List;
- Guidelines for LEAs to procure industry-recognized certification program licenses.

For LEAs, HB 260 creates a grant program for implementation and incentives for outcomes. The bill also creates a scholarship for students who complete the First Credential program. Finally, the bill allows the Board to make administrative rules pertaining to the job requirements related to regional pathways coordinators and leverage those coordinators in the deployment of the First Credential program.

Next steps for compliance are outlined in the table below:

Entity	Near-term action items
COMMISSIONER	In coordination with the State Superintendent of Public Instruction and Governor's Education Advisor, establish the First Credential Oversight Committee, ensuring the committee's makeup complies with the membership requirements of this bill.
COMMISSIONER'S OFFICE, BOARD	<p>Talent Ready Utah: participate on the First Credential Oversight Committee.</p> <p>Through practice and policy, ensure that credits earned for a First Credential certificate are accepted and transferrable across the System and are recognized by relevant industries as adequate preparation for employment.</p> <p>Annually determine the First Credential award amount and award First Credential scholarships to each student who earns a First Credential certificate and create and/or update Board policies (e.g., R6XX) pertaining to state aid to reflect the First Credential award parameters and eligibility as outlined in the bill.</p> <p>Adopt administrative rules pertaining to the job requirements of regional pathways coordinators.</p> <p>Leverage regional pathways coordinators in the development and deployment of the First Credential program.</p>
USBE	<p>Staff the First Credential Oversight Committee.</p> <p>Through the work of the committee, establish and maintain the Master Credential List.</p> <p>Develop an online application and submission system for credentialing organizations and providers to submit programs for inclusion in the Master Credential List.</p>

	<p>Develop clear mechanisms for students to understand how credentials can lead to other certificates and degrees.</p> <p>Foster partnerships between high schools, technical colleges, employers, and apprenticeship programs to ensure students have access to meaningful work-based learning opportunities.</p> <p>Award First Credential certificates to eligible students who fulfill credit/course requirements outlined in the bill.</p> <p>Administer the First Credential grant program for LEAs and award grants in accordance with the bill.</p>
FIRST CREDENTIAL OVERSIGHT COMMITTEE	<p>Develop the First Credential Master Plan and Master Credentials list; ensure the Master Plan addresses all the requirements outlined in the bill (see column to the left).</p> <p>Present the First Credential Master Plan to the Education Interim Committee by November 2025.</p> <p>Every three years, review the First Credential Master Plan and report a list of recommended updates to USBE, UBHE, DWS, the Education Interim Committee, and the Economic Development and Workforce Services Interim Committee.</p> <p>Review each LEA's submitted grant application and needs assessment and provide the LEA with specific recommendations for an implementation plan. The committee must then review the LEA's implementation plan, direct technical assistance to the LEA, provide feedback to improve implementation, approve each implementation plan that meets the established criteria, and award an implementation grant for each approved plan.</p>

HB 265, *Higher Education Strategic Reinvestment*

[HB 265](#), sponsored by Representative Karen Peterson and Senator Ann Millner, creates statutory requirements and processes regarding the \$60,452,700 that [HB 1](#) cut from degree-granting institutional budgets and reappropriated to the Board in a restricted account intended for strategic reinvestment.

In outlining provisions related to the strategic reinvestment exercise, the bill **requires the Board to establish standards for the reallocations and provide guidance** to the institutions of higher education on metrics and evaluative processes for the institutions to use in analyzing programs and budgets to develop the strategic reinvestment plan.

Once the Board establishes standards and provides guidance and metrics, the bill requires degree-granting institutions, in consultation with the Board, to **develop plans for reinvestment funds**. The

bill specifies that, as institutions develop their plans, they must utilize and contemplate demonstrated enrollment data, completion rate and timely completion data, discipline-related professional outcomes, current and future localized and statewide workforce demands, program-level costs, and the institution's mission and role within the System. Reinvestment plans must:

- Identify programs, courses, degrees, departments, colleges, or other divisions of the institution, operational efficiencies, and other components of the institution's instruction and administrative functions, including dean positions and other administrative positions, **that either merit further investment or that justify a reduction or elimination in order to shift resources.**
- **Retain a core general education curriculum** that enables students to acquire critical thinking, problem-solving, citizenship, communication, and other durable skills.
- **Include an accounting demonstrating the reallocation of resources** from the **reduced or eliminated items** to the strategic reinvestments in the following amounts over a three-year period:
 - For fiscal year 2026, no more than 70% of the total of the reinvestment funds dedicated to the institution;
 - For fiscal year 2027, no more than 30% of the total of the reinvestment funds dedicated to the institution.
 - For fiscal year 2028, 100% of the total of the reinvestment funds

Institutions must also adopt policies that comply with the bill's strategic reinvestment plan requirements and address a reduction or elimination of positions and other personnel decisions, internal institutional procedures regarding the reduction, elimination, creation, or modification of programs, courses, degrees, departments, colleges, or other divisions of the institution. HB 265 also specifies that a degree-granting institution may not supplant or supplement the cost of reduced or eliminated items from the reinvestment exercise through a tuition increase or with any state funds, except in fiscal year 2028, to the extent necessary to allow for teach-out.

Timeline: For FY 26, each institution will present its strategic reinvestment plan to the Board. If a strategic reinvestment plan is approved by the Board, the Board is responsible for presenting the plan to the Higher Education Appropriations Subcommittee in August 2025, and the plan will then go before the Executive Appropriations Committee in September 2025, where EAC will determine if the reinvestment plan complies with the requirements of the bill. Once EAC approves an institution's plan, the Board may transfer the reinvestment funds dedicated to the institution. For FY 27 and FY 28, the Board may transfer reinvestment funds if the respective degree-granting institution provides to the Board a report on the institution's progress in executing the strategic reinvestment plan and, after receiving a report from the Board regarding the institution's execution of the strategic reinvestment plan in the meeting of the Executive Appropriations Committee in September of 2026 and 2027, respectively, EAC makes a

determination that the relevant institution has progressed in executing the institution's strategic reinvestment plan in accordance with the requirements of the bill.

Penalties: If an institution fails to reallocate resources in accordance with its approved reinvestment plan, the bill requires EAC to reduce appropriations for the institution's instruction and administration in an amount equal to the amount the institution failed to properly reallocate.

In addition to the strategic reinvestment exercise, HB 265 also codifies the following:

- **Funding model redesign:** Requires the Board and Higher Education Appropriations Subcommittee to collaborate on a redesign of the performance funding and enrollment-based funding models.
- **Credit hour requirements:** Specifies that a degree-granting institution may not offer a bachelor's degree that exceeds 120 credit hours unless the Board authorizes the institution to do so, and the authorization is granted because the degree requires additional credit hours for professional licensure or because the degree has a nationally recognized accreditation standard mandating higher credit-hour minimums. Requires the Board to develop a process to grant conditional approval of accelerated three-year degrees to allow for the implementation of an accelerated degree upon accreditation.
- **Program review:** Moves the Board's program review requirements to a 5-year cycle instead of a 7-year cycle. Requires the Board to develop and use qualitative and quantitative standards for program review. Requires the Board to modify, consolidate, or terminate a program if the Board finds a program to be underperforming. Allows the Board to develop a performance improvement plan with annual progress reports for an underperforming program.

Next steps for compliance are outlined in the table below:

Entity	Near-term action items (FY 26)
BOARD, COMMISSIONER'S OFFICE	<p>Issue guidance to institutions on strategic reinvestment plans. Ensure the guidance establishes standards for plans and provides metrics and data tools for analysis.</p> <p>Review institutional strategic reinvestment plans and present approved plans to HEAS in August and to EAC in September.</p> <p>Transfer reinvestment funds to respective institutions accordingly (pending EAC's approval of strategic reinvestment plans).</p> <p>Engage with HEAS during the 2025 interim on a redesign of the performance funding and enrollment growth funding models.</p> <p>Update policy <u>R402: Certificate and Degree Award Structures</u> to reflect statutory language that a Bachelor's degree may not exceed 120 credit hours unless the Board approves additional credits because of professional licensure or accreditation requirements.</p>

	<p>Develop a process to grant conditional approval of accelerated three-year degrees to allow for the implementation of an accelerated degree upon accreditation.</p> <p>Update Board policy <u>R411: Cyclical Institutional Program Reviews</u> to reflect the shift from 7-year cycles to 5-year cycles.</p>
DEGREE-GRANTING INSTITUTIONS	<p>In consultation with the Board, develop strategic reinvestment plans that comply with the requirements of HB 265.</p> <p>Adopt policies that comply with the requirements of the strategic reinvestment plan requirements and address reduction or elimination of positions and other personnel decisions, internal institutional procedures regarding the reduction, elimination, creation, or modification of programs, courses, degrees, departments, colleges, or other divisions of the institution.</p>

Other Enacted Laws with Substantive Impacts for the Board, Commissioner’s Office, and USHE

Attachment 1 details bills that passed during the 2025 General Session that affect higher education. The attachment contains a brief description of each bill and, where relevant, outlines near-term action items required of the Board, the Commissioner’s Office, and USHE institutions.

Commissioner’s Recommendation

The Commissioner recommends that the Board adopt the attached FY 2026 Technical College Equipment Funding Distribution (Attachment 6). In light of the 2025 GS capital project budget actions, the Commissioner further recommends that the Board freeze the non-dedicated capital project prioritization list as last adopted by the Board for the FY 2027 budget cycle (Attachment 7) pursuant to Board policies R742-4 and R744-4.

Attachments

Attachment 1 – Passed Bills

Attachment 2 – Tax Fund Appropriations by Institution

Attachment 3 – USHE Capital Budget Appropriations

Attachment 4 – Higher Education & Technical College Capital Project Fund Balances

Attachment 5 – 2025 GS Performance Funding Appropriations

Attachment 6 – Proposed FY 2026 Technical College One-Time Equipment Funding Distribution

Attachment 7 – Degree-Granting and Technical College Non-Dedicated Capital Project Prioritization