

FY 2025 Preliminary Budget Guidance

Utah Board of Higher Education

8/10/23



UTAH
SYSTEM OF
HIGHER
EDUCATION

FY 2025 BUDGET CYCLE – KEY DATES

Aug. 10: UBHE Meeting and Budget Guidance Adoption

Aug. 14: Budget Request Initiatives Due to OCHE

Sept. 25 – Sept 28: Budget Hearings with the Governor's Office

Oct. 10: Legislative Subcommittee Voting on New Line Item Structure

Nov. TBD: AY 2022-23 Performance Goal Evaluation

Nov. 14: Legislative Interim Committee Meetings

Nov. TBD: UBHE Meeting and Budget Recommendations Adoption

Dec. TBD: Governor's Budget Released

Dec. 5: Legislative Executive Appropriations Committee

Dec. 15: Institutions Propose AY 2023-24 Performance Goals

Jan. TBD: UBHE Meeting and AY 2023-24 Performance Goal Adoption

Jan. 16: First day of 2024 General Session of Utah State Legislature

Utah System of Higher Education

Financial Summary 2023 General Session

| Revenues/Other Additions | 2021-22 Actual Appropriated | 2021-22 Actual All Sources |
|---------------------------------|----------------------------------------|---------------------------------------|
| Tuition and Fees | \$ 978,708,641 | \$ 988,041,604 |
| Operating Grants/ Contracts | | 1,001,474,195 |
| Sales/Services: Auxiliaries | 172,880 | 1,683,481,097 |
| Sales/Service: Hospitals | | 3,193,279,475 |
| Other Operating Revenue | 110,851,284 | 665,655,282 |
| State/Federal Appropriations | 1,162,563,355 | 1,271,816,188 |
| Federal/State Grants | 8,049,999 | 486,222,032 |
| Gifts/Contributions | | 230,896,601 |
| Investment Income | | (142,125,525) |
| Other Non-Operating | | 16,000,340 |
| Capital Appropriations | | 155,681,669 |
| Capital Grants & Gifts | | 77,983,662 |
| Additions to Endowments | 3,603,066 | 60,750,462 |
| Other Revenues | 354,307,190 | 378,638,589 |
| Total Revenues | \$2,618,256,416 | \$10,067,795,670 |

UTAH CODE 53b-7-101

(2) (a) The board shall recommend a combined appropriation for the operating budgets of higher education institutions for inclusion in a state appropriations act.

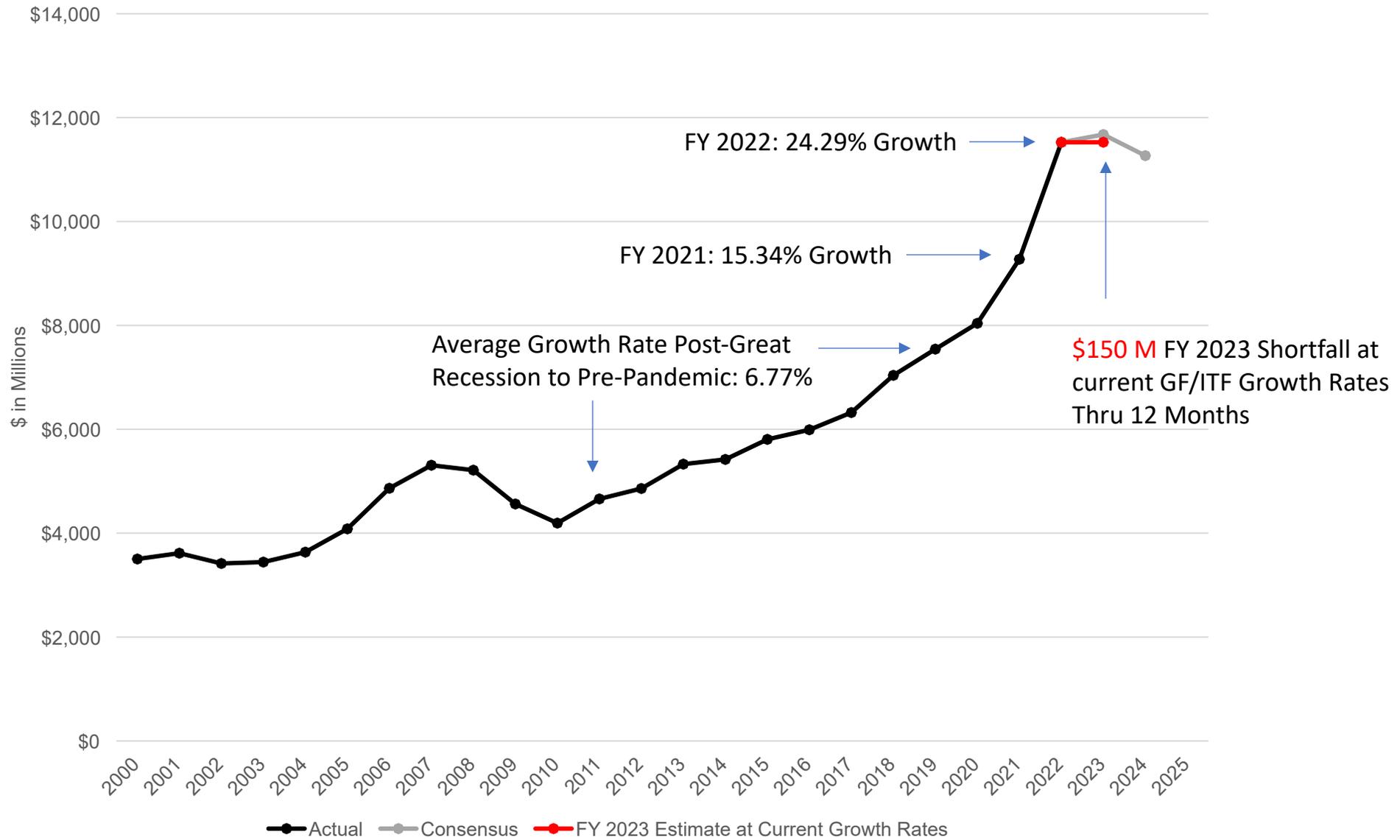
(b) The board's combined budget recommendation shall include:

- (i) Employee compensation;
- (ii) Mandatory costs...
- (iii) Performance Funding
- (iv) Statewide institutional priorities...
- (v) Enrollment growth

(5)(b) The appropriations recommended by the board shall be made with the dual objective of:

- (i) Justifying for higher education institutions appropriations consistent with their needs, and consistent with the financial ability of the state
 - (ii) Determining and equitable distribution of funds among the respective institutions in accordance with the aims and objectives of the statewide master plan for higher education.
-

Combined State General Fund and Income Tax Fund Revenue



FY 2024/2025 State Revenue & Budget Outlook

Extraordinary Revenue Growth Environment Over?

- State revenue growth has softened considerably as federal stimulus impacts wane and consumption patterns shift back toward pre-recession norms; will likely miss FY 2023 expectations

Mixed Economic Outlook & Lagged Rate Effects

- Elevated U.S. Recession Risk over the next 12-18 months & Federal Reserve rate hike signaling

State Expenditure Demands and Possible Foregone Revenue

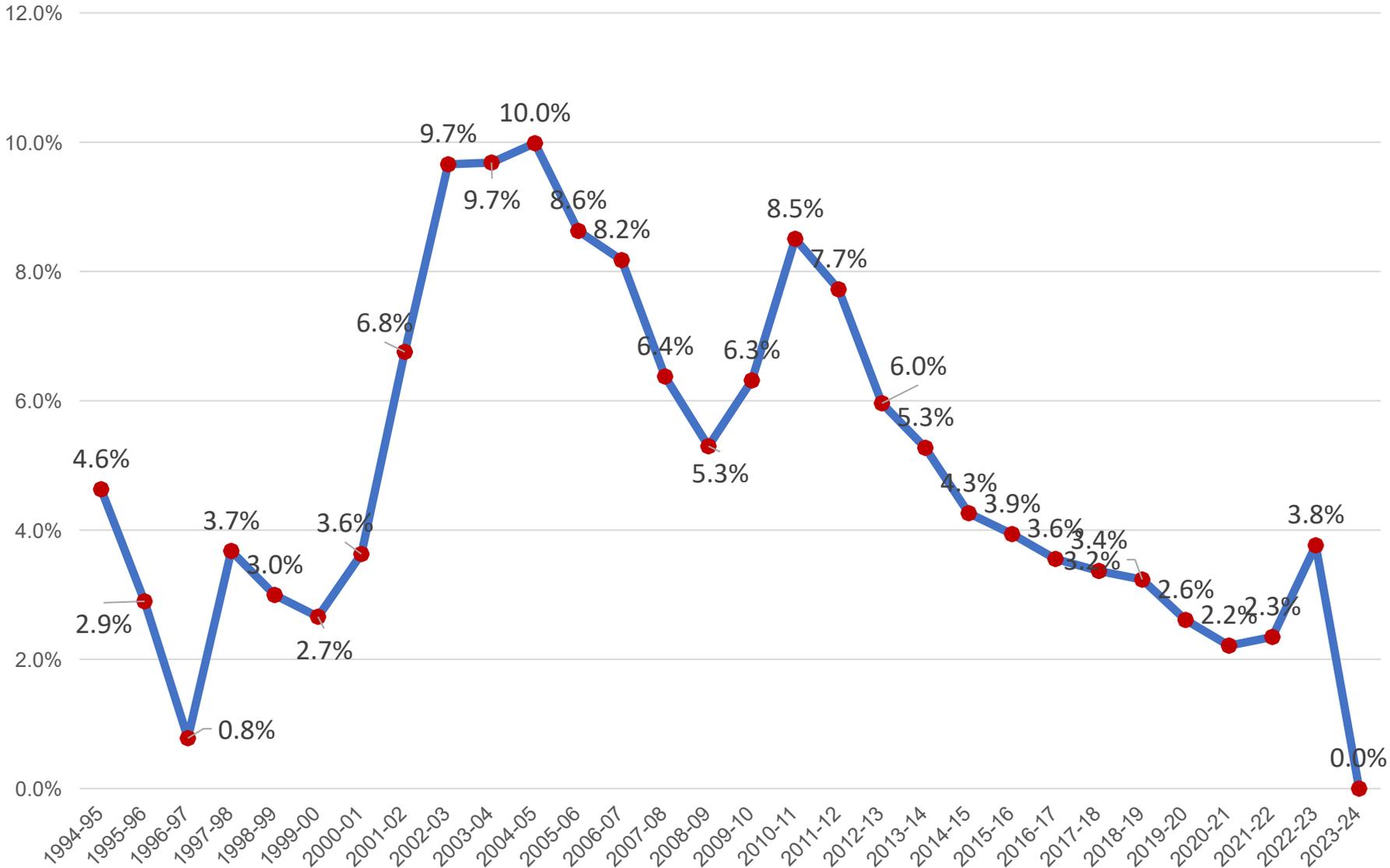
- Upcoming ballot initiative could remove state sales tax on food (\$200 M)
 - Counter-cyclical expenditure demands could accelerate in an economic downturn
-

FY 2025 PRELIMINARY INSTITUTION BUDGET PRIORITIES & GUIDANCE

- Minimal or no tuition or fee increases combined with conservative budget ask that recognizes state revenue environment
 - Mandatory cost increases
 - Compensation
 - Performance Funding
 - Growth Funding
 - Technical College & Degree Granting Equipment
 - Other System Priorities
 - Capital
 - New Request for Appropriation Prioritization Process
-

USHE TUITION & FEE INCREASE HISTORY

USHE Annual Percent Increase in Tuition and Fees (weighted average)



Source: USHE 2023 Databook

MANDATORY COST INCREASES

OCHE recommends that the Board request funding for mandatory cost increases. These increases typically includes appropriations for state-provided internal service fund (ISF) expenditures such as:

- Property, Liability, Cybersecurity and other Insurance
- Attorney General Services

In the 2023 General Session, the system was appropriated roughly \$5.5 million in state tax dollars for increases in ISF payment costs.

Degree-granting institutions receive state tax dollars to support 75% of the incremental cost increases, whereas technical colleges receive appropriations to fully cover the incremental cost increases.

COMPENSATION

OCHE recommends that the system requests parity with state employees for appropriated increases to support salary and health benefits for system employees.

In the 2023 General Session, the system was appropriated roughly \$148 million in state tax dollars to provide an 8.75% discretionary salary increase for higher education employees, along with increases to cover health and dental benefit costs commensurate with state employees.

Degree-granting institutions receive state tax dollars to support 75% of the incremental cost increases, whereas technical colleges receive 100%.

With inflation normalizing, it is likely that appropriated salary increases will return to a more typical 2-4% range.

PERFORMANCE FUNDING

OCHE tentatively recommends that the Board request \$50 million in new combined performance funding for degree granting institutions and technical colleges.

Institutions will submit detailed plans for how they intend to use performance funding.

In the 2023 General Session, the degree granting institutions were appropriated \$35 million for performance funding and technical colleges were appropriated about \$10.5 million in performance-equivalent funding.

Fiscal Year 2024 degree-granting performance funding may be reallocated based on academic year 2022-2023 performance.

Fiscal Year 2025 degree-granting and technical college performance funding will be allocated based on academic year 2022-2023 performance.

PRELIMINARY PROPOSED FY 2025 DEGREE-GRANTING INSTITUTION PERFORMANCE FUNDING REQUEST

| Institution | 2022-23 Annualized Budget FTE | % of Total | 50% \$ 20,000,000 | 2023-24 Total State Funded Appropriations | % of Approps | 50% \$ 20,000,000 | Eligible Performance Funding Amount | % of Total |
|--------------|-------------------------------|---------------|---------------------|-------------------------------------------|---------------|---------------------|-------------------------------------|---------------|
| UU | 32,436 | 25.98% | \$5,196,400 | \$586,731,400 | 37.70% | \$7,539,200 | \$12,735,600 | 31.84% |
| USU | 20,704 | 16.58% | \$3,316,900 | \$321,370,500 | 20.65% | \$4,129,400 | \$7,446,300 | 18.62% |
| WSU | 14,104 | 11.30% | \$2,259,600 | \$150,344,100 | 9.66% | \$1,931,800 | \$4,191,400 | 10.48% |
| SUU | 10,342 | 8.28% | \$1,656,900 | \$74,420,700 | 4.78% | \$956,300 | \$2,613,200 | 6.53% |
| SNOW | 3,990 | 3.20% | \$639,200 | \$41,615,300 | 2.67% | \$534,700 | \$1,173,900 | 2.93% |
| UT | 7,866 | 6.30% | \$1,260,200 | \$64,469,100 | 4.14% | \$828,400 | \$2,088,600 | 5.22% |
| UVU | 23,546 | 18.86% | \$3,772,200 | \$188,583,700 | 12.12% | \$2,423,200 | \$6,195,400 | 15.49% |
| SLCC | 11,851 | 9.49% | \$1,898,600 | \$128,953,900 | 8.28% | \$1,657,000 | \$3,555,600 | 8.89% |
| Total | 124,839 | 100.0% | \$20,000,000 | \$1,556,488,700 | 100.0% | \$20,000,000 | \$40,000,000 | 100.0% |

PRELIMINARY PROPOSED FY 2025 TECHNICAL COLLEGE PERFORMANCE FUNDING REQUEST*

| Institution | 2021-22 Annualized Budget FTE* | % of Total | \$ 50% 5,000,000 | 2023-24 Total State Funded Appropriations | % of Approps | \$ 50% 5,000,000 | Eligible Performance Funding Amount | % of Total |
|--------------|--------------------------------|---------------|--------------------|-------------------------------------------|---------------|--------------------|-------------------------------------|---------------|
| BTC | 829 | 14.37% | \$718,400 | \$23,177,700 | 12.86% | \$642,900 | \$1,361,300 | 13.61% |
| DTC | 1,142 | 19.79% | \$989,600 | \$27,458,200 | 15.23% | \$761,600 | \$1,751,200 | 17.51% |
| DXTC | 444 | 7.70% | \$384,800 | \$20,230,900 | 11.22% | \$561,100 | \$945,900 | 9.46% |
| MTC | 1,049 | 18.18% | \$909,100 | \$28,011,000 | 15.54% | \$776,900 | \$1,686,000 | 16.86% |
| OWTC | 939 | 16.27% | \$813,700 | \$24,535,300 | 13.61% | \$680,500 | \$1,494,200 | 14.94% |
| SLCC | 203 | 3.51% | \$175,600 | \$12,669,200 | 7.03% | \$351,400 | \$527,000 | 5.27% |
| Snow | 258 | 4.47% | \$223,600 | \$5,279,600 | 2.93% | \$146,400 | \$370,000 | 3.70% |
| SWTC | 185 | 3.21% | \$160,300 | \$9,214,300 | 5.11% | \$255,600 | \$415,900 | 4.16% |
| TTC | 237 | 4.11% | \$205,400 | \$8,567,000 | 4.75% | \$237,600 | \$443,000 | 4.43% |
| UBTC | 186 | 3.22% | \$161,200 | \$13,528,900 | 7.50% | \$375,200 | \$536,400 | 5.36% |
| USU | 298 | 5.17% | \$258,300 | \$7,600,700 | 4.22% | \$210,800 | \$469,100 | 4.69% |
| Total | 5,770 | 100.0% | \$5,000,000 | \$180,272,800 | 100.0% | \$5,000,000 | \$10,000,000 | 100.0% |

*Allocation estimate based on 2021-22 FTE, will be updated by fall of 2023

DEGREE-GRANTING PERFORMANCE FUNDING PROPOSAL FOR FY 2024 ONGOING FUNDS

| Institution | Ongoing FY 2024 Performance Funding Proposal | | | Ongoing Available by Metric | | |
|-----------------------------|----------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------|--------------------|--------------------|
| | Original FY 2024 Eligible Amount | FY 2024 Earned Metric Amount (Recommended Base Ongoing) | Additional FY 2024 Ongoing Funding Available Based on New Performance Funding Model | Access | Timely Completion | High-Yield |
| University of Utah | \$10,138,000 | \$6,082,800 | \$4,055,200 | \$1,351,733 | \$1,351,733 | \$1,351,733 |
| Utah State University | \$7,004,200 | \$4,202,500 | \$2,801,700 | \$933,900 | \$933,900 | \$933,900 |
| Weber State University | \$3,571,400 | \$3,571,400 | \$0 | | | |
| Southern Utah University | \$2,308,400 | \$2,308,400 | \$0 | | | |
| Utah Tech University | \$1,928,100 | \$1,928,100 | \$0 | | | |
| Utah Valley University | \$5,473,700 | \$5,473,700 | \$0 | | | |
| Snow College | \$1,113,900 | \$1,113,900 | \$0 | | | |
| Salt Lake Community College | \$3,462,300 | \$2,943,000 | \$519,300 | \$173,100 | \$173,100 | \$173,100 |
| Total | \$35,000,000 | \$27,623,800 | \$7,376,200 | \$2,458,733 | \$2,458,733 | \$2,458,733 |

ENROLLMENT GROWTH

OCHE recommends that the Board request enrollment growth funding for degree-granting institutions and technical colleges. Pursuant to legislative intent, growth model methodologies will contemplate net growth across institution course levels.

At current enrollment levels, degree-granting institutions are not expected to qualify for new incremental growth funding. Technical college enrollment counts will be available for use in growth calculations later this fall.

In the 2023 General Session, Southern Utah University was the only degree granting institution to qualify for enrollment growth funding (\$604,000). Technical colleges will follow a newly adopted growth model in FY 2025. Based on same growth model as degree-granting institutions.

EQUIPMENT

OCHE recommends that the Board request funding for institution equipment that is needed for growing programs. Institutions shall submit detailed requests to the Commissioner's Office, demonstrating critical needs in this area. Requests may be refined for commensurability with projected state revenue.

In the 2023 General Session, technical colleges received \$3 million in ongoing appropriations for equipment.

OTHER SYSTEM PRIORITIES

OCHE recommends that the Board, at the Board's discretion, identify and consider for prioritization funding needs for any other strategic initiatives that may impact multiple institutions or the system as a whole.

CAPITAL REQUESTS

- Dedicated Projects
 - Non-Dedicated Projects
 - Landbank Requests
 - Capital Improvements
-

HIGHER EDUCATION CAPITAL PROJECTS FUND

Higher Education Capital Projects Fund Current (FY 24) and Anticipated Status (FY 25)

| School | 2023 General Session: FY 24 | | | 2024 General Session: FY 25 | | |
|--------|-----------------------------|---------------|----------------|-----------------------------|------------------|---------------|
| | Beginning Balance | Allocations | | Balance | Base Approp. (e) | Balance (e) |
| | | To Fund | From Fund | | | |
| UU | \$15,371,500 | \$20,251,300 | \$(35,543,000) | \$79,800 | \$20,251,300 | \$20,331,100 |
| UVU | \$0 | \$16,211,200 | \$0 | \$16,211,200 | \$16,211,200 | \$32,422,400 |
| USU | \$0 | \$13,457,700 | \$(13,457,700) | \$0 | \$13,457,700 | \$13,457,700 |
| SUU | \$0 | \$11,533,600 | \$(11,533,600) | \$0 | \$11,533,600 | \$11,533,600 |
| UTU | \$0 | \$11,141,800 | \$0 | \$11,141,800 | \$11,141,800 | \$22,283,600 |
| WSU | \$0 | \$11,389,700 | \$(8,332,400) | \$3,057,300 | \$11,389,700 | \$14,447,000 |
| SLCC | \$9,031,700 | \$8,783,200 | \$(17,814,900) | \$0 | \$8,783,200 | \$8,783,200 |
| Snow | \$8,018,200 | \$7,921,200 | \$0 | \$15,939,400 | \$7,921,200 | \$23,860,600 |
| Total | \$32,421,400 | \$100,689,700 | \$(86,681,600) | \$46,429,500 | \$100,689,700 | \$147,119,200 |

(e) = estimate based on anticipated base budget appropriation

DEGREE-GRANTING DEDICATED PROJECTS

Utah State University: Human Resources Building

\$4,987,700 Higher Education Capital Projects Fund

\$5,000,000 Institution Funds

Total Project Cost = \$9,987,700

-\$9,800 in O&M Income Tax Fund

Request is to demolish and exit the East Campus Office Building, which is at the end of its useful life, and replace with new 12,698 sqft building to house USU Human Resource staffing and operations.

DEGREE-GRANTING NON-DEDICATED PROJECTS

Snow College: Center for Rural Studies and Community Development

\$23,860,600 Higher Education Capital Projects Fund

\$17,404,400 Income Tax Fund

\$735,000 Institution Funds

Total Project Cost = \$42,000,000

\$471,300 in O&M Income Tax Fund

Request is to construct 45,030 sqft of new space to support competency-based education, computer methodology courses, inter-disciplinary studies and rural development outreach, among other activities.

TECHNICAL COLLEGE CAPITAL PROJECTS FUND

Tech Colleges Dedicated Capital Projects Fund Current (FY 24) and Anticipated Status (FY 25)

| 2023 General Session: FY 24 | | | | 2024 General Session: FY 25 | |
|-----------------------------|--------------------------|----------------|---------|-----------------------------|--------------|
| Base Approp. | Additional Approps. | | Balance | Base Approp. (e) | Balance (e) |
| | To Fund | From Fund | | | |
| \$7,310,000 | \$19,310,300 | \$(26,620,300) | \$0 | \$19,310,300 | \$19,310,300 |
| | <i>Mountainland Tech</i> | \$(26,620,300) | | | |

(e) = estimate based on anticipated base budget appropriation

TECHNICAL COLLEGE NON-DEDICATED PROJECTS

Ogden-Weber Technical College: Pathway Building

\$19,310,300 Technical College Capital Projects Fund

\$60,651,700 Income Tax Fund

Total Project Cost: \$79,962,000

\$630,100 in O&M (ITF)

Request is to construct 121,798 sqft in new building space to support program expansion in business, computer programming, graphic design, real estate, plumbing apprenticeship and electrical apprenticeship serving an additional 900 students.

LANDBANK REQUESTS

Southern Utah University: Highway 56 Phoenix Plaza

\$4,635,000 Income Tax Fund

\$162,600 in O&M (ITF)

Request is to purchase 3.39 acres of classroom and office space nearly adjacent to the main campus. The new space will accommodate graduate and online program administrative staff and the instructional arm of the SUU Aviation Program.

Snow College: Nephi Property

\$2,000,000 Income Tax Fund

Request is to purchase 5.44 acres of undeveloped land contiguous with a 5.0-acre parcel secured through an FY 2024 landbank request in Nephi. Snow College intends to use dedicated project funds in future years to construct buildings on the land and meet the growing education needs of Juab county.

RFA PRIORITIZATION REQUIREMENT

SB 146 of the 2023 GS enacted a new requirement for UBHE to *provide to the Higher Education Appropriations Subcommittee a prioritization of all projects and proposals for which the board or an institution of higher education seeks an appropriation.*

OCHE will be developing institution guidance and processes for collecting these requests. Will require coordination between legislative reps, budget officers and other institution leaders to assemble and report.

Expect that reported items will be de-duplicated and unique from other institution requests (e.g. performance funding items, any system-wide priorities, etc.)



UTAH SYSTEM OF
HIGHER EDUCATION