

August 19, 2009

MEMORANDUM

TO: State Board of Regents
FROM: William A. Sederburg
SUBJECT: Proposed USHE Budget Request for 2010-2011

Issue

State statute requires the State Board of Regents to “recommend a combined appropriation for the operating budgets of higher education institutions for inclusion in the state appropriations act” (UCA 53B-7-101(1)).

To create the USHE Operating Budget Request for fiscal year 2011, the State Board of Regents, Council of Presidents, Business Affairs Council, Budget Officers and representatives from the Office of the Commissioner of Higher Education have held meetings to discuss the funding request for the upcoming year. Consistent with the strategic plan of the State Board of Regents, the budget discussions focused on the funding necessary to increase participation, retention and to further economic development within the state. In recognition of the current economic conditions, discussions targeted current institutional necessities consistent with a budget request plan for future years.

The attached budget recommendation focuses on four major priorities: Compensation, Continuing Operating Costs, State Board of Regents’ Strategic Plan and Institutional & USHE Priorities. Additionally, the request seeks one-time and supplemental appropriations to support higher education initiatives, operations and to sufficiently fund successful student scholarship programs.

In support of the 2010-2011 USHE Budget Request, the Commissioner and his staff have prepared two attachments.

- Attachment 1 provides the Operating Budget Request for FY2010-2011.
- Attachment 2 provides a memo from the Commissioner describing Mission-Based Funding.

Commissioner’s Recommendation

The Commissioner recommends approval of the FY 2011 budget recommendation.

WAS/GLS/PCM
Attachment

William A. Sederburg
Commissioner of Higher Education

Utah System of Higher Education

Operating Budget Request Summary (Tax Funds Only)

FY 2010-11 and FY 2009-10 Supplemental

ESTIMATED FY 2010-11 STATE TAX FUNDS ADJUSTED BASE BUDGET **\$ 640,610,400**

USHE BUDGET PRIORITIES (On-Going Increase) **\$61,478,900 plus Compensation & TBD**

		<i>Base Compensation</i>
1. Compensation		
A. Base Compensation Package* (Flexibility in Implementation - Not COLA)	<i>TBD</i>	
2. Continuing Operating Costs		32,997,200
A. Ongoing Base Adjustments		
1. Utility Rate Increases **	<i>TBD</i>	
2. O&M Requests for Non-State Funded Projects (Updated For FY2011)	2,997,200	
B. Mission-Based Funding***	30,000,000	
3. State Board of Regents' Strategic Plan		15,505,000
A. Participation		
1. Regents' Scholarship	2,750,000	
2. New Century Scholarship	1,705,000	
3. Utah Scholars/Participation Outreach	75,000	
4. UCOPE/Need Based Aid	5,000,000	
5. Student Text Book Initiative	75,000	
B. Completion		
1. Guidance Counselors & Advisors	1,400,000	
2. Student Success & First-year Initiatives	1,000,000	
C. Economic Development		
1. Cluster Acceleration Partnership - CAP (USHE, DWS, GOED, USTAR)	1,000,000	
2. Engineering Initiative	2,000,000	
3. STEM Education Initiative	500,000	
4. Institutional & USHE Priorities		12,976,700
A. Institutional Priorities	8,000,000	
B. SBR Programming	445,000	
C. IT Infrastructure	4,281,700	
D. Academic Library Consortium	250,000	

ONE-TIME INCREASES **\$4,218,000**

1. USU/CEU Merger	<i>TBD</i>	\$4,218,000
2. SBR Programming	140,000	
3. Space Utilization Study	400,000	
4. Cluster Acceleration Partnership - CAP (USHE, DWS, GOED, USTAR)	400,000	
5. IT Infrastructure	3,028,000	
6. Academic Library Consortium	250,000	

SUPPLEMENTAL INCREASES **\$3,809,700**

1. Utility Rate Increases	<i>TBD</i>	\$3,809,700
2. O&M Requests for Non-State Funded Projects	2,109,700	
3. Regents' Scholarship	200,000	
4. New Century Scholarship	1,500,000	

REQUEST SUMMARY

USHE Budget Priorities	\$61,478,900 plus Compensation & TBD	
	USHE Priorities Request Percent Increase	9.6%
One-time Increases		\$4,218,000
Supplemental Increases		\$3,809,700

Notes:

*Equitable Compensation Package with State and Public Education Employees

**Utility Rate Increase Information Due From Campuses August 21

***Mission-Based Funding Request (See Attachment 2 - Commissioner's Memo)

To: Regents
 From: Wm. Sederburg
 Re: Mission-Based Funding

At the July Board of Regents meeting there was considerable support for creating a funding request for “mission-based programs.” As I understood the conversation, the idea was to incorporate enrollment growth funding as part of a broader request category of Mission-Based funding, one that would include research funding for research universities and incentives for other schools that are not being asked to or are not likely to grow significantly (i.e., Southern Utah University). *The concept is to incentivize the behavior of institutions to fulfill their missions with quality.*

In a memo to college presidents I raised four questions about this issue:

- 1) How should we define the roles played by each institution as it relates to enrollment growth?
- 2) What criteria should be used in approaching the legislature for non-enrollment initiatives?
- 3) Should the funding request be part of “formula funding” as part of an initiative to include both activities?
- 4) How should we proceed to respond to this issue?

After a brief discussion, the presidents concluded that we should proceed with a request for a mission-based fund that would provide incentive grants for (1) enrollment growth and course completion, (2) increasing non-state funded research, and (3) increasing the number of students going from SUU to graduate school. The presidents preferred the following approach among the three options provided:

- 1) We should request an amount of money for an “accountability initiative” (i.e., \$30 million or an amount equal to the growth of the WPU for K-12). The money would be separated into two funds: enrollment growth and non-enrollment growth missions.
- 2) We would determine which institutions want to be held accountable for growth, research, or graduate school preparation. Enrollment growth institutions include WSU, UVU, DSC, CEU, SC, and SLCC. The branch campuses of USU may also be eligible for growth dollars. Research institutions include the U of U and USU. SUU is identified as providing high-quality undergraduate education leading to graduate study.
- 3) We request an amount of money for the mission-based accountability initiative. Whatever is requested (i.e., \$30 million) is divided into the two categories based on last AY 2009 state funding.
- 4) Growth institutions will be granted an amount per new student who completes their chosen course. Research Institutions (U of U and USU) will be granted a percentage of the funds based on increased research funding from foundations, federal government, and corporations. SUU would receive an increase for each additional student they send to graduate school.

I have since reviewed various state strategies for approaching “mission-based funding.” A number of states are providing “incentive grants” or “success grants” that reward institutions based on their success in meeting specific outcomes. Ohio is the lead state in using this approach. In the 1990s Ohio created a “Challenge” program consisting of four parts. An “Access Challenge” was given to all two-year

campuses to increase and retain the number of under-represented students. A “Success Challenge” was given to four-year institutions to increase retention. A “Research Challenge” was given to increase research at the research universities. Additional funds were provided if the campuses succeeded. An additional “Jobs Challenge” was provided for the technical campuses.

Other states have approached mission-based funding differently. For example, Pennsylvania has the most extensive “accountability program” where 8% of their total funding is redistributed based on specific goals identified by the PASSHE (Pennsylvania State System of Higher Education) Board of Regents. The funding measures are:

- Degrees awarded.
- Second-year persistence (overall and ethnic minority).
- Graduation rates (two- and four-year, overall and ethnic minority).
- Faculty "productivity" (student credit hours per faculty FTE).
- Faculty diversity (ethnic minority).
- Personnel ratio (personnel costs as percentage of overall costs).
- Faculty with terminal degrees.
- Instructional cost per student FTE.

The Regents’ proposal for mission-based funding is likely to be academic this year, given the fact resources are limited. However, it is a good time to talk about various approaches we could use. Dennis Jones of NCHEMS is working with us in reviewing different state strategies.

Recommendation: The Board of Regents support \$30 million for a result-based accountability program that incorporates the missions of the USHE colleges and universities. These missions include research for USU and U of U, enrollment growth based on course completion at UVU, WSU, DSC, SC, CEU, USU’s branch campuses, and graduate school preparation at SUU. The details of the proposal will be determined over the coming three months with input from each institution and be ready for presentation to the Legislature in the 2010 session.