



HIGHER EDUCATION PERFORMANCE FUNDING

HIGHER EDUCATION
STAFF: SPENCER PRATT

ISSUE BRIEF

SUMMARY

During the 2017 General Session, the Legislature passed S.B. 117, Higher Education Performance Funding, which requires that a certain amount of individual income tax revenue be deposited into restricted account to be used for higher education institutions that meet certain performance metrics.

DISCUSSION AND ANALYSIS

S.B. 117 establishes a restricted account within the Education Fund known as the Performance Funding Restricted Account. The account receives 14 percent of the estimated revenue growth from targeted jobs in FY 2019 and 20 percent in FY 2020 and thereafter. The Legislature may then appropriate funds from the restricted account to those higher education institutions and technical colleges that have demonstrated that they have met the required performance as outlined in 53B-7-705 (6). The 14 percent was estimated to be \$11,500,000 (for FY 2019) and the 20 percent was estimated to be \$16,500,000 (for FY 2020 and beyond). The fiscal note showed the full \$16,500,000 as the cost in FY 2018 and FY 2019, but was offset by one-time expenditure of (\$16,500,000) in FY 2018 and (\$5,000,000) in FY 2019.

Initial funding in FY 2018 for higher education performance funding was a one-time direct appropriation to the State Board of Regents for \$6,500,000 from the Education Fund, since the restricted account was not yet established. All of this funding went to the higher education institutions, giving the Utah System of Technical Colleges this year to develop its metrics. The funding for FY 2019 and beyond will be split with 90 percent going to the higher education institutions and the other 10 percent going to the technical colleges.

Included in the FY 2019 Base Budget is the original estimate of \$16,500,000. Because FY 2019 is the phase-in year, the allocation is estimated at \$11,500,000, which would require a one-time reduction of \$5,000,000. The Analyst recommends that the Subcommittee approve this one-time reduction to be included in the FY 2019 Base Budget bill.

The legislation requires both the Board of Regents and the Board of Trustees to report their performance funding models to the Higher Education Appropriations Subcommittee. The two Boards will present their models to the Subcommittee in the October meeting.

