

# Education and General Accountable Budget Review

2019 House Joint Resolution 18 Process

*Higher Education Appropriations Subcommittee*

*August 2019*



UTAH STATE  
**LEGISLATURE**

## HJR18: Joint Rules Resolution on Base Budgeting Provisions

### *Background*

- This legislation was passed during the 2019 General Session to require each subcommittee to review all appropriations under their purview every 5 years.
- The reviewed appropriations would be considered as part of their own, separate base budget in the next legislative session.
- The aim of the legislation is to allow for regular reviews of all appropriations to ensure that tax resources are being used wisely.

HJR18: Joint  
Rules Resolution  
on Base  
Budgeting  
Provisions

*Review Order*

- 2019 – USHE Education and General
- 2020 - UTECH and USHE Career and Technical Education Funding
- 2021 - USHE Non-Core Educational Expenditures and UTECH Administration
- 2022 - USHE Non-Traditional Educational Expenditures
- 2023 - USHE and UTECH System and Student Support Expenditures

# HJR18: Joint Rules Resolution on Base Budgeting Provisions

*By The Numbers*

- Higher Education Line Items (By the Numbers):
  - 101 Total Line Items and Programs:
    - University of Utah – 16 Line Items and Programs
    - Utah State University – 16 Line Items and Programs
    - Weber State University – 3 Line Items and Programs
    - Southern Utah University – 5 Line Items and Programs
    - Utah Valley University – 3 Line Items and Programs
    - Snow College – 4 Line Items and Programs
    - Dixie State University – 4 Line Items and Programs
    - Salt Lake Community College – 4 Line Items and Programs
    - State Board of Regents – 26 Line Items and Programs
    - Technical Colleges – 16 Line Items and Programs
    - UTECH Admin – 4 Line Items and Programs

# HJR18: Joint Rules Resolution on Base Budgeting Provisions

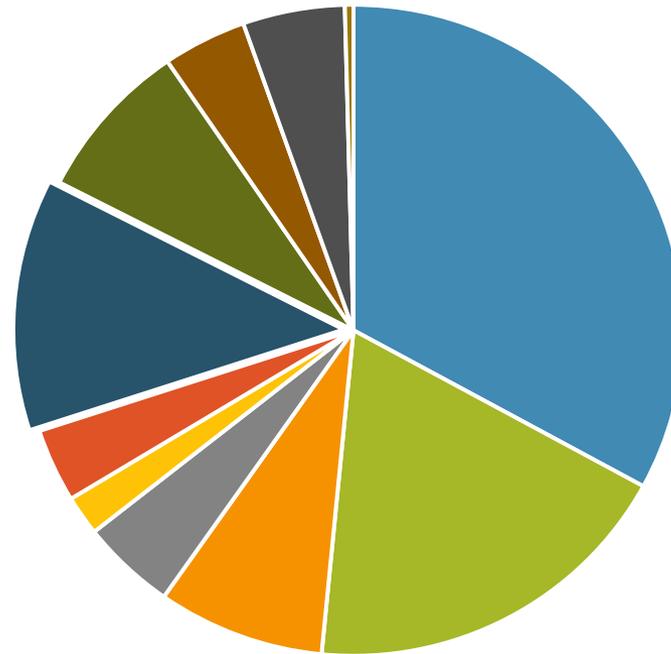
*By The Numbers  
(cont'd)*

- Higher Education Line Items (By the Numbers):
  - \$2.097 Billion Total Appropriated (FY 2020):
    - University of Utah – \$691.2 million;
    - Utah State University – \$389.9 million;
    - Weber State University – \$171.8 million;
    - Southern Utah University – \$97.3 million;
    - Utah Valley University – \$262.5 million;
    - Snow College – \$41.3 million;
    - Dixie State University – \$76.6 million;
    - Salt Lake Community College – \$167.1 million;
    - State Board of Regents – \$86.2 million;
    - Technical Colleges – \$104.8 million; and
    - UTECH Admin – \$8.8 million.

# HJR18: Joint Rules Resolution on Base Budgeting Provisions

*By The Numbers (cont'd)*

## FY 2020 Higher Education Budget



- University of Utah
- Utah State University
- Weber State University
- Southern Utah University
- Snow College
- Dixie State University
- Utah Valley University
- Salt Lake Community College
- Board of Regents
- Technical Colleges
- Technical College Administration

HJR18: Joint  
Rules Resolution  
on Base  
Budgeting  
Provisions

*Education and  
General Line Items*

- Education and General (E&G) Line Items:
  - \$1.689 Billion Total Appropriated (FY 2020):
    - University of Utah – \$583.8 million;
    - Utah State University – \$300.1 million;
    - Weber State University – \$171.4 million;
    - Southern Utah University – \$97.1 million;
    - Utah Valley University – \$262.3 million;
    - Snow College – \$39.9 million;
    - Dixie State University – \$76.4 million; and
    - Salt Lake Community College - \$158.9 million.

## HJR18: Joint Rules Resolution on Base Budgeting Provisions

### *A-1 Reports*

- USHE institutions use a report called the A-1 form to account for the budgeted and actual use of appropriated funds during a fiscal year.
- This report is prepared to provide a financial accounting to the State Board of Regents, Legislature and Governor.
- The reports are aligned with the NACUBO reporting categories and their internal accounting must follow Generally Accepted Accounting Principles (GAAP)/ Governmental Accounting Standards Board (GASB) for all state and regent budgets.

2019 General Session											
FY 2019-2020											
Form A-1 Budget Year. Appropriated funds expenditures, transfers, and revenues, by line item and program											
University of Utah											
Institution Total											
NO DATA ENTRY REQUIRED ON THIS PAGE				Public	Academic Support		Student Services		Institutional	O&M	
	Instruction	Research	Service	Libraries	Other	Athletics	Other	Support	Scholarships	Plant	
<b>A. Expenditures &amp; Transfers Out</b>											
<b>FTE</b>											
1.	Regular Faculty	1,272.70	117.53	9.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.	Adjunct / Wage Rated Faculty	222.93	38.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.	Teaching Assistants	316.10	0.00	1.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Executives	0.00	0.00	3.35	4.49	1.84	0.00	5.36	40.64	0.00	1.00
5.	Staff	606.26	25.00	132.41	285.18	235.75	0.00	165.08	437.71	0.00	350.75
6.	Total FTE (lines 1 to 5)	2,417.99	180.91	147.31	289.67	237.59	0.00	170.44	478.35	0.00	351.75

## A-1 Reports

*\*This is an example of the organization of an A-1 Report*

## Accountable Budget Process

### Institution Comments

We surveyed institutions to get their feedback on their line item structure and suggested changes if any, their feedback included:

- *"I believe higher ed is best served by keeping its line item and reporting structure as simple as possible."*
- *"We recommend combining Ed Disadvantaged with E&G into one appropriation. We also recommend eliminating the separation of O&M for certain building within the E&G line item."*
- *"...the current institutional line item structure that includes Educationally Disadvantaged and O&M does not add value to the financial reports. The Educationally Disadvantaged line item is only a small portion of an effort without a definition, and the O&M likewise with the total already reported as a NACUBO program under E&G."*
- *"Regarding SBR line items, several current line items and programs are supporting administration that we recommend be consolidated into the Administrative line item for clarity and efficiency."*

Higher  
Education  
Spending  
Transparency  
Resources

USHE Databooks

- Utah System of Higher Education Databooks:
  - USHE collects data from all 8 institutions.
  - Standard collection helps in planning, management, and reporting.
  - Databooks back to 1987 can be found here: (<https://ushe.edu/reports-and-data/data/>)
  - Databooks contain the following (not a comprehensive list): Degrees & Awards, Enrollments, Tuition & Fees, Budget History, Staffing Levels and Facility Information.

# Higher Education Spending Transparency Resources

## Campus Transparency

- Individual schools may also have financial and budget information posted on their own websites.
- These can provide a resource for the public to determine how both public and private funds are being spent on campuses.
- There is no current requirement in statute for institutions to post audited financial statements, budget documents, audits or other financial information on their websites, however, some have:
  - [Utah State University](#)
  - [Weber State University](#)
  - [Southern Utah University](#)
  - [Dixie State University](#)
  - [Utah Valley University](#)
  - [University of Utah](#)
  - [Salt Lake Community College](#)
- Regent policy R561-3 requires annual financial reports from every institution and they are posted on the Regents website each year: <https://ushe.edu/office-of-commissioner/institutional-resources/budget-finance/>

## **Issue:**

- There is no current requirement in statute for institutions to post audited financial statements, budget documents, audits or other financial information on their websites;

## **Proposed Solution:**

- We recommend the Legislature consider the following:
  - Outline requirements for USHE/UTECH institutions to post standardized budget and financial information on their websites.
  - Require Institutions or USBR to report on this information annually.

# Education and General Expenditures

## *Background*

- Each institution in the Utah System of Higher Education has a separate line item for appropriated funds entitled Education and General (E&G).
- E&G expenses are divided at the campus level into categories based on expense functions developed and adopted by The National Association of College and University Business Officers (NACUBO);
  - NACUBO is a membership organization representing more than 1,900 colleges and universities across the country;
  - NACUBO specifically represents chief business and financial officers through advocacy efforts, community service, and professional development activities.
  - The association's mission is to advance the economic viability, business practices and support for higher education institutions in fulfillment of their missions.

# Education and General Expenditures

*Background (cont'd)*

- Education and General (E&G) Line Item Spending Expense Categories:
- **Instruction** -- All expenditures associated with instruction including academic, vocational and remedial education.
- **Research** -- All expenditures related to research and development.
- **Public Service** -- Funding for non-instructional services including the Cooperative Extension at Utah State University.
- **Academic Support** -- Support services to meet the primary mission of the institution such as libraries, museums, computer support and academic deans.

## Education and General Expenditures

*Background (cont'd)*

- Education and General (E&G) Line Item Spending Expense Categories:
- **Student Services** -- Admissions and registration, counseling, financial aid, and career development, as well as the social aspect of college life such as student organizations and athletics.
- **Institutional Support** -- Expenditures associated with executive level activities such as the management of the institution, planning and programming, legal services, fiscal operations, administrative data processing, space management, and human resource management.
- **Operation and Maintenance (O & M) of Facilities** -- Expenses associated with the operation and maintenance of the physical plant including utilities and insurance.
- **Scholarships and Fellowships** -- Expenditures for scholarships and fellowships from restricted and unrestricted funds in the form of grants to students.

# Education and General Expenditures

*Background (cont'd)*

- **Education and General (E&G) Line Item Spending Expense Categories:**
- **Depreciation** -- Allocation of the total acquisition cost of a capital asset over its estimated useful life.
- **Auxiliary Enterprises** -- Auxiliary enterprises are operations that provide goods or services to students, faculty, or staff and that charges a fee for those services, including food service, residence halls, bookstores, student unions, and intercollegiate athletics.
- **Hospitals** -- This category includes all expenses associated with the patient care operations of a hospital, including nursing and other professional services, general services, administrative services, fiscal services, depreciation (if allocated to functional expense categories) and charges for physical plant operations.
- **Independent Operations** -- The independent operations category includes activities that are controlled by the University but are unrelated to its mission, including commercial operations

## Operations and Maintenance (O&M)

### *Background*

- Facility Operations and Maintenance:
- Facilities operations and maintenance (O&M) is defined as;
  - Funding of utility costs, routine corrective and preventive maintenance, custodial services, utility distribution systems and site maintenance, furnishings repair, O&M administrative costs, security, and other planned or unscheduled maintenance.

## Operations and Maintenance (O&M)

*Background (cont'd)*

- Legislative Audit:
- In 2011 and 2014, the Office of the Legislative Auditor General released an audit and then a follow-up report that examined O&M policies and procedures within Higher Education;
  - 2011 Audit titled “A Performance Audit of Higher Education Operating and Maintenance Funding” ([Report 2011-08](#))
  - 2014 Follow-Up Report titled “A Follow-Up of Selected Legislative Recommendations for Higher Education Operations and Maintenance” ([Report 2014-E](#))
- This reports included several recommendations, including the following which was implemented by the Legislature in :
  - “We recommend that the Legislature consider funding O&M as an appropriation unit within the E&G line item.”

## Operations and Maintenance (O&M)

### *Background (cont'd)*

- During the 2015 General Session, the Analyst recommended, and the Legislature approved moving funding from the Education and General (E & G) line item to a new program within the same line item designated for Operations and Maintenance (O & M) of facilities on each Utah System of Higher Education campus in the FY16 Budget.
- The Analyst identified all O & M funding approved since the 2009 General Session (FY 2010) at each USHE institution. This funding was transferred from the E & G line item to a new Operations and Maintenance program within the E & G line item.
- This transfer did not add any new funds, except those approved for new facilities during the 2015 General Session and now in subsequent years.

## Operations and Maintenance (O&M)

*Background (cont'd)*

- Operations and Maintenance Historical Expenditures:
  - FY2015 O&M - \$170,251,224
  - FY2016:
    - O&M Program – \$10,094,852
    - Total O&M Expenditures – \$175,054,355
  - FY2017:
    - O&M Program – \$11,667,954
    - Total O&M Expenditures – \$179,733,769
  - FY2018:
    - O&M Program – \$14,549,447
    - Total O&M Expenditures – \$188,172,886
  - FY2019:
    - O&M Program – \$24,608,000
    - Total O&M Expenditures– \$198,647,730

# Operations and Maintenance (O&M)

*Background (cont'd)*

- The creation of the new program during the 2015 General Session only captured a snapshot of O&M spending, this means that the separate program does not accurately portray the total O&M spending by each school.
- This chart shows the percentage of total O&M spending that occurs separate from the O&M Program.

Institution	Program as % of FY16 Total	Program as % of FY17 Total	Program as % of FY18 Total	Program as % of FY19 Total
University of Utah	4%	4%	6%	8%
Utah State University	5%	7%	8%	11%
Weber State University	7%	11%	9%	12%
Southern Utah University	4%	4%	4%	7%
Snow College	8%	9%	14%	55%
Dixie State University	12%	12%	12%	10%
Utah Valley University	14%	12%	14%	20%
Salt Lake Community College	3%	3%	3%	7%

## Operations and Maintenance (O&M)

*Background (cont'd)*

- When creating the new programs, the Legislature did not transfer all the O&M that was being expended at the time, only the most recent 6 fiscal years.
- As illustrated by the last slide, this has led to a difference between what is expended out of the main Education and General and the separate O&M program.
- This leads to the institutions needing to transfer funds between items or requesting re-allocations from the Legislature.

## Operations and Maintenance (O&M)

### *Recommendations*

- We recommend that the Legislature take one of the following actions:
- Break out all revenue and expenditures within the O&M program.
  - The budget could be structured to reflect what institutions are already spending under the NACUBO-derived O&M category and reporting on their A-1 forms.
  - This would allow the Legislature to track actual expenditures for O&M across fiscal years.
- The Legislature could also fold the O&M program back into the E&G line item.

## Educationally Disadvantaged Line Item

### *Background*

- The Educationally Disadvantaged line item was originally created during the 1970 General Session and was called “Economically Disadvantaged” and appropriated \$100,000 to the University of Utah:
  - *“For Scholarships, tutoring, counseling, and related support services for economically disadvantaged students who have been Utah residents for at least one year.”*
- In its second year it was re-titled “Educationally Disadvantaged” and the appropriated funds were doubled and spread out to all schools except for Snow and Dixie.

## Educationally Disadvantaged Line Item

### *Language History*

- In FY72 and FY73 the language below was used to restrict the expenditure of the funds, but this language was removed in FY74 and has not been utilized since.

“This appropriation to be used for scholarships, tutoring, counseling, and related support services for educationally disadvantaged students who have been Utah residents for at least 12 consecutive months, and who can qualify as resident students under the Laws of the State of Utah. The distribution of these funds shall be as follows: (1) At least 70 percent shall be used for direct financial aid, i.e. books, tuition, fees, room, and board, and work study programs, (2) Up to 20 percent may be used for tutoring, counseling, student orientation, and personal services related directly to this program, and (3) Up to 10 percent may be used to help develop a remedial curriculum designed to help disadvantaged students. Institutions which demonstrate that they cannot comply with legislative intent during the 1975-76 fiscal year will be granted a period up to, but not exceeding, 2 years to conform with the language of this appropriation.”

## Educationally Disadvantaged Line Item

*Background (cont'd)*

- The item grew steadily and was eventually appropriated to all institutions, including the former College of Eastern Utah;
  - When it was incorporated into USU in 2010, its funding was transferred as well and the USU Educationally Disadvantaged line item reflects a large increase in FY10.
- Despite a number of wording changes over the years, the intent language included by the Legislature consistently referenced expenditures for “scholarships, tutoring and counseling”
- There has not been intent language included for this item in over 10 years.
- There is not statute that dictates what these funds are to be spent on.

# Educationally Disadvantaged Line Item

## *Expenditure Activities*

- In the absence of intent language or statute dictating how the funds are to be spent, institutions vary widely in how they utilize funding and allocate it to on-campus programs.
- Recent Educationally Disadvantaged expenditures include (but are not limited to):
  - Braille and Alternative Format Material costs;
  - Assistive Technology;
  - Notetakers;
  - One-on-one peer coaching and classroom assistants;
  - Accommodated exam fees;
  - American Sign Language Interpreting, Real Time Captioning and Video Captioning;
  - Scholarships and tuition assistance;
  - Underrepresented and underserved student support for academics, social and cultural identity needs;
  - Support Programs for students with low admissions indexes or test scores;
  - International Student Support;
  - Tutoring; and
  - Specialized advising for certain student populations;

## Educationally Disadvantaged Line Item

### *Funding History*

- Educationally Disadvantaged appropriations grew steadily from \$100,000 in 1971 to a height of \$2.2 million in FY09 prior to the Great Recession.
- In FY10 the item was funded at \$1.8 million and has remained within \$100,000 of this item since then.
- FY20 total appropriations for Educationally Disadvantaged line items was \$1.77 million.

## Educationally Disadvantaged Line Item

*Funding History  
(cont'd)*

- Educationally Disadvantaged Line Items:
  - \$1.77 Million Total Appropriated (FY 2020):
    - University of Utah – \$761,100;
    - Utah State University – \$100,000;
    - Weber State University – \$396,400;
    - Southern Utah University – \$97,300;
    - Utah Valley University – \$184,100;
    - Snow College – \$32,000;
    - Dixie State University – \$25,500; and
    - Salt Lake Community College - \$178,400.

## Educationally Disadvantaged Line Item

*Expenditure Amounts*

- Educationally Disadvantaged Historical Expenditures (Not including Snow and SLCC):
  - FY2015
    - Ed Dis. Line Item - \$1,377,517
    - Total Ed Dis Spending - \$5,831,383
  - FY2016:
    - Ed Dis. Line Item - \$1,400,246
    - Total Ed Dis Spending - \$7,174,254
  - FY2017:
    - Ed Dis. Line Item - \$1,536,151
    - Total Ed Dis Spending - \$7,806,794
  - FY2018:
    - Ed Dis. Line Item - \$1,512,717
    - Total Ed Dis Spending - \$8,174,767
  - FY2019:
    - Ed Dis. Line Item - \$1,390,487
    - Total Ed Dis Spending - \$8,402,349

## Educationally Disadvantaged Line Item

### *Expenditure Amounts*

This chart shows the percentage of total Ed Dis. spending that occurs separate from the Ed Dis. Line Item.

Institution	Line Item as % of FY16 Total	Line Item as % of FY17 Total	Line Item as % of FY18 Total	Line Item as % of FY19 Total
University of Utah	37%	46%	44%	34%
Utah State University	45%	38%	58%	68%
Weber State University	27%	26%	25%	28%
Southern Utah University	21%	20%	19%	19%
Snow College	N/A	N/A	N/A	N/A
Dixie State University	1%	1%	1%	1%
Utah Valley University	11%	11%	10%	9%
Salt Lake Community College	N/A	N/A	N/A	N/A

# Educationally Disadvantaged Line Item

## *Recommendations*

- Due to the current line item structure, the Legislature does not get a full view of Educationally Disadvantaged spending within Higher Education;
- Institutions do not have clear Legislative language or direction regarding the expenditures for this purpose;
- We recommend that the Legislature define what revenues and expenditures should be included in Educationally Disadvantaged.
- We further recommend that the Legislature include all Ed. Dis revenue and expenditures of the institutions in this line item.
  - Include intent language regarding expenditures for this purpose;
  - File a bill to clarify in statute what the Educationally Disadvantaged program is, who is eligible for services and what allowable expenditures are.
- The Legislature could also fold the line item into E&G and request a report on expenditures.

Accountable Budget  
Process  
Recommendations

Education and  
General Line Item  
Structure

- Increased Program or Line Item Breakout in Alignment with A-1 Reports:
  - Pros:
    - Ease of tracking programs/funding across fiscal years;
    - Alignment with Institutional Spending;
  - Cons:
    - Increased Administrative Burden for institutions;
    - Possible Increases in requests for transfers between Line Items.

## Snow College

Current Structure (FY20 Appropriated)		Proposed Structure (Based on FY20 A-1 Report Breakout)	
Education and General Program	\$38,962,500	Instruction Program	\$15,837,700
Operations and Maintenance Program	\$888,300	Research Program	\$0
Total E&G Line Item:	\$39,850,800	Public Service Program	\$336,500
Educationally Disadvantaged Program	\$32,000	Academic Support Program	\$3,932,400
Total Ed Dis Line Item:	\$32,000	Student Services Program	\$6,252,100
		Institutional Support Program	\$7,896,500
		Scholarships Program	\$581,000
		O&M Program	\$5,654,000

Accountable Budget Process Recommendations

Education and General Line Item Structure

Accountable  
Budget Process  
Recommendations

General Session  
Reporting

- **Committee Concern:**
  - USHE budget review process and final decisions about categorization and inclusion of institution and system requests and how the Committee should consider them with regard to performance funding and prioritization of items is unclear.
- **Proposed Solution:**
  - Committee Staff can work with USHE to develop a funding request document that responds to member concerns.

Accountable  
Budget Process  
Recommendations

General Session  
Reporting

- **Committee Concern:**
  - Institution presentations are not comparable due to the different data used to create them;
- **Proposed Solution:**
  - Staff can create a template with specific institutional-performance information requests for all schools to submit to the Committee during the 2020 General Session to be included as part of their presentation.