

CORRECTED MINUTES OF THE  
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE  
MONDAY, JANUARY 25, 1999, 2:00 P.M.  
Room 223, State Capitol Building

Members Present: Sen. Robert Montgomery, Committee Co-Chair  
Rep. Afton Bradshaw, Committee Co-Chair  
Sen. Leonard Blackham  
Sen. Paula Julander  
Sen. Millie Peterson  
Rep. Patrice M. Arent  
Rep. Melvin R. Brown  
Rep. Mary Carlson  
Rep. Margaret Dayton  
Rep. Carl. R. Saunders  
Rep. Jack E. Seitz  
Rep. Richard M. Siddoway  
Rep. LaWanna "Lou" Shurtliff  
Rep. Gordon E. Snow

Members Excused: Sen. Terry Spencer

Staff Present: Boyd A. Garriott, Senior Legislative Fiscal Analyst  
Debra Headden, Legislative Fiscal Analyst  
Rolayne Day, Secretary

Others Present: Commissioner Cecelia Foxley  
Charlie Johnson, Board of Regents Chair  
Brad Mortensen, Governor's Office of Planning and Budget  
Regent Pamela Atkinson  
Sarah Michalak, Director, Marriott Library  
President Gerold Day, Snow College  
President Frank Budd, Salt Lake Community College  
President George Emert, Utah State University  
President Steven Bennion, Southern Utah University

List of Others Present on File:

Committee Co-Chair Bradshaw called the meeting to order at 2:05 p.m.

1. Presentation of Board of Regents' Budget Request—Board of Regent's Chair Charlie Johnson said higher education's percentage of the funding pie has decreased over the last few years in Utah and across the nation. Another problem is that the funding is earmarked for specific purposes making it difficult for the presidents to manage their institutions effectively. These restraints along with lower compensation makes it hard for higher education to attract and keep the best faculty and staff. A task force made up of Regents, Legislators, members of the Governor's staff, institutional presidents and the Fiscal Analyst's Office, found that under the existing funding formulas, with the same number of student increases, higher education stands to lose about \$200 million. By necessity, presidents have increased faculty/student ratios, added more adjunct faculty, and have let technology go to some extent.

Mr. Johnson requested that budgets be made as flexible as possible so that the presidents can manage their institutions as the need arises. He also asked that single appropriation bills be kept to a minimum as this also limits the flexibility to manage.

Direct instructional costs are being met in the enrollment formula but indirect costs are not. The enrollment formulas includes \$300 for non-instructional costs (libraries, advising, etc.) for each student. Mr. Johnson said the actual amount necessary is at least \$600 per student.

The Regents' main priority is to fund the unfunded students already on campus through a phased catch up. They propose starting with \$30 per student and phasing up to \$500 per student over ten years. Mr. Johnson asked for more flexibility and help in fixing the formula.

There are institutions with lower enrollments this year, but intent language from last year says the institutions will be held harmless in State funding during the transition from quarters to semesters. Mr. Johnson pointed out, however, that with lower enrollments, the institutions suffer because the tuition isn't there.

Commissioner Foxley referred to the Executive Summary in the Regents' Operating Budget Request. The major functions of the Board of Regents are to (1)develop a budget within the State's ability to pay and (2)make the request equitable across the system. Budget hearings were held at each institution; those requests were refined and then brought before the Regents who further pared down the requests. The Regents' budget request represents a portion of the actual needs at the institutions.

The largest portion of enrollment growth in the system is at UVSC. Most institutions have decreased enrollments while going through the semester conversion, however, the system is already seeing the enrollments coming back to normal in this second semester.

Commissioner Foxley said O & M must be taken care of whether the Legislature funds it or not. Typically it has been the practice of the Legislature to fund enrollment growth and on-going operation and maintenance funding.

The Creighton University contract rate increase also must be covered whether it is funded by the Legislature or not, as does utilities increases at Dixie and UVSC. There is a great need to increase ADA funding. Other federal mandates include FCC universal access, the federal financial aid match. Federal money is going more for loans than grants and the students graduate with a large debt.

Hazardous waste, primarily at the research institutions, is a federal mandate. Salary/equity adjustments are requested to help make Utah more competitive in attracting and keeping faculty and staff. Right now, higher education is competing with public education for salaries.

System initiatives listed in the budget request are equally important. A full presentation of ATE programs will be given at the joint meeting with public education on Friday. The Library Initiative is also vital—libraries within the system work well together to share resources. The MIS Initiative is requested to help institutions and the Regents provide information the Legislature wants. University Center funding is requested to provide four-year programs on the campuses of the community colleges.

A large item on the one-time request is funding for the Y2K problem. Sen. Montgomery asked how much money is necessary to solve the problem. Commissioner Foxley said each institution made a thorough analysis and found that \$45 million was needed to solve all the systems and personal computer needs. The Regents felt that was too much to ask for, so they asked what they must do to make the campuses stay open

and operational. Representatives from Administrative Services, the Governor's Office, the Commissioner's Office, and Dave Fletcher, State Y2K Coordinator, came up with a \$12 million figure that would keep higher education running. It is an urgent, one-time request and they only have one year to solve the problem.

The Regents request one-time funding for the CAAP test (Collegiate Assessment of Academic Proficiency) to help assess competencies.

Higher education has gone from a 17.2% increase in State funding in 1991 to 15.6% this year. The Regents feel it is not being preventive and pro-active to put more money in corrections and prisons than in higher education and something is out of sync. Sen. Montgomery said many feel that it might be possible to reduce the corrections budgets. Regent Atkinson said the State needs to get into the preventive mode starting in the schools and there is a need for more rehab for those already in crisis.

2. Presentation of Governor's Budget Recommendations—Brad Mortensen, Governor's Office of Planning and Budget, discussed Governor Leavitt's budget recommendation. The Utah Education Network now submits their budget through higher education but separate from the Board of Regents. The Governor has recommended \$17 million in statewide cuts with a 2.5% compensation and \$31.3 million for higher education and the UEN.

The Governor feels that enrollment growth is underfunded causing class sizes to go up and more adjunct professors teaching classes. Unless the enrollment formula is changed, this will continue. The only incentive for institutions to get more money is to increase enrollment because there is no base budget to maintain on-going excellence. He also feels that the current system limits flexibility.

Accountability measures in funding-related, system wide measures are suggested in instructional quality and student learning, graduation efficiency, transfer efficiency, and faculty work load. The Governor recommends a 2.5% compensation increase as a block for Regent distribution, enrollment growth funding to increase indirect cost factors by 85% for growth at SUU, Snow South, Dixie, and UVSC. State enrollment funding at other institutions should be maintained. The Governor funded virtually all O & M and partially funded federal mandates. He wants to provide funding for shortfalls in enrollment growth. The Regents have yet to determined a tuition increase. However, it was necessary for the Governor to estimate the increase in order to balance his budget. The assumption of a 2.5% increase generates \$3.7 million. Historically the increase has been used to fund faculty salary increases. The Governor has not identified the tuition as going toward any specific areas.

The Governor recommends funding a fleet service tracking system to see how higher education's fleet is organized and whether it would be beneficial to combine it with the rest of the state's fleets. Mineral lease phase out money is recommended at \$1.5 million and the transfer of \$3,464,500 from Sevier Valley ATC to Snow College South for operating costs is also included in the Governor's budget. \$500,000 in one-time funding for ATE equipment purchases is recommended along with a recommendation for reducing line item appropriations and the use of performance measures to ensure accountability and promote efficiency.

The Governor recommends a compensation increase of 2.5% and \$1.9 million in one-time funding to convert KUED/KUCL to digital TV. He does not recommend funding the bandwidth request but recommends using federal e-rate funding.

Although higher education asked for Y2K funding last year, they didn't get specific funding for it. If they have to wait until this year's funding comes through, it will be too late; they need a supplemental so they can get started. There are discrepancies on what is necessary for compliance among the institutions. The

State information officer has said the need is \$12 million (\$5 million for administrative systems, networks, telecommunications, and physical plant and \$7 million for personal computers). It was assumed that anything already started didn't need further funding. The Governor recommends \$5 million.

There has been a large increase in state and non-state funded building construction on campuses. However, enrollment growth has been slightly lower during the same period of time. Governor Leavitt recommends funding for five projects—the SUU P.E. building, the Cowles building at the University of Utah, a USU Master Engineering Study, the Applied Education Building acquisition at SLCC, and the University of Utah Art Museum. He also recommends \$50,000 for his New Century Scholarships outlined in the State of the State Address. The fiscal note for the bill funds \$13,200 for about 10 students but the Governor doesn't think this is enough.

**MOTION:** Sen. Peterson moved to approve minutes of the January 20, 1999, meeting.

The motion passed unanimously with Rep. Dayton absent at the time of voting.

3. Presentation of Legislative Fiscal Analyst's Budget Recommendations—Sr. Fiscal Analyst Boyd Garriott said management decisions resulted in a lot of items that needed to be funded. About \$25 million was allocated to the Fiscal Analysts' Office for state agencies, public education and higher education. It left very little money for some of the other critical needs. Leadership challenged the analysts to get more legislative input into decisions and to be creative in getting funding in other ways.

The analysts recommend an operating budget for FY 2000 of \$6.7 million for both academic and ATE components of the USHE for an increase of \$7.5 million (1.42%). They also recommend \$13,459,000 for the Utah Education Network. This funding recommendation does not include Y2K or compensation funding. Money has been set aside by the Executive Appropriations Committee for these issues.

The analysts recommend \$70,432,500 for ATE education including \$3,873,000 for the transfer of Sevier Valley ATC to Snow College South. Funding for the Poison Control Center now comes under higher education with a recommendation of \$1.2 million.

\$300,000 is recommended for lease costs on vehicles USHE and UEN lease from the State's Central Motor Pool plus \$74,000 to finance a fleet Management Information System. Mineral Lease replacement funding is recommended at \$1,413,800 from the General Fund.

The analysts recommend a transfer of \$414,000 from the Western Governor's University, who didn't spend the money that was appropriated last year, to the Utah Electronic Community College. They also recommend \$75,000 for WICHE, \$56,900 for utility rate adjustments, and \$2,098,500 in O&M for new facilities.

The Regents have not set a tuition increase for 2000-2001. The Executive Appropriations Committee didn't change the policy of using tuition increases to fund faculty compensation. A national survey says tuition is going up 4% nationwide. If Utah adopted this increase, there would be \$6.4 million available for higher education; \$3.2 million is necessary for compensation increases.

Higher education has said there is a pressing need to raise faculty compensation since Utah institutional compensation is now running between 12% and 20% below other states. The analysts recommend two possible uses for the tuition increase money: (1)The money could be used to supplement the regular 2.5% increase giving faculty a bigger increase. (2)The money could be used for student needs under institutional priorities. The analysts recommend funding with the following priorities: ADA at \$401,300, Library

Acquisitions & Operations at \$1,862,600, WSU Access, Transfer & Graduation Quality Initiatives at \$176,600, SUU Work-to-Learn at \$30,000, Snow College Campus Security at \$35,300, Dixie College Counselors & Advisors at \$72,800, CEU Student Outreach & Development at \$23,200, UVSC Placement Services at \$89,500, UVSC Technology Courses & Equipment at \$137,700, SLCC Student Self-audit Program at \$40,000, SLCC Tutors at \$44,100, and SLCC Technology Courses & Equipment at \$128,500.

Intent language from last year requires the USHE to prepare a report regarding graduate tuition rates. Issues include: How should graduate tuition rates be calculated? Should they be 10% higher than a full-time undergraduate (based on 15 credits)? Should graduates pay 10% more than undergraduates for 10 credit hours?

The policy on reimbursed overhead is that the revenues shall be retained by the institution for the support of research and related programs. Related programs include expenditures for instruction, public service, necessary physical plant, and student, academic and institutional support.

A question for legislative discussion is whether 10% of reimbursed overhead should be used to supplement existing undergraduate instruction and laboratory budgets? Specific applications could include support for undergraduate science, purchasing equipment for engineering and other technical fields of study, and enhancing technical collections of journals and other library materials.

The institutions have historically been underfunded in operating expenses. To meet the demands, they have reallocated resources, deferred maintenance of campus facilities, delayed procurement of supplies and instructional equipment, and implemented course fees. The Analyst asks the question, "Should the Legislature evaluate the impact of restricting funds for escalating operating costs in higher education, public education and other agencies of State government?"

If additional funding becomes available, the analysts recommend funding the following: FCC Universal Access Charges at \$74,800, hazardous waste at \$279,900, Student Financial Aid at \$906,300, Federal Matching Needs at \$406,300, UCOPE at \$500,000, AHEC at \$365,000, enrollment for 1,479 new students at \$4,746,000, the Management Information System at \$400,000, Library Initiatives at \$1,258,000 (Journal Inflation at \$758,000 and Acquisitions at \$500,000), Applied Technology Education at \$1,100,000 (ATE Equipment at \$750,000 and ATCSR at \$350,000), and the Education Technology Initiative (HB184) at \$500,000.

The analysts also recommend one-time funding for CAAP at \$100,000, Y2K, the Utah Educational Network (UEN), the Digital TV Conversion at \$1,875,900, UEN Operating Costs at \$360,000, and UtahLINK Internet Access at \$1,287,400.

Sarah Michalak, Director, Marriott Library, said not all journals have been converted to electronic format. When electronic journals are available, the system has been making good progress. For accreditation purposes, the institutions need to keep a certain number of journals available. Electronic journals cost as much or more as the print-based journals and are often even more difficult to afford because of the equipment necessary.

There are significant needs in higher education and the analysts suggested some creative ways for funding.

Rep. Arent requested a list of items not funded by the Analysts. Reimbursed overhead recommendations will be dealt with at the meeting on Wednesday. Rep. Carlson asked why this is the lowest recommendation she can remember for higher education. Mr. Garriott said some agencies like Natural Resources aren't getting any increase at all and a lot is going to corrections and social services.

Rep. Dayton has found it confusing to compare the Analyst's, the Regents, and the Governor's budgets. She would like to spend more time deciding what the committee is going to do rather than comparing budgets.

Sen. Peterson said non-funded items could be missed if comparisons are not made and that would be negligent. Rep. Carlson said this is the most frustrating committee to be on. There are needs in the State that aren't being addressed, not just in higher education, and she feels a responsibility to talk about them. The Committee needs to be creative in finding ways to fund things that aren't getting funded. Rep. Carlson is not willing to look at only one budget and would like to talk about how to make the pie bigger.

Commissioner Foxley said she is feeling much the same way. The analysts have done what they can with their allotted budget portion. Higher education's portion is a small amount to expect nine institutions to continue serving the State's educational needs. Legislators are in the position to ask the hard questions. She asked if some of the already-allotted money could be released to support the programs that will make the most difference for the people of the State. Nothing feeds the overall economy of the state more than higher education. Businesses look at the educational and training opportunities in the state when deciding to relocate to Utah.

Sen. Montgomery said money has been held back for the "Hot List." The Committee needs to hear about and prioritize items that aren't being funded so the co-chairs can go to leadership and present those needs. He asked if charitable contributions to the institutions have increased in these good economic times? Commissioner Foxley said they have across the board. However, donors give for specific programs or projects and feel operational funding is the State's responsibility.

All institutional presidents in attendance said contributions are up almost entirely for designated scholarships, programs, or land acquisitions.

Rep. Dayton clarified her earlier statement and said she does want to look at the other budgets, she just doesn't want to compare the budgets as much; she would like to focus on committee priorities and discuss crucial issues.

Committee Co-Chair Bradshaw adjourned the meeting at 4:22 p.m.

Minutes were reported by Rolayne Day, Secretary.

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Sen. Robert Montgomery, Committee Co-Chair

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Rep. Afton Bradshaw, Committee Co-Chair