

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 27, 1999, 2:30 P.M.
Room 223, State Capitol Building

Members Present: Sen. Robert Montgomery, Committee Co-Chair
Rep. Afton Bradshaw, Committee Co-Chair
Sen. Paula Julander
Sen. Millie Peterson
Sen. Terry Spencer
Rep. Patrice M. Arent
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. Leonard Blackham

Members Absent: Rep. Melvin R. Brown

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

Others Present: Commissioner Cecelia Foxley
Charlie Johnson, Chair, Board of Regents
David Moon, Y2K Coordinator, GOPB
President George Emert, USU
Dr. Michael Richards, V.P. SUU
Brad Mortensen, GOPB
Linda Fife, USHE
Regent Pamela Atkinson
President Bernie Machen, UU
Dr. Peter Garrity, USU Vice President for Research
Ryan Dent, USU Student body President
Steve Nelson, Westminster Student body President
Jarrod Haddock, CEU Student body President
Todd Hess, UU Student
Chad Vanderlinden, UU Student
Dr. Michael Peterson, USHE Associate Commissioner

List of Others Present on File:

Committee Co-Chair Montgomery called the meeting to order at 2:10 p.m.

1. Approval of Minutes—Rep. Bradshaw said the percentage on page 3 of the minutes for the current year is 15.6%, not 10.1% and asked that it be corrected.

MOTION: Rep. Bradshaw moved to approved, as corrected, minutes of the January 25, 1999, meeting.

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

2. **Committee Discussion—Y2K**—Jonathan Ball, Fiscal Analyst's Office, said leadership has made Y2K a priority. A task force has presented three options with the favored option giving higher education \$5 million of the \$12 million request. This Friday the Capital Facilities Committee will vote on a state wide Y2K recommendation. The money will be placed in a separate fund and given to state agencies as needed.

Rep. Siddoway asked if there is a fix for 4.0 netware to make it Y2K compliant. David Moon, Y2K Coordinator for the GOPB, said there is, but most systems are going to 5.0 netware. Rep. Siddoway said that could require more money for patches or updates since a Pentium II or better is necessary to talk to the netware and many of the existing systems are not that up-to-date.

Commissioner Foxley said David Moon, Jonathan Ball, and David Fletcher visited each campus to get an outside perspective on what it would cost to keep higher education up and running. Sen. Montgomery said the higher education committee could write a letter with their position to the Capital Facilities Committee. Mr. Johnson said most state agencies have an on-going stream of revenue that allows replacement of pcs. Higher education doesn't have that and would need funds to replace the pc's that are not Y2K compliant.

Mr. Moon, said there are 35,000 pc's on campuses and between 30% and 60% of them are not Y2K ready. He suggests replacing 10% of them now and then working to replace the rest. In FY 98-99, \$10 million was appropriated to Y2K. Of that, \$4 million was federal money and couldn't be transferred because it was earmarked for specific purposes. \$2 million have been requested and reimbursed by the Department of Finance. There is another \$1 million that has not been requested for reimbursement but has already been spent leaving about \$2.5 million remaining. A piece of information from the Tax Commission is missing that has significant Y2K issues they are addressing.

Mr. Garriott asked about computer fees being used to replace pc's. Mr. Moon said schools with those fees have been able to update computers and are in better shape than those who do not. The fees are also used to staff labs and buy supplies. Mr. Garriott asked what the risk is of having a large number of pc's not Y2K compliant. Mr. Moon said the schools would still be able to function, and they should look at departmental budgets to replace computers. There is no on-going process to replace pcs. It is currently about a ten-year cycle and that is pretty bad. He encouraged the Legislature to see if better ways could be found to fund on-going technology replacements.

President George Emert, USU, said about 800 of the 5000 pc's at USU are in student labs. The funding is far less than the minimum to satisfy students who sometimes stand in line at 2 a.m. to get on the machines. Commissioner Foxley said their request is bare minimum to get by.

Mineral Lease—Higher education is on the last two years of the five year phase out of mineral lease funds. A table on page 13 of the Analysts Budget summarizes what has to happen by statute. Mr. Garriott said the Community Impact Board should contract with higher education for projects, but that isn't happening. There needs to be a review of what is happening and legislation needs to be drafted after next year that eliminates the language regarding mineral lease funds and higher education except for the water lab at USU.

Rep. Seitz asked what the projection of mineral lease income. Mr. Garriott said higher education isn't bound by the value of the revenue but by the CPI so funding won't decrease with lower revenues. Other agencies who get their percentage based on the total value will get lower funding.

Commissioner Foxley said higher education goes to the Community Impact Boards with projects and research that will benefit communities. It was assumed that higher education would still get funds with acceptance of these projects. However, projects have not been accepted and the money has gone into infrastructure; mineral lease replacement money cannot be viewed as new money for higher education.

Operation and Maintenance—Debra Headden, Fiscal Analyst, said O & M of new facilities is an obligation of the State. Higher education has many buildings completed with private donations and funding is necessary to operate and maintain those buildings. Based on the requirements, the analysts recommend funding for the Huntsman Cancer Institute, Gardner Hall, the Christensen Business Center, and the Skaggs Biology Building at the UU, the Browning Center at WSU, the Custodial Service Facility at SUU, the Noyes Building and the Shop Expansion of

the South Campus of Snow College, the Harmon property and the Dixie Center at Dixie, and the South City Campus Annex at SLCC.

Ms. Headden said the analysts could not recommend funding for the student center at CEU nor the Stadium West at SUU. Regarding SUU's request, there is a regent policy of not funding football stadiums. The analyst proposes that the funding for buildings not yet opened be used to fund the CEU student center.

Commissioner Foxley said the regents policy regarding stadiums is a new policy adopted Fall 1998. The language "in most cases" is left out of the quote in the analysts recommendation and the regents did not intend for it to apply to SUU's (approved in 1994). She feels that institutions with already-approved projects should not be held to this new policy because it isn't fair to the institutions with prior approval from both the regents and the Building Board.

Sen. Spencer asked if there are matching funds from the community for the SUU project. Dr. Mike Richards, Vice President, SUU, said it was constructed almost entirely on revenue bonds and student fees. Mr. Garriott pointed out that the University of Utah didn't have any state funds in building their stadium. Brad Mortensen said the Governor recommends a block amount with no specifications on which buildings to fund.

Ms. Headden said the analysts recommend \$75,000 for cost increases and memberships dues for WICHE. Commissioner Foxley said this program saves the state of Utah a great deal of money. Sen. Peterson said the State receives WICHE funds into some programs from other states. Rep. Seitz asked if there is a penalty for students who utilize the WICHE program but don't come back to practice in the State. Commissioner Foxley said that isn't tracked. If, however, they found a great shortage in this fund, they would look into.

Rep. Carlson asked if there is a need for a veterinary school in Utah. Commissioner Foxley said there are very fine pre-vet programs in the state. Linda Fife, USHE WICHE Administrator, said it is very expensive to run a veterinary school. There are actually only about 30 Utah students annually going into veterinary medicine and that isn't a viable number to build a school.

Utility Rate Adjustments—The Creighton University dental program allows Utah students to attend dental school out of state at in-state tuition. The analysts recommend funding this request as well as funding for utilities rate increases at Dixie and UVSC.

Co-Chair Montgomery said preliminary votes would be taken on the budget adjustments discussed at the meeting.

MOTION: Rep. Seitz moved to decrease the Mineral Lease funding by \$1,413,800 and replace it with \$1,413,800 from the General Fund.

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

MOTION: Rep. Peterson moved to increase the Mineral Lease CPI by \$146,200.

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

MOTION: Sen. Peterson moved to fund the USU Water Lab at \$11,300.

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

MOTION: Rep. Seitz moved to fund WICHE increases at \$75,000.

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

MOTION: Rep. Siddoway moved to fund the utility rate adjustments at \$56,900.

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

MOTION: Sen. Peterson moved to fund O & M at \$2,098,500.

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

3. Other Funding Issues—Tuition and Fees—Mr. Garriott said tuition varies across the system and there are other fees for services such as computers, athletics, course fees, etc. The regents have not set a tuition rate because they were waiting for a decision from the Executive Appropriations Committee regarding using tuition increases to fund a portion of the compensation package. The policy has not changed and tuition increases should be used proportionally for compensation. The Governor said agencies are to reserve a portion of their funds for computing the compensation package. State statute says the regents should recommend a tuition rate to the Legislature at each session. A national study indicates the average tuition rate increase is 4%; BYU tuition was raised 4%. Given that information, the analysts calculated what a 4% increase would be for the USHE.

About 25% of the compensation increase needs to be funded out of tuition revenues. There is a serious need to address salary deficiencies for faculty and staff; current salaries range from 12% to 20% below the national average. The remaining amount of tuition could be used for this purpose at the discretion of the institutions. A second alternative could use the money for institutional priorities listed in the regents' request. A handout was referenced showing what the analysts recommend for students. Page 22 of the analysts recommendations shows how they would allocate ADA. Mr. Garriott questioned why the Board of Regents haven't set the tuition; this committee needs that information to build their budget.

Regent Chair Charlie Johnson said the regents are in the midst of their master planning including determining tuition. The linking of tuition and compensation became a troublesome issue because it pits faculty and staff and the students who have to pay tuition increases against each other. The regents looked at a plan that would sever the link and believed it would be considered by the Executive Appropriations Committee. Executive Appropriations, however, didn't take any action to change that policy. The regents also looked at whether there should be some variable tuitions, particularly that graduate tuition should be independent from all other tuition. The regents will meet their statutory obligation and will set the tuition during the session.

Sen. Montgomery said the analysts need the percentage to make up the budget and there is a time frame to be met. The President of the Senate has said it is important to get that information as soon as possible. Commissioner Foxley said the tuition is crucial because we don't have the large amount of state financial aid programs that other states have and there are larger families than other states with multiple students. Therefore, the cost per individual as well as family is quite high. The regents don't want to disadvantage students attending college. They know the responsibility and are looking at new ways to figure tuition.

Rep. Carlson asked how Utah ranks in tuition with comparable universities in graduate and undergraduate tuition for in- and out-of-state rates. Mr. Johnson said community colleges are higher than surrounding areas; graduate tuition is lower. He doesn't want to see anything done at the graduate level that would reduce the diversity. Mr. Johnson said if there is flexibility you can achieve diversity.

Regent Atkinson said \$10 makes a difference between eating or going to school for many low income families. They also sometimes have to reduce the number of classes they enroll in so it takes them longer to get through school. You must look at affordability to the students. A 4% tuition increase will impact the students enormously since some of the loans are not available for those students. The biggest impact will be on the lower income and minorities students.

President Bernie Machen, UU, likes the notion that an institution has some authority to spend the money because the needs are different at each institution. The concept is rather innovative from what has been done and he philosophically agrees with the analysts.

Sen. Peterson said graduate tuition is out of proportion. However, some programs provide stipends for the students and raising tuition creates problems for the departments. Rep. Seitz said it is critical to get some idea from the Board of Regents what the tuition will be. Sen. Spencer teaches at the University of Phoenix. There has been discussion about deferred tuition where the student pays back the tuition rise after graduation. In that case,

somewhere down the road there would be income from the payback. Under this plan, students do not have to qualify for loans and it gives institutions flexibility. Mr. Johnson said they would add that idea to their list for discussion. Commissioner Foxley said private institutions have more flexibility in financing than public institutions. There is discussion about having the money from increased tuition go directly to the departments that generate the students. Sen. Spencer would like to be involved in that discussions with the regents.

Ryan Dent, USU Student body President, said he is concerned about comparing tuition rates across the nation. Students don't favor more than a 3% tuition increase. There are a lot of low-income students that this affects. They request that \$1.5 million go into UCOPE to help students if tuition is raised.

Steve Nelson, Westminster Student body President, said the student loan debt of USHE seniors averaged \$12,688 in 1997-1998 and he endorsed \$1.5 million for UCOPE to help offset this debt. Sen. Montgomery asked how the students feel about using part of the tuition increase for faculty compensation. Mr. Dent said faculty do a great job and a lot of them are underpaid. A portion of the tuition should go to pay for salary increases, but what that portion might be is debatable. Mr. Nelson said the important part is that students should be part of the decision.

Jarrod Haddock, CEU Student body President, said CEU supports some of the lowest income students in the State and he is really concerned with some of their needs. They go without meals, they don't go out and ask for help, and some don't even qualify for student aid. If there is anything that can be done to keep the tuition lower it would be appreciated.

Todd Hess, is not a traditional UU student. He had to take out loans because of a full-time job last year and could not qualify for grants. He spent almost \$800 for books this semester alone. He asked the Committee to keep the cost of daily living in mind as they deliberate issues. Tuition has gone up faster than inflation, but the teachers have not been compensated. That shouldn't be on students' shoulders, however, it should come from the State. There are some excellent professors and that is key. Mr. Hess reminded the Committee that financial aid doesn't go up when tuition goes up.

Chad Vanderlinden, UU student government, echoed the previous comments. Tuition needs to be increased, but where it goes is in question. He suggested that faculty compensation should come from some place else.

Graduate Tuition—Mr. Garriott said intent language requires the regents to report to the Legislature on graduate tuition issues and that still needs to be done. There is a significant difference between tuition and actual costs for graduate and undergraduate instruction. They applaud USU and others in trying to deal with this issue.

Commissioner Foxley said that both graduate institutions are looking at the issue and agree that the increased funds should be left with the departments where the increases are generated. President Machen agrees that it is fair and appropriate for graduate tuition to cover more of the direct cost, but policies need to be flexible. Some areas are market driven and significant increases might kill programs. There needs to be flexibility in how it is settled. He agrees that the rise would need to stay with the generating programs.

President Emert agrees that the funds should go to support the particular programs. It is a very competitive set of circumstances. Desirable students are being offered tuition waivers in other States. If Utah schools want the graduate students, they have to compete. The graduate students participate in research that advances businesses in our state.

Reimbursed Overhead—Mr. Garriott said reimbursed overhead is money from research grants used to pay for research related costs. However, there is a compelling need to fund journals and inflationary costs in the libraries and there is always a need for instructional equipment. The analysts recommend using 10% of the reimbursed overhead for those needs.

Commissioner Foxley said there had been a lot of philosophical concurrence, but this is one issue where there is stark disagreement. It was difficult getting the 100% reimbursed overhead. Utah's research institutions are very competitive nationally in bringing in research grants and changing the policy might stifle this excellence. Some

states match dollar for dollar and give the institutions more money to generate grants. She strongly resists any suggestion that the money be used in ways that might not be beneficial.

President Emert distributed a handout showing that USU is already putting 36% of the reimbursed overhead back into the vary items the analysts' suggest. Dr. Peter Garrity, USU Vice President for Research, discussed some of the history of grant generation since 1972. Utah institutions have a great entrepreneurial environment. It has been maintained because reimbursed overhead can be used flexibly within the institutions. The word "research" is omitted in the language giving appropriate uses because it is inferred.

30% of the earned overhead is automatically returned to academic departments/research centers. The four-year average of additional overhead returned to academic departments/research centers for development of new research funding is 28%; research/academic equipment replacement, 8%; recruiting/new faculty startup, 7%; research/academic labs remodeling, 1%; research/academic facilities and libraries, 11%; university-wide research support services, 9%.

Dr. Garrity said reimbursed overhead has tripled the research grant money since it was fully returned at both research institutions. These grants come to faculty who are already teaching full loads and serving on numerous committees around the State. They are the most competitive, the most productive faculty in the United States. Higher education wants to see Utah industry be competitive in the business market.

Dr. Garrity said university research parks generate high-paying jobs and part of the overhead pays for buildings. This has been one of the strongest economic engines in Cache Valley generating spin-off companies that in turn create jobs and businesses. President Emert said some of the money goes into matching grants. The ability to use the money in a flexible way has made them competitive.

Sen. Montgomery asked about the cost of generating the grants. Dr. Garrity said about 9% goes into generating grants. Rep. Saunders said the ability to generate funds is directly related to their excellence and reputation of the universities.

President Machen agreed with President Emert and said USU's numbers are proportional to the U. He said the analysts are trying to help institutions fund some critical needs but have hit a nerve on this issue. It would be very dangerous to go with the analysts' recommendation on reimbursed overhead.

Brad Mortensen, GOPB, said the Governor proposed an extraordinary amount of flexibility in the regents' budget; adopting the analysts' plan for reimbursed overhead would take that away. The Governor's performance measures would make sure the institutions are using funding the way they should be.

Utah Electronic Community College—Mr. Garriott said the UECC has been developed since last Fall at the suggestion of the Governor. Since the WGU didn't use all the money appropriated to it, the analysts suggest discontinuing that \$414,000 appropriation and giving it to the UECC. It also would include one-time money from the unused appropriation that the higher education committee could use.

Mr. Mortensen said the Governor is not opposed to the transfer. He would like some of the money to be used for a coordinator to work with the institutions in developing courses. Commissioner Foxley said it makes good sense to follow this proposal. They would like some flexibility, however, with the ability to use the funding across the system for all electronic programs.

Dr. Michael Peterson, USHE, distributed a UECC briefing paper and a copy of some of the Web site pages. The Legislature has received a remarkable return for an investment of \$118,000. The UECC needs more staff and money to continue the development. Dr. Peterson said a student only has to be accepted at one institution to take courses from any of the five community colleges via the UECC. Financial aid is available from the home institution for UECC courses. The UECC charges \$60 per credit (\$48 in tuition and \$12 in fees).

Mr. Mortensen said the money should be distributed to the institutions rather than UEN as the analysts recommend because UECC funding is assigned to the Board of Regents. Mr. Garriott said UECC would be put in the Board of Regent's budget.

Commissioner Foxley would like the language to be broader than just the UECC because some of the other institutions are meeting the same electronic requirements. Mr. Garriott doesn't want to lose the identity of the ECC. Utah has done a tremendous job of putting it together in a short period of time. It was noted that Colorado students pay \$128 per ECC credit.

MOTION: Sen. Peterson moved to change the name of the line item from UECC to electronic courses and programs.

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

MOTION: Sen. Peterson moved to transfer \$414,000 from the Western Governor's University funding to electronic courses and programs.

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

Rep. Bradshaw said discussion was very good today and they learned a great deal. Sen. Montgomery asked that the tuition rate increase from the Board of Regents be given no later than February 10. He asked that the committee members study reimbursed overhead and graduate tuition issues to be voted upon at a later date.

Friday's meeting will meet in Room 223 at 2 p.m. and then the Committee will move to Room 303 for a meeting with the Public Education Committee at 3:30.

MOTION: Sen. Peterson moved to adjourn.

Committee Co-Chair Montgomery adjourned the meeting at 4:50 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Robert Montgomery, Committee Co-Chair

Rep. Afton Bradshaw, Committee Co-Chair