

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
FRIDAY, JANUARY 19, 2001, 2:00 P.M.
Room 223, State Capitol Building

Members Present: Sen. Lyle Hillyard, Committee Co-Chair
Rep. Afton Bradshaw, Committee Co-Chair
Sen. Peter Knudson
Sen. Paula Julander
Rep. Patrice M. Arent
Rep. Katherine M. Bryson
Rep. Patricia W. Jones
Rep. LaWanna "Lou" Shurtliff
Rep. Richard M. Siddoway
Rep. Gordon E. Snow
Rep. Stephen H. Urquhart

Members Excused: Sen. Steve Poulton
Rep. Margaret Dayton
Rep. Martin R. Stephens

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

Public Speakers Present: Commissioner Cecelia Foxley
Norm Tarbox, Associate Commissioner, Utah System of Higher Education
Michael Peterson, Associate Commissioner, Utah System of Higher Education
Mel Parker, Policy Analyst, Governor's Office of Planning and Budget

Visitor List on File

Committee Co-Chair Bradshaw called the meeting to order at 2:08 p.m.

1. New Funding Formula (Continued Discussion)—Sen. Hillyard asked if only the direct cost of instruction was included in the funding mechanism. Norm Tarbox, Associate Commissioner, Utah System of Higher Education, said the 2000 intent language charged the Regents with developing a balanced funding formula that financed the full cost of instruction. The formula allocates growth funding in two different ways in an attempt to do that.

Sen. Hillyard asked if compensation, inflation adjustment, and tuition increases must be equal. Commissioner Foxley said that part of the formula is patterned after the WPU. One reason they have had to initiate a higher tuition increase after a legislative session is because the Legislature didn't fully fund compensation, and increased tuition is the only way they could fund the increase. Sen. Hillyard said if tuition is at 4% and the other two are 6%, there will be a \$1 million shortfall (as the fiscal analysts point out). Mr. Garriott said that it only takes .5% to make up the shortfall for a 6% compensation increase, not a full 2%.

The committee discussed the analyst's handout showing each institution's funding requirements. Mr. Garriott said that if a 6% salary increase is given, it raises the institution's budget by 6%. At one time the Legislature funded the direct cost of instruction and not inflation. That philosophy impacted other areas when more students came than were expected. So, the Legislature appropriated about \$150 per new student; a few years ago that figure was raised to \$300 and now the Board of Regents requests \$600. Mr. Garriott said it really only takes about \$200 to fund those costs unless you add other things like overhead which raises the costs to about \$1200. The analysts decided to stay with Legislature's last decision, used the \$300 figure, and assumed that tuition would cover everything else. Mr. Tarbox said the formula affects each institution differently. Their studies have shown that the cost of instruction plus \$600 is necessary.

Rep. Bryson asked why the \$300 figure had not been updated since it is evident that level of funding is necessary. Mr. Garriott said the Legislature has not decided how to handle inflation in all state agencies except public education (automatically handled through the WPU). A conscious effort not to fund inflation has been made in an attempt to keep costs down. He said that about 85% of higher education's budget goes to compensation. The analysts felt that a 6% inflation increase (\$5 million) was a reasonable amount. It would cost about \$1.3 million to fund the \$600 per student figure.

Commissioner Foxley distributed a handout addressing some of the Committee's questions about the formula and a table showing that the difference between the analysts' recommendations (\$61,025,300) and the Regents' request (\$62,157,000) is small. The Regents have determined that the actual cost of instruction is \$2000, not \$200 as Mr. Garriott stated. Commissioner Foxley said going back to the \$300 per student figure would not support the quality of instruction necessary for the institutions. She also said that appropriating a block amount of money to the Board of Regents to be distributed to the institutions by RFP or another process is not uncommon. A good example is the Library Initiative. Enrollment growth must be part of the formula and the Regents feel it is in a balanced proportion to other funding considerations. Accountability is built into higher education's Master Plan and Commissioner Foxley distributed a handout discussing accountability. They feel that performance funding should be incentive funding tied into the base rather than tied to the formula.

The \$600 per student figure is included in the growth portion of the formula and is for new students only. Commissioner Foxley reminded the Committee that funding is on a one-year lag—it is for students that are already on campuses. The system of higher education is underfunded and as administrators admit more students without the accompanying funding a disparity in the system develops.

Mr. Garriott said there is a clear need to fund enrollment growth, but he feels the formula needs to reduce dependence on that piece; looking at ways to enhance quality funding would be more appropriate. Commissioner Foxley said new student growth is about a of the formula and that is an appropriate balance. Mr. Tarbox said a driving objective when developing the formula was to make it balanced and they accomplished that goal. The formula also makes it possible for the institutions to pursue quality over size if that is what they want to do; the quality component is equal to growth.

2. Board of Regents' Budget Request—Commissioner Foxley said that with Utah's healthy economy, this is the year to reinvest in higher education. The Board of Regents is asking for an \$85,602,500 increase. A summary of the total request is found on pages 8 and 9 of their Budget Request.

Rep. Bryson asked about reports that remedial (developmental) education would be removed from the curriculum. Dr. Michael Peterson, Associate Commissioner, indicated that early reports show that the number of students taking developmental courses varies from 6%-7% at the university level to 12%-14% at the community colleges. As a measure of transfer efficiency, they feel it isn't appropriate to count developmental courses towards a degree. The courses are necessary for many individuals to update and/or enhance their skills and will remain. Where developmental education is part of the school's mission, students pay regular tuition and the funding is part of the formula; where it is not part of the mission, students pay the full cost of instruction. Rep. Snow asked how students at university branch campuses are treated. Dr. Peterson said they are treated the same as other university students. Rep. Snow feels that they should be treated as the community college students are regarding tuition because of the nature of their circumstances. Many of the students are in similar situations to students attending the community colleges and need the developmental courses to prepare for university work.

3. Governor's Budget Recommendation—Mel Parker, Policy Analyst, Governor's Office of Planning and Budget, told of his background and distributed a handout containing key issues of the Governor's budget recommendations. The Governor recommends a bold initiative in engineering and computer science that will double the number of graduates in the next five years and triple that number in the next ten years. The Governor's recommendations reflects a commitment to that initiative. The Governor used the Regents' new formula to determine his budget recommendations that are broken down in block grants distributed to the Board of Regents. He has fully funded enrollment growth and financing or remodeling of the Engineering Building at the University of Utah, renovations/addition for the Engineering Building at Utah State University, building/infrastructure for the Davis

Campus of Weber State University, a classroom building for Utah Valley State College, and a main building complex replacement for the College of Eastern Utah.

Rep. Jones asked if there are enough sufficiently-trained educators to take care of the engineering/computer science initiative. Mr. Parker said the institutions have a plan to accomplish the task. Rep. Bryson asked how higher education is going to induce engineers and computer scientists to stay in Utah and teach when they can make more money elsewhere. Sen. Hillyard said S.B. 61 addresses that issue.

4. Legislative Fiscal Analyst's Budget Recommendation—Mr. Garriott distributed a handout showing the analysts' recommendations in three areas, appropriations, money on the table, and statewide initiatives. The Fiscal Analysts' Office is still trying to balance the budget, and exact funding amounts will come later. Last year, O&M and some salary funding was one-time. The Executive Appropriations Committee has not yet decided on the compensation package, but a 6% figure has been set aside. Of that \$77 million allocated by the EAC, \$2.5 million is for higher education to make last year's one-time funds on-going.

One-time funding issues include fuel and power increases where negotiations are on-going; the analysts have chosen to wait to increase that funding until after a decision has been reached. They also recommend funding for the Engineering Initiative, but details will have to come after the Executive Committee determines how much each sub-committee will be allotted. The analysts recommend that the Higher Education Committee identify how much they are willing to spend on each item and develop a priority list.

Mr. Garriott said that \$1 million in previously-funded tuition money for retirement is not actually needed, so higher education could reallocate that money. Rep. Bradshaw asked if the health insurance difficulties with EMIA have been solved. Mr. Garriott said EMIA is in trouble but he is unsure what will happen to them. Commissioner Foxley said the Regents are studying pooling for insurance benefits and Mr. Tarbox could report on that at a later date.

Committee Co-Chair Bradshaw adjourned the meeting at 3:50 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. Lyle Hillyard, Committee Co-Chair

Rep. Afton Bradshaw, Committee Co-Chair