

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
MONDAY, JANUARY 27, 2003, 2:00 P.M.
Room 223, State Capitol Building

Members Present: Sen. David Gladwell, Co-Chair
Rep. Bradley T. Johnson, Co-Chair
Sen. Bill Hickman
Sen. Peter Knudson
Sen. Ron Allen
Rep. Margaret Dayton
Rep. Brad Dee
Rep. Kory M. Holdaway
Rep. Gregory H. Hughes
Rep. Patricia W. Jones
Rep. Susan Lawrence
Rep. LaWanna "Lou" Shurtliff
Rep. Bradley A. Winn
Rep. Stephen H. Urquhart

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

Public Speakers Present: Commissioner Cecelia Foxley
Dr. Michael Peterson, Assoc Commissioner for Academic Affairs
Glen Taylor, Director, Central Utah Distance Ed. Service Center
Steven Clark, Central Utah Telephone Company
Jeff Grandia, QWEST
George Brown, Director of Planning & Policy, UEN
Jim Stewart, Director of Technical Services, UEN
Nolan Karras, Chair, Board of Regents
Regent Pamela Atkinson

Visitor List on File

Committee Co-Chair Johnson called the meeting to order at 2:15 p.m.

Rep. Johnson complimented Commissioner Foxley and the Regents on their fine work. Although there is no new money, the co-chairs would like committee members to feel the importance of their role and to take the time to discuss issues and ask questions.

Rep. Holdaway had intended to propose reducing institutional budgets off the top and then reallocating the money according to critical need. He is now unwilling to do that because of testimony in Friday's meeting. However, he feels the Subcommittee should examine programs to see if there are opportunities to coordinate better between institutions.

Sen. Allen said the Subcommittee should respect the Regents and not try to do their job. Legislators should be careful to include everyone in the process.

1. Utah Education Network (UEN)—Dr. Michael Peterson, Associate Commissioner for Academic Affairs, introduced those present in connection with UEN. He thanked the Legislature for efforts to reduce the impact of budget cuts to UEN services and assured the committee that they are using those resources wisely. Budget reductions include elimination of ten full-time positions (1% of the staff), extensive cuts in operating budgets, and no salary increase.

There is a tremendous challenge with efforts to utilize the Federal E-rate program and to proceed with vital network infrastructure upgrades. They have aggressively gone after grants to offset the loss of state revenues.

The single budget priority is for upgrades to UEN's wide area network. It is a vital resource throughout education across the state for a wide array of mission-critical facilities. You can't go to school anymore or be an employee of education without relying on the services UEN provides.

Glen Taylor, Director of the Central Utah Distance Education Service Center, said UPASS mandates require more bandwidth for online testing and to provide student information for parents. UEN provides the help schools need so that students are not left behind in rural areas. Professional development via UEN provides good inservice to rural teachers. Digital instructional media is coming that will require more bandwidth for quality video streaming.

Dr. Peterson said a major challenge facing UEN is a bandwidth upgrade. Traffic has increased significantly over the last few years and promises to increase even more in the near future. Aging equipment needs to be replaced; more than half of the routers are at or near the end of their life cycle which places the reliability of the network in jeopardy.

Security challenges are some of the most important they face. Jim Stewart, Director of UEN Technical Services, said not more than five minute goes by that there isn't someone trying to break into the UEN. They want to make sure they address those issues not only with software and hardware but withy personnel across the system.

Steven Clark, Central Utah Telephone Company, said UEN programs transformed telecommunications in rural areas. The critical issue of bandwidth cannot be overstated if we are going to give students any kind of meaningful experience. When UEN is full, it slows down and students have a hard time learning if they are waiting to get projects done. Increasing the bandwidth will allow businesses in rural Utah to use the Internet. He noted that for every dollar Utah spends, they can get \$2 from the Federal Government towards the bandwidth.

To fund the proposal, Dr. Peterson said they plan to use a combination of \$400,000 in new state funds, UEN funds previously used to pay for services replaced by the new network upgrade, and Federal E-rate funds (matching state and UEN funds on a 2:1 ratio). If the base isn't restored, some services may be interrupted.

Rep. Urquhart said some feel the satellite technology is hurting extension services because it doesn't provide adequate support. Dr. Peterson disagreed with that point of view and feels they have done a remarkable job in maintaining the reliability of that system. There may be some frustrations in one of USU's areas with audio and video problems, but UEN staff has been dedicated to solving those problems.

Technology Analyst Jonathan Ball recommends appropriating \$19,776,200 for the Utah Education Network in FY 2004, including \$14,357,300 from state tax revenue. He also recommends moving funding for CEU's Distance Education Network from the UEN budget to CEU. The base budget recommendations from the Analysts' Office reflects that \$283,000 shift.

MOTION: Rep. Dayton moved to approve minutes of the Friday, January 24, 2003, meeting.

The motion passed unanimously with Sens. Hickman and Allen and Rep. Dee absent for the vote.

2. Regent's Presentation of the Utah System of Higher Education (USHE) and the Utah College of Applied Technology (UCAT) Budget Requests—Board of Regent's Chair Nolan Karras said the Regents placed a freeze on new programs across the system and there is a soft institutional hiring freeze. They also have created a committee to oversee accountability so they can make reports of what should happen, not just necessarily what is happening. Another committee is looking at the cost of early retirement and health insurance issues. The committee dealing with missions and roles is now also looking at student success—what happens to students after they graduate. They want to come up with some principles/criteria for restructuring and invite legislator's input.

The Employer's Education Coalition suggests the development of a funding formula and the Regents agree. Currently, growth might be funded, but in reality it is used to fund existing students. The agreement is to use the percentages in the formula to fund whatever is allocated by the Legislature.

Everybody wants higher education in their area, but the state needs to control institutional missions and roles better. The political system itself is part of the competition problem among the institutions. Mr. Karras wants a system approach to institutional changes in missions and roles—it has to serve the student better for a change.

Mr. Karras said there are excellent, caring, responsible presidents at each institution and he trusts them implicitly. Projections indicate that if there is no new state money, tuition will have to go up 15.5% each year for 5 years to stay even. That amounts to a tuition increase of about \$2,000 over the next five years. The Regents and the Legislature need to agree on what the tuition increase percentage should be, what percent of the total cost of education the students should pay, and then figure out a transition period to get there.

Tuition increase hearings were held before the session this year. There is a danger in that the Legislature might decide to spend the money differently than what students were promised. If tuition must go up 15.5% each year, some students will be pushed out of an education.

Rep. Urquhart said research institutions shouldn't try to fill the role of community colleges with open enrollment because it is too expensive. Part of the problem is funding growth because it gives the incentive to grow. He wants to improve the quality of education rather than the quantity. Mr. Karras agreed but feels the problem is how enrollment is funded. He would like to raise admission standards at the universities and hold enrollment. He would also like to have a debate on streamlining the institutions but still have funding increases. Perhaps there should be both enrollment funding and economic development funding, two different entities to the problem. Rep. Holdaway would like to go through a process of projecting the state budget out five years.

Commissioner Foxley said that, despite the economy, there are critical needs in higher education. The Regents would like the Legislature to agree to a funding formula that gives them responsibility for a sizable amount to help institutions meet their missions and roles. To meet this goal, they are requesting \$58.4 million in new money. Commissioner Foxley discussed the request for enrollment growth at 60%. It should be noted that this funding is on a one-year lag so the students are already on campus.

Enrollment growth is 41% of the new formula, existing students are 35%, public service areas, etc. is 5%, and core support is 18%. They also ask that the Regents be given the latitude to place that funding as they see fit. The formula includes the engineering, computer science and nursing initiatives, technology upgrades, libraries, etc. Base adjustments (outside the formula) include facilities O&M, standard mandates like ADA, water/sewer, etc, health and dental insurance increases, and an increase in the state retirement rate. One-time funding is requested for core support enhancements in technology, libraries, and the three initiatives. They also request supplemental increases for fuel and power and New Century Scholarships. Details of the funding request are shown under each of the institutional tabs.

Commissioner Foxley said businesses consistently say they want broadly-educated employees, so a comprehensive institution needs to have areas like liberal arts. Regent Karras said one of the issues of competency-based education is that you need to teach people to learn. You can't always measure education by testing. He would like to see a debate on the issue and then let the presidents make cuts based on the outcomes. Sen. Gladwell asked how budget cut priorities are determined. Mr. Karras said the president's decide how to make the cuts, but he would like to see it done more uniformly.

Commissioner Foxley said the less money appropriated, the more flexibility is needed by the institutions and the Regents. They want to share, but micro-managing by the Legislature is difficult. They don't want to stop the growth because educated citizens are ultimately good for the State. Mr. Karras said he isn't sure how to determine what is best to leave and what to cut and asked legislators to help them determine the criteria.

Rep. Lawrence said there needs to be a higher value on non-academic tracks in high school so students will find it attractive. Regent Atkinson will take this back to State Board of Education. Commissioner Foxley said that is one

reason that ATCs were moved into the higher education system. Rep. Dee said concentrating on why people are going back to school for retraining will give an idea of what the market is really like.

3. Fiscal Analyst's Overview of Recommendations for USHE, UCAT & UEN—Fiscal Analyst Boyd Garriott is concerned that the proposed funding formula is still highly dependent on enrollment growth. If an institution caps enrollment, how is it then funded fairly? A lot of the formula's values are driven by a 4% compensation increase. With no money for this year, that would zero out dependent areas. If the Executive Committee decides to fund compensation at 2%, then what? The formula funds some items before serious inflationary components of the budget. Another major concern is the lack of an accountability component. Mr. Garriott isn't opposed to the formula, but would like to see changes that take his concerns into account.

There are 9,600 unfunded students on campus right now, and it will only get worse. The Committee needs to wrestle with this problem without additional resources. Tuition is a resource that can partially help. Mandated costs are so far below the line set by the Regents that they will never be funded unless it works like public education where everything is taken out of the formula.

Mr. Karras said they just got the Analyst's report and would like to have a chance to review it and respond at a later date.

Mr. Garriott said enrollment hasn't flattened while resources have. In an economic downturn, many people go back to school to learn new skills, to provide security in their current position, or for a spouse to work. Since there is no new state money, the only way to get additional funding is to raise tuition, cut programs, or reallocate.

MOTION: Rep. Holdaway moved to adjourn.

Committee Co-Chair Johnson adjourned the meeting at 4:43 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. David Gladwell, Committee Co-Chair

Rep. Bradley T. Johnson, Committee Co-Chair