

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 29, 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. 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

Members Excused: Sen. Peter Knudson

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

Public Speakers Present: Commissioner Cecelia Foxley
Frasier Bullock, Employer's Education Coalition
Nolan Karras, Chair, Board of Regents
Pres. Kermit Hall, USU
Pres. Ryan Thomas, CEU
Pres. Michael Benson, Snow
Pres. Steven Bennion, SUU
Bill Edwards, UU Student Body Pres. & Pres USA
Ryan Vogel, UVSC Student Body Pres. & VP USA

Visitor List on File

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

1. Assuring Our Children's Future—Employer's Education Coalition—Frasier Bullock said the coalition has done a considerable amount of research to come to their conclusions. Utah's two Research One institutions should be world class and need to be brought up to the next level. UVSC does a great job, but we need everyone to stay in their mission and role. When funding is inconsistent with your strategy you get blended roles and that undermines excellence. Funding enrollment growth only dilutes the pool. To get funding, the University of Utah has to chase enrollment but that undermines their mission. The U needs to restrict enrollment and there should be broad access at other levels. There are many other questions including why UVSC has a remote campus when funding should go elsewhere. It doesn't make sense for institutions to expand from two year to four when there are alternatives elsewhere. The current situation isn't cost effect.

In EEC's view, funding should be strategy based, not enrollment based, and the management team should employ finances consistent with the strategy. Mr. Bullock likes that the Board of Regents is appointed, but they are limited because they can't allocate money according to their strategy.

He also feels that there should be periodic zero-based budgeting. He recommends three year intervals for higher education for accountability and to make sure that what they are doing is consistent with their strategy. Times are

tough and they recommend not taking any money away this year. He commends the tuition increases. Tuition is low in Utah and it needs to be raised because it is an appropriate strategy in the current economic situation. Tuition should not be used as a vehicle to cut higher education because they have this revenue stream.

Rep. Dayton said if the Board of Regents is appointed and you give them the responsibility to make decisions, then the Governor is making the decision. What does that do to the Legislature's responsibilities regarding higher education? Mr. Bullock said he would like to see a mix of business people and legislators on the Board of Regents. The situation isn't too dissimilar to a board of directors. The management team reports to the board periodically about the strategy and the execution plan. They discuss it and then come to a consensus. The management team reports what was done at a later date. If you have another body micro-managing the process (like the legislature) the strategy gets undermined. The Legislature holds the purse strings as an accountability factor.

Brad Winn asked how these ideas work if students may or may not be mobile and supports the idea of a good management team. He also asked what EEC's take is on legislative, Board of Regents' and Presidents' roles. Mr. Bullock said mobility is a trade off and a tough call. We don't have the money to be convenient and because we're trying, the institutions are dilutee. You have to make tough choices and focus your resources. At the same time, as you increase the tuition, you should provide a funding vehicle for those who may have to move or relocate. Distance-based learning is an option since education is becoming very solid through that mechanism. Presidents need to manage their institution under a strategy agreed upon with the Board of Regents.

Sen. Hickman said corporate America measures performance by profit or market share. In higher education it is more difficult and he asked for EEC's recommendations. Mr. Bullock said there is a broad spectrum; some can come from the business world and some cannot. You can use a set of financial metrics like cost per student or facilities utilization, but other things are quantified. Student scores on national tests could be a measure of a world class institution. Also, are ideas from the institution going out into various enterprises? Are our children viewed as broadly educated? It will depend on the institution what questions are asked.

Rep. Jones asked about the coalition's recommendation for \$90 million in new money for public education and recommendations for alternative resources. Mr. Bullock said that is essential. If you don't deliver on one part of the package, you don't accomplish the strategy. The EEC feels that roads, highways, and infrastructure should be deferred—we have to invest in our children first.

Personally speaking (not for the EEC), Mr. Bullock feels that it doesn't make sense to subsidize water when kids are suffering in terms of education. Rather than just seeking new revenues, we should look everywhere for cost savings first. We have a heavy tax burden already and any more will make it tough on the families.

MOTION: Rep. Holdaway moved to approve corrected minutes of the January 24, 2003, and minutes of the January 27, 2003, meetings.

The motion passed unanimously with Rep. Hughes absent for the vote.

2. Enrollment Growth—Analyst Boyd Garriott—During the past ten years the system of higher education has grown 39,000 FTE and it is projected to grow another 25,000 FTE in the next five years. The actual number of students on campus is over 135,000 because every student doesn't take a full class load (15 credit hours). A WICHE report said Utah's population grew 30% over that ten-year period while other states grew 13% (WICHE states grew about 19%). There was also a big growth in non-traditional students—those 25 years or older—who come back to school for a variety of reasons, mostly job-related or economic. This is especially true in difficult economic times. We may not have additional money for the 9,460 new students on campus. Mr. Garriott said there are also a number of non-credit/self-support students that are not counted in the annualized FTEs.

Mr. Garriott referred the Committee to Page 27 in the Budget Book where several policy issues relating to enrollment growth are discussed. The University of Utah is considering capping enrollments because of funding circumstances. If this occurs, students will select other institutions and the problem trickles down. If admission standards are strengthened, admission will become more competitive and there would be a redistribution of students

to other institutions. It may discourage high or at-risk or minority students from even trying to get in that would, in turn, have a negative impact on the potential of the state.

It is advantageous for an institution to take non-resident students because they pay more. There could be a selection process that actually eliminates Utah residents. Some students come to higher education unprepared. Mr. Garriott asked if there could be changes made in public education to help students become better prepared for college. It costs the state several million dollars for those developmental courses in higher education.

Rep. Allen asked if other flagship schools across the nation are capping enrollments. Mr. Garriott said at the university level in California, only 12% of the eligible student applicants are admitted. Those not admitted can go to the state college system where a certain number are admitted. The community colleges and technical schools let in others. Sen. Allen said it would be useful to look at the consequences of states who have made those policies. Commissioner Foxley said that generally across the country if a state is funded on enrollment, there is no capping. It depends on whether you fund on enrollment or roles.

Mr. Garriott said capping occurs anyway with limited funds because institutions can't offer enough classes for the demand. Rep. Jones said that by accepting more students than we can handle, it paints a picture we can handle them and it is a disservice. We can no longer allow this and still have quality education.

Commissioner Foxley said it isn't just growth, but mandated costs, O&M, etc. When you have money, they can get funded. As with public education, if the students are there, the Legislature has said they should be our first priority.

Sen. Gladwell asked how the presidents would handle things in a perfect world. Pres. Kermit Hall, USU, said the Regents formula recognizes future growth, but it is also important to take into account that funding is driven by mission and economic development has to be funded. It is graduate students that engage in the research that provides economic development in the state.

Pres. Ryan Thomas, CEU, said the system is very collaborative and mission-based funding lets each institution become what it needs to be for the state. Capping enrollment at the U will significantly impact SLCC but will likely have little impact on others. It was noted that SLCC is near capacity now.

Regent Karras said we ought to cap the U, raise the standards, and then give money to SLCC to compensate. He still wants those that didn't make it in a university to have a chance at success. The Regents would need a lot of latitude to put money where it is needed.

Pres. Steve Bennion, SUU, said the new formula takes into account both growth and inflation and we need to have it to support the existing students.

Rep. Dee said it needs to be coordinated into public education as well. Students that don't qualify for the U or SLCC must have the chance to go somewhere if they want a better life. Regent Karras said one of the advantages of UCAT is that there are people from both boards working together on that very issue.

Rep. Lawrence said capping enrollment is hard. If you raise tuition and don't cap, the assumption is that you can get the same level of education or better but the reality is that the quality isn't the same and may be less. Capping may be what we have to do.

Pres. Hall said articulation among the institutions is critical and there has been great progress. If students complete the two year programs, they can transfer to the research institutions. You should be ruthlessly utilitarian when determining admission criteria because that is the real success of higher education. We are in this situation because the system isn't rationalized along mission and role lines.

Sen. Allen said we are at a crossroads and we need to be tough and make decisions. We need to engage young people early in the process and let them know what they need to do and what the consequences are if they don't measure up.

Rep. Winn said high school graduation requirements should be strengthened. Commissioner Foxley said the State School Board has agreed to add three units to graduation requirements. Regent Karras said the Board of Regents is about 80% done with the discussion on missions and roles.

3. Tuition Issues—Rep. Jones said asked if tuition increases should be used for O&M, as the Analyst has done. Mr. Garriott said in your personal budget, you look at how much money you have, then look at your needs, and decide on priorities. You have to maintain the integrity of the institution; heat, lights and other operating expenses necessary to take care of students on the campus. If you can't keep the doors open then you have failed. He noted that the sponsor of the Truth in Tuition bill is comfortable with how he has allocated tuition increase revenue.

Commissioner Foxley said students don't want tuition used by another institution and that is what the Analyst has recommended. Second-tier tuition is a contract between students and the administration of that institution. Pres. Bennion underscored what the commissioner said. SUU has the highest tuition increase and wouldn't be at that level if the students hadn't agreed to proposed expenditures.

Pres. Benson said the tuition raise was sold to students to restore salary reductions and to help students. To have to go back and say it will be used elsewhere is a violation of their trust. Pres. Hall said they would be happy to freeze in the dark without water as long as they could provide an educational experience that is beneficial.

4. Response from Student Leaders on Tuition Increases—Bill Edwards, University of Utah Student Body President and President of the Utah Student Association, said students want to know what is being done with their money and it is an implied contract with the students. Gladwell asked if the words "we agree to use the money for" were used in the negotiations. Mr. Edwards said it wasn't in their discussion at the U. Ryan Vogel, UVSC Student Body President and Vice President of the Utah Student Association, said those words have been used in other hearings he knows about.

Mr. Edwards said there has been spiraling tuition increases with a lack of state support. Many students pay their own tuition and increases could prolong their education. In a Deseret News poll, responses indicted support of higher education even at the expense of more tax dollars. A poll was taken at USU last year that showed adding \$100 to \$150 tuition per semester is the breaking point. National studies show that if you make higher education inaccessible during hard times, it prolongs the recession.

Mr. Edwards said financial aid kept pace with tuition increases until about 1992 when it dramatically dropped off. Commissioner Foxley said Utah used to pride itself on low tuition and low financial aid because there wasn't much need. Tuition has increased with the hope that state-based financial aid would keep pace. Rep. Johnson questioned using tuition for financial aid. Students shouldn't pay for others to go to school. Mr. Edwards said this was a way to boost financial aid, but they don't think it's the best way.

Mr. Garriott referred the Committee to Page 20 in the Budget Book showing where Utah tuition falls in relation to other WICHE states. Utah's medium household income is in the upper quartile (Census data). 2000 per capita income shows Utah third lowest because of large family sizes. Mr. Garriott distributed a handout comparing undergraduate tuition based on medium family income and on a per capita basis. Over 18% of per capita income goes to tuition at the U. Utahns have less disposable income for funding extras like education. Although tuition is low, the rates are fairly significant if seen in this light. Pres. Benson said Snow is a residential campus and must factor housing costs into the equation.

Mr. Garriott read the statute regarding tuition increases (53B-7101). Tuition rates must be submitted prior to the legislative session. The Board of Regents has to state what the minimum tuition increases will be. If the second-tier is set after session, it is in violation of that statute. Rep. Shurtliff said the committee needs to leave the second-tier decision to the institutions. Rep. Johnson agreed.

Sen. Gladwell said the discussion on HB 331 will be held to the next meeting.

5. Committee Business—USHE Response to Analyst's Budget—Commissioner Foxley said if there is no money then they should keep commitments to students and let the presidents determine how to budget.

MOTION: Rep. Shurtliff moved to adjourn.

The motion passed unanimously.

Committee Co-Chair Gladwell adjourned the meeting at 4:20 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. David Gladwell, Committee Co-Chair

Rep. Bradley T. Johnson, Committee Co-Chair