

REVISED MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
THURSDAY, FEBRUARY 12, 2004, 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
Rep. Katherine M. Bryson
Rep. Margaret Dayton
Rep. Kory M. Holdaway
Rep. Gregory H. Hughes
Rep. Patricia W. Jones
Rep. Susan Lawrence
Rep. LaWanna "Lou" Shurtliff
Rep. Stephen H. Urquhart

Members Excused: Sen. Ron Allen

Members Absent: Rep. Brad Dee

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

Public Speakers Present: Commissioner Richard Kendell
Brad Mortensen, USHE
Pres. Michael Benson, Snow College
Pres. Steven Bennion, SUU

A list of visitors and a copy of handouts are filed with the committee minutes.

Committee Co-Chair Gladwell called the meeting to order at 2:28 p.m.

MOTION: Rep. Dayton moved to approve minutes of the February 9, 2004, and February 11, 2004, meetings.

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

1. Final Committee Action

MOTION: Rep. Dayton reluctantly, though necessarily, moved to reconsider actions on the USU Climate Center.

The motion passed unanimously.

MOTION: Rep. Dayton moved to reverse Committee action on appropriating \$120,000 in ongoing general funds for the USU Climate Center.

The motion passed unanimously.

MOTION: Rep. Holdaway moved to appropriate \$304,800 from Land Grant Trust funds to the University of Utah–Miners' Hospital for FY 2005.

The motion passed unanimously.

MOTION: Rep. Shurtliff moved to reconsider action on the transfer of \$272,900 from the General Fund for nursing education at WSU to SUU for nursing education.

The motion passed unanimously.

MOTION: Rep. Shurtliff moved to transfer \$272,900 for nursing education at WSU to SUU for nursing education. The plan of financing includes \$178,700 from General funds and \$94,200 from Dedicated Credits.

The motion passed unanimously.

Sen. Gladwell said there were several years when Utah had a lot of money and then came the last three years of budget cuts. Utah is well known for managing state money wisely. All indications say that the economic recovery will be modest, and that leaves legislators in a quandary as they face the future. Sen. Gladwell said there are three options: 1) Raise taxes; 2) fund the same old way, hoping to get new money, set priorities, but no real change occurs; and 3) Look at current budgets and see if reallocation of funds will make a difference for some of the hot spots and heavy burdens carried by higher education. The top three hot spots determined by the Committee are unfunded growth, fuel and power, and O&M.

Sen. Gladwell introduced a handout with a priority funding proposal for higher education. The proposal includes \$21,414,300 for fuel and power; \$2,444,400 for O&M of new facilities; and \$15,793,700 for enrollment growth for a total of \$39,652,400. The plan of financing includes (1) \$3,901,300 previously appropriated for remedial education. This supports the Governor's proposal to make remedial classes at the colleges self-supporting for recent high school graduates; (2) \$15,347,500 from reimbursed overhead. This is consistent with the terms of the federal research grants where the net reimbursed overhead revenues received by the institutions that are designated for overhead expenses shall be used to fund campus fuel and power needs; (3) \$3,000,000 by raising graduate tuition rates to 84% of the WICHE average for comparable institutions in the WICHE region. The proposal also includes appropriate tuition rate adjustments for medical and profession degree programs; and (4) \$17,403,600 from revenue generated from 2nd tier tuition increased.

Sen. Gladwell said the co-chairs decided to make the proposal because there are so many unfunded students and because there are such deficits in fuel and power and O&M.

MOTION: Sen. Knudson moved to accept the priority funding recommendations for the Utah System of Higher Education as proposed.

Rep. Holdaway expressed concern about the remedial education proposal as well as the proposal for 2nd tier tuition. Sen. Gladwell said only recent high school graduates under the age of 22 would pay the full cost of instruction; older students would not pay the full cost. Rep. Holdaway asked about students who need special education. Sen. Gladwell said there is separate funding available for those students. Analyst Boyd Garriott said there is also ADA funding and a line item for educationally disadvantaged that students who qualify could use. Other comments and discussion was heard from Reps. Lawrence, Urquhart, Shurtliff, and Holdaway, Sens. Hickman and Gladwell, Mr. Garriott, and Analyst Debra Headen.

The motion was withdrawn to hear comments from the audience.

Commissioner Kendell said the analysts' numbers are not consistent with the Regents', and he would like come back with a different proposal for the Committee to consider. All of the presidents have already had tuition hearings, and he feels there is a social compact with students regarding tuition increases. Sen. Gladwell said the Committee wants to make sure the data is correct.

Pres. Michael Benson said they have made promises to students, so why have hearings if institutions are not going to be able to do what they agreed upon. Sen. Hickman said the Committee understands the philosophies of the proposal and the numbers just need to be worked through. He asked how the institutions could hold hearings without knowing what the Legislature was going to do. Commissioner Kendell said the institutions are required to have the hearings, but tuition isn't finalized. He said the institutions started the process in good faith. They wanted to have

a plan so the Legislature knew what the plan was. Nothing is official until the Board of Regents makes a recommendation. Sen. Hickman said institutions will go back to students and blame legislators for changing their mind when the institutions should not have made commitments before funding was allocated. Commissioner Kendall said the USHE accepted 10,000 students without any increases, they have endured cuts, and reduced the motor pool. They had no inkling of the reallocation proposal until this meeting and that is not good budgeting.

Rep. Johnson said there are other pieces to the proposal that will reduce tuition and help both the students and the institutions. Institutions will have full control over enrollment growth money and can do anything they want with it. No one will lose any money. Rep. Shurtliff said the truth in tuition statute leaves a short period of time to have hearings with students, and there is a lot of pressure on the institutions to get it done. Rep. Bryson said there was nothing in the truth and tuition bill about promises to students; it was meant to share information with students, not negotiate. It is the Legislature that has the fiduciary responsibility.

MOTION: Sen. Knudson moved to accept the priority funding recommendation for the Utah System of Higher Education as proposed.

Discussion was heard Reps. Jones, Lawrence, Johnson, Holdaway, Hughes, and Shurtliff.

The motion passed with Sens. Gladwell, Knudson, and Hickman and Reps. Johnson, Bryson, Dayton, Hughes, Lawrence, and Urquhart voting aye, and Reps. Holdaway, Jones, and Shurtliff voting nay.

MOTION: Sen. Knudson moved to accept the plan of financing found on Table 1 of the handout (attached).

The motion passed with Sens. Gladwell, Knudson, and Hickman and Reps. Johnson, Bryson, Dayton, Hughes, Lawrence, and Urquhart voting aye, and Reps. Holdaway, Jones, and Shurtliff voting nay.

Rep. Johnson said students shouldn't have to pay financial aid for others in their tuition, and he thinks higher education will get money for a salary increase. He said the reallocation proposal is a just a plan until more information is available. Sen. Hickman said the Executive Committee is looking at about a 2% salary increase that would cost around \$60 million.

MOTION: Rep. Johnson moved to adopt the following intent language:

It is the intent of the Legislature that the second tier tuition be used to cover operating needs on the USHE campuses as directed by the Legislature. It is also the intent of the Legislature that the tuition increases for the second tier not exceed the proposed percentages for each campus of FY 2005 as noted: University of Utah, 7%; Utah State University, 4%; Weber State University, 7%; Southern Utah University, 8%; Snow College, 6%; Dixie State College, 5%; College of Eastern Utah, 5%; Utah Valley State College, 10%; Salt Lake Community College, 5%.

The motion was withdrawn to allow time to get copies for the Committee.

Sen. Gladwell distributed a committee prioritization list developed from priorities given by those present at the last meeting. The Committee co-chairs decided to ask for \$10,500,000 dollars from the Executive Committee and distributed that amount among the priorities. Rep. Johnson noted that \$2.9 million from tuition will go toward employee compensation. The committee's priorities are: (1) UEN (\$900,000); (2) student financial aid (\$2,700,000); (3) nursing (\$500,000); (4) engineering (\$2,000,000); (5) Climate Center (\$300,000); (6) student advisors and counselors (\$1,000,000); (7) Utah Academic Library Consortium (\$650,000); and (8) enrollment growth (\$2,000,000). The chairs are going to try very hard to get funding for the priorities. Rep. Johnson noted that funding financial aid this way reduces tuition by \$1.3 million. Sen. Gladwell said the proposal reduces the tuition increase by .5% and that would affect every student. Comments were heard from Brad Mortensen, USHE, and Rep. Shurtliff,

MOTION: Rep. Shurtliff moved to take \$500,000 out of Engineering and put it in Nursing to result in \$1,500,000 for the Engineering Initiative and \$1,000,000 for the Nursing Initiative.

SUBSTITUTE MOTION: Sen. Hickman moved to leave Engineering at \$2 million and increase Nursing to \$1 million.

The substitute motion passed unanimously.

MOTION: Rep. Jones moved to add \$100,000 for ADA as number nine on the list.

SUBSTITUTE MOTION: Rep. Dayton moved to add \$100,000 for ADA as number nine and \$100,00 for the Campus Compact as number ten.

The motion passed unanimously with Sen. Hickman voting nay.

Sen. Gladwell said that voting for the reallocation plan puts higher education in line to get more funding. Rep. Johnson said public education agreed that if their recent graduates are not prepared for higher education, they will pay for students who need remedial classes. The Governor is also in support of having remedial education self-funded. The Fiscal Analysts will get the figures on remedial education. Rep. Johnson said this also sends the message to high school seniors about the importance of being prepared.

MOTION: Sen. Knudson moved to adopt the prioritization list as amended: (1) UEN (\$900,000); (2) student financial aid (\$2,700,000); (3) nursing (\$500,000); (4) engineering (\$2,000,000); (5) Climate Center (\$300,000); (6) student advisors and counselors (\$1,000,000); (7) Utah Academic Library Consortium (\$650,000); (8) enrollment growth (\$2,000,000); (9) ADA (\$100,000); and (10) Campus Compact (\$100,000).

The motion passed unanimously.

MOTION: Rep. Johnson moved to adopt intent language as follows:

It is the intent of the Legislature that the second tier tuition be used to cover operating needs on the USHE campuses as directed by the Legislature. It is also the intent of the Legislature that the tuition increases for the second tier not exceed the proposed percentages for each campus of FY 2005 as noted: University of Utah, 7%; Utah State University, 4%; Weber State University, 7%; Southern Utah University, 8%; Snow College, 6%; Dixie State College, 5%; College of Eastern Utah, 5%; Utah Valley State College, 10%; Salt Lake Community College, 5%.

Reps. Lawrence spoke against the motion. Rep. Johnson suggested changing the intent language.

SUBSTITUTE MOTION: Sen. Knudson moved to adopt amended intent language as follows:

It is the intent of the Legislature that the second tier tuition be used to cover operating needs on the USHE campuses ~~as directed by the Legislature~~. It is also the intent of the Legislature that the tuition increases for the second tier not exceed the proposed percentages for each campus of FY 2005 as noted: University of Utah, 7%; Utah State University, 4%; Weber State University, 7%; Southern Utah University, 8%; Snow College, 6%; Dixie State College, 5%; College of Eastern Utah, 5%; Utah Valley State College, 10%; Salt Lake Community College, 5%.

The motion passed with Rep. Holdaway voting nay.

MOTION: Rep. Johnson moved to adopt intent language as follows:

It is the intent of the Legislature that the proposed 4.5 percent first tier tuition increase for FY 2005 be reduced by 1.5 percent. The remaining 3.0 percent tuition increase shall be used to cover the compensation package. It is also the intent of the Legislature that the Fiscal Analyst's Office be directed to make other adjustments to the 1st tier tuition rate to reflect the final decision of the Executive Appropriations Committee for employee compensation.

Discussion and comments were heard from Sen. Gladwell, Reps. Shurtliff, Johnson, Holdaway, Jones, and Lawrence, and Mr. Garriott.

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

Sen. Gladwell said the Committee would like to hear back from Commissioner Kendell and will try to schedule a meeting on Monday. Commissioner Kendell said he would like to get the presidents and the chief financial officers together and then come back with an analysis of the data and a reallocation strategy of their own. He asked that the Committee give them as much flexibility as they can. The institutions are so very different it is hard to treat them the same.

MOTION: Sen. Knudson moved to adopt intent language as follows:

It is the intent of the Legislature that remedial classes at the colleges be at least 50 percent self-supporting for recent high school graduates through the age of 22.

Rep. Urquhart spoke against the motion.

The motion failed in the House so the motion failed with Sens. Gladwell, Hickman, and Knudson, and Reps. Johnson, Hughes, and Shurtliff voting aye, Reps. Holdaway, Jones, Lawrence, and Urquhart voting nay, and Reps. Bryson and Dayton absent for the vote.

MOTION: Rep. Johnson moved to adjourn.

Committee Co-Chair Gladwell adjourned the meeting at 4:15 p.m.

Minutes were reported by Rolayne Day, Secretary.

Sen. David Gladwell, Committee Co-Chair

Rep. Bradley T. Johnson, Committee Co-Chair