

Budget Brief – Utah Education Network

NUMBER UEN-01

SUMMARY

The Utah Education Network (UEN), a partnership of Utah’s public and higher education institutions, delivers distance learning educational services statewide. It operates the State’s two public television stations, KUED-7 and KUEN-9; provides closed circuit two-way video services; and connects state computer networks to each other and the Internet. Its mission is to “provide the citizens of Utah access to the highest quality, most effective instructional experiences, administrative support services, library services, student services, and teacher resources regardless of location or time.”

BASE BUDGET ISSUES

Ongoing Support for Network Infrastructure

Leveraging the federal E-Rate program, UEN is currently increasing network bandwidth to middle and high schools in the state. In support of this initiative for FY 2006, the Legislature provided a \$1.5 million one-time appropriation. The appropriation act directs that “\$1,500,000 in one-time funds provided for network capacity and reliability be used for multi-year contracts with telecommunications service providers” and that “funds provided for the Utah Education Network shall not lapse.”

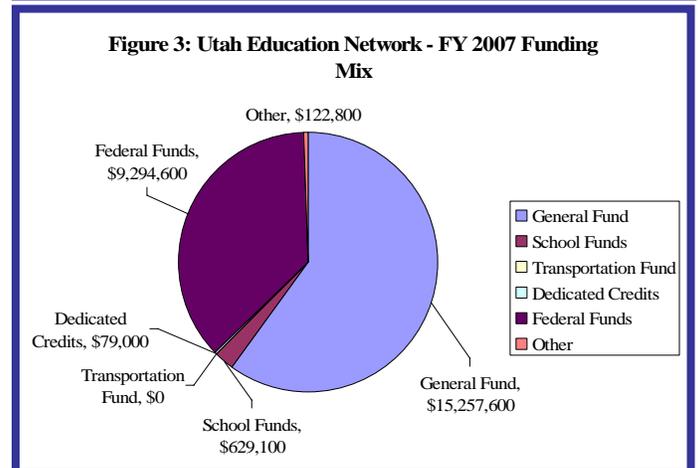
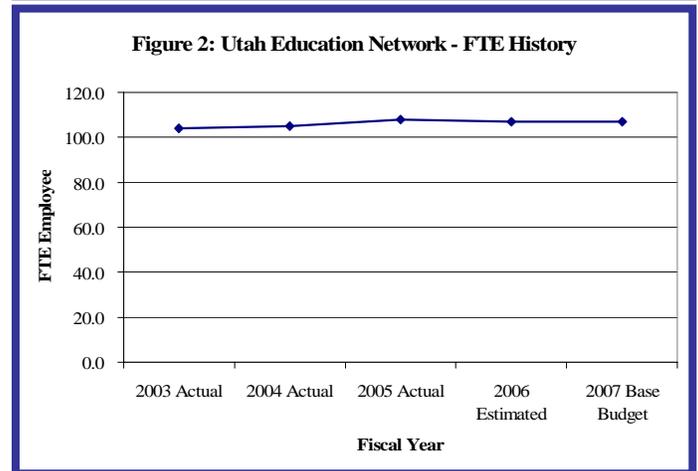
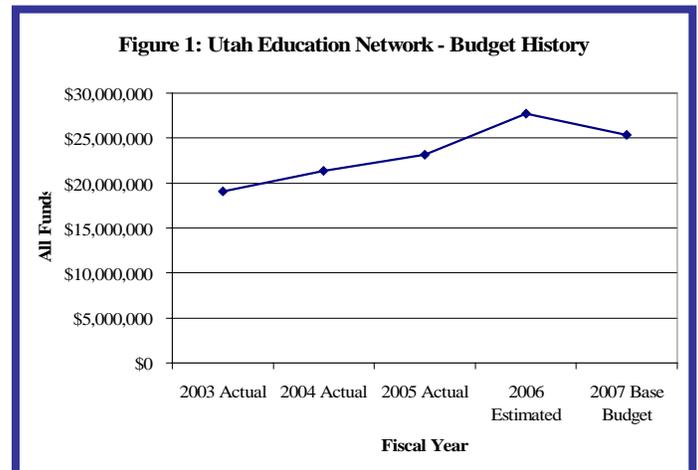
While UEN could use the money over several years – for example \$300,000 per year for five years – it could also exercise contract options that use the entire amount in a single year.

Should UEN implement all of its planned and contracted Phase II and Phase III circuits, its base budget would not be sufficient to pay ongoing costs beyond FY 2007. UEN has requested that \$1.3 million of the \$1.5 million be made ongoing to cover potential ongoing costs.

Internet Based Video Conferencing

UEN is also currently converting its analog “EdNet” system to internet protocol video conferencing. The conversion allows users more scheduling flexibility through regional bridges, increases EdNet’s overall capacity by eliminating bottlenecks, and leverages data circuits that support video as well as other types of data.

For the 2005 General Session, UEN requested \$800,000 in one-time funds “to continue the second of three phases in this project.” The Legislature granted UEN’s request. For the 2006 General Session (FY 2007), UEN requests an additional \$800,000 in one-time funds, plus \$200,000 ongoing for maintenance contracts. UEN has also revised the scope of this project, making FY 2007 year



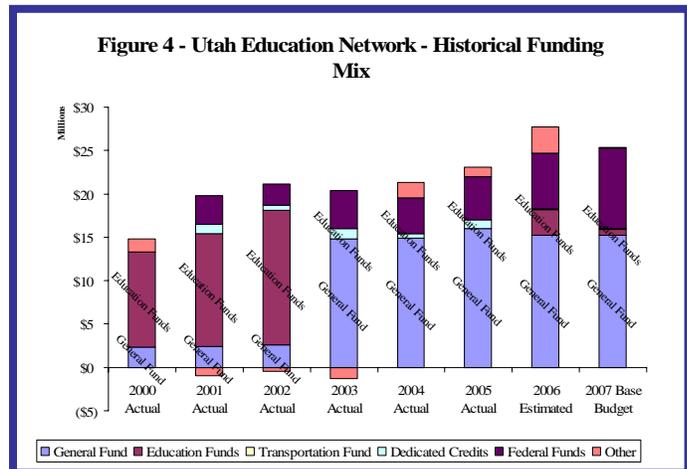
three of a four year project, rather than the final year as UEN had earlier stated.

By the end of FY 2006, 60 percent of classrooms will be converted to IP video. When combined with Federal Funds, UEN’s request for FY 2007 will cover an additional 70 classrooms. Many of these rooms are in facilities that also host UEN Satellite receive sites. The satellite sites are limited in that they support only one-way video – with telephones providing two way audio. Satellite rooms must be centrally scheduled, and they do not support interactive data transmission. The Legislature currently provides nearly \$1.5 million for the UEN satellite system, nearly half of which pays for the satellite circuits themselves.

The Legislature may wish to redirect UEN’s satellite services budget to off-set future ongoing IP video maintenance costs as well as ongoing network costs.

Discontinue General Fund Subsidy

In fiscal years 2001 – 2003 revenue dedicated to education (from income tax) declined significantly in Utah. To minimize the impact of this declining revenue, the Legislature moved nearly \$15 million in General Fund (sales tax) resources into UEN’s budget. Figure 4 shows UEN’s funding mix for eight years. As you can see from the graph, the education funds share of UEN’s budget decreases dramatically in FY 2003, during the income tax down-turn. UEN’s FY 2007 base budget funding mix can also be seen in figure 3.



As income tax revenue has more than rebounded in the past two years, the Analyst recommends removing the sales tax subsidy from UEN’s budget and returning to education fund financing of the Utah Education Network.

Nonlapsing Balances

During the 2005 Interim, the Executive Appropriations Committee directed the Office of the Legislative Fiscal Analyst to review agency nonlapsing balances for each agency having or requesting nonlapsing authority. Specifically, the Committee asked the LFA to show what has been the history of an agency’s nonlapsing balances. It also asked the Analyst to investigate how well an agency forecast balances in its budget request.

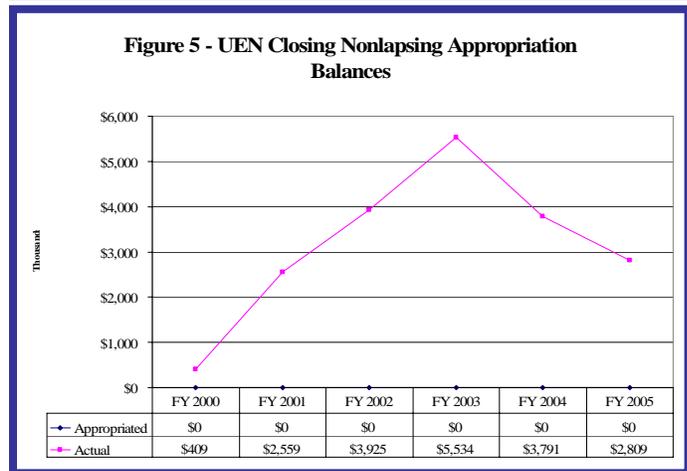


Figure 5 answers both of these questions. It shows that, while UEN’s balances grew from FY 2000 to FY 2003, UEN has drawn down its balances over the past two years. UEN has not historically estimated future nonlapsing balances in its budget request. Each year UEN shows zero projected nonlapsing balances, and each year its actual nonlapsing balance are significantly more than zero. The Analyst and UEN have agreed to investigate ways to better inform the Legislature of anticipated nonlapsing balances prior to UEN’s FY 2008 budget submission.

ACCOUNTABILITY

For FY 2006, UEN is tracking three performance measures and associated targets:

- Network Reliability
- Headcount in Higher Education Technology Delivered Instruction
- Visitors to UEN’s Top Twenty-Five Web Sites.

These measures are intended to reflect UEN’s progress in achieving three goals: providing a robust and accessible network (measure 1), making instruction available through distance education (measure 2), and providing useful content to students and teachers (measure 3).

Figures four through six, to the right, document UEN’s performance toward achieving those goals. The Legislature and its staff recognize that these measures are not directly related to funding levels, but agree that they are useful measures for use in public policy decision making.

UEN and the Analyst have agreed to continue using these measures for fiscal year 2007.

BUDGET DETAIL

In the past, UEN has had as many as four line-items with earmarked funds going to UEN itself, as well as to the University of Utah, Utah State University, and the College of Eastern Utah through UEN. During the past three years the Legislature has streamlined these appropriations so that funds go directly to the recipient.

The Legislature maintains two separate line items for UEN. The first – simply called Utah Education Network – funds the majority of UEN’s activities. The second – UEN Satellite Services – pays personnel and contract costs related to the maintenance of satellite circuits.

For details on UEN’s budget see page 123 of the Higher Education Subcommittee’s Compendium of Budget Information for the 2006 General Session.

Budget Recommendation

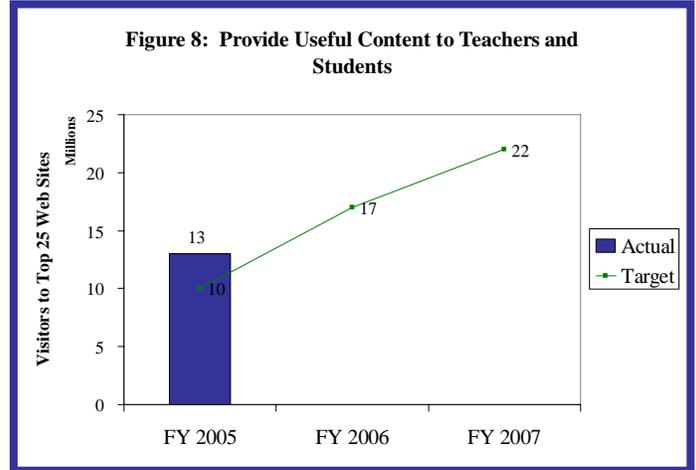
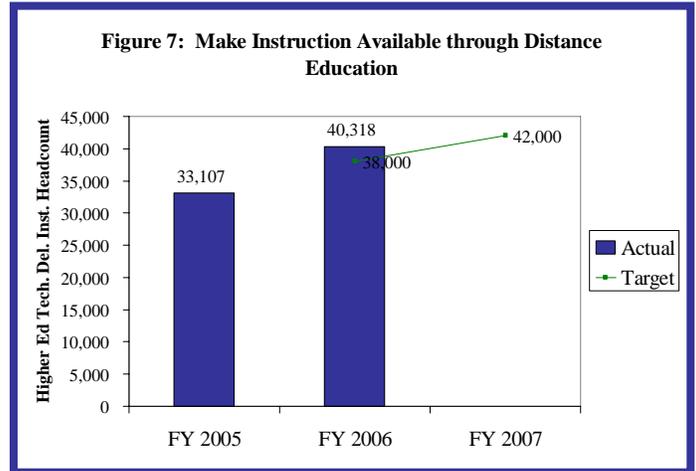
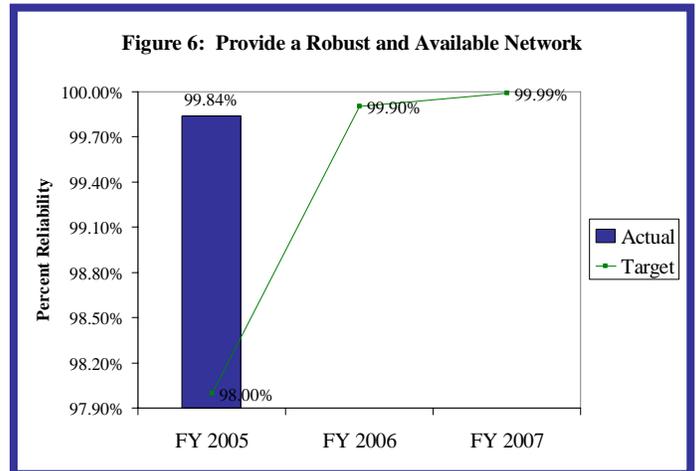
As shown in the following Budget Detail Table, the Analyst recommends \$25,383,100 for UEN in fiscal year 2007, including \$23,929,100 for UEN’s main line-item, and \$1,454,000 for the UEN Satellite Services line-item. Contrary to the table, the Analyst recommends that \$15,257,600 of UEN’s total base budget come from income tax revenue rather than sales tax revenue.

LEGISLATIVE ACTION

Should the subcommittee choose to adopt the Analyst’s base budget recommendations as contained in this brief, the following serves as a summary of actions that should be taken by the subcommittee:

1. Approve the base budget for the UEN main line item - \$23,929,100 for FY 2007.
2. Direct that, of the above amount, \$14,432,700 shall come from income tax revenue.
3. Approve the base budget for the UEN Satellite Services line item - \$1,454,000 for FY 2007.
4. Direct that the entire base budget for UEN Satellite Services shall come from income tax revenue.

The Subcommittee may wish to create a priorities list for building block items, to be discussed separately.



BUDGET DETAIL TABLE

Utah Education Network						
	FY 2005	FY 2006		FY 2006		FY 2007*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	15,052,700	15,257,600	0	15,257,600	0	15,257,600
General Fund, One-time	945,300	0	0	0	0	0
Uniform School Fund	0	0	0	0	0	0
Uniform School Fund, One-time	0	0	0	0	0	0
Income Tax	0	629,100	0	629,100	0	629,100
Income Tax, One-time	0	2,300,000	0	2,300,000	(2,300,000)	0
Federal Funds	4,990,000	4,324,000	2,136,500	6,460,500	2,834,100	9,294,600
Dedicated Credits Revenue	1,022,300	248,700	(169,700)	79,000	0	79,000
Transfers	123,300	55,500	67,300	122,800	0	122,800
Beginning Nonlapsing	3,816,600	0	2,859,200	2,859,200	(2,834,100)	25,100
Closing Nonlapsing	(2,834,100)	0	(25,100)	(25,100)	0	(25,100)
Total	\$23,116,100	\$22,814,900	\$4,868,200	\$27,683,100	(\$2,300,000)	\$25,383,100
Line Items						
Utah Education Network	21,661,400	21,360,900	4,868,200	26,229,100	(2,300,000)	23,929,100
UEN Satellite System	1,454,700	1,454,000	0	1,454,000	0	1,454,000
Total	\$23,116,100	\$22,814,900	\$4,868,200	\$27,683,100	(\$2,300,000)	\$25,383,100
Categories of Expenditure						
Personal Services	7,045,300	7,441,100	166,100	7,607,200	0	7,607,200
In-State Travel	158,400	147,700	26,300	174,000	0	174,000
Out of State Travel	238,000	289,800	15,500	305,300	0	305,300
Current Expense	1,784,700	3,510,600	(939,500)	2,571,100	0	2,571,100
DP Current Expense	9,684,700	7,809,200	4,772,600	12,581,800	0	12,581,800
DP Capital Outlay	4,019,200	3,453,500	903,900	4,357,400	(2,300,000)	2,057,400
Capital Outlay	185,800	163,000	(76,700)	86,300	0	86,300
Total	\$23,116,100	\$22,814,900	\$4,868,200	\$27,683,100	(\$2,300,000)	\$25,383,100
Other Data						
Budgeted FTE	108.0	104.0	3.0	107.0	0.0	107.0
Vehicles	9	9	0	9	0	9

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.