

**MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE**
Room 210 East Senate Building, State Capitol Complex
January 28, 2014

Members Present:

Sen. Stephen H. Urquhart, Co-Chair
Rep. Keith Grover, Co-Chair
Rep. Jon E. Stanard, House Vice Chair
Sen. J. Stuart Adams
Sen. Patricia W. Jones
Sen. Aaron Osmond
Sen. Howard A. Stephenson
Sen. Jerry W. Stevenson
Sen. John L. Valentine
Rep. Jack R. Draxler
Rep. Rebecca P. Edwards
Rep. Don I. Ipson
Rep. Dana L. Layton
Rep. Kay L. McIff
Rep. Marie H. Poulson
Rep. Robert M. Spendlove
Rep. Mark A. Wheatley

Members Absent:

Rep. Dean Sanpei

Staff Present:

Mr. Spencer Pratt, Fiscal Manager
Ms. Angela Oh, Economist/Statistician
Ms. Lorna Wells, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Grover called the meeting to order at 1:36 p.m.

2. Welcome and Introductions

Co-Chair Grover welcomed committee members and visitors to the meeting.

3. Approval of Minutes from 2013 Interim Meetings (8/21/13 and 10/11/13)

MOTION: Sen. Osmond moved to approve the minutes of August 21 and October 15, 2013.
The motion passed unanimously with Sen. Adams absent for the vote.

4. Introduction of S.B. 1 Higher Education Base Budget Bill

Mr. Pratt explained that the committee members will not have printed binders this year. He explained how to find committee information on-line as well as all of the related links available. <http://le.utah.gov/asp/interim/Commit.asp?Year=2014&Com=APPHEd>.

Rep. Edwards asked if the information is available on SharePoint. Mr. Pratt will verify that it is on SharePoint.

Mr. Pratt explained the Higher Education Base Budget Bill. He discussed some of the changes from the last fiscal year and explained that the budget being discussed is for Fiscal Year 2015 (FY2015). He explained that tuition rates have increased and that this is shown as dedicated credits in the bill. <http://le.utah.gov/interim/2014/pdf/00000149.pdf>

5. Introduction of Compendium of Budget Information (COBI) and links to S.B. 1

Mr. Pratt explained the navigation of the COBI. He explained the statewide COBI pages as well as the Higher Education pages. He explained that there are links to Utah Code that govern each institution. http://le.utah.gov/lfa/reports/cobi2014/sctte_27.htm

Mr. Pratt said that the budget information is repeated for each institution, each program, and each line item. There are links for operating budgets, revenue sources, and expenditures. Each sheet contains budgeted and actual FTE employee numbers and vehicles. There is budget information for FY 2013 Actual, FY 2014 Appropriated, FY 2014 Authorized (Estimated), and FY 2015 Base, which is the Base Budget. There is a scroll bar to view budget information for previous fiscal years.

Mr. Pratt explained that there is a section labeled Issues/Analysis which links to Issue Briefs and Trend Analyses that will be presented during the next three weeks. He discussed the Education and General line item. There are performance measures; issues and analyses, and trend lines for each funding source, program, and expenditure category.

6. Fiscal Note and Building Block Follow-up Report

Ms. Oh explained the fiscal note and building block follow-up report which was discussed in the October interim meeting. She indicated that the only item in the report that received a red in performance was HB 0057 from the 2011 General Session, Joint Professional School of Veterinary Medicine. She reported that performance data from Utah State University has now been received and that performance measure would now be changed to a green stop light. The other two building blocks that had yellow stop lights have now provided performance measures that would change to a green stop light. <http://le.utah.gov/interim/2014/pdf/00000170.pdf>

7. Performance Audits from 2013 affecting Higher Education.

Mr. Pratt explained that there were three audits performed by the Legislative Auditor General in 2013 that affected Higher Education.

- a. **Performance Audit of UCAT Programs and Funding.** This audit indicates that

- most programs met performance measures, management of UCAT programs is becoming more effective, student costs need additional policy guidance and oversight, the custom fit program needs clearer direction, and that UCAT's role in secondary education should be clarified. http://le.utah.gov/audit/13_02rpt.pdf
- b. **Performance Audit of Higher Education's Competition with the Private Sector.** This audit deals specifically with the different practices now being followed regarding sales tax charges in bookstores at the various USHE institutions and recommends that policy makers look into this issue. http://le.utah.gov/audit/13_05rpt.pdf
 - c. **Performance Audit of Health Insurance Contracting in Higher Education** This audit reviews whether pooling employee health insurance for all higher education and applied technology colleges (institutions) as a single entity would lead to cost savings for the state. The Commissioner's office and UCAT will address solutions and remedies. http://le.utah.gov/audit/13_05rpt.pdf

Rep. Draxler asked for clarification regarding the second audit and if it was specific to bookstores.

Mr. Pratt indicated that the sales tax policies for the USHE bookstores are not being applied consistently.

Mr. David Gibson, Legislative Auditor General's office explained that there is a wide difference among all of the colleges because of the interpretation of the law. Some institutions charge sales tax on everything; others do not charge sales tax.

8. USHE Issue Briefs

- a. **Historical Funding.** Mr. Pratt explained historical funding and how the spread between the amount of state funding and dedicated credits funding has increased considerably in the past few years. <http://le.utah.gov/interim/2014/pdf/00000170.pdf>
- b. **USHE Mission, Enrollment, and Funding.** Mr. Pratt explained that state funding has not always kept pace with enrollment increases. Mr. Pratt explained the funding shift from state funds to tuition funds over the years. <http://le.utah.gov/interim/2014/pdf/00000258.pdf>
- c. **USHE Tuition State Funds and Tuition and Fees.** Mr. Pratt explained first and second-tier tuition. He explained that for FY 2014 most institutions increased first tier tuition by five percent. <http://le.utah.gov/interim/2014/pdf/00000261.pdf> Mr. Pratt explained that fees are becoming a much more significant portion of the cost; Generally, Utah has been a low tuition state; in some cases this is still true; in other cases the institution is much closer to the average and some are higher than average. Mr. Pratt explained that there are comparisons with peer institutions in the Western Interstate Commission for Higher Education (WICHE) as well as comparisons with institutions that have similar programs throughout the country.

Rep. McIff asked if the data included amounts from private giving and scholarships. He asked if there is an idea what share is satisfied by scholarship money.

Mr. Pratt stated that scholarships are an offset to tuition. This data is available by institution.

Mr. Pratt could provide information regarding how much is covered by scholarships.

Sen. Stephenson asked how tuition levels are determined and what role does or should the Legislature play in determining these levels.

Mr. Pratt indicated that first tier tuition is a uniform percentage for all institutions. Last year all institutions increased tuition by five percent. Mr Pratt reported that second tier tuition is determined by the institutions. This is specifically for adding new faculty; alleviating bottle necks for certain classes and other specific funding needs. This decision is approved by the studentbody, then by administration and then goes to the Board of Regents. Mr. Pratt stated that the Legislature has delegated authority for the increase of first tier tuition to the Board of Regents. Generally they meet after the end of the Legislative session and look at the approved base budget and compare that with their needs for the fiscal year.

Sen. Stephenson is concerned about the surcharges that are placed on programs where there is a great need for graduates. He discussed the importance of getting information from the Utah Data Alliance out to the public so they can make a more informed decision regarding what degrees are yielding the highest employment rates and highest compensation. This is especially relative to the 66 percent goal. He also discussed the return on investment for certain degrees.

Mr. Spencer Jenkins, Assistant Commission for Public Affairs, USHE Commissioner's Office, reported that the surcharges Sen. Stephenson is referring to are determined by the individual institutions.

Co-Chair Urquhart welcomed Rep. Stanard to the committee and stated that Rep. Stanard was quite surprised at the very few lines in the Base Budget. Co-Chair Urquhart stated that a great deal of autonomy has been given to each institution. They have done well with this autonomy, they are constantly improving their product. They eliminate outdated programs and develop new ones. They have done this with lower percentages of state funding and also keeping Utah a low-tuition state. He added that UCAT is constantly reconfiguring its offerings. He stated that money spent in higher education is money well spent. He praised committee members who have gotten to know these institutions and asked them to continue doing so.

Co-Chair Urquhart stated that the committee should look at the broad vision as they are making new policy. He said that the committee should determine if money is spent on the right programs, and in helping students prepare for the jobs that are available. He asked committee members to look at COBI and be prepared to ask the difficult questions as the colleges make their presentations. He is specifically concerned about graduation and completion rates.

Sen. Stephenson thanked the chairs for their leadership. He would like each institution to report on what they are doing to improve their outcomes and efficiencies.

Vice Chair Stanard stated that he was glad to be a part of the committee. He would like the institutions to provide data on what is the cost per degree earned in different departments.

Rep. McIff mentioned that during the economic downtime it would have been very difficult for

the institutions to survive without private philanthropy. He would like to have this data included in the reports.

Sen. Jones requested that an open microphone time be allowed if any of the institutions would like to express opinions regarding what should be considered by the committee in moving forward. The institutions declined to make comments at this time.

Sen. Valentine asked institutions to identify programs that do not have economic activity. He stated that it isn't possible to have every program available at every institution. He would like these decisions to be made at the institution level rather than by the Legislature.

Co-Chair Urquhart stated that the institutions are doing this. He asked the institutions to bring more information regarding costs for clusters of degrees.

Sen. Osmond expressed concern over the decline in the number of concurrent enrollment courses available at the institutions.

Rep. Draxler appreciated the discussion that has taken place. He stated that the degree of autonomy is why the state has an efficient system. It is appropriate to look at policy, and it would be interesting to look at cost per degree. He cautioned the committee about implementing policy that would take away the autonomy.

Rep. Poulson asked what the institutions are doing as far as guiding and informing students regarding what classes they should take and specifically what concurrent enrollment and advanced placement (AP) classes will do and what they won't do. She mentioned the problem for students when they take many of these classes and then change majors several times.

Co-Chair Grover thanked the committee for the valuable discussion. He would like to see more information regarding the equity funding among institutions within UCAT and USHE.

Rep. Layton was interested in the bigger picture and the tremendous return on investment for tax payers. She stated that these are very complex issues. She mentioned the fairness issue regarding equity funding stating this is vital so that higher education is not an extra tax burden on certain areas of the state.

Rep. Ipson mentioned that much of this discussion regarding degrees is superficial because of the fast-paced world. He stated that it is impossible to know what is going to be important six to eight years from now. Some of the degrees needed in five to ten years haven't even been heard of today. He stated that the committee needs to be careful to guide institutions but to let them make these decisions. It is prudent not to micro-manage the process.

Rep. Spendlove mentioned that there is a critical shortage of people in various aspects of computer technology. The committee should align resources to meet the needs of the market.

Co-Chair Grover stated that he is looking forward to robust conversations in the next few meetings.

Rep. Wheatley asked for more discussion regarding the number of students who take out student loans and how many students go into default on those student loans.

Rep Layton would like discussion of how higher education could provide more benefit to the correction system and wondered if distance learning could be made available to the incarcerated population.

Co-Chair Urquhart mentioned that distance learning is available so more clarification about the concern is needed.

Sen. Stevenson distributed “Questions Legislators Might Ask”. He asked committee members to look at this and to have institutions be prepared to answer the applicable questions. He would like to know how institutions are measuring success and how successful were they last year. This would also be helpful as the committee makes requests to the Executive Appropriations Committee.

MOTION: Sen. Stevenson moved to adjourn. The motion passed unanimously.

Co-Chair Grover adjourned the meeting at 4:05 p.m.

Sen. Stephen H. Urquhart, Co-Chair

Rep. Keith Grover, Co-Chair