

(Draft – Awaiting Formal Approval)

**MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE**

Room 210 East Senate Building, State Capitol Complex

February 13, 2015

Members Present: Sen. Stephen H. Urquhart, Co-Chair
Rep. Keith Grover, Co-Chair
Rep. Jon E. Stanard, House Vice Chair
Sen. Jim Dabakis
Sen. Ann Millner
Sen. Aaron Osmond
Sen. Howard A. Stephenson
Sen. Jerry W. Stevenson
Sen. Evan J. Vickers
Rep. Kim Coleman
Rep. Fred C. Cox
Rep. Jon Cox
Rep. Jack R. Draxler
Rep. Don L. Ipson
Rep. Daniel McCay
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Mark A. Wheatley

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

Co-Chair Urquhart called the meeting to order at 8:14 a.m.

2. Committee Discussion on FY 2016 Budget and FY 2015 Supplemental

a. USHE Prioritization List - Co-Chair Urquhart showed the prioritization list that was based on surveys from subcommittee members. He mentioned that the first section was rather perfunctory and dealt with USHE Reallocations. He explained that they listed the House prioritizations and Senate prioritizations and then averaged them. He reported that there was a disparity between the House and Senate on these prioritizations.

Comm. Buhler stated that the Board of Regents would place the restoration of the two percent base cut as their first priority. The second priority would be the compensation for performance pay and health insurance. He reminded committee members that increases in tuition are used to pay for part of the compensation. If it is not funded by the Legislature, then there would have to be larger increases in tuition.

Co-Chair Urquhart asked the committee if the number one priority should be the perfunctory budget allocations, the second priority would be the restoration of the two percent budget cut, and third combine performance pay and health insurance into one line of compensation.

Sen. Stephenson asked if the intention of the budget cut restoration was to restore it as it was or was it to be repurposed. He would like the Chairs to ask leadership if a similar exercise is required next year, that they should use the interim to do this so the committee can drill down to look where cuts may be made.

Co-Chair Urquhart answered that the Chairs did take criticism from the Executive Appropriations Committee (EAC) because the committee did recommend just a straight two-percent cut across the board. He felt that there was a need for more clear direction from EAC in the future. He explained that there are very few lines in the higher education budget. A few years ago when there were significant budget cuts, they allowed the institution presidents the flexibility of determining where these cuts should be made.

Vice-Chair Stanard said that as the institution presidents made presentations, they each indicated programs that were eliminated. They make these cuts internally each year so they are going through the process that EAC requested. It is important for the committee to make sure that leadership understands that these cuts are a built-in part of the higher education process.

MOTION: Rep. Draxler moved to place the reallocations shown above the prioritized list, with # 1 the two-percent budget cut restoration, and #2 the performance pay and health insurance compensation.

The motion passed unanimously.

Comm. Buhler mentioned that the Board of Regents next priorities would include distinctive mission, performance-based funding, and then graduate programs. He explained the rationale for these priorities, and that the top priorities affect all institutions. He would next list the Regents' Scholarship, mission based funding – student participation, and cyber security.

Co-Chair Urquhart said prioritizing is difficult because all of the items are very important and that the Regents' scholarship is critical because this helps students who are prepared for college. He explained that the \$3 million is the current obligation to fund the qualified students.

Rep. McIff stated that the Regents' Scholarship has become one of the most sought-after scholarships among high-school students and has fairly high exposure.

Co-Chair Grover commented that the House and Senate sides had different priorities and reminded committee members that they will first look at USHE, next UCAT, and then will look at additional requests for appropriations. This is meant for open discussion.

Co-Chair Urquhart said that his priority list would be: #3 research and graduate work, #4 performance based funding, #5 mission based funding – distinctive mission, #6 Regent's scholarship, #7 mission based funding – student participation, and #8 cyber security.

Rep. Fred Cox commented that he would move performance based funding to the top and to include a competitive component. He also ranked cyber security higher.

Co-Chair Urquhart and Co-Chair Grover recommend that dollar amounts are not listed as they report to EAC because that gives greater flexibility. This is a way to have some money get to each of the items.

As a member of the EAC, Sen. Stevenson expressed appreciation to Co-Chair Urquhart for his dedication to the higher education subcommittee. Co-Chair Urquhart has visited all of the USHE institutions several times. Sen. Stevenson would defer to Co-Chair Urquhart's expertise.

Sen. Vickers appreciated the efforts of the Chairs and agreed with the suggested priorities. He mentioned how important research and graduate work is to the economy of the state. He also supports performance based funding.

Co-Chair Urquhart told committee members that Utah is unique to have combined appropriation subcommittees and reminded them that in order for a motion to pass it has to have a majority in one of the chambers, and at least tie in the other. He said that the EAC is very respectful to the work of the committees.

Rep Ipson said he liked where the performance based funding is on the prioritized list. He commended Comm. Buhler and the presidents for their collaborative efforts.

Rep. Moss asked for clarification regarding the two different mission based funding items, asking if the student participation is basically growth, which has to be funded. If so, she felt this item should be moved higher.

Com. Buhler said it is per student funding compared to the institution's national peers.

Sen. Stephenson asked if some outcomes could be attached to this. He asked the institutions to show how this money was allocated.

Comm. Buhler answered that as long as this is a piece of the budget request, it fits with the other pieces. It would be difficult to produce outcomes equal to peers if the funding is way below.

Rep. Draxler stated that everything on the list is important and critical. He would urge other House members to support the Chairs' suggestions regarding research and graduate programs.

Rep. Jon Cox agreed with Rep. Draxler that it is in the best interest of the state to move the research and graduate programs higher on the list.

Co-Chair Urquhart thanked Comm. Buhler, Chair Campbell, Vice-Chair Davis, and particularly the college presidents for the systematic approach which is very advantageous for the state.

MOTION: Rep. Draxler moved to place Research and Graduate programs as Priority #3, Performance Based Funding #4, Mission Based Funding – Distinctive Mission #5, Regents’ Scholarship #6, Mission Based Funding – Student Participation #7, and Cyber Security #8.

The motion passed unanimously.

Co-Chair Urquhart asked if the committee wanted to take the dollar amounts off the prioritization list. He said that doing so allows more flexibility in the process. The committee works at the will and pleasure of EAC. The committee does its best when it is in harmony with EAC. The EAC works at the will and pleasure of the Legislature. He mentioned that if EAC requires dollar amounts they could be reinstated.

Rep. Moss asked why the Chairs felt this was important and that some type of ranking is important.

Rep. McIff commented that the dollar amounts suggest some type of apportionment for EAC.

Sen. Stevenson mentioned that EAC is well aware of the items, and if the dollar amounts aren’t included when it comes back, the committee wouldn’t be disappointed

Sen. Millner mentioned that the dollar amounts for compensation are important.

b. UCAT Prioritization List - Co-Chair Urquhart showed the prioritization list for UCAT.

Pres. Brems mentioned that the restoration of the two-percent budget cut would be priority #1. Compensation for both performance and health insurance #2, the equity package #3, the marketing/message fund #4, information system maintenance #5, and then some one time needs.

Co-Chair Grover commended Pres. Brems for making the equity proposal. He mentioned that the equity piece will allow performance-based funding to be allocated next year.

Rep. Draxler asked Pres. Brems for more clarification on the equity portion. Pres. Brems mentioned that it contains four components. After the discussion at the last meeting, UCAT did provide an alternative way for the component involving the population in the service region. <http://le.utah.gov/interim/2015/pdf/00001706.pdf>

Co-Chair Grover indicated that there will be intent language discussed later in the meeting that states that the equity money can only be used for students, and cannot be used for O&M.

Sen. Millner supported keeping the equity high in the ranking to establish a base line so that next year the focus could be on performance-based funding.

MOTION: Vice-Chair Stanard moved that the two percent restoration be listed as priority #1, compensation for performance pay and health insurance be #2, equity #3, marketing/messaging fund #4, and information system maintenance #5.

The motion passed unanimously

Rep. Ipson asked for clarification regarding the three one-time building needs stating that they belong in the Infrastructure and General Government Subcommittee (IGG). Pres. Brems said that SWATC was considered at IGG, but not prioritized. Co-Chair Urquhart said that adding these to the higher education list would confuse the issue.

Sen. Vickers spoke to Co-Chair Gage Froerer from IGG who said IGG did hear SWATC, but did not hear the other two items, and that none of the items were on the IGG prioritization list.

Rep. Fred Cox said that the three one-time items could be listed at the bottom not part of the prioritization. Rep. Ipson agreed because of the confusion so at least EAC could place them.

Co-Chair Urquhart and Sen. Stephenson felt that the three items should not be on the list because they are the purview of IGG.

MOTION: Co-Chair Grover moved to remove the last three items from the list.

Sen. Millner and Sen. Stevenson spoke against the motion, stating that these are one-time requests that come from a different portion of the budget.

The motion failed with Sen. Urquhart, Sen. Osmond, Sen. Stephenson, Rep. Grover, Rep. Stanard, Rep. Coleman, and Rep. Draxler voting in favor of the motion.

Rep. Kay McIff asked Pres. Brems for clarification about the priority of these items. Rep. Fred Cox said that the committee could put a note about why the items were not prioritized but leave them on the list.

MOTION: Sen. Stevenson moved that the three items be sent to EAC with no priority.

Sen. Stephenson and Rep. Wheatley asked for clarification regarding these three items.

SUBSTITUTE MOTION: Sen. Stephenson moved that the committee reconsider the previous motion and that these three buildings be removed from the prioritization list.

The motion passed unanimously.

c. Other Requests for Appropriation Co-Chair Urquhart explained that there are nine other requests for appropriation. He reported on the House prioritizations and the Senate prioritizations.

Sen. Stevenson and Sen. Millner stated that they were in favor of moving the Engineering Initiative to the top of the list. Rep. Draxler asked if this is a \$5 million on-going increase, and asked what the current ongoing amount is. Mr. Pratt explained that it was appropriated

beginning in 2002 and the base amount is \$9 million. Rep. Draxler was supportive of moving it, but lowering the \$5 million.

Sen. Vickers and Vice-Chair Stanard mentioned that this initiative was also presented at the Business and Labor committee, and \$2.5 million had been requested. Vice-Chair Stanard and Rep. McCay mentioned that having the \$5 million at the top of the list could possibly exhaust any of the additional available funding. They were supportive of moving this but not to the top of the list. Vice-Chair Stanard asked who would get the funds. Mr. Pratt explained that there is an Engineering Initiative Line Item in the SBR budget.

MOTION: Sen. Stevenson moved to place the \$5 million Engineering Initiative request as priority #1 on the requests for appropriations list.

The motion passed with Rep. Fred Cox and Rep. Daniel McCay voting in opposition.

MOTION: Rep. McCay moved that the two STEM initiatives be priority #1 and #2, Assistive Technology #3, and the Engineering Initiative #4.

Rep. Draxler supported this motion.

The motion failed with Sen. Dabakis, Sen. Vickers, Rep. Coleman, Rep. Fred Cox, Rep. Draxler, Rep. Ipson, Rep. McCay, Rep. McIff, and Rep. Stanard voting in favor of the motion.

MOTION: Rep. Ipson moved to place STEM Pipeline for DSU as priority #2, STEM Pipeline for SUU #3, and Assistive Technology #4.

The motion passed unanimously.

Rep. McIff asked for more clarification on Neighbors Helping Neighbors program. Mr. Pratt explained this request for one-time supplemental in the amount of \$25,000 from Sen. Weiler.

MOTION: Sen. Dabakis moved to place Neighbors Helping Neighbors to Priority #5.

The motion passed unanimously.

Sen. Stevenson asked for clarification about the SLCC South Fencing, asking if this is part of the IGG purview as well. Rep. Cox stated that this is a high priority, but doesn't belong on the higher education list. Pres. Huftalin mentioned that this is being considered in IGG, and could be removed from consideration.

MOTION: Co-Chair Grover moved to remove the SLCC South Fencing from the list.

The motion passed unanimously.

MOTION: Rep. Ipson moved to place USU Cooperative Extension Water Use as Priority #6.

The motion passed unanimously with Rep. Jon Cox absent.

Rep. Moss asked for clarification about the Occupational Safety & Health. Mr. Pratt reported on the \$150,000 request from Sen. Mayne.

MOTION: Sen. Millner moved to place Occupational Safety & Health as Priority #7 and Clinical Services as #8.

The motion passed unanimously with Rep. Jon Cox absent for the vote.

Rep. McCay commented that the committee vote was significantly different than the prioritization made previously.

MOTION: Rep. McCay moved to place the Engineering Initiative as Priority #3.

The motion failed with Rep. Coleman, Rep. Fred Cox, Rep. Draxler, Rep. McCay, Rep. McIff, and Rep. Stanard voting in favor of the motion.

3. Other Business

MOTION: Co-Chair Grover moved to approve the following motions:

Reallocations:

I move to approve the reallocations identified for Utah State University, Salt Lake Community College, and the State Board of Regents for FY 2016, as shown on the respective Issue Briefs (pgs. 121, 133, and 135).

Operations and Maintenance:

I move to approve a one-time FY 2015 reduction from the General Fund in the amount of \$730,600 to Utah State University for Operations and Maintenance expenses already appropriated for the Business Building that is expected to be completed in November of 2015, as explained on the Issue Brief, page 126.

I move to approve a one-time FY 2016 reduction from the General Fund in the amount of \$265,700 to Utah State University for Operations and Maintenance expenses already appropriated for the Business Building that is expected to be completed in November of 2015, as explained on the Issue Brief, page 126.

I move to approve a one-time FY 2016 reduction from the General Fund in the amount of \$180,300 to Utah State University for Operations and Maintenance expenses already appropriated for the Brigham City Building (\$154,200) that is expected to be completed in December of 2015, and the Price Building (\$26,100) that is expected to be completed in July of 2015, as explained on the Issue Brief, page 126.

I move to approve a one-time FY 2016 reduction from the General Fund in the amount of \$590,200 to Weber State University for Operations and Maintenance expenses already appropriated for the Science Building that is expected to be completed in April of 2016, as explained on the Issue Brief, page 126.

I move to approve a one-time FY 2016 reduction from the Education Fund in the amount of \$228,100 to Southwest Applied Technology College for Operations and Maintenance expenses already appropriated for the Allied Health Building that is expected to be completed in November of 2015, as explained on the Issue Brief, page 1.

FY 2015 Revenue Reduction:

I move to approve a one-time FY 2015 reduction from the General Fund Restricted - Land Exchange Distribution Account in the amount of \$166,000 to Utah State University Water Research Laboratory to reflect the expected reduction in revenue into that account, as explained on the Issue Brief, page 129.

Vehicles:

I move to approve the requested increase of 15 vehicles for the University of Utah, 6 vehicles at Utah Valley University, and 5 vehicles at Salt Lake Community College, and 1 vehicle at Dixie Applied Technology College as explained on the Issue Briefs, pages 123 and 1.

Legislative Auditor Recommendation:

I move to accept the Legislative Auditor's recommendation and instruct the Legislative Fiscal Analyst's Office to track Operations and Maintenance funding as an appropriations unit within the Education and General line item.

Tuition Projections:

I move to adopt the FY 2016 Tuition Projections totaling \$53,940,900 as explained in the Issue Brief, page 119, and instruct the legislative Fiscal Analyst to include those projections in a FY 2016 Supplemental bill.

The motion passed unanimously with Sen. Milner and Rep. McCay absent for the vote.

MOTION: Co-Chair Grover moved to approve the following intent language:

The Legislature intends that any equity funding approved for campuses at the Utah College of Applied Technology not be allocated for any non-state funded operations and maintenance (O&M) projects or facilities.

The motion passed unanimously with Sen. Dabakis, Sen. Millner and Rep. McCay absent for the vote.

MOTION: Vice-Chair Stanard moved to approve the following intent language:

For the non-research USHE institutions:

The Legislature intends that [USHE institution] report on the following performance measures: (1) graduation rates (100 percent, 150 percent, and 200 percent) by cohort, with comparisons to national averages; (2) transfer and retention rate, by cohort; (3) job placement rates following graduation, by discipline; (4) degree completion per discipline; and (5) percentage of students enrolling in, and successfully completing, developmental mathematics course who immediately or concurrently enroll in college level math (1030 or higher). The Legislature intend that this information be available to the Higher Education Appropriations Subcommittee by December 31, 2016.

For the two research universities:

The Legislature intends that [USHE institution] report on the following performance measures: (1) graduation rates (100 percent, 150 percent, and 200 percent) by cohort, with comparisons to national averages; (2) transfer and retention rate, by cohort; (3) job placement rates following graduation, by discipline; (4) degree completion per discipline; (5) percentage of students enrolling in, and successfully completing, developmental mathematics course who immediately or concurrently enroll in college level math (1030 or higher); and (6) the amount of grant money applied for and received and the number of research/outreach initiatives funded by non-state-funded grants. The Legislature intend that this information be available to the Higher Education Appropriations Subcommittee by December 31, 2016.

For the State Board of Regents:

The Legislature intends that State Board of Regents make earnings and other pertinent data from Utah Data Alliance available to students, parents, teachers, counselors, and other interested parties, subject to the Utah Data Alliance receiving continued funding.

The Legislature further intends that the State Board of Regents support institutions within the Utah System of Higher Education in compiling, standardizing, and reporting data to the Higher Education Appropriations Subcommittee.

The Legislature intends that the State Board of Regents explore the feasibility of collecting graduation rates by CIP and report its findings to the Legislature during the 2016 General Session.

UCAT campuses:

The Legislature intends that [UCAT campus] provide year-end performance data for certificate-seeking, occupational upgrade, other post-secondary, and secondary students detailing the number and percentage of: (1) completers (graduate and non-graduate/early-hire completers, where applicable); (2) non-completers; and (3) those who are still enrolled at the end of the fiscal year. The Legislature further intends that [UCAT campus] provide average cost per membership hour, average cost per certificate awarded, and average cost per occupational upgrade awarded.

The Legislature intends that any equity funding approved for campuses at the Utah College of Applied Technology not be allocated for any non-state funded operations and maintenance (O&M) projects or facilities.

Administration Office:

The Legislature intends that the Utah College of Applied Technology provide summary year-end performance data for certificate-seeking, occupational upgrade, other post-secondary, and secondary students detailing the number and percentage of: (1) completers (graduate and non-graduate/early-hire completers, where applicable); (2) non-completers; and (3) those who are still enrolled at the end of the fiscal year. The Legislature further intends that the Utah College of Applied Technology provide summary data detailing average cost per membership hour, average cost per certificate awarded, and average cost per occupational upgrade awarded.

Co-Chair Grover clarified that the language is the very similar to last year, but the dates are updated.

The motion passed with Sen. Dabakis, Sen. Millner and Rep. McCay absent for the vote.

4. Committee Discussion on Performance Based Funding Model

The committee discussed the proposed performance based funding model, then made some changes to it.

Co-Chair Urquhart mentioned that a bill would be introduced which would have very generic language. They will work with USHE to determine what these categories mean by the end of the fiscal year. Co-Chair Grover asked committee members to bring suggestions to them.

Rep. McIff asked if there was any way to recognize institutions who have made significant performance improvements in recent years, commenting that it might be more difficult for them to show even more improvement.

Co-Chair Urquhart said that they might consider looking to peer institutions as one of the measurements.

Sen. Dabakis is supportive of this measure mentioning that after it is implemented it will probably need to be refined next year.

Sen. Stephenson is encouraged by this process and would like to have a bigger percentage of ongoing funding be tied to performance measures.

Vice-Chair Stanard and Rep. Jon Cox mentioned that they would support having a small percentage of the funding truly competitive among the institutions.

Comm. Buhler said that this would work if all of the institutions were the same. He mentioned that the differences among the institutions are one of the strengths of the USHE system.

Co-Chair Urquhart said that possibly the competitive piece could be something like being in the top ten percent relative to their own peers. Sen. Osmond mentioned that perhaps this could be achieved through a competitive grant based on proposals submitted by the USHE institutions.

Comm. Buhler mentioned that they have had similar grants in the past that have worked well.

Rep. Ipson commended the Chairs, the Commissioner and the institution presidents on their outstanding collaboration.

Sen. Vickers thanked the Chairs for their work and honest effort to do the right thing.

Sen. Stephenson asked the Chairs to consider having the USHE institutions report back to the committee regarding mission-based funding. He stated that the committee is not able to review this because of the difference between when the Legislature meets and the USHE school year.

Comm. Buhler thanked the committee for their hard work. He mentioned that they would be happy to have the presidents report on mission-based funding perhaps at an interim meeting.

Co-Chair Urquhart and Co-Chair Grover thanked the Comm. Buhler, Pres. Brems, all the institutions, committee members and staff for their hard work.

MOTION: Rep. Fred Cox moved to adjourn. The motion passed unanimously.

Co-Chair Urquhart adjourned the meeting at 10:45 a.m.

Sen. Stephen H. Urquhart, Co-Chair

Rep. Keith Grover, Co-Chair