

**MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE**

Room 210 East Senate Building, State Capitol Complex
September 30, 2015

Members Present: Sen. Stephen H. Urquhart, Senate Chair
Rep. Jon E. Stanard, House Vice Chair
Sen. Ann Millner
Sen. Howard A. Stephenson
Sen. Evan J. Vickers
Rep. Kim Coleman
Rep. Fred C. Cox
Rep. Jack R. Draxler
Rep. Don L. Ipson
Rep. Daniel McCay
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Mark A. Wheatley

Members Excused: Rep. Keith Grover, House Chair

Members Absent: Sen. Jim Dabakis
Sen. Aaron Osmond
Sen. Jerry W. Stevenson
Rep. Derrin Owens

Staff Present: Mr. Spencer Pratt, Fiscal Manager
Ms. Jill Curry, Fiscal Analyst
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 1:05 p.m.

2. FY 2016 Tuition Projections compared to current estimates

Mr. Spencer Pratt mentioned that all of the items on the agenda were linked under meeting materials on the legislative web site. He gave an overview of the [FY 2016 Tuition](#) Issue Brief. He stated that during the 2015 General Session, projected tuition increases would generate \$54 million, but the actual amount generated was \$36.5 million. He discussed two major reasons for the \$17.4 million difference.

Co-Chair Urquhart asked why tuition has increased more rapidly than inflation.

Dr. David L. Buhler, Commissioner of Higher Education, explained that large tuition increases are prevalent across the country. He stated that most of the costs of higher education are personnel driven with a very competitive marketplace. He also indicated that most states were putting less state money into higher education.

Co-Chair Urquhart stated that the Legislature is not doing enough to support higher education. He mentioned the importance of keeping tuition low. He was concerned that more of the costs are being passed onto students. He praised the tremendous management throughout the USHE system especially for the way it handled the impacts of the L.D.S. Church missionary-age change. He noted that the institutions are now starting to see these students return.

Rep. Draxler appreciated the efforts of USHE. He relayed the concern of his constituents regarding tuition increases. He would like to see a year when there are no tuition increases. He is aware of the competitive marketplace, but mentioned that there are many professional sectors where the pay in Utah is not comparable to other areas of the country.

Comm. Buhler said that they are very aware of the concerns. The presidents are in agreement of the goal to keep the tuition increase to 2.5 percent next year.

Vice Chair Stanard said there had been a 300 percent tuition increase over the past several years and asked why it has to be at that level. Co-Chair Urquhart and Vice Chair Stanard asked the amount of funding that would be required to have no tuition increases next year in the whole USHE system.

Comm. Buhler reminded committee members that it is legislative policy to have USHE raise first-tier tuition to fund 25 percent of the increases in personnel costs. He indicated that approximately 20 years ago the state funded 75 percent of the costs of higher education, but now it is about 50 percent. He stated that the spending per student has remained relatively flat.

Comm. Buhler said that the major change was that a 7.75 percent rate increase was projected and the actual increase was 3 percent. They would have been able to meet the 2.5 percent increase goal if they had received more funding. David Cowley, USU, V.P. Business & Financial Affairs indicated that all of USU's on-line tuition is recorded at the Brigham City campus.

Sen. Stephenson mentioned the nationwide trend regarding more student loans. Students have found this as an easy money source. However, they don't realize that they cannot have these loans forgiven and the hardship they are placing on themselves to pay these loans back. This is especially true when the degree earned doesn't have a strong market value.

Comm. Buhler indicated that prior to 2009 about 90 percent of student loans were made by banks. After that time they changed to being 100 percent federal loans. He mentioned that the UHEAA program has been working to educate students to borrow wisely. He noted that while student loans in Utah have increased, they are still a much lower percentage than the national average, and the amount of debt is also lower.

Sen. Stephenson asked when elite scientists are hired at the USTAR institutions if it creates upward pressure to increase salaries of other faculty members. He stated that it would be useful to know what is happening to professors' salaries.

Co-Chair Urquhart asked Mr. Pratt and Comm. Buhler to bring this data back to the committee during session. He would also like to see a comparison of USTAR with the other research that is going on at the institutions. USTAR has received extra funding, and it would be helpful to know if this funding has paid off. Comm. Buhler indicated that they could bring this information to the committee. He stated that faculty are differentiated by subject area and market-based. They are benchmarked between 90 – 100 percent of the median salary.

Co-Chair Urquhart stated that tuition increases in higher education have outpaced all other inflation, even medicine. He commented that growth has been the primary focus of higher education funding. He would like more emphasis to be placed on funding excellence. Sen. Stephenson mentioned that in the past all growth has been funded equally, which is also wrong.

Rep. Coleman mentioned that this is a semantics issue. When the question is asked why tuition is rising at the current rate, the real answer is that state support has decreased. She felt the more important question is why is the cost of providing education rising?

Co-Chair Urquhart stated that this is a very valid point. He mentioned that the cost per student has not increased significantly. He would also like to see the data regarding cost per student over the past twenty years. Vice-Chair Stanard mentioned that tuition per student has gone up dramatically, so the data would show the impact of decreases in proportion of state funding.

3. FY 2015 Year-end actual expenditures compared to FY 2015 estimates from a year ago

Mr. Pratt said that during the summer of 2014 all of the institutions submitted their budget for FY 2015, which means they project spending ahead about one year. They have just closed out the 2015 fiscal year. He explained the [FY 2015 Budget - 2014 Projected compared to 2015 Estimated Issue Brief](#) shows the estimate of what they were going to spend compared to what was actually spent. For example, the USHE estimate a year ago for FY 2015 was \$1.5 billion and the preliminary actual expenditures were \$1.6 billion. He showed that state funding was about \$810 million and that about \$24 million more was collected in FY 2015 tuition than they had expected. He stated that total expenditures are about what they expected, but there is some variance in the objects of expenditure. He explained that each institution could move money within a line-item, but by law, they are not allowed to move from one line item to another. He indicated that the brief has each institution in total and all of the line items within that institution.

Rep. Stanard asked for clarification regarding three items: 1) "Other Revenue" where it went from an estimated \$12.7 up to \$77 million actual; 2) "Other Charges/Pass Through" where it went from about \$28.9 million to \$78.9 million; and 3) Travel where it went from \$8.9 million to \$14.3 million. Mr. Pratt answered that the "Other Revenue" is generally the beginning and ending non-lapsing balances. They are reported on the estimated but they are not yet reported on the preliminary. He was not certain about the difference regarding the "Other Charges and Pass/Through", but indicated more data would be available before session. He reported that

when the budgets are submitted, some institutions split expenditures just between personnel services and current expense. However, when they submit their actuals then this money is distributed to other categories including travel.

4. Report on \$4 million funding approved for Research and Graduate programs at University of Utah and Utah State University

Co-Chair Urquhart said that this item refers to earlier discussions regarding funding growth rather than excellence. He feels that the better approach is to fund excellence. This should start with research at the graduate level.

Mark McLellan, USU, VP for Research & Dean of Graduate Studies gave a presentation entitled “Continuing the Climb”. He discussed the growth in doctoral programs at USU. He indicated that it is a gradual change because of the effort required to move this type of capacity. He reported that graduate research funding reached \$232 million last year in external competitive grants. V.P. McLellan said that they are at the Carnegie “High Research” classification. They are ranked the highest of all land-grant institutions in this category. They are hopeful to move to the top “Very High Research” classification. He discussed the actual change in programs including the integration with arts and STEM degrees. He mentioned the new engineering Ph.D. in Aerospace Studies and the success of their Space Dynamics Laboratory.

Sen. Stephenson commented that they should use a better term than “studies” because “studies” does not emphasize the fact that this program is of very high value.

V.P. McLellan said they will take this suggestion under consideration. He stated this program will position top level scientists into high-tech positions around the country. They are second in the nation in aerospace research. He mentioned the Ph.D. in Neurosciences, which is appropriate because of their emphasis in early childhood education and development and their fundamental research of children with learning disorders.

V.P. McLellan stated that in one year they will be bringing forward a Master’s of Public Health and a Master’s in Data Analytics. Data Analytics is on the very leading edge and will be an integrated program led from the Computer Science Programs. These graduates will be hired literally before they have their degree. V.P. McClellan discussed in detail the \$1.6 million funding that was received. He indicated the primary focus on water and developing expertise in water sciences. They are adding a position in Neuroscience as well as Nutrition and Microbiota health. He discussed the funding going directly to student support for 13 particular graduate students across a number of the colleges. He specifically discussed three graduate students in aerospace, system-on-chip cybersecurity, and communicative disorders

Co-Chair Urquhart congratulated USU on their success. He indicated that there are great demands on the state’s resources including public education, health and human services, transportation, and even many more undergraduate students. He wanted to know why funding graduate research should be important to the Legislature.

V.P. McLellan said graduate students indicate that they want to call Utah home. As the state positions a high-tech work force it will also be attractive for other corporations to locate in Utah. High-tech companies are coming to Utah and hiring Utah graduates. They are attracting world-class researchers to move to Utah, these are some of the most exciting teachers in their fields.

Co-Chair Urquhart commented that dollars spent on graduate research have a significant multiplier. V.P. McLellan indicated this is true not only in dollars alone but also in the quality of life. Co-Chair Urquhart asked the institutions to work with staff to try and quantify this, to try and show other Legislators why dollars spent on graduate research has advantages over other areas of the budget.

Rep. Cox asked for an explanation regarding a report dated 2014 that showed the employment rate for Bachelor's degrees is higher than Masters and Doctorate Degrees. V.P. McLellan indicated this might be because the numbers shown were from years where the economy was still recovering, but every graduate school tries to design graduate programs to meet current needs.

Sen. Stephenson asked how many of the hard-science graduate students are already targeted by employers, if they are paying their own out-of-pocket or are they on some type of subsidy from a current or future employer. He also asked about scholarship funds for these students.

V.P. McLellan stated that generally it is much more of an after-the-fact situation. The companies commit that the students will be hired upon graduation. For example, in food sciences, graduates are hired by the corporations six months before they even finish. He said that there are some fields where corporations do cover the costs of graduate programs. He stated that USU struggles to produce a large enough fund to support graduates, and this may be one of the reasons why the graduate population is only at 10 percent.

Sen. Stephenson asked what policy makers and the appropriation process could do to change this. These hard science programs produce real value for the tax payer, for the student in life time earnings and in job satisfaction. They also provide value to Utah employers who are getting what they need. V.P. McLellan praised the committee for their phenomenal support over the last few years to make graduate training a top priority. He said this has been a game changer allowing USU to take programs to next level and produce the very best of trainees.

Sen. Stephenson would like to ask the Chairs to have further discussion on what would be needed to help stimulate that 10 percent enrollment to 20 percent.

Co-Chair Urquhart answered that this committee could definitely prioritize and fund this graduate-level research. He stated that USU and the U of U are bringing \$400 million in outside funds. It is important to look at the jobs and the multiplier from this research.

Rep. Moss was very pleased with the success of the innovative graduate programs that are integrating arts and humanities with STEM programs.

Cathy Anderson, U of U Associate Vice President of Budget & Planning discussed the graduate programs at the doctorate and professional level at the U of U. She reported that

combined with USU they produce 84 percent of the doctoral degrees and 74 percent of the professional degrees (which includes law, medicine, nurse practitioner, pharmacists, etc.) She said that of the over 2,700 graduate degrees awarded last year, over 660 were in STEM fields.

V.P. Anderson thanked the committee for their help in obtaining an additional \$2.4 million in funding and discussed how that funding was going to be used. The U of U is looking at graduate program expansion and support. They are putting money into teaching assistance in biology, chemistry, and math. This will help both graduate and undergraduate students. They will be using the funds for research excellence. They are looking at recruiting and retaining faculty in departments where they have strategic Ph.D. and research strengths. She explained the “Transformative Excellence” program. They will measure success by the ability to recruit and retain top student talent as well as student graduation and job placement rates. They will also be using the funding for professional graduate program support.

Sen. Millner appreciated the focus on talent development in high demand areas. She asked about the process of determining those high demand areas. She mentioned that it was important to supply the talent needed across various spectrums in the state. It is also important to think of the pipelines in the undergraduate programs.

V.P. Anderson answered that they looked at the supply and demand in their current graduate programs, and looked at the state and national job opportunities in these various areas.

Co-Chair Urquhart relinquished the chair to Vice Chair Stanard.

5. Higher Education Reimbursed Overhead – How are institutions using federal grants to help fund O&M for buildings?

V.P. Anderson mentioned the recent follow-up audit regarding O & M for buildings specifically the portion dealing with research grants. She stated that there is legislation that determines how institutions use Facilities and Administrative (F&A) funds from their research programs. The major focus is on growing grant-funded research by using these funds to build infrastructure. They have many projects that are allowable for F&A to cover. This includes the administrative side, including the office of sponsored projects, the institutional review board, and environmental health and safety. F&A is also used to cover high-speed computing, campus networking, libraries, and remodeling of capital facilities. She mentioned the O&M for the pharmacy research building. V.P. Anderson reported that the funds that come in through F&A are linked to grants. As grant money is spent, the matching funds for F&A come to the university.

V.P. Cowley from USU mentioned the list from USU would be very similar. Their F&A is spent on commercialization projects and graduate and undergraduate teaching training and education, some core administrative functions, some core and central laboratories used across multiple disciplines of research. They also have F&A utilized for start-up packages. USU has a specific research foundation for the space dynamics lab. It is completely self-supporting and receives no state funds. They take the knowledge gained and apply it to useful projects for the federal government and the private sector. Every dollar of recovered overhead for them is a literal 100 percent reimbursement. He reported on the reimbursed overhead at USU.

6. Intent Language requiring USHE and UCAT performance measures

USHE - Comm. Buhler reported they prepared a 20+ page report on the intent language adopted in 2014. He indicated that many of the elements have now been incorporated into the performance-based funding model. He mentioned the [FY 2015 Intent Language](#) and reported on [USHE's Response to FY 2015 Intent Language](#). He stated that much of the requested information is available on USHE's website. For example graduation rates are reported by zip code, job placement rates, and degrees per discipline. They have data on degrees awarded by discipline. They don't collect the rate per discipline, but could work on that for the future. They will be able to report on Developmental Math in December.

UCAT – Robert Brems, UCAT President explained [UCAT's Response to FY 2015 Intent Language](#). He mentioned that the intent language was very helpful to UCAT. They worked very hard to develop and apply a new policy. He stated that UCAT Policy 205 applies to student enrollment and completion reporting. He discussed membership hours, student headcount, and completion rates. He explained the Enrollment Completion and Cost Report. He indicated that the link also shows this information for each of the eight campuses.

Co-Chair Urquhart resumed the chair and thanked the Board of Regents Chair Dan Campbell, Vice Chair France Davis and the Governor's Education Advisor Tami Pyfer for their attendance.

7. UCAT Training Information

Vice-Chair Stanard explained that he felt it was important for committee members to have a better understanding of UCAT. [UCAT Training Information](#) Pres. Brems explained the mission and purpose of UCAT. He gave a brief history of UCAT since it started in 2001. They have a very narrow focus: to get people to work. They help to identify the shortest path to proper and efficient training. He discussed the importance of the employer advisory committees. He explained market-driven technical education for high school students and adults.

Vice Chair Stanard indicated that he has been very involved with these advisory committees. Managers discuss curriculum, books, membership hours, and make sure that students are getting exactly what is needed to be hired.

Pres. Brems indicated that Rep. Ipson has been on some of these committees. In UCAT, there are three primary indicators: membership hours, certifications, and completion rates. He explained that a membership hour is an hour of enrollment, not an hour of attendance. He discussed the four enrollment categories.

Sen. Vickers asked if custom-fit was part of the occupational upgrade category. Pres. Brems answered that it is not included as part of the occupational upgrade category. He explained that custom fit programs are designed for employees of a specific company. The training time is usually much shorter and the company matches part of the cost. He showed pie charts depicting membership hours at the various campuses.

Sen. Stephenson asked for more detail on what membership hours represent for each training program. He also asked how many high school students complete a certificate in which discipline and post-secondary students. Pres. Brems answered that he will share this information and e-mail it to Sen. Stephenson.

Pres. Brems showed a slide stating that student headcount which represents a distinct student. There can be quite a variance in the resources and time invested provided. He showed the statistics related to student headcount.

Sen. Stephenson mentioned that when compared with hours, the occupational upgraders have a large headcount with fewer hours; so they get in and out very quickly. Pres. Brems indicated that they are the shortest-term enrollment category. They don't track placement rates on these students because they come already employed and leave job ready.

Rep. Ipson corrected Pres. Brems stating that they are "career" ready. Pres. Brems agreed and mentioned that occupational upgraders may start with a job, but this training opens the doors to the beginning of a career.

Vice Chair Stanard discussed his personal knowledge of the growth and change in attitude of students. He indicated that the UCAT system provides very important steps on the path to a meaningful career. Pres. Brems mentioned this becomes evident at the outpouring of emotions at the student recognition ceremonies.

Pres. Brems discussed the proportion of student headcounts at each campus. He discussed certificates; program certificates; and occupational skills certificates for 60 hours or more. He mentioned that students do not earn college credit but they do have transfer agreements with USHE institutions. He reported that the UCAT system has scored much higher than the required standards.

Co-Chair Urquhart asked why there is a 60-hour requirement for occupational skills certificates. If a specific vital occupational skill doesn't require 60 hours of training, students should still be eligible for a certificate.

Vice Chair Stanard highly encouraged UCAT to determine a system-wide basis regarding how certificates are recorded. There should be a consistent method or set of rules that everyone should adhere to. He stated that some certificates incorporate other certificates.

Pres. Brems reported on the total FY 2015 certificates given, the completion rate, and placement rates. He discussed the monitoring outcomes and required standards from COE Accreditation.

Sen. Stephenson asked for data on any backlogs in high-demand programs. He asked if resources were made available, how nimble UCAT could be in providing those programs.

Pres. Brems indicated that he was not prepared to present that information today, but each campus president would be aware of the waitlists on their respective campuses. These have been sent to the analyst. He stated that the campuses are operating at capacity especially in the

areas of information technology. He said that with additional resources they could increase capacity for these high-demand programs within days.

MOTION: Sen. Stephen moved that if a special session is called; that the Legislature include action on increased funding for high-demand programs at UCAT.

Rep. McIff mentioned that it would be very useful for the committee to have an outline of what high-demand programs could be geared up on very short notice. Pres. Brems replied that the UCAT board met recently and examined campus requests and have compiled a list. They will assign priorities to this immediately and give this information to committee members.

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

Rep. Ipson mentioned that employers have the need, but asked if they have the ability to fill this need with students currently in the pipeline. Pres. Brems said that this has been a problem in the past, but because of the enhancement of campuses across the state and through marketing resources, this has helped the situation. It is important to keep informing students and parents of the value of UCAT. He discussed the importance of the recent partnership with USHE.

Sen. Stephenson stated that as the data regarding critical needs is brought forward to make sure that it is not overestimated. It is important to be more precise on employment needs.

Pres. Brems answered that they couldn't oversupply for very long because the placement rate would drop down below the required standard.

Rep. Cox asked for details regarding applied technology colleges in Salt Lake County. Pres. Brems reminded committee members that this role is filled by the School of Applied Technology at Salt Lake Community College.

Rep. Draxler reiterated the point that if additional appropriations were going to be requested at an interim session, they would need specific program requirements by campus. Pres. Brems assured committee members that he would provide this information as soon as possible.

8. Approval of Minutes for the following meetings: 2/3/15; 2/5/15; 2/9/15; 2/11/15; 2/13/15.

Rep. Cox made a correction to specify Rep. Fred Cox on the third to the last paragraph of Page 6 of the February 13, 2015 minutes.

MOTION: Rep. Cox moved to approve the minutes of 2/3/15; 2/5/15; 2/9/11; 2/11/15; 2/13/15 meetings. The motion passed unanimously with Rep. Ipson, Rep. McCay, and Vice Chair Stanard absent for the vote.

9. UCAT Campus Equity and Campus Capacity – FY 2014, FY 2015, and FY 2016 appropriations

Tyler Brinkerhoff, VP Finance and Administrative Services discussed [UCAT Campus Equity and Capacity](#). He reported on FY 2014 spending and gave a capacity breakdown for each campus. He explained where new dollars had been spent. He discussed the FY 2015 fiscal appropriations for each campus.

Pres. Brems explained that programs that were available decades ago are not the programs at UCAT today. He discussed some of current high tech programs. He said he is very proud of the campuses and their good work.

Sen. Millner asked about the program demands for FY 2016. She was surprised about the direction of some of the funding. She wanted more clarification regarding how UCAT identifies current demands.

Pres. Brems specified that MATC is meeting the needs for many I.T. jobs. He reported that the FY 2017 request involves many of these high demand areas.

MOTION: Rep. McIff made the motion to adopt a resolution of commendation and appreciation for Pres. Brems for his many of years of excellent service especially in applied technology for the State of Utah and to wish him well in his next endeavors. The motion passed unanimously.

10. Statutorily-mandated reports that could be eliminated

Pres. Brems stated that he is not aware of any statutorily mandated reports that could be eliminated at this time.

Comm. Buhler mentioned that his office is happy to report whatever the Legislature needs. USHE currently provides 18 statutorily required reports. He stated that five or six could be eliminated. He will submit this information to Mr. Pratt and that information will then be passed on to Executive Appropriations.

11. Building Block/Fiscal Note Follow-up reports

Mr. Pratt told the committee that each year the analysts prepare a report for the EAC regarding appropriations that were made for the previous fiscal year [Fiscal Note and Budget Item Follow-Up Report](#). They looked at about 12 specific higher education building block appropriations from the 2014 general session. He explained that the EAC asked that this report be given to each of the subcommittees. They looked at whether or not the item was implemented, if it was implemented as outlined, if the amount was correct, and if the performance measures met. Each of these items was then ranked as either green, red, or yellow.

Mr. Pratt briefly discussed some of the key points of this report. He stated that one of the performance measure is ranked as yellow for distinctive mission and mission-based funding. This is because funds were allocated for general initiatives that should increase graduation and retention rates, but this is such a long-term measurement, that the results will not be realized for some time. All other rankings were green.

Mr. Pratt stated that equity funding implementation and accuracy were ranked green, but the performance measures were ranked yellow because more time is needed to see improvements. He said that performance-based funding received all green rankings.

Ms. Curry indicated that for FY 2014 campus capacity at UCAT received all green rankings. She stated that campus equity utilized received green rankings in all three categories. She reported that scholarships for students with intellectual disabilities received a green ranking in terms of implementation and performance, but accuracy received a red ranking because full appropriation had not yet been spent as of July 2015. They do anticipate spending the remaining balance by the end of the calendar year.

Mr. Pratt stated that with respect to the 2015 appropriation the graduate research rankings were all green. He explained that implementation of S.B. 38 regarding Snow College Concurrent Enrollment education was ranked green, but the accuracy received a yellow because some of the costs were one-time in nature and the full appropriation was ongoing. They used some of the funding for one-time purchases. They will be tracking the number of schools and students that participate in this program and the rankings will be reevaluated when that information is obtained.

Co-Chair Urquhart asked what the timeline would be for getting that information. Mr. Pratt was not sure about that, and will report back to the committee.

Mr. Pratt reported that the College Readiness Initiative allocated funding for grants to school districts and local education agencies to increase and sustain their efforts in college preparation. He stated that about one-third of the funds have been appropriated, so the accuracy is ranked yellow, but they do plan to allocate these funds by the end of the calendar year. He said that performance should improve over a number of year.

Mr. Pratt reported the USU extension water conservation efforts received all green rankings and was one of the best as far as doing what was planned, what was done, and were the funds spent as planned.

12. Adjourn

MOTION: Rep. Moss moved to adjourn. The motion passed unanimously.

Co-Chair Urquhart adjourned the meeting at 4:00 p.m.

Sen. Stephen H. Urquhart, Co-Chair

Rep. Keith Grover, Co-Chair