

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 21, 2009, 10:00 A.M..
Room W020, House Building, State Capitol Complex

Members Present: Sen. John Valentine, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Gregory S. Bell
Sen. Stephen H. Urquhart
Rep. Trisha S. Beck
Rep. Melvin R. Brown
Rep. Bradley M. Daw (p.m. session)
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Evan J. Vickers
Rep. C. Brent Wallis
Rep. R. Curt Webb
Rep. Mark A. Wheatley

Members Absent: None

Members Excused: Sen. Ross I. Romero
Rep. Bradley M. Daw (a.m. session)

Staff Present: Spencer Pratt, Fiscal Manager
Lorna Wells, Secretary

Public Speakers Present: Carson Howell, Analyst, Governor's Office of Planning and Budget
Joseph Watkins, UVU Studentbody President
Andrew Nelson, SLCC Student Association President
Pat Reimherr, U of U Student Government
Dr. Lucille Stoddard, Associate Commissioner for Academic Affairs
Commissioner William Sederburg
Dr. Greg Stauffer, Associate Commissioner Finance & Facilities
Pres. Stan Albrecht

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

1. Call to Order—Committee Co-Chair Valentine called the meeting to order at 10:05 a.m. There are two main goals for the Committee today; first to finalize the 7.5 percent reductions in the 2009 budget. Secondly, to have a list of priorities for add-backs, if money comes back at the end of the Session. This would be a list of priorities for the institutions and line items.
2. Response from Governor's Office—Mr. Howell distributed and discussed the Governor's Budget Proposal. The Governor's FY 2009 shows a One-time Budget Gap of \$350 million. These are Consensus Revenue Estimates that were agreed upon with the Legislative Fiscal Analysts and the Governor's Office. There is a dramatic difference between what budget cuts the Legislature has required and what is being proposed by the Governor. The Governor proposed a 1.5 percent budget reduction for State Agencies. The Governor included offsetting reductions with bonds, backfill, rainy day funds, and other one-time revenue sources. He used these revenue sources to try and fill the budget gap for 2009 instead of taking the entire 7.5 percent out of agency budgets.

For the 2010 Fiscal Year, there is a \$450 million budget gap. There are some must-fund items that mean a \$575 million budget gap. The Governor is proposing taking some money from road funding. There would be agency cuts of 7 percent. But then some of the money would be added back. Specifically for Higher Education, there was 3.5 percent add-back from the 7 percent reduction; so the actual cut for Higher Education would be about 3.5 percent. There were some agencies that would see the entire 7 percent cut, and there were some that would be kept at 3.5 percent.

Sen. Bell asked for more clarification.

Mr. Howell explained that the detail is listed on page 101 of the handout.

Rep. Moss asked how the Committee would know which agencies took the 7.5 percent cut.

Mr. Howell clarified that everything is listed in detail on the handout distributed. For example, the Governor's office spoke to the Medical Education Council; they could realize the 7 percent by eliminating one FTE which would have to be cut even if only cutting 3.5 percent.

Sen. Bell asked after the offsetting revenue is added back to the \$575 million total budget gap, what would be the percentage cut across the board?

Mr. Howell explained that each agency was separated out when looking at the back fill. They do not have an across-the-board percentage.

Sen. Bell and Mr. Howell exchanged dialog to further clarify the cuts, backfills, and how this would impact 2011. Mr. Howell indicated that by 2011 the agencies would have to realize the entire 7 percent cut. Sen. Bell asked if the agencies would have the ability to determine their own cuts. Mr. Howell reported that this would be true; the Governor's office did have discussions with the Commissioner's Office, MEC, UCAT, and UEN and talked to them about where cuts may be made; but the Governor is not recommending any specific cuts; his proposal is to allow the agencies and institutions to determine where the cuts would be made. Sen. Bell asked if the cuts are proportional; Mr. Howell reported that they are.

Rep. Wallis asked for clarification about the Supplemental Adjustment shown on Page 103.

Mr. Howell said that the supplemental adjustment is the 1.5 percent decrease in 2009.

Rep. Moss asked what the source of the backfill would be and would it go back through the USHE system?

Mr. Howell said that the one-time backfill would come from Road Funding, Rainy Day funds and other one-time revenue sources. The add-back would be proportional to the institutions.

Mr. Howell also stated he would be willing to meet with any member of the Committee to answer questions.

3. Input from the Utah Student Association. Joseph Watkins, UVU Studentbody President reported that they would like to set a precedent of having student leaders present at these meetings. He expressed appreciation to the committee for their service to the state and to the students. He introduced other student leaders present at the meeting.

Andrew Nelson, SLCC Student Association President thanked the committee for allowing the students to speak. Andrew discussed the economic situation in Higher Education. Their goal is to keep students in school. Higher Education is a need and an investment; high school is not enough any more. Raising tuition is the last option for many institutions. Education needs to be affordable; it is a necessity not a luxury; it is the solution, not the problem.

Pat Reimherr, U of U Student Government, discussed cross-campus student perspective. He expressed the importance of Student Services. He asked that the Committee structure their reductions so that the quality of instruction is not diminished.

Mr. Watkins again thanked the Committee for allowing the students to speak. The students at all of the institutions are aware that the economy has caused a budget shortfall for the State. They do understand that students will have to carry some of the load. They asked that the budget cuts be made with respect to the students and to maintain access to education in order to realize their goals.

Sen. Urquhart thanked the students for being present at the meeting. He reported that this is an excellent precedent to have students speak. He asked his colleagues in the Legislature to keep in mind the importance of Higher Education and be careful to not negatively impact students financial situations. Shifting the funding to students is really a tax increase on the students and their parents.

Rep. Beck commended the students on their effort to rally other students to speak to this situation.

Rep. Moss also thanked the students and appreciated their efforts, their articulation, and their presentation. She asked the students that when they said they were willing to do their part, what specifically does that mean? What decisions would they make regarding the situation? What compromises would they be willing to make?

Mr. Watkins reported the most important thing is that students do not want to see huge tuition increases. They also want to emphasize that the quality of education not be diminished. When compared nationally, Utah tuition rates are low, students want to maintain a low tuition and make education affordable. Students understand that some programs might need to be cut.

Mr. Nelson mentioned the fact that the tuition at the community colleges in the state are actually higher than other states. Tuition at SLCC is 133% higher than community colleges in neighboring states.

Sen. Valentine thanked the students for coming and asked them to continue to exercise their right to speak to this committee.

4. Response to Subcommittee's questions/requests from previous meeting. Fiscal manager, Spencer Pratt responded to the first question that was asked from the last meeting with respect to reducing the amount of contribution made to TIAA/CREF retirement accounts. The state contributes 14.2 percent of the cost. If it were reduced to 12%, it would save about \$10.7 million. This would be a policy decision for the Legislature to discuss.

Sen. Valentine commented that currently the state contributes 15.72 percent for Public Education and state employees. If a reduction is made in Higher Education the disparity would be increased. If a reduction is made, this should be made in for all state employees.

Mr. Pratt next responded regarding having a furlough for employees. Faculty are on contract, so a furlough would not affect them. The population that would be affected would be staff at the institutions. If staff were furloughed, it would amount to approximately \$1.15 million per day.

Rep. Holdaway asked for clarification if the furlough would be for classified employees only.

Mr. Pratt reported that is correct.

Dr. Lucille Stoddard, Associate Commissioner from USHE reported about the teach-out issue. She read the accreditation standard, "In the event of program elimination, or significant change in requirements, institutional policy requires appropriate arrangements be made for enrolled students to complete their program in a timely manner and with a minimum of disruption." To completely eliminate a program would possibly jeopardize accreditation. She reported, however, that the accrediting bodies are not as harsh as they sound. If there was another campus that had that program, students could attend the other institution without disruption. Another option might be distance education delivery. The problem is that this would have to be dealt with on a student by student basis. When a student declares a major and matriculates to an institution, this constitutes a contract.

Sen. Valentine mentioned that the Board of Regents is making economic decisions which affect the State's budget without Legislative input. When the Board of Regents allows a new degree, this is a four-year commitment to offer courses so students can complete this degree. The Board of Regents only has money available from the Legislature. This might require a statutory change that requires new degree offerings be approved by the Legislature.

Dr. Stoddard reported that the Board of Regents does take this very seriously. Before an institution offers a degree, there has to be a student mass with interest in this degree.

Rep. Holdaway asked for clarification about how different degrees could be facilitated at another institution. If there are like programs, they might go to another institution, the obligation to the student would be fulfilled, and not affect accreditation.

Commissioner Sederburg assured the Committee that before a new degree is approved, the Board of Regents ensure that everything is in place. Institutions have to prove that the financial support, as well as other support, for the new degree is available. Given this year of extraordinary budget cuts, this might look like an issue, but during a more normal year it would probably not be an issue. He would caution against setting a policy that the Legislature needs to get involved in all of the academic programs.

Sen. Valentine again emphasized that somehow the Legislature needs to be involved in the decisions that affect its budget.

Commissioner Sederburg discussed a slide show given to the Board of Regents. He emphasized that each institution is considering which programs to eliminate and downsizing. Each campus has different procedures for notification of faculty.

Sen. Valentine would like to know which programs are cut.

Commissioner Sederburg stated that the Presidents are working on the cuts. There would be a great deal of negative morale and impact if they announced a program that needs to be cut, and they then learn that the funding is sufficient to keep that program.

Sen. Valentine reported that the committee will make some decisions. In approximately one week, they would like to see what the campus presidents would be specifically doing.

Rep. Holdaway mentioned that knowing that one institution maybe able to help fulfill the requirements for another institution makes this process a little less painful.

Commissioner Sederburg reported that the accrediting bodies are not adversarial in nature about these budget cuts. They ask for a plan for dealing with this in a reasonable way, if this is the case, then they are willing to uphold accreditation. These bodies are flexible, program reductions can be mitigated.

Dr. Greg Stauffer, Associate Commissioner for Finance from the Commissioner's Office reported about the question of eliminating summer school. Most campuses have a positive financial flow from summer school offerings. So, unilaterally eliminating summer school would not make sense. In fact, trying to get more students to enroll would increase efficiency. Perhaps there might be some more reduced offerings. There are two institutions which might be looking at eliminating or reducing summer school Snow College and the College of Eastern Utah.

The tuition issue was answered with a three-page letter to the Committee Co-Chairs about tuition increase. Tuition is a two-tier process: tier-one tuition increase is mandated and is typically about 3 percent; it partially funds salary increases. Because salaries will not be increased this year, the tier one tuition increase will be quite low. Second-tier tuition is recommended by each college campus.. Tier-two will be higher; it will vary campus by campus. It will be recommended to the Board of Regents. The commitment of this committee is that only a small amount of the budget cuts will be funded through tuition increases.

Rep. Beck commented that summer school is one of the best kept secrets. Summer school is a source of revenue. When she mentioned possibly eliminating summer school to students, they were all very opposed to this.

Rep. Wheatley asked Commissioner Sederburg if there has been discussion on salaries at institutions. The Commissioner answered that each institution is looking at their own salary schedules, and have various proposals in place. The proposed budget cuts would be a more indirect than a direct salary cut.

Rep. McIff asked whether students would rather pay more tuition or have a class that is needed not offered in a certain semester. Commissioner Sederburg replied that the options might get more narrow; elective classes might be cut. Institutions have to balance course offerings and tuition. This becomes unique to each institution. Dr. Stauffer also mentioned that the tier-two tuition increases are a balancing act; with the institutions considering opportunity costs, increased class offerings, class sizes, and tuition increases.

Rep. Holdaway reported that only since 2001 has tier-two tuition been in place. Tier-two gives institutions the option of improving quality of instruction. Students should be involved in this decision. With a tier-two increase, there has to be a truth-in-tuition disclosure hearing. Students would be given opportunity to speak to this issue. The average tier-two increase has been 4.2 percent. Tuition will have to be increased in order to meet the needs.

Commissioner Sederburg answered that Utah's tuition rates are among the lowest in the country. He is hearing from most Presidents that they are considering these budget cuts without going to the tier-two tuition increase.

Sen. Valentine asked Commissioner Sederburg about workload. Do the budget cuts mean that teaching loads are going to have to go up? If enrollment increases and the budget decreases, this means that faculty are taking additional classes and adding enrollment to each class. Workload is generally set by policy at each institution. There is a different workload for research institutions and other institutions. It would be appropriate for campuses to respond to this issue in the coming weeks.

Pres. Albrecht reported that the teaching load is set by Regent's policy. At USU, the expectation is that faculty will generate research funding for the institution. At research institutions, the revenue that comes from research programs equals the amount that comes from state funding. There is variation in each institution. This is carefully reviewed and evaluated.

Commissioner Sederburg reported that each campus is taking a look at load especially at release time, so make sure that the teaching load numbers are met.

Pres. Wyatt reported that for the 4 percent cut in September, Snow College made the decision to cut 7.5 percent. They spent six weeks and looked at every single budget line at the College. Snow then went to each department and analyzed the program, enrollments, trends, workforce needs. Snow then determined which programs could take larger cuts and which smaller cuts. They took this campus wide, and then to the Board of Trustees. This was a healthy process because the process allowed the Presidents to completely analyze their institutions. They will then implement the cuts to motivate areas that are growing and not harm others. An across the board cut would not work.

Rep. Wheatley asked at what point do these budget cuts hurt access or quality?

Pres. Wyatt felt that the four percent can be done without hurting quality; but the deeper cuts will definitely hurt quality especially when there is enrollment growth.

5. Subcommittee discussion of FY 2009 Supplemental and FY 2010 Base Budget Options. Mr. Pratt reported that the Executive Appropriations Committee distributed a sheet entitled "Budget Reduction Recommendations", totaling 7.5 and 15 percent. There are some items separated out for the State Board of Regents and UCAT.

In September, the Legislature gave the institutions the authorization to determine where these cuts took place. The EAC is asking the committee to determine what priorities there would be in case money is available.

Sen. Valentine stated that the goal would be for the committee to determine how the required budget cuts are made and how add-backs would be prioritized.

Rep. Holdaway asked if there are estimates of student enrollment increases at each institution.

Sen. Valentine asked if this information can be made available at 2:00 p.m. Mr. Pratt reported that he will have this information ready for the afternoon.

Sen. Urquhart asked that when the committee comes back from recess that enrollment increases should be considered. He would recommend that the U and USU are exempted in terms of growth formulas.

Rep Brown reported that the Committee is allowing budget cuts to be determined by the institutions. He asked when backfill priorities are considered, will this also be left to the institutions, or will this committee determine priorities?

Sen. Bell asked Sen. Urquhart to explain his rationale as to why the two institutions should be exempted.

Sen. Urquhart said that the missions of these institutions is not necessarily growth..

Rep. Beck asked if the enrollment information would be available for all institutions.

Sen. Valentine asked Mr. Pratt to have enrollment growth numbers for all institutions.

Rep. McIff asked what the parameters for the enrollment growth would be.

Mr. Pratt answered that the information would be the annualized budget FTE based on 07-08 school year compared to 08-09.

Rep. Vickers asked if each institution would have the ability to raise tuition; and create their own back-fill.

Mr. Pratt reported that first-tier tuition is likely to be raised minimally. Second-tier tuition increase require a truth-in-tuition disclosure hearing. It then goes to the Board of Regents for approval.

Rep. Wallis commented that higher education is the economic engine. He asked the committee to look at these cuts, but to put forth a very strong case that lessening the impact on Higher Education will actually stimulate the economy.

MOTION: Rep. Holdaway made the motion to recess until 2:00 p.m.

The motion passed unanimously.

The meeting was in recess at 11:45 a.m.

Co-chair Valentine called the meeting to order at 2:05 p.m.

Mr. Pratt distributed and explained the sheet showing enrollment growth. One side shows the Enrollment Growth Request for 2008-2009 from the Board of Regents. It shows a total FTE increase of 3,282. It also shows UCAT's increase of 4,272 headcount. The other side of the sheet shows the Fall 2007 and Fall 2008 comparisons. This also shows the percent of change.

Rep. Holdaway made the comment that enrollment growth is just one factor. This needs to be kept in perspective during the discussion. He also agrees with Sen. Urquhart about exempting out the research institutions U of U and USU. Their role and mission isn't to grow their institutions, but to improve the quality of the research institution.

Sen. Valentine asked for institutional response to the enrollment numbers shown.

President White reported that UCAT typically reports enrollments differently than the other institutions. UCAT reports enrollments for the previous year. These are numbers for the year that

ended 2008. It doesn't show enrollments for this Fall; right now UCAT has an increase of nearly 13 percent.

Rep. Wallis asked what was the increase for last year. President White responded 7.81 percent.

Sen. Valentine stated that the task before the Committee is to adopt a 7.5 percent budget reduction in the current year; and a 15 percent deduction in the base budget next year.

Rep. Wallis asked about the total budget in Custom Fit. Pres. White answered that it is \$3.6 million.

Sen. Valentine also asked how funds would be restored?

Sen. Urquhart mentioned that there has to be a recognition for growth. There are nine institutions. The U of U and USU should be exempted out from the growth criteria. The remaining seven institutions would be placed on a continuum; there would be a middle point and then the three who had the lowest enrollment growth would be on one side of the continuum, and would have a higher cut; the institutions with the most growth would be on the other side and would have a lower cut. There could be a sliding scale with perhaps a 10 percent difference. If growth isn't compensated, this impacts the budget base for the institution for years.

Rep. Holdaway mentioned that Sen. Urquhart's proposal bears merit, but the Committee needs to ensure that the reductions are a percentage of the total cut.

Rep. McIff stated that there is a difference between funding for growth and absorbing budget cuts. This is a much more complex issue, it would be very difficult for the College of Eastern Utah to take the largest cut because they didn't have enrollment growth.

Rep. Vickers stated that when looking at each institution, they are all striving for excellence. Asking one institution to take a larger cut would be very difficult.

Sen. Urquhart raised the point again to have the research institutions out of the growth incentive. Perhaps the solution would be to look at this as add-backs are considered.

Rep. Moss concurs with the points and validity, but also feels that there is a down side to penalize the institutions that have a smaller growth.

MOTION: Rep. Wallis moved to establish the budget cuts across the board, look at the priorities for the add-backs, and to adopt the budget reductions shown on the handout.

Commissioner Sederburg and all of the Presidents are in favor of the Governor's budget proposal. Higher Education is taking a disproportionate share of the budget cuts because of their enrollment growth. He would urge the Committee to look at perhaps something like the WPU and consider enrollment growth as a mandatory cost increase that the state funds.

On the State Board of Regents list, it would be very awkward to ask for scholarship dollars back. This action will mean that the CEU will be in a status of Fiscal Exigency; which will trigger some fairly significant outcomes.

Sen. Valentine mentioned that the Governor's budget is out of balance. It was his understanding that the scholarship money referred to balances that are left. The intent would not be to cut scholarships that have already been issued.

Rep. Brown stated that this motion does not mean that this has to be immediately implemented. This recommendation has to go to the EAC and then the Legislature.

Rep. McIff asked for clarification. The task before this committee is to come to the 7.5 percent and 15 percent target numbers. No one on this committee wants to make this level of cuts, but that is our charge.

Sen. Valentine said that this is correct. This committee doesn't have the option of not accepting this number.

Rep. Wheatley mentioned that the committee is taking the 7.5 percent, but not looking at any other consideration of any other funding sources, rainy day funds, retirement bonding, etc.

Sen. Valentine said this is correct. At this time other funding options are not being considered. This committee does not have the prerogative of tapping into the rainy day fund. Recommendations regarding Higher Education can be made from this committee.

Rep. Vickers added that add-backs could be prioritized.

SUBSTITUTE MOTION: Rep. Moss moved that the Chairs go to the EAC and let them know we are going to continue deliberation, that we postpone this vote.

Rep. Holdaway is concerned that this would send a message to EAC allowing them to make these decisions.

Rep. Moss said that further discussion is needed..

Sen. Urquhart stated that he would have to vote against the motion. This is the specific task that was given to this subcommittee of the EAC for today. Could the motion be amended to "Whatever cuts come to Higher Ed are made on a pro rata basis among the institutions."

Rep Moss would prefer not to amend her substitute motion.

The SUBSTITUTE MOTION failed in both bodies.

SUBSTITUTE MOTION: Rep. Holdaway made the motion that all of the items on the list under the State Board of Regents be combined in one line.

The State Board of Regents and Commissioner's office would have the authority to make the cuts.

The SUBSTITUTE MOTION passed unanimously.

MOTION: Rep. Brown moved that the Committee recess for 10 minutes for the purpose of Caucus.

The MOTION passed unanimously.

Meeting recessed for 10 minutes.

Meeting reconvened at 3:18 p.m.

MOTION: Rep. McIff moved that:

The Higher Education Appropriation Subcommittee adopts the concept that the reductions ultimately determined by the Legislature for FY 2009 and FY 2010 should be applied pro rata among the various higher education institutions and the Board of Regents, and the Committee reserves the right to further evaluate and determine the formula for restoring funds to the extent they become available. And the committee reserves the right to restore the funds should become available.

It is Sen. Valentine's view that these determinations are being made because of the task given to the Committee. He asked Committee members to be advocates of Higher Education in caucuses and leadership meetings in order to preserve this economic development tool for the State of Utah.

Rep. Holdaway mentioned this is a difficult motion to support and vote for. This motion lets others know that the Committee has accomplished the task before them. The growth in higher education means that Higher Education is taking much more than a 15 percent cut. This must be considered when addbacks are prioritized.

Rep. Beck asked to make sure students are involved in the decisions that are made.

Rep. Moss feels that it is imperative to take control of the cuts and add-backs.

Sen. Urquhart also mentioned that this is a difficult decision. He wants to make sure that the EAC understands that this is the first step along the way; citizen participation is also needed

Rep. McIff asked for summation. If the committee tried to fine tune the cuts, it would only make the problem worse. Every member of this committee wants to protect the institutions of this state. He assured the audience that each member of the Committee would continue to be advocates for Higher Education.

MOTION passed unanimously.

MOTION to approve minutes. Motion passed.

MOTION made to adjourn.

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

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair