

CORRECTED MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 20, 2010, 1:00 P.M.
Room W020, House Building, State Capitol Complex

Members Present: Sen. John Valentine, Co-Chair
Rep. Melvin R. Brown, Co-Chair
Sen. J. Stuart Adams
Sen. Ross I. Romero
Sen. Stephen H. Urquhart
Rep. Johnny Anderson
Rep. Trisha S. Beck
Rep. Bradley M. Daw
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Evan J. Vickers
Rep. C. Brent Wallis
Rep. R. Curt Webb
Rep. Mark A. Wheatley

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

Public Speakers Present: Commissioner William A. Sederburg, State Board of Regents
Associate Commissioner for Public Affairs, David L. Buhler
Pres. Robert Brems, UCAT
Dr. Michael Petersen, Executive Director, UEN
Dr. David Squire, Executive Director, UMEC

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

1. Call to Order—Committee Co-Chair Brown called the meeting to order at 1:40 p.m. He thanked everyone in the audience for the reports given at the last meeting. Rep. Brown mentioned that the 5% budget cut for FY 2011 will be deferred at this time. The purpose of this meeting will be to address the one-time 4% budget cut for FY 2010 required by the Executive Appropriations Committee (EAC). He also asked that the USHE institutions come to the meetings scheduled through the Legislative session with specifications regarding the additional 5% budget cut for FY 2011. He also asked each institution to report whether tuition increases will be implemented for FY 2011.
2. Commissioner Sederburg - Com. Sederburg welcomed Pres. Albrecht and Pres. Nadauld, who were not able to attend the last meeting. He discussed a letter that the Commissioner's Office sent to the Higher Education Committee. He specifically mentioned four recommendations from Page 4 of the letter. The four recommendations are: 1) The Subcommittee take a strong stand opposed to any further higher education cuts beyond the Governor's already imposed 3% mandate; 2) If cuts must be made, they should proportionate across all institutions; 3) Continue to give presidents flexibility to make the cuts that best fit their institution's unique circumstances. and 4) Support the Legislature in suspending or repealing the unfunded mandates. Com. Sederburg also reported that tuition increases for next year would be very close to this year's increases. It may be slightly higher due to the new budget cuts.

Sen. Valentine asked if a 5% cut for FY 2011 would require that any institution would have to shut its doors. Com. Sederburg said that with an additional 5% cut, the future of CEU would perhaps be in doubt. This may be alleviated by the coming legislation regarding USU. Snow College would be second in line, but due to enrollment growth they should be able to handle this cut. Com. Sederburg stated that his office will bring back the suggested 5% additional cuts, but specific line items would not be listed.

Rep. Vickers asked whether the Governor's mandated 3% has already been taken?

Commissioner Sederburg reported that a portion of the 3% cut has already been taken. Dr. Buhler reported that the Governor's cut varied across institutions, and held some items harmless, such as financial aid. The Governor's cut would be just under \$19 million; a 4% across the board cut is \$25.6 million. So, there is a difference of \$6 million.

Mr. Pratt reported that all of these percentage cuts are shown on the folded-out sheet that was given at the last meeting in the binder entitled "Higher Education State Tax Funds."

Rep. Beck stated it would be difficult to raise tuition mid-year. She also asked how these budget cuts impact the New Century Scholarship.

Mr. Buhler said that for this school year the award is at 75% for those who qualify. All recipients for this school year were notified at the end of the last school year. In April of 2010, the percentage amount for the next school year 2010-2011 will be known, this information will be given to any of the scholarship recipients for this next school year. It would be difficult to project the scholarship amounts for students who are currently in junior high or middle school.

Sen. Valentine discussed a bill that was approved by the Education Interim Committee. He is sponsoring a bill that will assist in making the projections for the funding required for the New Century Scholarship.

Com. Sederburg also discussed mid-year tuition increases. He reported that all of the College Presidents supported not changing tuition amounts mid-year.

MOTION: Sen. Valentine made the motion to approve the 4% budget cuts for FY 2010 as indicated on Page 5 of the Commissioner's report. The total amount of these cuts is **\$25,607,200** and that they be allocated to each of the institutions as shown on Page 5.

Rep. Moss asked for clarification regarding the message of this vote. Is the message to accept the Commissioner's recommendation?

Sen. Valentine answered that the wording in the motion accepts the Commissioner's proposal as well as comply with the EAC directives.

The motion passed unanimously.

Rep. Wallis asked if action was going to be taken on the 2% base budget for FY 2011. Rep. Brown answered that future meetings will discuss FY 2011. The purpose of today's meeting is to determine the cuts for FY 2010.

Rep. Vickers asked what about the strategy of the committee for FY 2011. Will the Governor's budget base be used; if not what base budget will be used? He asked the chairs for guidance and clarification.

Rep. Brown reported that at this point the Legislature hasn't been considering the Governor's recommendations. Some of these issues will be considered in caucus. As soon as the chairs have more information, they will get this information to the committee.

Sen. Valentine reported that the Chairs would ask the institutions to come back with specific ramifications of a 5% budget cut for FY 2011. It is not necessary to state specific individuals or programs which would be cut; but how many FTE faculty, staff, programs, etc. would have to be cut to reach the 5%.

Rep. Anderson would like to see the tuition rates for each institution within their respective peer groups. He would also like to know how much revenue would be raised if tuition were raised to 100% of peer institutions. Mr. Pratt will provide this information at the next meeting.

Rep. Beck asked if more information could also be given next week from each institution now that tuition is due, how much enrollment has dropped and suggest possible reasons.

Com. Sederburg requested some flexibility in making the \$906,500 cut in the State Board of Regents budget.

Rep. Brown asked Com. Sederburg to bring any changes that might be required in his proposal on Page 5 to the meeting next week because they FY 2010 budget has to be given to the EAC as soon as possible.

Rep. Wheatley asked for clarification on this. Com. Sederburg stated that if the Commissioner's Office were required to take a 4% cut to everything, they would be required to try to get money back from students who have already received financial aid. He would like the opportunity to analyze the financial aid at each institution and make adjustments where necessary.

Sen. Valentine stated that the motion does allow some flexibility; but if the amount doesn't come to \$906,500; then a new motion would have to be made.

Com. Sederburg will report on this at the meeting one week from today.

3. Pres. Robert Brems from UCAT discussed the handout given to the committee which delineates how each of the eight UCAT campuses will meet the 4% required FY 2010 budget cut.

Sen. Valentine appreciated the specificity given in the handout distributed for the 4% cut. He mentioned that this is the type of specificity that he would like each institution to come back with at future meetings.

Rep. Brown asked about the enrollment growth at UCAT.

Pres. Brems stated that enrollment growth averages out at about 8.25% over the eight campuses. He did state that there are three campuses which have above 20% growth.

MOTION: Sen. Valentine moved to reduce the Utah College of Applied Technology FY 2010 Budget by 4% for a total amount of \$1,870,200 and the cuts be allocated as provided by the President of UCAT on the handout entitled "Utah College of Applied Technology - 4% one-time cuts, FY 2010."

The motion carried unanimously.

4. Dr. Michael Petersen from UEN. Dr. Petersen distributed a handout showing the Statewide Impact of Cutting UEN's Budget by \$2.4 million. He reminded the committee that 58% of the budget is for circuitry, which are fixed contracts with the telecommunications companies. He asked the committee to consider the Governor's proposal that issued the 3% cut only on the operating costs of UEN rather than the entire UEN budget. Dr. Petersen discussed the impacts of the cuts for FY 2011. He discussed the fact that UEN has applied for a grant that will allow UEN to give broadband access for an additional 88 elementary and charter schools. The grant of \$14.5 million should be awarded shortly, and will require a \$3.5 million match from UEN. The grant will also provide approximately 450 jobs for the state. Dr. Petersen stated that if an additional cut of 5% is made for FY 2011 on the entire UEN budget, they will not have the matching funds.

Sen. Valentine asked if UEN would be able to have matching funds with the 2010 FY 4% budget cut. Dr. Petersen reported that it would be difficult, but they could make the 4% cut and still have matching funds for the grant.

Rep. McIff also commented that all of the state schools, colleges and other offices are beneficiaries of UEN. UEN provides a service for the entire state.

Dr. Petersen gave USU as an example of this savings. If USU had to provide its own broadband coverage, the estimated budget amount would be \$12 million. UEN is able to provide this service at no cost to USU. The cost to the State is about \$1.8 million, which constitutes great savings.

Rep. Beck asked more specifically about the long-term contracts, and if these contracts can be maintained with the 4% FY 2010 budget cuts.

Dr. Petersen said that the contracts are covered by state appropriations and federal e-rate dollars. UEN will be able to meet these contractual agreements for FY 2010.

Rep. Vickers asked whether the contracts could be renegotiated for FY 2011.

Dr. Petersen stated that once a contract has been negotiated, it is possible, but it would be very difficult to renegotiate.

Rep. Anderson asked for clarification about the current T-1 fees for the elementary schools. Dr. Petersen said that the current rate, adding in the federal e-rate is about \$30 per month. The cost for the broadband lines would be about \$450 per month. The funding model is that this funding must be in place before the contracts are made.

MOTION: Sen. Valentine made the motion to reduce the FY 2010 UEN budget by 4% in the amount of \$696,383 allocated as shown on the page entitled "Utah Education Network 4% one-time and 5% ongoing Options" in the 4% 1x column with the following additional intent language that the EAC consider having the reduction be only \$308,800 which is 4% of the operating budget, rather

than 4% of the entire budget by virtue of the fact that 58% of the budget is pass-through and is not subject to discretion on the part of the agency.

The motion passed unanimously.

5. David Squire, Executive Director, Utah Medical Education Council. Mr. Squire made a correction that was reported at the last meeting. The UMEC did not sustain a 22% cut for FY 2010 as was stated. The correct amount should have been 17%. Mr. Squire reported that 62 percent of the UMEC budget is pass-through dollars. The Council has prepared to adhere to the 4% budget cut for FY 2010. Approximately 30% of the cut will be sustained in salaries, and 70% will be in operating expenses.

Rep. McIff asked if the pass-through dollars went to state agencies.

Dr. Squire explained some of the pass-through dollars are for training of health care professionals, other pass-through dollars go to private entities.

MOTION: Sen Valentine made motion to reduce the UMEC budget by 4% or \$23,200 as shown on the chart entitled, "Utah Medical Education Council 4% one-time and 5% ongoing Options, with the column heading 4% prepared by the Legislative Fiscal Analyst.

The motion carried unanimously.

6. Other business. Sen. Valentine made the announcement that the first week calendars are now in mailboxes. Rep. Brown reminded the Subcommittee and visitors that the regular meetings will begin next week. At these meetings the 5% budget cuts for FY 2011 will be discussed.

MOTION: Rep Wallis moved to adjourn.

Committee Co-Chair Brown adjourned the meeting at 3:50 p.m.

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Melvin R. Brown, Committee Co-Chair