

AMENDED
MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
THURSDAY, JANUARY 12, 2009, 9:00 A.M.
Room W020, House Building, State Capitol Complex

A.M. Session

Members

Present: Sen. John Valentine, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Gregory S. Bell
Sen. Ross I. Romero
Rep. Trisha S. Beck
Rep. Melvin R. Brown
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Evan J. Vickers
Rep. C. Brent Wallis
Rep. Mark A. Wheatley

Members Sen. Stephen H. Urquhart

Excused: Rep. Bradley M. Daw
Rep. R. Curt Webb

Members

Absent: None

P.M. Session

Members

Present: Sen. John Valentine, Co-Chair
Rep. Kory M. Holdaway, Co-Chair
Sen. Gregory S. Bell
Sen. Ross I. Romero
Rep. Trisha S. Beck
Rep. Melvin R. Brown
Rep. Bradley M. Daw
Rep. Kay L. McIff
Rep. Carol Spackman Moss
Rep. Evan J. Vickers
Rep. C. Brent Wallis
Rep. Mark A. Wheatley

Members

Excused: Sen. Stephen H. Urquhart
Rep. R. Curt Webb

Members

Absent: None

Both A.M. & P.M. Sessions:

Staff Present: Spencer Pratt, Fiscal Manager
Patrick Lee, Legislative Fiscal Analyst
Lorna Wells, Secretary

Public Speakers Present: Commissioner William Sederburg
Dave Buhler, Associate Commissioner
Pres. Stan Albrecht, USU
Dr. Dave Pershing, Sr. Vice President of Academic Affairs, UU
Pres. Ann Milner, WSU
Pres. Michael Benson, SUU
Dr. Elizabeth Hitch, Acting President UVU
Pres. Stephen Nadauld, Dixie State College
Pres. Cynthia Bioteau, SLCC
Pres. Scott Wyatt, Snow College
Pres. Michael King, CEU
Pres. Richard White, UCAT
Dr. Michael Petersen, Executive Dir., UEN
Dr. David Squire, Executive Dir., UMEC

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

1. Call to Order—Committee Co-Chair Holdaway called the meeting to order at 9:15 a.m.
2. Welcome and Introductions—Rep. Holdaway welcomed everyone to the meeting. He discussed the fact that due to the economy, some difficult decisions will need to be made. Committee members then introduced themselves.
3. Approval of minutes - The minutes from the September 25, 2008 meeting were approved.
4. Budget Overview - Fiscal Manager Spencer Pratt gave a PowerPoint overview explaining the budgeting process for Appropriations Subcommittees. He explained that the Fiscal Year runs from July 1st through June 30th. Budgets are either base or supplemental. The current Fiscal year is 2009. This committee will be discussing fiscal years 2009 and 2010 during this legislative session. He discussed where the state revenues come from. State economists generate a revenue estimate. This estimate serves as a target for appropriations. These estimates are updated at least twice yearly which indicate revenue surpluses or shortfalls. He showed a chart about the History of Revenues. He pointed out that while the transportation fund has remained steady; the General Fund and Education Fund have seen significant changes.

There is a current revenue shortfall of \$350 million in FY 2009 and another \$100 million in 2010 (total \$450 million). In December 2007, about 13 months ago the estimate was that there would be an increase in revenue of \$579 million. In February of 2008 the revenue estimate was decreased by \$230 million. In September of 2008 the revenue estimate was then decreased by another \$272 million dollars. In September a special session was held and budgets were cut to cover that \$272 million shortfall. In December 2008 the estimate was decreased by an additional \$370 million.

The next slide depicted where the money goes: about 30% goes to Public Education; about 20% to Health and Human Services; and Higher Education gets about 11%. This chart shows that to hold Public Education completely harmless would mean that every other agency would be significantly impacted. There are also new Spending Pressures. Because of these revenue shortfalls and new spending requirements, there is a projected deficit of 7% in the Base Budget for FY 2009 and a projected deficit of 12% in the Base Budget for Fiscal Year 2010.

In the December Executive Appropriation meeting, the direction adopted would be a 7.5% cut for Fiscal Year 2009 and a 15% cut for FY 2010. For Higher Education that would be almost 122 million dollars.

Mr. Pratt stated that the usual budget process would be that subcommittees meet and make recommendations to Executive Appropriations Committee. The COBI (Compendium of Budget Information) is on the legislative web site. He also discussed Budget Briefs, Issue Briefs and Ad Hoc reports. Mr. Pratt also discussed a pamphlet entitled "Bills, Budgets and Fiscal Notes." This pamphlet was distributed to members of the committee. The Analyst's recommendations arrive at the 7.5% and 15% targets, while assuming no change in current tax law, no across-the-board actions like salary decreases or benefits or the use of rainy day funds or bond proceeds.

Rep. Holdaway emphasized that the legislature has many options that the Analyst didn't.

Rep. McIff asked for more clarification about whether the 7.5 percent cut was from the Original Base or from the Revised Base.

Mr. Pratt distributed a chart entitled "Higher Education State Tax Funds" that would help clarify this.

Lines 15 & 16 shows the total appropriations of \$845 million in on-going funding; and \$3,638,600 in one-time funding with the detail shown above those lines.

In the Special Session held in September, **Lines 18 & 19** show Senate Bill 2001 which reduced the appropriation by almost \$34 million ongoing and a reduction of \$ 570,000 in one-time funds. **Lines 21 & 22** show the Revised Base of \$811,908,800 and \$3,063,800.

Line 24 shows the 7.5 % reduction of \$61,122,800. **Line 26** is entitled the Second Revised Base Budget for FY 2009 of \$753,849,800.

Line 28 shows the FY 2010 reduction of 15% of \$121,786,300. **Lines 29 & 30** shows that the FTE Faculty reduction would be 813; and FTE Staff Reduction would be 845. **Line 32** shows that the FY 2010 Base would be \$690,122,500.

Rep. Holdaway asked if the 7.5 is added to the 4% in September, which means that the 15% cut is a 19% cut from the FY 2009 Budget.

Mr. Pratt answered that this is correct.

Rep. Vickers responded that because the institutions are already six-months through the fiscal year, these cuts are almost double because they have to be taken for the last half of the year.

Rep. Moss asked why we have to look to 2010 right now. Mr. Pratt explained that this Legislative Session will determine the budget for FY 2010.

Mr. Pratt continued explaining that Higher Education was given the authority to determine where the earlier cuts would be made by the Legislature. Mr. Pratt reported that the institutions have done this in a sound and logical manner. The institutions have done what they were asked to do . The institutions are asking for this continued authority as further cuts are needed.

Mr. Pratt and Mr. Lee distributed a handout entitled, "Staff Budget Recommendations - 2009 General Session, Budget Reduction Details by Initiative."

Sen. Valentine asked what effect this has on contracts for the current year? The institutions will discuss this as they make their comments.

Rep. Holdaway asked if the Commissioner's office has had these numbers?

Mr. Pratt reported that the Commissioner's office has not seen this. Mr. Pratt has discussed that 7½ percent and 15 percent cuts would be coming with all of the institutions.

Rep. Holdaway asked those speaking to address what effect these cuts have had on their institutions.

Mr. Lee then discussed some of the Staff Budget Recommendations. They have worked with the agencies at the different levels to discuss the impacts of these reductions. **Lines 727 -728** Medical

Education Counsel – Staff Reduction of 1.0 FTE and 7.0 total FTE for the agency. This would mean fewer workforce reports and less coordination for rural residency development.

Lines 766-767 for UEN – Up to a total of 16.0 FTE out of 114 Total FTE would be reduced at UEN. There would likely be reductions in regional service centers. The backbone would be reduced by eliminating some of the least redundant circuits; which would have impact on everyone who uses the network on a daily basis. There would be a loss of one million Federal dollars because of the 2 for 1 match.

Mr. Pratt explained that in State Board of Regents they looked at those areas that were less essential. **Line 730** eliminates Campus Compact funding. This eliminates the opportunity for coordinated civic and community service projects. **Line 733** eliminates the electronic college. The impact of this could be absorbed by individual USHE institutions' online activities. **Line 736** eliminate half of the Regents' Scholarship Funding, **Line 739** eliminates new Prison Education funding, **Line 742** would eliminate three small financial aid programs; **Line 745** reduces funding for Hearing Impaired Services. Institutions would be required to absorb this cut. **Line 748** is a Reduction in HE technology imitative funding; replacement time of hardware and software will be extended **Line 751** is Reduction in Jobs Now Funding; **Line 754** is a Reduction in Teaching Scholarship funding; **Line 757** is a Reduction in WICHE funding.

In UCAT -**Line 760** would be a Reduction in UCAT Custom Fit Funding; and **Line 763** Reduction in UCAT Equipment Funding **Line 769** reduces funding for HE libraries, **Line 772** – USHE and UCAT – Reduction in USHE and UCAT Faculty and Staff covers the bulk of the cut for Higher Education.

Rep. Holdoway asked how these two sheets are related.

Mr. Pratt explained that the Higher Education numbers shown on **Line 726** on the small sheet, coincide with the 15% reduction shown on the long sheet.

5. Agency Reports:

USHE - Commissioner Sederburg explained that he would have Pres. Stan Albrecht from USU respond to Sen. Valentine's earlier question regarding how commitments and contractual obligations would be impacted. Pres. Albrecht explained that at Utah State University there are three categories of faculty: tenured faculty, tenured-track faculty (a seven-year procedure), and adjunct faculty. There is nothing that can be done with tenured faculty unless the state declares financial exigency. USU could declare a major financial crisis and eliminate tenured faculty if it eliminated entire programs. The second faculty type are in a probationary state. The contracts specify where they are in this tenure track. For example, third-year tenure-track faculty have to be notified by December 10th if they are going to be let go. First and second-year track faculty have to be notified by March. There are relatively small numbers of faculty in each of these categories. The third group, the adjunct faculty are at-will employees. All three of these categories of faculty are in class and teaching right now. This will be extremely difficult to cut without doing extremely serious damage to students and the institution. If USU doesn't cut faculty, it would have to eliminate almost all professional and classified staff. Pres. Albrecht reported that even if they eliminated the whole athletic program, that would cover less than one percent of the total appropriation.

Rep. Wheatley asked about how many third-year track tenured faculty were at USU.

Pres. Albrecht reported that there were 26 faculty and of those, four faculty who were told they were not going to be re-hired.

Rep. Moss asked if there are areas and programs that can be cut that do not affect personnel.

Commissioner Sederburg reported that there is no way to avoid the people-impact because their budget is about 81% personnel related. When the cut was 4% this could be done.

Rep. Holdaway asked if all institutions had this provision of a "Major Financial Crisis"

Pres. Albrecht reported that each institution would be different. At USU the process is quite complicated.

Rep. Holdaway asked if other states are also having these significant budgetary impacts. Is there a national budget reduction occurring in higher educational institutions. Utah is known for being a well-managed state financially. Why would Utah have to be declared as in a Major Financial Crisis when other states who are not managed as well have not made this declaration?

Commissioner Sederburg reported that each state is different, the state of Nevada has had severe economic hardships. Most states are just starting to discuss these negative impacts and coming to grips with this recession.

Sen. Valentine indicated that in his experience all states will be having cuts, but it varies all over the board how much these cuts will be. All states said that there would be cuts, but the nature and breadth of these cuts were not known. California, for example has a current cash flow problem.

Pres. Albrecht reported that to reach this cut, they would have to cut 600 classified and professional staff immediately. This would be 40 percent of the total classified and professional staff if teachers currently in the classroom were not cut.

Fiscal exigency would cover an entire institution, fiscal crisis would be limited to programs.

Rep. Holdaway mentioned that declaring fiscal exigency would have severe ramifications down the road.

Commissioner William Sederburg gave a presentation. There are ten Higher Education institutions in Utah with 29,596 employees; 152,228 students. Enrollment has increased by 11,896 students since Fall 2007. The Commissioner's office appreciates the support of the Higher Education Appropriations Committee. Most institutions have made the required 4% cuts made in September. Commissioner Sederburg summarized a report given by Dennis Jones. He asked members of the Committee to review this report when there is more time. The report shows that Utah is in the quadrant that has a high number of educated people with lower income. His report points out that the state's economic well-being and the well-being of our citizens is dependent upon a vibrant and healthy post-secondary education system. Utah is very efficient in dollars spent with degrees earned. A national study shows that Utah graduates more students per dollar spent than any other state. Utah is among the top-ten in granting undergraduate credentials per FTE student.

An investment in the state higher education pays off with a multiplier 7 times. The Legislature has recognized higher education's role in economic growth: USTAR, Teacher Initiative, Engineering Initiative, and Jobs Now. Higher Education has more students but faces budget cuts. USHE is very talent-intensive, 81 percent of costs are personnel. There are some principles and approaches that should be followed: 1) protect students; 2) protect program quality; 3) meet the economic needs of our state; 4) be constructive participants in helping state policymakers meet fiscal challenges 5) be transparent in how cuts are made. The Presidents' dilemma is how to implement a 7.5 percent budget cut for FY 2009 when: 1) students are currently in the classroom; 2) faculty with contracts are on the job; 3) any available reserves were used in the initial 4% cut; and 4) financial aid funds are already disbursed to students

Vice President David Pershing from the University of Utah discussed the stopping of momentum. What happens nationwide if the U of U risks its ability to hire and attract new stars? The University needs to protect its excellence. The first question is what can be done for the existing year; for the U, the amount would be about \$30 million. They will assume any carry-forward balances; lay off a number of staff, no vacancies are being filled. They are reducing services, cutting hours, eliminating travel, they have postponed remodeling renovation, and are restructuring internal debt payments. The cut for next year is base money which is more difficult; they can't cut tenured faculty, nor tenure-track faculty. They can impact strategic and long term planning, enhance efficiency, reduce administration, retirement incentive plan, reduce support for graduate students, extend cycles for replacing equipment cycles; but that will not be enough.

Rep. Holdaway asked for a specific number of positions that would have to be cut.

Vice President Pershing doesn't have an exact number because he is working with each college differently. Because most of that money goes to people, it would mean laying off hundreds of people.

Sen. Valentine asked which programs vertically would be eliminated and which curriculum would be cut?

Vice President Pershing said they are not thinking of closing down departments. He does not have a rich, low-productivity department. He does not have a total vertical cut planned, but it would be a mixed model.

Sen. Valentine asked if the Board of Trustees has discussed tuition increases.

Vice President Pershing said they have not discussed this, but tuition increases could not cover this, and tuition increases have to be single digit.

Pres. Albrecht from Utah State University reported that at USU they were feeling very good about the progress that has been made and cited several examples. Their goal is to do everything they can not to lose the momentum that they have worked so hard for. They eliminated a college a short time ago; this can't be an option again. There are students in all programs, there is a major investment in getting these students completed. They moved the theater department and art department under one department head. To achieve the 4% cut, they cut operating costs, eliminated positions, restructured positions, had salary cuts, merged programs. There were 123 jobs that were cut; a reduction in force of 22 individuals. They have already eliminated all of the open positions, so now there is no margin. A 15% reduction would mean a cut of about \$23 million. This would impact all areas; university-

funded scholarships reduced, ability to have grants and research would be impacted. The ability to get through this economic downturn will be from what comes out of higher education to train students to keep the economy of Utah robust.

Rep. Moss clarified that tuition cannot be increased this fiscal year.

Pres. Albrecht said that is correct, there is no way to increase tuition mid-year.

Rep. Holdaway also emphasized that this cannot be covered through tuition increases.

Pres. Albrecht said that there would have to be a 45 percent increase in tuition to cover the budget shortfall.

Rep. Beck also stated that if tuition were increased 45 percent, that amount would be prohibitive; the number of students who could pay would also be decreased, and so the institutions would not make up all the lost revenue.

Pres. Albrecht mentioned that enrollments are also on the rise because of the economy, and the loan volume has also increased.

President Ann Millner from Weber State reported that most of their students are from Utah and will remain in Utah. Over 20 percent are in health professions and 20 percent in other technical areas. These are in high demand, they want to ensure that they are not doing long-term harm. There is a need to have a workforce in Utah that is young and educated. To cover the 4 percent cut, Weber State implemented a hiring freeze; there was a loss of 38 positions, they cut current expense, delayed replacement of IT equipment, reduced hourly and student workforce, used carry forward balances, cut travel, postponed or canceled capital projects. The next 7.5 percent at this point in the current year would be extremely difficult without causing harm to institutions. They would have to carry E & G balances to \$0. Taking this so there is no working capital would not work. They would have to cancel emergency and preventive maintenance. There are standards that must be met for preventive maintenance. They may look at staff furloughs as an option. All travel, current expenses, purchases, would have to be cut for the current year; they might be able to delay payment of utility bills.

In order to cut 15% or \$10 million; that would be about 150 positions; about 40 percent can come from vacancies but 60 percent would be through layoffs. That will be 55 faculty members; over 400 fewer course offerings available to students at a time when enrollment is growing. They will have to cut student support services, advising, and financial aid. They already don't have enough resources to cover those needs. They will have to look at every area on campus and look at reductions in service to their students. They want to make sure that no long-term harm is done if at all possible in order to meet workforce needs and economic development.

Sen. Valentine asked about vertical versus horizontal cuts.

Pres. Millner reported that there would be a combination of both. There could possibly be programs that might be cut, but these programs have to be phased out; there is a commitment to those students or accreditation might be impacted. Nursing and health care professions are high cost programs; but they are also one of the most demanded programs in the state.

Sen. Valentine asked specifically about the teach-out situation. If students are enrolled in a major and cannot complete this, would there be accreditation issues?

Pres. Millner and Commissioner Sederburg mentioned that there is an obligation for declared majors. The catalog is a contract with students who entered the institution under that catalog.

Sen. Valentine asked if degrees could be consolidated.

Pres. Millner reported that by-and large that could not be done.

Sen. Valentine asked Mr. Pratt and his staff to investigate this issue further. They would like to see how these decisions would impact accreditation.

President Mike Benson from Southern Utah University discussed the fact that they are making the same challenging decisions as the other institutions. He discussed a situation where they had a Master's of Public Administration that was recently approved. He taught a capstone class and asked them what they would do with a four percent cut: the students' answers were: no out-of-state travel, no capital outlay, early retirement; more adjunct, four-day work week; hiring freezes, hours of operation, costly fringe programs, reduce course offerings. They have done many of these things to get to the four percent cut. They eliminated a Master's Program and would possibly freeze some other programs, they are considering the collapsing of an entire College. They have reduced hourly positions, but this has had a negative impact on students who need those jobs. Their retention rate has gone from 66 percent to 82 percent in the past year. The economy that they want to build is based on those who have post-graduate education. If they have a 15 percent cut, that retention rate would be devastated, and would set them back years. They have worked so hard to have a private-college feel to a public college.

Rep. Vickers asked how these cuts will impact the ability of students to complete their degrees in a timely manner.

Pres. Benson mentioned that with fewer advisors the students are often not in as many correct classes to streamline their education.

Rep. Vickers mentioned that more students have had to take a semester off to further fund their education.

Sen. Romero asked if the ability to utilize funds for tuition is still available. He asked if students are still able to receive federal grants and loans to fund education.

Commissioner Sederburg mentioned that federal funds are available to students; currently more students are receiving loans than PELL grants.

Rep. Holdaway reminded the committee that these are tough decisions; that FTE's are impacted, there are far reaching events; we need to be reminded of how all these decisions will impact students. No votes will be taken until the meeting on January 21st.

Sen. Valentine said that subcommittee members will go back to caucuses about the atmosphere of today's meeting. There are several issues and concerns that have been made that were not originally considered.

Sen. Valentine made the motion to recess until 2:00 p.m. This motion passed unanimously.

The meeting was in recess at 11:55 a.m.

The meeting readjourned at 2:15

5. Agency Reports continued:

Interim President Elizabeth Hitch from Utah Valley University. As Commissioner Sederburg mentioned, Utah is the most efficient state as far as the dollars spent for the number of degrees granted. UVU is the most efficient in the state for degrees granted for dollars spent; that would mean UVU is the most efficient in the nation. UVU is a Carnegie approved school. UVU is growing, and has put forth great efforts to retain students. Its enrollments are up 12 percent. The budget cuts mean that it will have to be a state assisted instead of a state supported institution.

Sen. Valentine asked the consequences of this change.

Interim President Hitch answered that they would either have to reduce the ratios of faculty and advisers to students; cut programs, and consider tuition increase. She continued that UVU is an economic investment. For every dollar invested, the return is over six dollars. With a 4 percent reduction, they eliminated three tenure-track faculty, reduced hourly staff; reduced facilities support, current capital support, and travel budgets. There are certain fixed costs that can't be cut; but the institutional contingency fund could be tapped, the benefits reserve fund; they could completely freeze hiring, and any remodeling would stop. They would possibly have to eliminate the Heber campus in Wasatch County; there would have to be a tuition increase, they would have to restrict enrollment; equipment will not be replaced.

David Buhler, Associate Commissioner; reported that Commissioner Sederburg asked to be excused, he is attending a meeting with the Board of Education, the Board of Regents and the Governor. He wanted to emphasize that state-wide they are not capping enrollment. They have a soft enrollment caps; when sections are full no other sections are added; in essence enrollment is being capped.

Rep. Vickers asked if there might be a case where students are enrolled, but cannot get in the classes, so they might not be able to attend or they might have to take alternate classes in order to maintain full-time student status.

Rep. Brown asked what would be eliminated from the Wasatch County, Heber area.

Interim Pres. Hitch answered student services, advisers, and other support mechanisms would have to be eliminated; educational opportunities would still be offered.

Rep. Daw asked if all sections would be capped; what about distance learning, would that be affected

Interim President Hitch reported that perhaps more distance education classes would be offered; they would have to calculate the balance between student need and facilities demands. They would also limit capacity for sections.

Pres. Steven Nadauld from Dixie State College reported that Dixie State College is also experiencing enrollment growth, up 12 percent over a year ago, Spring is up 20 percent; upper division was up 35

percent. They are trying to serve 15 – 20% more students with 15% less money. They have many of the same conditions as other institutions. When staff, faculty, classes are cut, this dramatically impacts students. He referred to the slides from the Commissioner; Utah is in the middle for per capita income. In 1985 the Higher Education share of the state budget was between 18 – 20%. Higher Education's share of the budget last year was about 15 percent. Instead of referring to K-12; it should be K-16. Data that leads to this policy means the state is going in the wrong direction. Higher Education is the economic engine of the state. The 4% budget cut is disproportionate; Higher Education took a larger cut than any other group. He knows that this committee is Higher Education's advocate.

Rep. Holdaway stated even though this committee is an advocate for Higher Education, the committee should be aware of that point.

Pres. Nadauld mentioned that in the past when there were budget cuts; there was a balanced approach, there was an attempt to use rainy day money; and getting money from other sources; might help to increase other revenues. Some balanced and level-headed thinking can support the engine for the economy of the state. They need the help of the state to help students to succeed.

Referring to the graphs, Rep. McIff asked if sometimes there are people who are willing to earn less as an employee in order to live in Utah.

Pres. Nadauld reported that there might be some of this, but only in limited circumstances. He emphasized the importance of an educated workforce.

President Cynthia Bioteau from Salt Lake Community College addressed the importance of higher education. She mentioned President-elect Barack Obama's statement. "The economy is changing at a breathtaking pace, and we need different skills these days. In a moment when people are finding it harder and harder to get ahead, it's time to call upon our community colleges once again." Salt Lake Community College had 18% new student growth, which means 4,700 new students this fall. They have almost 30,000 students. Spring Semester has 2,000 new students. The importance of education rings true to people when their jobs are in jeopardy. When the state emerges from this economic shortfall, there will be a more educated population. The tuition at SLCC is 133% of the other mountain states. At SLCC, a tuition increase is last on the list, it cannot be an option. Tuition is currently \$2,200 per year. They have placed a hold on open-positions; they have decreased reliance on part-time employees, they have reduced operating expenses, they have reduced the non-lapsing balances, they will reduce the Skills Center budget. They are looking at 90 – 120 full-time faculty positions that will not be renewed. SLCC has 120 programs. They are working with Division of Workforce Services to look at employment trends; looking at those programs that might be cut or discontinued. There would possibly be 11 programs discontinued, and 32 programs downsized. They have calculated that 800 courses might not be taught next year. They have increased class size approximately 7 – 10 percent. They would pull-back barbering and cosmetology from the high school area. They are using data and strategy in making these decisions. There will be more reduction in student services.

President Scott Wyatt from Snow College. President Wyatt said that Snow is the oldest two-year college west of the Mississippi. Snow has two campuses: Richfield and Ephraim. The 4% cut was achieved by cutting the operating expense budget; many departments save money from multiple years to purchase new equipment. Snow has also cut 7.65% in next year's budget, terminated approximately 20 positions: one vice president, 6 faculty positions and the rest staff. Other areas that

had cutbacks were the athletic department, student services, the library, and instruction. The majority of CTE programs have only one faculty member. A further cut would be very difficult for this school year; it would completely drain all of the carry-forward accounts. They would be required to cut positions that they were planning to let go until the end of the school year; they might have to let that individual go immediately; which would be very difficult. To make another cut, there would be many more positions, and perhaps closing some programs. Most of their programs are either CTE or General Education. Snow has prepared a 19 percent budget-cut; cut the USU partnership program and closed two-to-five positions. They could impose a tuition increase; but they are already substantially higher than averages. The geographical region is the poorest region in the state; they have an extremely low number of students who complete four-year programs; and an extremely high number of first-generation college students. Ephraim and Richfield are small communities. In the area many individuals have been laid-off; and because of the rural area, they have nowhere else to go.

President Mike King from the College of Eastern Utah. The Southeastern region of the state is quite unique. This is the smallest institution in the state. They had a fund balance that disappeared with the 4% reduction. The accrediting body pointed out that the contingency/reserve funds are important. The 7.5 percent would mean about a \$2.2 million cut. They have frozen vacant positions, cut travel current expenses, carry-over balances; have started to cut courses that are low-enrollment courses. Last week, there was a mid-year spending freeze. All purchases are approved at the VP level. They may have to cut positions, and have cut operating costs. They might eliminate one of their summer school sessions. This might lead to 20 courses cut during the summer; enrollment might be cut in half. They have notified all 41 non-tenure track faculty that his/her position might not be renewed. These positions cannot be cut and have the College programs continue as they have been in the past. If they have to cut 15 percent, over 90 percent of their budget is from salaries and benefits; 71 percent is from instructions; courses covered would be reduced; contracts reduced, some health care, special early retirement incentives. This is also significant impact to the economy of the community.

President Richard White of UCAT reported that UCAT has eight campuses, 28 percent of the students are high school students. These students would have to be sent back to their high schools if classes are cut. UCAT must teach-out programs currently offered. Contracts are also required. Most of the campuses lease space before building. It would be very difficult to change these lease commitments. Each campus would handle the cut somewhat differently. President White provided a copy of the annual report. Some vertical cuts would have to be made.

Sen. Valentine asked if there are some program areas that the private sector has available programs in the area.

Pres. White suspects that this would be true. It could impact 5000 students if programs are eliminated; approximately 100 faculty and staff positions would be eliminated. The cut to the instructional equipment budget would be significant. Jobs Now and Custom Fit programs would be reduced impacting hundreds of employers. With the loss of one-time money, the cuts exceed 21 percent. Governor's Office of Economic Development; UCAT campuses are being recognized as excellent. Cutting programs would not allow students to be put in the workforce. They would greatly appreciate support of softening this impact.

Rep. Holdaway mentioned that the return on investment might be quicker because of the short-term training that the UCAT institutions.

UEN Exec Director Michael Peterson appreciates the effort to understand the impact of these budget cuts. UEN serves an important but different role. The responsibility of UEN is to provide the internet and network capability that public education and higher education relies on. This has become an infrastructure as essential as electricity and buildings. The internet connection for State Legislature is through UEN. UEN identified three essential steps to reduce budget. 1) Look at network backbone, and determine what circuits that could be turned off because there is a redundancy. There is a redundant network to enable a 99.999 % uptime which means that there can only be five minutes of the year where the network is down. If these circuits have to be reduced; that level of reliability will be negatively affected. 2) UEN has been making some progress in providing network connectivity to elementary schools. About half of elementary schools are limited in their connectivity to T-1 circuits. This is much too small; UEN has completed the first year of a three-year project to continue this. This project will be stopped; the elementary and charter schools would not be able to do on-line testing that has been mandated by the legislature; nor provide the technological instruction that is extremely important for elementary students to receive. 3) Reduce personnel at UEN, which will dramatically reduce level of service. In addition to 3 positions cut following the Special Session, 16 more FTE will be cut; which will impact field operations, network and video operations centers, and availability of software development programs. Professional development, supplies, equipment budget would be reduced. Network traffic has experienced significant growth and utilization; which would be impacted.

Medical Education Council – Executive Director; David Squire. The council has achieved the 4% cuts given. The council appreciated the opportunity to determine where those cuts are made using their own management skills. There is a plan in place to achieve other budget cuts. Heretofore the cuts have been made through attrition and some part-time personnel, but in the future, these cuts will impact personnel.

Sen. Valentine commented that David is a very capable manager.

Rep. Holdaway thanked all of the agencies for their reports. He stated that they had intended to let the Governor's Analyst present what the Governor's proposal has been; but due to the time constraints, they will ask him to present the Governor's proposal at the next meeting, which will be held on the on the 21st.

Sen. Valentine mentioned that there are four other items that need to be considered:

1. A contribution of 14.23 percent is made to TIAA/CREF retirement account; what would happen if we reduce this rate to 12 percent?
2. What effect would be having furloughed days off for staff? For example five days with four days of employees.
3. What is the level of tuition increase for the 2010 budget that would be proposed for 1st tier and 2nd tier?
4. What would be the impact if institutions considered the idea of the elimination of a summer session?

They would like to go back to caucuses with every possible choice. There are policy driven issues and cost savings from each of these.

Assistant Commissioner Buhler asked if Sen. Valentine was referring to summer session of 2009 and 2010? What would be the least pain curve? What are the options?

Minutes of the Joint Higher Education Appropriations Subcommittee

January 12, 2009

Page 13

Sen. Romero is trying to determine what percentage, if not 15%, might be appropriate. The Democratic caucus is looking at possible tax augmentation. He also mentioned he will not be at the meeting on the 21st.

Rep. Holdaway stressed the importance of the meeting on the 21st; and asked each committee member to make every effort to be here on the meeting at the 21st.

Rep. Wheatley made the motion to adjourn. The motion carried unanimously.

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

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Kory M. Holdaway, Committee Co-Chair