
MINUTES OF MEETING
UTAH STATE BOARD OF REGENTS
UNIVERSITY OF UTAH
SALT LAKE CITY, UTAH

December 11, 1998

Board Members Present

Charles E. Johnson, Chair
Aileen H. Clyde, Vice Chair
Pamela J. Atkinson
David J. Grant
Larzette G. Hale
L. Brent Hoggan
David J. Jordan
Evelyn B. Lee
E. George Mantes
Robert K. Reynard
Paul S. Rogers
Dale O Zabriskie

Board Members Excused

Kenneth G. Anderton
Karen H. Huntsman
Jay B. Taggart

Office of the Commissioner

Cecelia H. Foxley, Commissioner
Fred R. Hunsaker, Associate Commissioner for Finance and Facilities
Chalmers Gail Norris, Associate Commissioner for Student Financial Aid
Michael A. Petersen, Associate Commissioner for Academic Affairs
Joyce Cottrell, Executive Secretary
Harden R. Eyring, Executive Assistant to the Commissioner
Linda Fife, Academic Affairs Program Officer
Jerry H. Fullmer, Director of Information Systems
Max S. Lowe, Assistant Commissioner for Applied Technology Education
Whitney J. Pugh, Budget Analyst and Personnel Office
Norman C. Tarbox, Assistant Commissioner for Finance and Facilities
Courtney White, Research Analyst
Bradley A. Winn, Assistant Commissioner for Academic Affairs

INSTITUTIONAL REPRESENTATIVES

University of Utah

J. Bernard Machen, President
David W. Pershing, Senior Vice President for Academic Affairs
Arnold B. Combe, Interim Vice President for Administrative Services
Paul T. Brinkman, Associate Vice President, Budget and Planning
Raymond A. Haeckel, Executive Director, Government and Community Relations
W. Ralph Hardy, Assistant Vice President for Budget and Resource Planning
Pamela Fogle, Director, University Communications
Ken Jameson, President, Academic Senate
Wayne McCormack, Olympics Coordinator
M. Anne Racer, Director, Facilities Planning

Utah State University

George H. Emert, President
G. Jay Gogue, Provost
C. Blythe Ahlstrom, Assistant Provost
Lynn E. Janes, Interim Vice President for Administrative Affairs
Richard W. Jacobs, Budget Director
Lee H. Burke, Assistant to the President for Government Relations
Jay Nielson, Assistant Director for Campus Planning and Engineering
Patricia S. Terrell, Vice President for Student Services

Weber State University

Paul H. Thompson, President
David L. Eisler, Provost
Allen F. Simkins, Vice President of Administrative Services
Carol J. Berrey, Executive Director of Government Relations/Assistant to the President
Carol V. Gaskill, Director of Budget and Institutional Research

Southern Utah University

Steven D. Bennion, President
Ray Reutzel, Provost
Sterling R. Church, Vice President for Student Services
Michael D. Richards, Vice President for Planning and Technology

Snow College

Rick White, Vice President for Academic Affairs
Gary Arnoldson, Controller
Larry Christensen, Vice President for Administrative Services

Dixie College

Stanley J. Plewe, Vice President, Administration & Information Technology
Max H. Rose, Academic Vice President
William D. Fowler, Vice President for Student Services
Thales A. "Tad" Derrick, Associate Director, Institutional Advancement

College of Eastern Utah

Grace S. Jones, President
Raelene Allred, Vice President of Finance & Administrative Services
Don Burge, Vice President of Academic Services
Karen K. Bliss, Dean of Institutional Advancement
Gail Glover, Dean of Administrative Services, San Juan Campus
Brad King, Dean of Students, Price Campus

Utah Valley State College

Ryan Thomas, Vice President for Student Services and Campus Computing
Dick L. Chappell, Vice President for Administration & Institutional Advancement
Gilbert E. Cook, Vice President for College Relations

J. Karl Worthington, Associate Vice President for Academic Affairs
Douglas E. Warner, Executive Director of Budgets and Management Studies
Robby Schow, Utah Council of Student Body Presidents

Salt Lake Community College

Richard M. Rhodes, Vice President of Business Services
Marjorie Carson, Vice President of Academic Services
Judd D. Morgan, Vice President of Student Services
Rand A. Johnson, Assistant to the President

Representatives of the Press

Jennifer Toomer Cook, *Deseret News*
Dan Egan, *Salt Lake Tribune*
Jennifer Gallagher, *Standard Examiner*
Puanani Mateaki, *The Daily Chronicle*

Others Present

Representative Gerry Adair
Thomas C. Anderson, Office of the Attorney General
Shannon Bittler, SBR/SBE Joint Liaison Committee
Doug Bockstanz, DFCM
Gary Carlston, Governor's Deputy for Education
David Colvin, Office of the Legislative Fiscal Analyst
Carl Empey, Zions Bank Public Finance
Ed Eynon, Senior Vice President of Human Resources and Volunteers, SLOC
Debra Headden, Office of the Legislative Fiscal Analyst
Luanne Holden, Utah Higher Education Staff Association
Frank McMenimen, DFCM
Kent Michie, Zions Bank Public Finance
Brad Mortensen, Governor's Office of Planning and Budget
Thomas G. Nycum, Managing Director of Games Services, SLOC
Dale M. Okerlund, First Security Capital Markets, Inc.
Dan Olsen, Governor's Office of Planning and Budget
Blake Wade, Ballard Spahr
Bill Wagner, Managing Director of Operations, SLOC
Kevin Walthers, Office of the Legislative Fiscal Analyst

Chair Johnson called the meeting to order at 9:15 a.m. He excused Regents Anderton, Huntsman, and Taggart and Presidents Budd, Day and Romesburg. He announced that Bud Scruggs, Chair of the State Building Board, was unable to join the Regents that afternoon, having gone out of town for a business emergency.

2002 Olympics Report

Thomas G. Nycum, former Vice President for Administrative Services at the University of Utah and presently Managing Director of Games Services for the Salt Lake Organizing Committee for The Olympic Winter Games of 2002 (SLOC), introduced Bill Wagner, Managing Director of Operations, and Ed Eynon, Senior Vice President of Human Resources and Volunteers.

Mr. Wagner highlighted the main objective of the 2002 Winter Olympics, which is to

minimize costs while maximizing success. To do this SLOC had to establish a baseline for the future of the International Olympics Committee and prepare a balanced budget. Controls are in place not to exceed anticipated revenues for both the cost and revenue side of the games. A letter to Governor Leavitt and Mayor Corradini was included in the agenda materials (Tab A) which documented SLOC's controls to achieve their goals.

Mr. Eynon said volunteers would be needed for three phases of the Olympics: 8000 people will be needed for the pre-games phase; 18,000 volunteers will be needed for the Olympics, that effort to be launched in March 2000; and 6000 volunteers will be needed for the Para-Olympics following the Winter Olympic Games. Colleges and universities are viewed as a major feeder of this volunteer effort. Commissioner Foxley urged the student leaders present to let their constituencies know there is still a real need and interest in getting involved in these activities. Mr. Eynon said SLOC would also be partnering with the colleges and universities in an internship program. Gwen Springmeyer from the University of Utah (581-7180) is coordinating with SLOC on this effort.

In response to a question by Regent Hoggan, SLOC representatives said 2300 athletes were expected to compete in the 2002 Winter Olympic Games. Chair Johnson asked the Presidents if their institutions would be holding classes during the Olympics. The responses indicated some institutions would be closed at that time, while others would remain open. Chair Johnson thanked the SLOC representatives for their attendance and participation.

Progress Reports of the USHE Master Planning Task Forces

Chair Johnson referred to Tab B and asked the Regents who chair the task forces to report briefly on their activities.

Accountability. Regent Jordan said a report on performance indicators had been sent to the Legislature on June 1, 1998. Following that submission, the task force completed their revisions to Regents Policy R485, *Faculty Workload Guidelines*. Institutions are now preparing reports based on those new standards approved by the Board. Their intent is to have them ready for the Legislature at the beginning of the 1999 Legislative Session. Projects in process are an assessment of general education, and pilot programs for testing the CAAP exam. Regent Jordan said he anticipated a positive response to the Regents' request for an additional supplemental budget allocation of \$100,000 for this project. It is hoped that these studies will be conducted in Spring 1999. Institution-specific indicators had been received from most institutions and were being refined for presentation at the next task force meeting. Regent Jordan shared some examples with the Board and said many good ideas were being presented.

Regent Atkinson urged the Regents to look at the cost and value of the CAAP program in terms of measuring outcomes. Regent Jordan responded that money from each pilot program would be set aside for post-test analysis of these issues. He pointed out that UVSC's anticipated costs were higher than the other institutions because of the greater number of students being tested. For several years, UVSC has used the CAAP test in a variety of ways. Therefore, it will be possible to do a large-scale test with more meaningful results. Chair Johnson said Legislative Leadership was most anxious to see the results of these performance indicators and how much progress had been made during the past year.

Funding Mechanisms. Chair Johnson said the task force had been discussing a single formula for higher education – a minimum funding plan for higher education. In meeting with Legislative members of the task force, concerns were raised about the

best way to present this to the Legislature. They recommended not having a single formula, but having three formulae, which likely would be better accepted and understood by the Legislature. The three-part approach is basically the same as the original plan. General areas of the budget are enrollment growth funding, which will be increased, and compensation, which will be delinked from tuition. The concept of separating tuition from compensation is gaining support and momentum among Legislative Leadership. The task force's intent is to have compensation, including benefits, funded from state funds. A third area of the budget request is the quality initiative to get base funding for existing students on campus. There is general acceptance of this base formula funding. We are still attempting to get more funding to go through the Regents and Council of Presidents for flexibility in distribution to the colleges and universities. Progress is being made. Success will be reported in March. Regent Rogers commended Chair Johnson and the Funding Mechanisms Task Force for the positive work they have accomplished.

Technology. Chair Johnson reported that Regent Lund had resigned from the Board of Regents to move to Wyoming. Changes will be made in the task force and a new chair appointed. A thorough report was made at the last Board meeting. Policies were set in place which will serve the USHE well. A key issue was the type of information which the system can properly furnish to the Legislature. Chair Johnson reiterated that we must be vigilant to maintain and enhance our credibility.

Missions/Roles and System Configuration. Vice Chair Clyde called attention to the report of the task force behind Tab B and said the items which had previously been approved were indicated in that report. The Legislative Strategic Planning Committee, which is chaired by Senator Lyle Hillyard and Representative Lloyd Frandsen, has heard these reports and offered to write to the other Legislators, encouraging them not to supercede the Board's strategic planning efforts. Several subgroups are working with the task force. She thanked the institutions for the assistance they had provided with very good data, presented in ways which were understandable and useful. The task force has been receiving reports from the Institutional Boards of Trustees regarding their missions and their projections for the next 15-20 years. These reports will be analyzed carefully and integrated into the task force's report to the Board. Regent Clyde reported that the task force is busily receiving, analyzing, and developing criteria to consider a mission change which would add four-year bachelor's programs within the community colleges. Unmet need must be demonstrated, as well as an institution's readiness to make the change.

Regent Jordan suggested three options the task force should consider for Dixie College: (1) an expanded form of university center program, (2) creation of four-year offerings by Dixie College, and (3) a possible merger between Southern Utah University and Dixie College. Regent Clyde said the institutions were working out their present circumstances, while the task force is looking at system planning issues, such as: What is a university center, and what does it actually do? The task force is also looking at the technological opportunities which are available.

Chair Johnson asked Regent Atkinson to report on the task force meeting held the previous day. Regent Atkinson said progress had been made in the meeting. The task force is pleased to have their progress communicated to the Legislature, but is not yet ready to make decisions which will affect the entire system. A number of other components are also being discussed and evaluated.

Chair Johnson reflected on strategy. Our goal was not to have the task force deliberations complete at this time; we knew from the beginning that this would take some time. However, with respect to SUU and Dixie, he pointed out that a bill would be presented to the Legislature with considerable debate on four-year status for Dixie.

The Board must respond to that proposal. As a minimum, he suggested that the Board have available their deliberations to this point on this specific issue, with the caveat that it is a preliminary assessment of the issue and not a final one. To this end, the Board will need to meet again just prior to the 1999 Legislative Session or during the first week of the Session. Vice Chair Clyde said the task force was well prepared to make an interim report. The information which has been developed will be useful to the Legislature, and the task force will be prepared to bring this helpful information to them.

Regent Lee suggested that in addition to keeping Legislators informed, the Board should work closely with institutional Boards of Trustees. Recent actions have caused some concern because of the lack of communication from the Regents to the Trustees. She suggested that it might be helpful to set up a meeting with the Presidential Review Team with the institutions and the chair and vice chair of the Board, to bring the Trustee chairs up to date and to create better understanding. Chair Johnson thanked Regent Lee for her excellent suggestion.

Regent Hale asked if the Legislature was proposing to allocate additional funds to create a four-year institution at Dixie, or if higher education funding would be reduced as a result of this initiative. How will the cost of this proposed bill affect the entire higher education appropriations package? Regent Grant suggested that the Board of Regents help create the fiscal note for this bill. Commissioner Foxley pointed out that a subgroup of the Missions/Roles Task Force is looking at costs. Also, the Commissioner's Office is asked to provide information on fiscal notes for each bill with implications for higher education.

Chair Johnson asked to set a date for the Regents to meet in January. After everyone had checked their calendars, Regent Zabriskie moved approval of a special meeting of the Board to be held from 9:00 a.m. to 2:00 p.m. and concluding with lunch on Thursday, January 14, at Salt Lake Community College. Following a second, the motion carried unanimously.

Chair Johnson asked Presidents Bennion and Huddleston to report on their discussions on university centers. He asked if there were problems with contractual obligations. Regent Rogers also expressed his concern regarding SUU tenured and tenure-track faculty and asked if that was being addressed in the agreement which was being discussed. President Bennion reported SUU would probably lose three full-time faculty positions and would be using more adjunct faculty. This should not endanger their accreditation. According to the agreement, SUU would end up with five full-time faculty delivering programs in both Business and Education. Regent Rogers asked if students currently matriculated in these baccalaureate programs would be able to complete and achieve their degrees. President Bennion confirmed that this was part of the plan and a major concern for both institutions.

Proposed Revision of Policy [R138, University Centers](#)

Chair Johnson referred to the Commissioner's cover letter to Tab E. He read the first full paragraph on page 2, which explained the modifications to the policy and the incentives for funding. Regent Grant said he felt incorporating these changes would be making a major mistake, strategically. He felt the proposal was not consistent with the Board's previous actions and projected that this would cause strategic problems in defining institutional roles and missions. He moved to amend the policy so that programmatic funds would go to the delivering institutions, with all contractual protection for host institutions which is needed. The motion was seconded by Regent Lee.

Associate Commissioner Petersen explained that the version of policy R138 discussed last month would have assigned programmatic funds to the community colleges. The new revisions were responses to concerns raised then and focus on longevity of the programs. Long-term programs appropriately could be hosted by the community colleges based on contractual arrangements described in the policy. Short-term programs would be managed as is currently being done. Chair Johnson explained how interests were balanced in this revision. It is perceived that there is not a balance of interests at Dixie College.

After a lengthy discussion, vote was taken on Regent Grant's motion, that the funding for programmatic monies be kept as currently structured and that control of baccalaureate programs go to the universities. Vote was requested by a show of hands. The motion was defeated.

Regent Jordan moved that sections 3.6.1 and 3.6.2 be combined to read as follows:

State appropriations provided to fund administrative, academic, and student support services at university centers shall be allocated to the host community college and shall be included in the Education and General budget of the institution. Programmatic funds which are intended to pay the direct instructional costs of baccalaureate programs and state appropriations associated with enrollment growth in university centers programs shall be assigned to the State Board of Regents for management by the Commissioner and distribution to the appropriate delivering university based on contractual agreements with host community colleges.

The motion was seconded by Regent Grant.

Chair Johnson said he thought moving everything to the control of the Board of Regents would not balance the interests of the community colleges. Regent Hoggan asked the university presidents to comment. President Machen said this was the way the arrangement worked between the University of Utah and Salt Lake Community College. The motion on the floor would not change that practice. Commissioner Foxley said the only programs impacted at this time were the Business and Education programs offered at Dixie College by SUU. President Thompson referred to the community college service areas and said the community colleges had a better feel for the market than a university. It would be mutually advantageous to have written contracts for long-term programs. President Emert said USU was having success doing what Regent Jordan had intended. President Bennion said either option would represent a change for SUU, and that he could work with either option. Vice Chair Clyde said the Missions/Roles Task Force had discussed this at length. She expressed her concern about strategic implications as this policy change was tested. Changes may be required later.

Vote was taken on the motion by a show of hands. The motion carried. Regent Hoggan moved that policy [R138](#) be approved with the previous modification. The motion was seconded by Regent Lee and carried unanimously.

Regent Atkinson was excused to attend another meeting.

Utah State University — Student Fee and Housing System Refunding Bonds, Series 1999A. Regent Hoggan briefly reviewed the proposal (Tab H), which would net USU a savings of about \$600,000. The primary purpose of the refunding was to capitalize on current interest rates and save the institution on future borrowing costs. Regent Hoggan moved approval of the refunding bonds. Following seconds by Regents Clyde and Hale, the motion was adopted by the following vote:

YEA:

Aileen H. Clyde
David J. Grant
Larzette G. Hale
L. Brent Hoggan
Charles E. Johnson
David J. Jordan
Evelyn B. Lee
Robert K. Reynard
Paul S. Rogers
Dale O Zabriskie

NAY:

(None)

Addendum to Non-State Funded Capital Development Projects

Dixie College Hurricane Center

Chair Johnson called attention to Replacement Tab F in the Regents' folders and asked Dixie officials to explain the proposal. At the request of President Huddleston, Vice President Plewe explained that Dixie had secured the preferred site on 700 West. A site plan had been made and a recommendation had been received from the Hurricane City Council. The O&M estimate was \$28,000, which is requested to be included in next year's budget recommendation. Regent Jordan moved approval of the proposal. The motion was seconded by Regent Zabriskie and carried unanimously.

Utah State University — Sale of Property

Regent Hoggan explained that when the present site was obtained for the USU Institutional Residence, 5.78 acres of land was purchased. The proposal in Tab I was to maintain 2.5 acres and subdivide the remainder. A proposed subdivision plan was in the Regents' folders. Seven lots will be sold at or above their appraised value. Regent Hoggan moved approval of the proposal. The motion was seconded by Regent Hale and carried unanimously.

Dixie College — Harmon's Property O&M

Regent Hoggan moved, and Vice Chair Clyde seconded, that this item be added to the agenda for action. The motion was approved. Regent Hoggan explained that DFCM had declared the basement of the Graf Fine Arts Building to have serious life safety issues and directed that no programs be occupied there. Rather than utilizing all available capital improvement funding to address serious life safety conditions in the Graf Building basement, DFCM asked Dixie officials to use a portion of that funding to remodel portions of the Harmon's Building to accommodate the displaced programs currently housed in the Graf basement. A portion of the O&M needed for the Harmon's Building would be transferred from the Graf basement. The remaining O&M needs would be requested from state tax funds. The capital improvement money would be split, with \$600,000 to remodel the Harmon's property and \$300,000 to meet safety needs in the Graf Building. The only other option would have been to close down the Graf Building. Regent Hoggan moved approval of the proposal. The motion was seconded by Regent Zabriskie and carried unanimously.

Chair Johnson called attention to Replacement Tab D, which was in the Regents' folders. This item was discussed last month, and the Board concluded it was not prepared to vote on it at that time. Rather, they requested that the proposed policy be discussed with donors and a report on those discussions given to the Board. The highlight of the new proposal was found in §4.5.6. Briefly, if a building is an academic building, used for instruction, training or associated support, and it fits into the programmatic and master plan of an institution, it is eligible for state funding. With buildings which are not used for instruction, training or associated support, O&M funding would be handled on a case-by-case basis. With non-academic buildings, such as theaters, stadiums or arenas, it may be appropriate to ask a donor for O&M funds. Regent Grant asked about donor annuities which may not cover all of the O&M costs. Chair Johnson responded that the Board would have flexibility on a case-by-case basis. This is built into the policy. Regent Grant asked the Presidents if they felt this was the right balance to meet their concerns. The Presidents all agreed that this policy reflects present policy and was very workable.

Chair Johnson introduced Representative Gerry Adair, Chair of the Legislative Capital Facilities Subcommittee, and asked him to share the thoughts of the Building Board on this policy revision. Representative Adair said he was a firm believer in education. He was assigned to the Capital Facilities Subcommittee six years ago. He said if DFCM coordination was too hard a process, or if it caused a problem with donors, it should be studied. We do not want to chase donors away. He stressed that the O&M cost for a building is much higher than the construction cost of that building. The program needs to work for the institutions, for the Regents, and for the state. Stating "I believe strongly in what you are doing and I want to help you," he invited comments and/or concerns.

Associate Commissioner Hunsaker said Representative Adair was a friend of higher education because he truly understood the real estate business and our building needs. His intentions are to help us maintain our buildings, obtain the buildings we need, and to have the funding to maintain our inventory. He expressed his sincere appreciation for Representative Adair. Chair Johnson thanked Representative Adair for taking the time to become informed and for his support.

President Emert pointed out the \$200 million to \$300 million deferred maintenance on higher education buildings and said the proposed revisions to policy R710 did not address that issue for new or existing facilities. Chair Johnson responded that the Funding Mechanisms Task Force had discussed the fact that O&M had been frozen in place for several years. He agreed that the deferred maintenance issue had not been addressed in the policy. He told Representative Adair he hoped this policy would provide a guideline for the Legislative Capital Facilities Subcommittee.

Regent Grant moved approval of the proposed revisions to policy [R710](#). The motion was seconded by Regent Grant and approved unanimously.

Consent Calendar, Finance and Facilities Committee

Regent Hoggan referred to the Finance and Facilities Committee's Consent Calendar (Agenda Tab J) and moved its approval. The motion was seconded by Regent Grant and carried unanimously. The following items were approved:

- (1) OCHE Monthly Investment Report
- (2) UofU and USU Capital Facilities Delegation Reports

(3) Annual Money Management Report

General Consent Calendar

Upon motion by Vice Chair Clyde and second by Regent Zabriskie, the following items were approved on the General Consent Calendar (Tab K):

- A. Minutes – Approval of the Minutes of the Regular Meeting of the Utah State Board of Regents held November 13, 1998, at Weber State University in Ogden, Utah.
- B. Grant Proposals — Approval to submit the following proposals:
 - 1. Salt Lake Community College - Utah Small Business Development Center Program, \$365,000; Michael Finnerty, Principal Investigator.
 - 2. Salt Lake Community College - Utah Small Business Development Center Program, \$603,044; Michael Finnerty, Principal Investigator.
- C. Executive Session(s) — Approval to hold an executive session or sessions in connection with the meeting of the State Board of Regents to be held on January 14, 1999, at Salt Lake Community College, to consider property transactions, personnel performance evaluations, litigation, and such other matters permitted by the Utah Open and Public Meetings Act.

University of Utah — Campus Master Plan

President Machen referred to Agenda Tab G and said the University was undergoing a complete review of its master plan. Nothing is pending. Regent Grant moved approval of the Campus Master Plan and Regent Jordan seconded. The motion carried unanimously.

Y2K

Chair Johnson called attention to Agenda Tab C, Y2K, and reported that David Moon, Chief Information Officer for the State of Utah, had visited each campus and evaluated the computer and Y2K needs of the institutions. His approach was to exclude in his proposed funding for the programs which had previously been started. Part of the reason for the reduction in the Y2K request from \$20 million to \$12 million was because of the projects already underway. Chair Johnson cautioned the Regents not to make any presumptions on allocations at that time.

Regent Zabriskie asked if the Regents' allocation would take into account the situation at the University of Utah which was not included in Mr. Moon's report. Chair Johnson confirmed that it would. Regent Zabriskie said this glaring omission should be pointed out to the Legislature. Chair Johnson agreed that this was the basis on which the University started their process. Regent Jordan concurred, urging that the Legislature be given the total picture and that it not default to the recommendation included with the agenda materials. Chair Johnson said Mr. Moon had noted in his report that higher education did not have an appropriate way of funding and had depended on one-time supplemental funds for Y2K funding. This places higher education in a more precarious position than any other agency in the state.

Regent Grant moved the Commissioner's recommendation, with the understanding that the allocation would be treated in a very straightforward manner and that we were not locked into the \$12 million amount. Chair Johnson pointed out that a motion was not needed because the Regents' budget request had already been submitted with a \$20.5 million request for Y2K.

Report of the Commissioner

Commissioner Foxley called attention to an updated list of Internet courses which was in the Regents' folders. Also included was a schedule of Board meetings for 1999. She asked the Regents to add a January 14 meeting at Salt Lake Community College to that schedule. A letter from Associate Commissioner Norris to Richard Nelson, Project Coordinator of Community and Economic Development, was also in the folders. This letter followed discussion between Chair Johnson, Dave Winder and Commissioner Foxley, and was provided to the Regents for information. It explained why it was important not to have our tax-exempt cap reduced for SBR Student Loan Revenue Bonds, as it would increase the cost of college financing for Utah college students. We are hoping to prevent this from becoming enacted by the Legislature, as legislation would erode the reserve.

Joint Meeting with the State Building Board

State Building Board

David Adams, Vice Chair
Rep. Gerry Adair
R. Haze Hunter
Keith Stepan
Kay Waxman
Raylene Ireland, Executive Director, State Administrative Services

DFCM Staff

Richard E. Byfield
Robert Woodhead
Ken Nye
Jack Quintana
Blake Court
Edward Fowlkes
Frank McMenimen
Doug Bockstanz
Shannon Elliott
Sylvia Haro

The meeting resumed at 11:00 a.m. in a joint meeting with the State Board of Regents and State Building Board. Chair Johnson asked members of both boards seated around the table to introduce themselves. He excused Bud Scruggs, Chair of the State Building Board, who was out of town.

Master Planning Process. Chair Johnson briefly reviewed the progress of the USHE Master Planning Task Forces, copies of which were provided to members of the Building Board. He explained how the work of all four task forces relates, at least

somewhat, to capital facilities.

Report on Infrastructure Needs Assessment. Chair Johnson called attention to Tab M in the Regents' folders and the handouts which had been prepared by DFCM for higher education. Mr. Byfield said the information provided demonstrated the importance of improvement funding, which has received a fourfold increase since FY94. DFCM is very much aware of the infrastructure on higher education's buildings, as well as others throughout the state. These items are being addressed. DFCM brought in consultants to look at these issues. With the exception of Utah State University and the University of Utah, most identified items can be handled through improvement dollars. The need at the two research universities is so significant that line item requests will be presented to the Legislature. \$60 million is needed at the University of Utah, and \$40 million at Utah State. The Building Board rates both of these projects very highly. Their goal is to work with each institution and the Regents to identify projects which are urgently needed and discuss how to address them. Renovation, additional new buildings to meet growth, and land purchases are all important issues. Associate Commissioner Hunsaker pointed out that infrastructure needs must be addressed without taking away from USHE's other urgent needs.

Regent Atkinson asked if this much money would be needed each year for renovation if we were to get more money each year for maintenance. Mr. Byfield said \$35 million would be allocated this year for alterations, repair and improvements; this is about half enough. He agreed that most facilities are just getting to the point where they need to be rehabilitated because of lack of maintenance. Whether to spend monies now and keep maintenance up to date or to spend large sums in "putting out fires" presents a tough policy question. Some major issues need to be addressed due to the changing nature of the buildings and the environment.

President Emert thanked Mr. Byfield and his staff for their attempt to be pro-active in handling huge infrastructure problems. Mr. Byfield said this problem is not unique to higher education or to Utah, but infrastructure is not a high priority for funding by the Legislature.

Life Safety Priorities. Associate Commissioner Hunsaker said the Building Board and the Board of Regents had paid a great deal of attention to life safety issues. Increased funding has been requested to solve life safety problems. The Regents have requested a report on the most critical life safety issues on each campus. He asked if an appropriate amount of attention was being given to these issues. Chair Johnson asked if there were degrees of life safety. Associate Commissioner Hunsaker referred to the draft attachment to Agenda Tab M and said nearly all buildings have seismic problems. Along with those issues are exiting and alarm issues. No one problem stands alone; all must be evaluated in the context of the entire building and all the factors which enter into it, including the occupancy rate.

Regent Atkinson asked how issues could be differentiated if there is a risk of life. Mr. Byfield responded that there is a question of degree. At Dixie College, for example, to rehabilitate the Graf Building would cost 70% to 80% of the cost of constructing a new building. To solve the problem, DFCM could condemn it or improve life safety to a more acceptable level. DFCM proposed to add sprinklers, deoccupy the basement, and remove dead-end corridors by moving classrooms to the Harmon's Building. Seismic and ADA issues were not addressed in the proposal. It would ultimately be better to replace the building. Another example is USU's Engineering Building. In the event of a fire, the smoke would go into the corridors, which had previously been used for air flow. Mr. Byfield said his responsibility was to condemn structures, and the Fire Marshall had responsibility for life safety issues.

Building Energy Priorities. Mr. Byfield said DFCM allocates funding for energy conservation programs. An important consideration is conserving energy dollars. The state is currently spending \$1 per square foot for electricity. Newer buildings are being constructed with higher energy efficiencies. Associate Commissioner Hunsaker said the annual Appropriations Bill contains intent language which says if there is excess energy savings, then the institutions can request use of those funds for other critical needs. This has provided an incentive to seek ways to improve energy efficiencies.

Capital Facilities Process/Sequence and Timing. The capital development process begins with planning and programming. Then design funding is requested, followed by a construction funding request. The following issues were posed for discussion at this meeting:

- *Should the programming of non-state funded projects prior to receiving project approval from the Legislature be encouraged?* Mr. Byfield said this process is valuable in helping DFCM to assess need. For most projects, programming costs \$40,000 to \$100,000. The housing project at the University of Utah is a several-hundred-thousand-dollar project. The essence of programming is to define all the parameters for which a structure or facility is intended. In non-state funded projects, the programming funds could be part of the non-state funds. The Building Board's policy is that any project to be programmed needs to be brought to the Building Board so needs can be determined. Mr. Nye pointed out that the planning fund at DFCM is only about \$300,000. This fund is not used to cover programming costs of specific construction projects.
- *Should state funded projects be permitted to accelerate the process by funding planning and programming with institutional funds?* Mr. Byfield said this would be a risk. If the funding did not come through and the money had been expended for planning and programming, it would be wasted. Even if institutional funds were used for planning and programming, we would still be dealing with state funding.
- *Should state funding for project design include a commitment for construction funding the following year, or should design and construction be approved separately?* Last year the Legislature wrote intent language which specified that projects for which design had been funded should be the Building Board's first priority. Appropriating design dollars could allow for construction funding, if as design and construction were to be funded together. DFCM recommends programming as first phase and design and construction as the second phase.

Representative Adair said things had been planned this year for everything which had typically been in the budget for the past six years. The Legislature does not want to continue bonding every year.

Higher Education Land Bank. Mr. Byfield said the Building Board had proposed a \$750,000 request for a higher education land bank to be used for properties which become available. Chair Johnson asked Representative Adair what it would take to get this land bank established in the Legislature. Representative Adair said it was a good plan and should be put forward. He agreed that it did make sense to acquire land through planning rather than waiting until it was less affordable.

Associate Commissioner Hunsaker asked what parameters should be the deciding factors for allocating those funds. Regent Jordan said critical pieces of land (typically homes) can be identified on each campus which can be optioned now quite reasonably. Waiting until sale of the property is listed may be disruptive to the master plan of the institution. We should be looking at these parcels of land as option opportunities. It

may not be in our best interest to require that this land be required in the institutional master plan. He suggested establishing a quick action group made up of Trustees, Regents, and Building Board members to take advantage of opportunities which arise quickly. Regent Grant suggested that another possibility might be to have an understanding that anything which was not funded by the Legislature the following year would be sold so that the money could be put back into the fund.

It was agreed that Associate Commissioner Hunsaker and Mr. Byfield would propose criteria for presentation and approval of the two boards.

Funding Y2K Embedded Chips from AR&I. Mr. Byfield said the embedded chips issue was proposed for funding from improvement dollars. Only \$35 million will be allocated for the entire state this year. Chair Johnson asked if there would be a contingency fund available for Y2K problems. Mr. Byfield said several hundred thousand dollars are identified for emergency needs. The Building Board had redirected savings to replenish emergency funding. He noted that this was not a large fund. Regent Jordan said DFCM should have a sizeable amount of money, some of which may be returned after January 1, 2000. There may be major problems which we have not anticipated in our funding request.

Regent Hale asked if some of the state's surplus could be used to fund this kind of emergency. Representative Adair responded that the Legislature understood the magnitude of the problem and would address it. He asked the Regents to trust that the Legislature would make the correct decision. Mr. Hunter expressed his concern that the Legislature was postponing things which need to be done. By the time they are actually funded, it is costing many times the original cost. Inflation is exceeding the bond rate.

Changes to Regents Policy R710, *Capital Facilities*. Chair Johnson pointed out the changes which had been made earlier to this policy by the Board of Regents. Copies of the revised policy were distributed to the Building Board.

Conclusion. Dave Adams, Vice Chair of the State Building Board, expressed his appreciation for the opportunity the Regents had made available to meet with the Building Board. He agreed that it was essential for the two boards to meet together every year. For several years, the main interest has been on deferred maintenance. The Building Board has been able to work with the Legislature and Governor to increase the capital improvements budget by 400%. He urged the Regents, Presidents, and others in the USHE to support legislation to increase the capital improvements budget every year by 20%. Utah has seen significant, unprecedented growth. Construction has not been matched by funding. The Building Board has been very interested in helping campuses secure land. They have worked with foundations and fund-raising activities in finding ways to put land aside until it can be purchased at the right price at the right time. Mr. Adams encouraged private fund-raising efforts. He recommended that institutions go to their alumni and private donors to secure land which is vital to their operation. Last year the Building Board retained the Regents' budget priorities. Their desire is to have their priorities in tune with the Regents' priorities.

Commissioner Foxley commended the staffs of the Building Board and the Board of Regents for the way they worked together. She expressed her appreciation for how well higher education was treated by the Building Board and DFCM, and how they listened to each presentation and weighed the priorities carefully. Mr. Adams added his desire for continued dialogue between the two boards. Mr. Byfield mentioned that the University would be conducting tours of the Rice Eccles Stadium at the conclusion of the meeting with Governor Leavitt. The joint meeting concluded at 1:52 p.m.

Governor's Budget Recommendations

The meeting resumed at 2:00 p.m. Joining the meeting were Governor Michael O. Leavitt; Lieutenant Governor Olene S. Walker; Senator-Elect Paula Julander; Gary Carlston, Governor's Deputy for Education; Lynne Koga, Director, Governor's Office of Planning and Budget; Brad Mortensen, Governor's Office of Planning and Budget; and Brett Graham, Aide to the Governor.

Chair Johnson introduced Governor Michael O. Leavitt, who gave a brief overview of the higher education budget in context of the total state budget.

Less money is being produced than in past years. The Governor proposed a \$6.4 billion budget, 22% of which will come from federal funding. He showed graphs which demonstrated the source of state funds and the uses for which they were allocated. Only \$3.4 billion is controlled by the state. The remainder is specified by law. Total new funding available will be \$213 million. Reducing that amount by the funding required for contributions, interests, mandatory funds (previous commitments), compensation (2.5%), and other needs scheduled by the 1998 Legislature leaves a net deficit of \$17 million. Every state agency was asked to assume responsibility for a portion of this deficit. The Governor elected not to support funding for all of the mandatory needs approved by the last Legislature.

Governor Leavitt asked the Regents and Presidents to do a simulated budget exercise designed to help Utahns understand the dynamics involved in balancing the state budget. Following the exercise, the Governor mentioned that CDs of this simulation were available, and it would also be available on the Governor's web site. Balancing the state budget is a difficult process. He previously proposed a reading initiative in public education to ensure that every student would have the capacity to read at a third grade level upon leaving the third grade. He also proposed 30 extra days of school to be funded to meet that goal. Many people who do not catch up find their way onto college campuses where they require remedial education. He asked the Regents to make a particular focus on teacher preparation to diagnose reading problems.

In reviewing his recommendations for higher education funding, Governor Leavitt said he had kept the flexibility the Regents had requested. Also, there will be no reduction for enrollment, since it was held harmless for the semester conversion. The Governor proposed a 2.5% increase in compensation. He said he was very supportive of the strategic planning effort in which the Regents were involved and promised to do all he could to ensure its success. Governor Leavitt recommended \$5 million for mission-critical Y2K needs. The state cannot fund the \$7 million requested for PC replacement. UEN and the proposed digital television project will be funded for \$1.9 million as a separate line item. No tuition rate increase was recommended — that will be the Regents' decision — but the he Governor estimated a 2.5% increase. Four new state-funded facilities will be recommended, as well as ten non-state funded projects. Governor Leavitt reminded the Regents that \$750 million had been spent on higher education construction projects in the last five years. State funding to build, operate and maintain new facilities per FTE is up 76% over the last five years, demonstrating that the state was trying to meet the needs of the future. Governor Leavitt invited questions from the Regents and Presidents.

Regent Atkinson expressed her concern about salaries. The institutions are already having difficulty recruiting and retaining top faculty. The concern of the Regents is in providing top quality education. We cannot attract quality faculty if salaries are not competitive. Governor Leavitt said he wished the amount available for compensation were higher. His responsibility is trying to manage state dollars as efficiently as possible. Regent Grant asked about the decoupling of tuition and compensation.

Governor Leavitt responded that in his proposal, the Regents would have the flexibility to do that. Chair Johnson said the Executive Appropriations Committee had expressed their willingness to consider this change.

Commissioner Foxley said she always asks the Governor if he will keep his commitment that he would not continue to decrease higher education's proportionate share of the state's revenues. She appreciated that he had been cognizant of this commitment. She asked if during the Governor's tenure one year might be considered a higher education year, in terms of funding preference. Governor Leavitt responded, "Yes."

Regent Lee said she had found no recommendation for the ATE Initiative in the Governor's budget proposal, and the community colleges are getting farther behind. Governor Leavitt responded that the proposal shown to him included a group of ATCs which would essentially service students in public education. If those facilities are to be built, they should be built by public education. To the extent they have higher education involved, the state should pay their share of the cost of those buildings. The school districts can bond and the Regents can participate as partners. He urged everyone to work together to ensure that higher education's needs are met. He stated his commitment to that end.

Governor Leavitt said his budget recommendation would be available on his web site. He encouraged the Presidents to have their faculty and staff look at it.

Chair Johnson thanked Governor Leavitt, Lieutenant Governor Walker, and the other members of the Governor's staff for their attendance and participation. He invited Lieutenant Governor Walker to speak. Ms. Walker commended the Regents and Presidents for the excellent job they were doing. She urged everyone to be actively involved in the budget process and expressed her appreciation for the impressive work higher education is doing for the state.

Adjournment

Chair Johnson said the January 14 Board meeting would be a Legislative strategic planning session. The Regents will look at the budget and make recommendations for discussion with the Legislature. The entire meeting will be devoted to Legislative matters. Tuition setting may also be discussed then.

Chair Johnson thanked President Machen and his staff for their hospitality and help in the day's activities. He announced that shuttles would take interested individuals to tour the Rice Eccles Stadium. He thanked the Regents for their good work in getting through the entire agenda and wished everyone a happy holiday season.

The meeting was adjourned at 3:03 p.m.

Joyce Cottrell CPS
Executive Secretary to the Board of Regents