

MINUTES
MEETING OF THE UTAH STATE BOARD OF REGENTS
SALT LAKE COMMUNITY COLLEGE
January 18, 2002

Regents Participating

Charles E. Johnson, Chair
Pamela J. Atkinson, Vice Chair
Linnea S. Barney
Daryl C. Barrett
Kim R. Burningham
David J. Grant
L. Brent Hoggan
James S. Jardine
Michael R. Jensen
John B. Norman, Jr.
Jed H. Pitcher
Sara V. Sinclair
Marlon O. Snow
Maria Sweeten

Regents Excused

Jerry C. Atkin
David J. Jordan
Nolan E. Karras
E. George Mantes

Office of the Commissioner

Cecelia H. Foxley, Commissioner
David Buhler, Associate Commissioner for Public Relations
Joyce Cottrell, Executive Secretary
Harden R. Eyring, Executive Assistant
Linda Fife, Director of Academic Programs
Gregory G. Fitch, Associate Commissioner and President, Utah College of Applied Technology
Brad Mortensen, Director of Business and Finance
Chalmers Gail Norris, Associate Commissioner for Student Financial Aid
Phyllis C. Safman, Assistant Commissioner for Academic Affairs
Norm Tarbox, Associate Commissioner for Finance and Facilities
Gary S. Wixom, Assistant Commissioner for Applied Technology Education and Special Projects

INSTITUTIONAL REPRESENTATIVES

University of Utah

J. Bernard Machen, President
David W. Pershing, Senior Vice President for Academic Affairs
Fred C. Esplin, Vice President for University Relations

Utah State University

Kermit L. Hall, President

Stan Albrecht, Provost and Executive Vice President
Patricia S. Terrell, Vice President for Student Services
Deanna Winn, Director of Accreditation

Weber State University
Paul H. Thompson, President

Southern Utah University
Steven D. Bennion, President
Carl R. Templin, Interim Provost
Dorian G. Page, Associate Vice President for Administrative and Financial Services

Snow College
Michael T. Benson, President
Richard White, Vice President for Academic Affairs
Carl Holmes, Snow College South
Kimble Blackburn, Snow College South

Dixie State College
Robert C. Huddleston, President
William D. Fowler, Vice President for Student Services

College of Eastern Utah
Ryan L. Thomas, President
Brad King, Vice President for Student Services

Utah Valley State College
Kerry D. Romesburg, President
Mark Spencer, Associate Vice President for Planning
Douglas E. Warner, Vice President for Finance and Human Resources
Bradley A. Winn, Vice President for Planning, Technology, and Student Services
J. Karl Worthington, Associate Vice President for Academic Affairs

Salt Lake Community College
H. Lynn Cundiff, President
Marjorie Carson, Vice President of Academic Services
Rand Johnson, Interim Vice President of Administrative Services
Judd D. Morgan, Vice President of Student Services
J. Gordon Storrs, Master Planning Coordinator
(A list of other SLCC personnel in attendance is on file in the Commissioner's Office.)

Representatives of the Media
Heather May, *Salt Lake Tribune*

Twila Van Leer, *Deseret News*

Others

Kenneth E. Nye, Program Director, DFCM
David C. Jones, Assistant Attorney General

Chair Johnson called the meeting to order at 9:15 a.m. and welcomed everyone to Salt Lake Community College. He thanked President Cundiff for the well-marked signs and the excellent food. He excused Regents Atkin, Jordan, Karras and Mantes and welcomed Representatives Brad King and Brad Winn. Presidents Hall, Thomas and Thompson were expected to arrive shortly, but they had incurred delays due to the bad weather and highway conditions.

At the breakfast meeting with the SLCC Trustees, mention was made of the honors Regents had recently received. Chair Johnson recognized Regent Jardine for being an Olympic torch bearer the previous day. He noted that President Cundiff had been an Olympic torch bearer in Atlanta, Georgia in 1996. Vice Chair Atkinson and Commissioner Foxley have both been chosen to be Mayors for the Day at the Olympic Village during the Olympics.

Chair Johnson expressed the Board's condolences to Associate Commissioner Buhler on the recent passing of his mother. He noted that former Senator Chuck Peterson had passed away earlier this week. He was a great friend to education and a former member and vice chair of the Board of Regents. Commissioner Foxley pointed out that Senator Peterson was one of the original members of the Board and served as vice chair for 10 years. The Commissioner's Office will send a resolution to his wife, signed by Chair Johnson and Commissioner Foxley.

Institutional Report – Salt Lake Community College Highlights

President Cundiff called attention to the flags around the room which represented the countries from which SLCC students come. He expressed his appreciation for the College's international contingent and the diversity they add to the College, which has a 10 percent minority ratio. The average age for a student of Salt Lake Community College is 25.85 years. President Cundiff said he appreciated the articulation agreements with other institutions; 60 percent of SLCC students transfer to another USHE institution. The remaining 40 percent are enrolled in ATE programs. SLCC has a great number of open-entry/open-exit, competency-based programs. In addition, 60 "blended" courses were offered this fall which combine online and classroom education. President Cundiff said he was pleased with the results of these classes. He noted that Salt Lake Community College has 10 campuses but one College. It is a college of creative faculty, dedicated staff, and talented students which is closely tied to the community.

President Cundiff presented a PowerPoint presentation which depicted various ways in which SLCC is the community's college. At the conclusion of the presentation, he pointed out the

computers which had been set up using wireless technology for the Regents and Presidents to use at their convenience.

Chair Johnson thanked President Cundiff for his presentation. He said the institutional presentations are outstanding and are very enjoyable for the Board. He thanked everyone at the College for their participation and their help.

Chair Johnson briefly reviewed the agenda, noting that all business and discussion would be conducted in the Committee of the Whole.

Board Business

USHE – Authorization to Seek Revenue Bond Financing from 2002 Legislature (Tab A). Regent Hoggan, Chair of the Finance and Facilities Committee, noted that three projects had been approved by the Board for presentation to the Legislature. Snow College has requested that their Multipurpose Center in Richfield be added to this list. Associate Commissioner Tarbox explained that a Multipurpose Center at Snow South had been in the planning stages for many years. The final piece of the financing package is a revenue bond which was accidentally removed a few years ago when the Sevier Valley Applied Technology Center became Snow College South. President Benson said he had been in Richfield the previous week and the project is about 40 percent complete. He said he was very excited about the potential for the facility, which will transform the entire area. **Regent Grant moved approval of the request, seconded by Regent Sweeten. The motion passed unanimously.**

Salt Lake Community College – Campus Master Plan (Tab B). Gordon Storrs, SLCC Master Planning Coordinator, noted that the master plans for the five campuses of the College, which were included in the agenda material, have had no changes since they were last approved. The names of two campuses have changed. The facility formerly called the Applied Education Training Center has been named the Meadowbrook Campus, and the Larry H. Miller Entrepreneurship Training Center has become the Larry H. Miller Campus. The College is considering the possibility of using land set aside as a soccer field for additional parking.

Regent Grant asked Mr. Storrs why master plans were shown for only five campuses and not the entire ten. Mr. Storrs said master plans are only done on campuses for which the land and facilities are owned by the College; the other five facilities are centers or satellites and are leased by the College. Regent Jensen asked about the criteria which distinguishes campuses, centers, and satellites. President Cundiff said the centers would not have all the services of a full campus, such as food service, student advising, etc. Sometimes the number of students at a particular location is the determining factor. Commissioner Foxley said there was no criteria written in Regent policy, but the terms are used consistently across the System. For example, Utah State University has centers throughout the state which are leased rather than owned. Mr. Storrs said the College is planning a

comprehensive review of all the master plans which will include community involvement. The Health Sciences Center at the Jordan Campus is the College's priority project this year.

Regent Grant moved approval of the Salt Lake Community College Master Plan. The motion was seconded by Regent Barrett. Regent Hoggan pointed out that the approval included the name changes as well as the master plans themselves. Vote was taken on the motion, which carried unanimously.

Utah College of Applied Technology – Progress Report

Vice Chair Atkinson, who serves on the UCAT Board of Trustees, said a very diverse group of people serve on the UCAT Board, a majority of whom represent business and industry. She and Chair Johnson represent the State Board of Regents, Janet Cannon and Earl McCain represent the State Board of Education, and the remaining members are from various businesses. The UCAT Board is in the process of defining their mission. They have discussed collaboration arrangements which need to be made between public education and higher education. She referred to Tab C and said the Board had proposed the attached draft changes to Regents' policies R311 and R313. She expressed her appreciation to President Fitch for the long hours he has been working. President Fitch pointed out the typographical error in the last paragraph of policy R311 and thanked Twila Van Leer from the *Deseret News* for calling the error to his attention.

Regent Burningham said he would like to see the policies include a statement about the emphasis on cost, e.g., no cost for public education students and low cost to others. He said he was delighted with the way things are going but he had some suggestions for the drafts which he will share with President Fitch. Vice Chair Atkinson said the second paragraph of policy R311 could be reworded to reflect the opportunities for degrees but with an emphasis on the fact that not everyone needs a degree. Regent Snow said he thought it was critical to make certain that the focus is on partnerships with business and community leaders. Their support is needed to ensure the success of UCAT.

President Fitch said these drafts had been submitted to the UCAT Board for review and recommendations. They have also been submitted to the USHE Presidents for their review and comments. He recognized that UCAT can only succeed by moving in tandem with business and industry and with the other institutions. He expressed his appreciation to members of the Legislative Commerce and Revenue Committee who have been willing to listen, negotiate and look at compromises and options. President Fitch said he had recently addressed the Utah School Superintendents Association regarding WPU (Weighted Pupil Unit) and budgeting. They were very interested and responsive in the "value added" facet of applied technology education. ATE Directors in the school districts have been very good to work with and very responsive. President Fitch said he welcomed any comments from Regents or Presidents.

General Consent Calendar

Southern Utah University – Creation of the School of Applied Science and Technology. President Bennion referred to Tab E and said the University had been undergoing a reprioritization process for the past two years. One of the most important outcomes was that with the development of UCAT, school officials (including faculty) felt it was important for SUU to be in a position to work effectively with the ATE programs on campus and to work closely with UCAT and the regional applied technology college in the area. Their recommendation was the creation of a School of Applied Science and Technology. The SUU Board of Trustees has given their approval for this new development.

Snow College – Approval to name its School of Music the Maurine B. and M. Seth Horne School of Music. President Benson thanked the Executive Committee for their preliminary approval so this could be announced on the Snow Campus on January 7. With the recent \$1.5 commitment from the George S. and Dolores Doré Eccles Foundation to the Performing Arts Center, this gift was leveraged by a commitment of \$500,000 from Maurine Horne and her family. Because the Performing Arts Center will be named for the Eccles, and in recognition of the Horne family's ongoing support of the College, it was proposed that the School of Music be named in their honor. President Benson said he was very optimistic about the project, which has received good support.

OCHE Monthly Investment Report
UofU and USU Capital Facilities Delegation Reports
Annual Reports on Institutional Discretionary Funds and Auxiliary Enterprises

Minutes. Vice Chair Atkinson called attention to page 21 of the November 30, 2001 minutes and noted that she and Regent Jordan (not Chair Johnson) represented the State Board of Regents on the State Board of Education. Also, under Executive Session(s), the phrase “November 30 or” should be deleted.

Grant Proposals - Approval to submit the following proposals:

- A. University of Utah – National Institutes of Health; Structural Biology of HIV Assembly, Budding and Entry; \$1,424,433. Dr. Wesley I. Sundquist, Principal Investigator.
- B. Utah State University – NASA Johnson Space Center; Floating Potential Measurement Unit; \$1,889,475. Charles Swenson, Principal Investigator.

Executive Session(s) — Approval to hold an executive session or sessions prior to or in connection with the meetings of the State Board of Regents to be held November 30 or March 14-15, 2002, at Dixie State College, to consider property transactions, personnel issues, litigation, and such other matters permitted by the Utah Open and Public Meetings Act.

Vice Chair Atkinson moved approval of the General Consent Calendar as corrected. The motion was seconded by Regent Hoggan and carried unanimously.

Legislative Issues

Chair Johnson pointed out that last year the USHE was funded for \$605 million, including funding for 91,890 FTE students. During the current fiscal year, the Governor held back and then cut \$14,688,000. Presidents were informed of this cut early in the fiscal year so they could respond accordingly. This fall the System received an additional 8632 students who were enrolled in our institutions. The result was a \$590 million budget to fund 100,000 students. The Legislature is now asking for an additional \$9 million cut. With only four months to completion, this cut effectively becomes \$27 million in its impact. This becomes enormous when compared to the previous cuts because it comes so late in the fiscal year. Higher education leaders have asked the Legislature for relief on the \$9 million and for flexibility for the Presidents to implement these cuts. The request was well received.

Commissioner Foxley said additional information was in the Regents' folders. The Executive Appropriations Committee approved language late last week to give the Presidents the flexibility they need to implement the cuts. She had expected action to be taken by Executive Appropriations the previous day to provide some relief to both public education and higher education. Instead, they scheduled a special meeting at 8:00 a.m. Monday before the general session begins at 10:00 a.m. The Commissioner urged the Regents and Presidents to let Legislators know the bind higher education is in with an additional cut of this magnitude.

Regent Jardine asked how Presidents can save this much money so late in the fiscal year. Commissioner Foxley referred to the Supplement to Tab D in the Regents' folders and thanked Brad Mortensen, a member of her staff, for gathering the information. Another \$26 million is needed to cover new students who are already on our campuses. A proposed bill to bond for the two engineering buildings would help free up cash for programs. Bonding for other projects instead of paying cash would also be helpful. The Commissioner said the Legislature hopes to complete the 2002 budget next week. They will go back and readdress key issues after revenue projections are received in mid-February.

In addition to their meeting at 8:00 a.m. Monday morning, the Executive Appropriations Committee will meet at 2:00 p.m. on January 23, with the appropriations subcommittees meeting at 3:00 p.m. Monday, as well as at 2:00 p.m. on Friday, January 25, and again on Monday, Wednesday and Friday of the following week. Before recessing for the Olympics, the Legislature expects to have the 2003 budget finalized.

Commissioner Foxley asked Associate Commissioner Buhler and the institutional legislative representatives to stand and be recognized. (Most were at the Capitol.) She said the list of bills of interest to higher education (in folders) is updated daily by Harden Eyring. A strategist is assigned to

track each bill on the A, B and C lists. The “A” list shows bills which impact the System as a whole, while the “B” list shows bills of importance but which will impact individual institutions.

Associate Commissioner Buhler said the Legislature was holding an accelerated session, operating under different rules because of the Olympics. Interim committees have been meeting three times a week for the past two weeks to consider proposed legislation. If approved favorably, the bills will go directly to the Rules Committee and the floor of the house in which they are being sponsored; they will not go to a subcommittee in the other house. Mr. Buhler introduced Komron Takmil from the University of Utah, who is higher education’s legislative intern this year. He then briefly reviewed the “A” and “B” bills. He commended Harden Eyring for having the patience to go through all the bills, many of which are quite lengthy.

Associate Commissioner Buhler discussed HB 52 which would authorize general obligation bonds for engineering buildings at the University of Utah and Utah State University. Cash that had previously been committed to these projects would then be freed up to help with the state’s current fiscal crisis. Commissioner Foxley said this would provide \$18 million. Representative King said he thought the Capital Facilities Appropriations Committee had taken this as a source for additional capital facilities. Associate Tarbox said it was being used to balance the current year budget. The bill would provide an opportunity for the two universities to issue bonds at a future date. Representative King said this could also be done with the State Capitol and the Logan Court Building, freeing yet additional funding. President Romesburg said UVSC has a building under construction which has been funded with cash. The same thing could be done with their building, but there has not been a great deal of interest in that option. Chair Johnson reminded everyone that if money were “freed up” which was intended for higher education, there is no guarantee that it would come back to higher education.

Commissioner Foxley thanked Associate Commissioner Buhler and the legislative representatives. She said the Legislators also like to hear directly from the Presidents and Regents.

Master Planning

Following a short break, Chair Johnson called attention to material in the Regents’ folders. The “Facts at a Glance” tri-fold has recently been updated. He recommended that Regents carry it with them for convenience. The Questions and Answers tri-fold was used last year in conversations with legislators.

Restructuring Board Meetings. At the suggestion of the Council of Presidents, the Executive Committee met to consider restructuring Board meetings. Chair Johnson referred to the Q&A tri-fold question, “What do you need from the policy makers?” and reviewed the results of the past year. (1) Realignment of funding – little has been accomplished. (2) A funding formula has not been implemented and has been put on hold as a result of the current economic uncertainties. (3) A student advising system (AdviseUtah) will be in place later this year in time for Fall Semester. (4)

Accountability and performance measures, while not complete, are in process. (5) The funding changes have not been accomplished, but they are still a major planning initiative. The other changes cannot be implemented until this is done. The efforts to allow institutions to retain tuition at the institutional level have been successful. (6) Increased efficiencies from consolidation/centralization of services – We have been able to accomplish very little due to limited funding availability. However, an ADP study was undertaken and a report was made to the Board in November. (7) ATE – This recommendation was accomplished with the establishment of the Utah College of Applied Technology (UCAT).

Chair Johnson gave a PowerPoint presentation on SBR Planning Issues. Copies were placed in the Regents' and Presidents' folders. The presentation focused on the following issues: Impacts of the convergence of higher growth and reduced resources, efficiency issues, quality issues, and other issues including UCAT, higher education/public education issues, governance and system structure issues, lack of meaningful funding going through the Board of Regents, adequate financial aid, and public awareness. From this discussion, Chair Johnson asked the Regents and Presidents to determine their top five planning issues and return them to Commissioner Foxley as soon as possible.

Enrollment Growth. A question was raised about whether or not taking additional students is actually a cost liability. President Romesburg said he had been hearing that money was driving growth at our institutions. That is not true, he said. We believe in education and in our product and in trying to get that education to the people who want it; that is what is driving the growth. He suggested that UVSC would have been a lot better off without enrollment growth. There was general agreement that the present formula is not the right one. Regent Grant said he thought the formula should be tied to quality.

Tuition. President Romesburg pointed out that the state makes a profit from non-resident tuition. He urged the Board to be careful about tightening residency rules. Regent Snow expressed concern that local resident students are not able to get into certain programs and classes because of the non-resident students in them. Regent Norman expressed his appreciation for the diversity which comes from out-of-state and international students. Those students do much to increase the learning experience for other students.

Bonding. Regent Grant said there was an opportunity during the next 45 days to push through a bonding initiative. We could bond for more projects on a one-time basis such as libraries, technology, and facilities. He pointed out that the Board would not meet again until after the Session concludes.

Image. Vice Chair Atkinson said we need to improve our image with the general public and with public education. This should be one of the most important components of the planning process. Chair Johnson asked that it be added to the "Others" page of the handout.

Chair Johnson said most of these issues are long-range strategies. He asked the Regents and Presidents to sign their names to their list of top five planning issues before they return them to

Commissioner Foxley. The issues need not be ranked. Regent Grant requested the opportunity to reprioritize after the initial results have been received and recorded.

Restructuring Board Meetings

Chair Johnson said the Executive Committee had agreed that this was important. Regents, Presidents and key institutional personnel attended many additional meetings during the master planning process a few years ago. The Executive Committee recommendation, with the concurrence of the Presidents and Commissioner, is that the Board meetings be restructured so that business, including voting issues, be conducted once a quarter. The other meetings will be planning meetings with no action to be taken. This may require more active participation with the Executive Committee between the quarterly business meetings. The benefit for everyone will be more time for extensive planning. Chair Johnson said the Regents are already very busy, and adding extra meetings becomes a burden.

President Machen thanked Chair Johnson and the Executive Committee for their restructuring plan. The scope of issues before the Board is so broad that it is impossible to get quality involvement with the current structure. President Hall agreed, saying that this group needs to do whatever is necessary for higher education in Utah. He thanked the Board for thinking strategically and organizing meetings which will lead to strategic outcomes which the Presidents can then implement. President Cundiff pointed out that our failure to address these issues meaningfully may result in control of higher education being taken by someone else.

Regent Jardine said that prior to serving as a Regent, he served on a Board of Trustees, where members knew what was going on with their particular institution. The Regents' agenda is set by the action items of the committees and does not always offer the opportunity to discuss the most important issues. The Executive Committee hopes that the most important things would rise to the top of the list. During his 2½ years on the Board, the Regents have chosen five Presidents and have undergone an extensive master planning process. He expressed his concern that we still may not have taken on the hard issues very well. Chair Johnson said the Board had discussed tough issues during the master planning process, but it was done outside of official Board meetings. The world moves too quickly to do master planning every ten years.

Regent Grant moved that the Board meeting format be restructured whereby business would be conducted and votes taken on a quarterly basis and that master planning be built into the non-voting meetings, and that the Executive Committee be authorized to handle issues which might need immediate approval, subject to approval of the full Board at the next voting meeting. The meeting was seconded by Regents Barrett and Sweeten.

When asked how other states structured their meetings, Commissioner Foxley responded that each state and each system does their structuring and master planning differently. Like Utah, many states are also facing a downturn in their economy. President Fitch said he had done an analysis in

Idaho, where the governing board was responsible for K-20. The study concluded that the state was spending approximately \$52,000 per meeting in travel costs and time lost on campus. As a result of this study, they adjusted their schedules and eliminated unnecessary meetings.

Regent Barrett asked if the committee structure would remain. Chair Johnson said that would not change. Regent Grant asked about the traditional meetings with institutional boards of trustees. Chair Johnson replied that the Regents would still have this interaction. Regent Grant suggested combining the Thursday evening dinner with the breakfast meeting with Trustees in order to allow the Regents more productive time in the meeting. Regent Jardine recommended more conference call meetings to minimize travel time and costs. Regent Grant said teleconferencing had worked very well with the Audit Review Subcommittee.

Vote was taken on the motion, which carried unanimously.

Report of the Commissioner

Commissioner Foxley reminded the Regents of the conference call meeting at 2:30 p.m. on Tuesday, February 5. The main issue will be bonding for the Regents' new facility at Gateway. If there is a need for a face-to-face meeting during the Legislative Session, she will let the Regents and Presidents know as early as possible. Regent Grant asked that alternative sites be considered during the Olympics and Legislative Session.

The business portion of the meeting concluded at 11:30 a.m.

Luncheon Presentation and Discussion

Chair Johnson introduced the Board's invited luncheon speaker, Dr. R. Thayne Robson, Director of the Bureau of Economic and Business Research in the University of Utah's David Eccles School of Business. Chair Johnson said he had got to know Dr. Robson by walking the streets of New York with him. He thanked Dr. Robson for the many contributions he has made for the entire state.

Dr. Robson thanked Chair Johnson and Commissioner Foxley for the invitation to speak with the Regents and Presidents about the prospects of the state undertaking a bonding program at a time when revenues are scarce. He and his colleagues had prepared a report on the economic impact of bonding for capital facilities at the request of the Capital Facilities Appropriations Subcommittee. Copies of the executive summary were included in the agenda materials (Tab F); Dr. Robson offered to make copies of the entire report for anyone who was interested.

Interest rates are at the lowest level in many years, which makes bonding very attractive in the current economic situation. Costs of construction have risen a minimum of 30% over the past ten

years. It is good to compare bonding costs with the inflation in construction costs. Borrowing for capital facilities this year would enable Utah to keep abreast of its growth of between 45,000 and 50,000 people each year. This growing population translates into an increasing demand for public services (including education) with a corresponding need for capital facilities.

Dr. Robson said in the past Utah has fared better than the rest of the nation in its economy. However, this year the rates are about the same. With the need to cut the state's budget by over \$200 million, bonding is the only way to keep the capital program going. Bonding would also help the economy by keeping construction workers employed. The \$4 billion in construction projects – in both transportation and facilities – helped the state to get ready for the Olympics. The construction industry will lose approximately 7000 jobs this year on top of the 3000 jobs lost last year. With the current economic cycle, we could lose 19,000 to 20,000 jobs in the construction industry.

The study looked at the impact of bonding for facilities as compared with bonding for highways. A \$100 million bond would make a contribution of \$99 million to household incomes in Utah. It would augment current tax revenues by approximately \$11 million. The downturn in the current construction industry could last for as much as four or five years. Dr. Robson said the national recession should be over by the middle of this year, but the Utah economy, because of the economic impact of the Olympics, will lag behind the national economy by at least one or two quarters. The study looked at every construction cycle in Utah since 1970. Each one has lasted at least four years. There has been a bigger boom in construction recently because of the Olympics, so this cycle will not be typical. Even after a construction cycle bottoms out, Utah has only a modest upturn for the first couple of years. Dr. Robson said this gives Utah at least a six-year window to look at using bonding for buildings for the benefit of Utah's economy.

Dr. Robson said he recommended bonding where benefits exceed costs, where facilities are needed, and where the facilities make a substantial improvement in the availability or quality of public services. The I-15 reconstruction represents a remarkable improvement in the efficiency of Utah's transportation system. Utah needs to do a better job of communicating to taxpayers and legislators the benefits which come from building new classrooms so that they are reassured that the facilities requested do increase the efficiency and quality of services in the public areas.

The State of Utah spent \$120 million on highway construction to create one project. Dr. Robson said he had recommended to the Legislature that the economics of bonding this year are persuasive and that Utah should undertake a significant bonding program. There appears to be increasing support in the Legislature this year for bonding. He offered to respond to questions.

Regent Grant asked if only construction jobs would be impacted. Dr. Robson said initially a \$100 million bonding program would create 1578 jobs in the construction industry. Indirect and induced jobs in the entire economy would result in 4051 jobs. Regent Grant asked if the study had considered multi-year bonding strategies. He pointed out that a \$100 million bond would not be sufficient for our needs. Dr. Robson said the economic impacts are for the duration of the project being funded. Most projects studied were those which can be completed in a single year. He and his

colleagues discussed the total amount of bonding with the Legislators who requested the study. The resulting "draft subject to review" included a recommendation on the total amount of bonding and the distribution between buildings and highways.

Chair Johnson asked what questions had been asked by the Legislature. Dr. Robson said the Leadership who favored bonding had all been present; the one member who opposed bonding did not attend the meeting. Legislative commitment runs from \$300-350 million to zero. He said his best guess would be that we would do well to get the Legislature up in the \$200-250 million range. We may have to settle for a \$150 million bond. Regent Grant asked about the state borrowing on a multi-year basis so we can get the current low interest rates in the future. Kent Michie said the state bonds only when the projects are ready to go. An organization must have a real project to be built.

President Bennion said 30 years ago the state had bonded for \$100 million for higher education facilities. He asked what would be a comparable amount in today's economy. Dr. Robson said a comparable bond now would be approximately \$500 million. At that time Utah received a lot of federal matching money.

President Hall commented that Utah seems to be in jeopardy regarding information technology and our ability to administer the institutions efficiently. He asked if computer systems could be subject to the process of bonding, especially when it comes to computer hardware. Dr. Robson said the useful life of computer hardware and software is relatively short. It does not make sense to bond for short-lived equipment. The state could structure a bond for equipment pools on an annual basis so that the state could finance it. Mr. Michie said it would not be practical to have a multi-year bond for equipment which will last for only two or three years. President Hall said the state should be constructing "smart buildings" to accommodate technology. Dr. Robson responded that the newer higher education facilities should have built into them the latest information technology equipment. The University of Utah has one such building.

Vice Chair Atkinson referred to points 2 and 6 on the Executive Summary behind Tab F and pointed out the 30 percent increase of construction costs and 26 percent reduction in employment. She asked the reaction to these facts from the Legislators who opposed bonding. Dr. Robson said prior to the report, the Legislators did not have data on the economic impact of job creation and the economy. To date, Legislators have accepted the understanding that bonding and the economy are tied together.

Chair Johnson asked about the status of the airport project. Dr. Robson said the airport project would cost between \$1 billion and \$1.7 billion. Contracts with the airlines are not up for renewal until 2003. Airport Authority officials tried to get this project underway earlier as an Olympic event. The airport is an economic center with no public subsidy for the bonding. In 2003 the Airport Authority will negotiate contracts which make it possible to improve the airport when economic conditions improve. The 10-year project in airport improvements will cost 30 percent more by the time it is done. Dr. Robson pointed out that the state also needs a new airport in southern Utah.

President Benson asked, "Apart from North Carolina's \$2 billion bond, what strategies are other states using to pursue bonding?" Mr. Michie said he did not know what is going on in other areas. Ultimately it will come down to the budget and how much budget revenues are required to pay off the debt. President Hall said the North Carolina bond had passed as a referendum by 85 percent of the electorate. They have also raised their level of taxation to benefit higher education. Ohio is looking at a \$300 million bond, to be distributed among the three research institutions in molecular science and associated areas of research.

Mr. Walthers said the Legislative Fiscal Analyst's office tracks this data. Many states are having rating agencies ask questions about funding ongoing operations as well as bonding. Tennessee is using tobacco money because their legislature does not want to raise taxes. Last year during the power crisis California borrowed \$7 billion to pay their power bills. He pointed out that the Governor's recommendation did not include a \$100 million bond. Schools who have been successful in getting their capital facilities projects approved are those which demonstrate need rather than by just arguing that a bond is needed. If the Regents were to adopt a list of projects which were critical this year, they would have a much stronger argument than just suggesting that a bond is needed. There is support in the Legislature this year for a bond. Rep. Gerry Adair and Senator Beverly Evans have been very excited at the prospect of bonding. The Capital Facilities Appropriations Subcommittee will make its recommendation on Friday, January 25. He noted that \$52 million in projects had been held back.

Chair Johnson said in a recent meeting with Senator Bob Bennett, the Senator had been a little more circumspect about when the economy might turn. He had pointed out that the "rainy day fund" and bonding were tools and advised holding them in abeyance because no one knows exactly when the economy will turn around. Dr. Robson responded that Senator Bennett has a good perspective on Washington and the national level. He is concerned about what is happening to the export piece of the Utah economy and how strongly it will go forward.

Dr. Robson said in spite of the heavy downturn in the information technology sector, Utah is making real progress in terms of engineering education. There are no large corporations headquartered in Utah who are investing large amounts of money in R&D activity. This places a larger burden on higher education than would normally be the case. Dr. Robson recommended that the state put two percent of its budget into research and development at the research universities.

Regent Grant asked, if a \$250 bond were passed, how much of it would go for higher education projects? Associate Commissioner Tarbox said higher education has (combined) \$200 million of good projects. Chair Johnson said higher education should get the majority of funding after highways have been bonded. The State Capitol is another huge project coming up, which will take \$200 million by itself. Mr. Walthers noted that construction stimulates the economy, not bonding, and that Higher Education needs to take a different approach in delivering their message to Legislators. Commissioner Foxley asked what different message would be helpful for the Legislators to hear. Mr. Walthers responded that the Legislators want to hear about fulfilling our building needs, not just asking for a bond. Regents talk about bonding for a specific amount, but the institutions

mention specific projects and demonstrate the need. The Legislature finds this to be a more compelling argument to justify bonding. Higher education's message should be: We don't care how you pay for them, but our needs are these. Dr. Robson said \$140 million of general fund money is presently being put into the highway fund. A highway bond could free up that general fund money to be put back into needed facilities.

Dr. Robson thanked Chair Johnson and Commissioner Foxley for the invitation to speak at this meeting. Chair Johnson thanked him again for his presentation.

Commissioner Foxley said the first meetings of the legislative appropriations subcommittees were scheduled for Friday, January 25. Mr. Walthers said this could change on Monday. Executive Appropriations Committee anticipates preparing the Appropriations Act on February 6. After the Olympics recess they will come back and look at it again. Commissioner Foxley said she would let the Presidents and Regents know the dates and times of the legislative meetings when they have been confirmed. Mr. Walthers said the Capital Facilities Appropriations Subcommittee wants to hear every project. Everyone will have equal time to be heard.

Adjournment

Chair Johnson thanked President Cundiff and his staff for their hospitality. The meeting was adjourned at 1:15 p.m.

Joyce Cottrell CPS
Executive Secretary

Date Approved