

MINUTES OF MEETING
UTAH STATE BOARD OF REGENTS
CONFERENCE CALL
February 17, 2003

Table of Contents

	<u>Page</u>
Roll Call	1
Legislative Update	2
Capital Facilities	
H.B. 161, Third Substitute, Snow College, Richfield Campus	
H.B. 232, Utah College of Applied Technology Amendments	
H.B. 75, Non-resident Tuition for Higher Education Amendments	
S.B. 34, Tuition Tax Credits	
Distribution of Additional 2% Cut to the 2002-2003 Higher Education Budget	3

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Regents Present

Nolan E. Karras, 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
Charles E. Johnson
David J. Jordan
E. George Mantes
Jed H. Pitcher
Sara V. Sinclair
Marlon O. Snow
Maria Sweeten

Regents Excused

Khay Douangdara

Office of the Commissioner

Cecelia H. Foxley, Commissioner
David Buhler, Associate Commissioner for Public Affairs
Joyce Cottrell, Executive Secretary
Brad Mortensen, Assistant Commissioner for Finance and Facilities
Chalmers Gail Norris, Associate Commissioner for Student Financial Aid
Mark H. Spencer, Associate Commissioner for Finance and Facilities

Institutional Representatives

University of Utah – J. Bernard Machen, President
University of Utah – Paul T. Brinkman, Associate Vice President for Budget and Planning
Utah State University – Stan Albrecht, Provost
Weber State University – F. Ann Millner, President
Southern Utah University – Steven D. Bennion, President
Snow College – Michael T. Benson, President
Dixie State College – Robert C. Huddleston, President
College of Eastern Utah – Ryan L. Thomas, President
Utah Valley State College – Lucille T. Stoddard, Interim President
Salt Lake Community College – H. Lynn Cundiff, President

Representatives of the Media

Brandy Lee, *Weber State University Signpost*
Leon D'Souza, *Utah State University Statesman*
Lisa Roskelley, *Ogden Standard Examiner*

Twila Van Leer, *Deseret News*

Chair Karras greeted everyone who was participating via conference call and asked Secretary Cottrell to call the roll. After a quorum had been established, Chair Karras announced that the purpose of the meeting was to determine how to cut an additional two percent from the higher education budget for 2002-2003. Several distribution alternatives had already been discussed by the Executive Committee, and the top two options were faxed and/or e-mailed to the Regents and Presidents.

Legislative Update

Chair Karras asked Associate Commissioner Buhler to give a brief update of the current Legislative Session.

Associate Commissioner Buhler noted that this was Day 29 of the 2003 Legislative Session. His weekly report was e-mailed to the Regents, Presidents and Trustees. The Capital Facilities Subcommittee made recommendations on Friday, which included a number of USHE projects, as follows:

USU Library	\$16 million
Dixie Health Sciences Building	\$1.5 million for design
WSU Gymnasium	\$5.5 million (total funding)
SUU Teacher Education Building	\$9 million
UofU Library	\$6 million
UCAT Uintah Basin Facility	\$9.5 million
UVSC Elementary School Purchase	\$3.1 million
SLCC Health Sciences Building	\$1.5 million for design

Associate Commissioner Buhler said if the state bonded for capital facilities, the maximum bond would likely be \$64 million, which is the amount of debt to be paid off this year, so that the state's debt would not be increased. Budget consideration now moves to the Executive Appropriations Committee, which will hear from the appropriations subcommittees beginning this afternoon.

H.B. 161, Third Substitute, Snow College Richfield Campus, consolidating the Central Applied Technology College and Snow College, has passed the House and now goes to the Senate. H.B. 232, Utah College of Applied Technology Amendments, was approved by the committee and is on the House floor. H.B. 75, Non-resident Tuition for Higher Education Amendments, is awaiting consideration. Representative Loraine Pace, the bill's sponsor, is considering a substitute to the bill to increase border waivers. However, this is still being discussed.

Chair Karras said he strongly favored H.B. 75 as modified to give the colleges and universities a chance to offset some of the financial impact of H.B. 331. Commissioner Foxley clarified that after five years, the new waivers would be sunsetted and H.B. 331 would remain in effect. It is generally agreed that prior to

H.B. 331, residency for tuition purposes was far too lenient in Utah, compared with other states. Any Regents wanting more information about this or any other bill was asked to contact Dave Buhler.

Chair Karras said he had been asked to take a position on S.B. 34, Tuition Tax Credits. He asked Regent Burningham to speak to the proposed bill. Regent Burningham said the State Board of Education and the local school boards have taken a position in opposition to this bill. S.B. 34 creates a preferred donation for charitable giving by allowing taxpayers to contribute up to 50 percent of their tax liability to a private school and receive a 100 percent tax credit. The amount contributed to the scholarship-granting organization would go to the credit of that taxpayer. Those donations would also qualify for a federal income tax deduction because of the organization's non-profit status and would reduce the taxpayer's federal taxable income. Combining these two benefits makes each dollar contributed worth \$1.33 – more than any other charitable organization in the State of Utah. This would strongly encourage taxpayers to donate their money to private schools instead of giving it to public institutions of higher education or other non-profit organizations.

Regent Burningham said his second concern with S.B. 34 was that tuition tax credits for private schools is only the first step. In fact, Representative Buttars has said that this is only the beginning of what he has in mind. Regent Burningham speculated that next steps could possibly be tax credits for home schooling or non-public colleges and universities, such as Westminster College, the University of Phoenix, or Brigham Young University. This could ultimately have a major impact on future donations to public higher education.

Regent Johnson asked if an annual dollar limit had been specified in S.B. 34. Regent Burningham said there was no dollar limit; the only limit is 50 percent of an individual's tax liability. Chair Karras said this might be a good topic of discussion at a future Board of Regents meeting.

Distribution of an Additional 2% Cut to the 2002-2003 Higher Education Budget

Chair Karras recapped that for the last couple of years, tuition at USHE institutions has been raised an average of about 10 percent each year. At the last Board meeting, Regents were shown a projection that without increased state funding, tuition would have to be increased by 15½ percent per year for the next five years to try to overcome our funding problem. We cannot expect the students to take on this burden. The System has already taken a 5.48 percent cut (more for UCAT and UEN) in actual dollars. When unfunded students are considered, that grows to an effective cut of 12.26 percent. Adding another two percent would take us to over 14 percent in cuts to the higher education budget. In addition, students entering our institutions next September will not be funded for another year, making a possible impact in the range of 15-16 percent. The Regents and Presidents have tried to cope and have been willing to identify where the cuts were being taken. However, this additional request has not come at a time when it is easy to cut a current budget, and its effect could be long-term.

Chair Karras said the Regents as a Board object to the fact that they have to make the cut. There isn't much more the Board can do. The legislators have said higher education cannot cut students, but should cut "waste." Any waste has already been cut. The Regents asked the Legislature for distribution authority, thinking

they would be allowed to distribute the allocation of money to the higher education budget. Instead, the Regents have been given authority to distribute the two percent in additional cuts. Higher education asked to report during the interim on how the cuts have been made; however, the Legislature has demanded the numbers and distribution of the cut today. The legislators' intention is to cut differentially among the institutions. This is a much more difficult process, and some of this has already been done.

One option, supported by the Council of Presidents, would be a two percent cut across the board. Another (Option 1) would take a slightly smaller cut (approximately 1.9 percent) at the two research universities than the other institutions, with the direction that this additional funding would be used for the four to six areas identified for economic development or research. These are the areas the universities have identified where they can become "best in class." This option recognizes that previous cuts did not recognize allocations for economic development or economic impact. The other seven institutions would receive a 2.06 percent cut, UEN would take a 2 percent cut, and the Board of Regents and statewide programs would be cut by 3 percent. Option 2 would give the two smaller schools (CEU and Snow) an additional \$50,000 each, the University of Utah would receive an additional \$300,000, and Utah State University would receive an additional \$200,000. This would also help to protect the smaller schools.

The next step would be to go through the Regent policies on discontinuing programs. Chair Karras referred to the draft document entitled "Program Discontinuation and Personnel Reductions – Guiding Principles," and said the institutions would use them to make the cuts in an effort to protect students.

Regent Johnson said the Board should be resistant to any additional cuts. At the point when the Executive Appropriations Committee assumes budget authority, the Governor also becomes involved in the budget process. The Employers' Education Coalition (EEC) can also help and are anxious to do so. Option 1 would be supported by the EEC, since it would show an emphasis on picking world-class areas at the research institutions and funding them separately. He said the Governor and the EEC strongly support the message of "no more cuts" for higher education.

Regent Jardine asked Regent Johnson about Governor Leavitt's involvement and if he knew the Governor's standpoint on the additional two percent cut to the higher education budget. Secondly, had the Regents taken a position not to offer a two percent cut because the money should be taken from elsewhere in the state budget? Chair Karras said the Regents had not taken a position on the second question. He said he had visited with the Governor two days previously and that the Governor had agreed that the Legislature needed to cut higher education by two percent in order to balance the budget. The Legislature will either have to demand cuts, take the money from the roads and/or water, or increase taxes.

Vice Chair Atkinson said Representative Pat Jones had made a motion in the Higher Education Appropriations Subcommittee to not take the two percent cut, depending on the revenues. The general consensus among the Subcommittee was that they did not support the additional two percent cut for higher education. They voted against more cuts if the revenues came in at an appropriate level.

Regent Jordan asked how the Executive Appropriations Committee would react if the Regents refused to allocate the additional cut. Vice Chair Atkinson said the response she had received was that child welfare, health care, Medicaid, nursing, and other life-and-death issues would be threatened because the budget must be balanced. Regent Grant suggested that the Regents give the legislators their best judgment on the least destructive allocation of the cut, or else just state that there was no responsible way to comply in this short period of time.

Commissioner Foxley said the co-chairs of the appropriations subcommittees would make their reports to Executive Appropriations this week. We are to give the Higher Education Appropriations Subcommittee the Regents' recommendations. We can say the Board recommends no cut. The Subcommittee also recommends no additional cut, but they are mandated to show how the cut would be taken if there is to be a cut. The Presidents feel that an across-the-board cut would be the fairest way to allocate the cut, taking into consideration economic development, the impact on smaller schools, UEN, etc. Unfortunately, we do not have the option of saying "no cut." We have the option of saying higher education should not sustain additional cuts, but if there is a cut, we have been asked to say how we would recommend distributing that cut. Commissioner Foxley pointed out that the co-chairs do not have to consult the Regents and Presidents, but they do have to report to the Executive Appropriations Committee.

Chair Karras agreed that the Subcommittee Co-chairs and most of the membership have worked very hard with us and have been very supportive. None of the Subcommittee members want to take this two percent cut. The co-chairs have been particularly willing to give the Regents distribution authority. We do not want to undercut our chairs as they defend what we are doing to the larger group. We are building trust. Chair Karras said he would prefer to say that it is difficult for us to do anything more than an across-the-board cut in the limited time the Regents have been given.

Regent Jordan said he was concerned that if the Regents give the Subcommittee something other than an across-the-board cut, or a reservation because of limited time and ask for 2 percent as a discretionary cut, we would empower the cut, psychologically. Many legislators are already predisposed to believe that there is fat within the System, and that if they squeeze higher education hard enough, they can cut that fat with some confidence. If the Regents give them specific recommendations on cuts, they will take this as a signal that we have identified "fat" which they are empowered to cut. He urged the Regents to tell the legislature that there is not sufficient time to be able to thoughtfully identify the places where the least pain can be inflicted.

Regent Burningham agreed. He said the Board of Education had debated similar issues on like occasions. It was his experience that identifying a cut authorizes the cut. This works against the best good for students. Regent Mantes remarked he had heard a legislator say that these cuts were a "blessing in disguise" because they have shown the Legislature where the "fluff" is.

Regent Jensen said the Presidents' recommendation of an across-the-board cut carried a lot of weight in his decision. Regent Grant asked if it had been a unanimous decision. President Benson said the EEC's earlier report pointed out that Snow College was not vital to the state's economy; however, Snow students

transfer to the universities which were identified as vital to the state's economy. He said he did not want Snow College to be singled out for special treatment.

Regent Johnson said the message of Option 1 is that the proposal to give special amounts or dispensations to the two research universities is not a "cut" message. It is an economic development emphasis message. Both messages can be conveyed by using Option 1. Regent Jardine pointed out that Option 1 was not inconsistent with Regent Jordan's comments.

Chair Karras asked if anyone was strongly opposed to Option 1. President Millner said she supported the universities' research function, but her concern was that with additional unfunded students on the campuses, what about higher education's message of serving the students? Additionally, Weber and Davis Counties believe that Weber State University graduates a workforce which supports economic development. President Cundiff said one of SLCC's biggest functions is economic development through workforce development. President Stoddard said the EEC report spoke of open access. UVSC is experiencing significant enrollment growth with a 21 percent shortfall. She was concerned that this would send a message that this is more important than the other recommendations.

Associate Commissioner Buhler said if the Regents do not provide our co-chairs with an option, they will probably take the recommendations of the Legislative Fiscal Analyst's Office.

Regent Atkin moved that the Regents approve the cut allocation outlined in Option 1. The motion was seconded by Regent Pitcher.

Regent Jensen asked to hear from the Presidents. President Bennion acknowledged higher education's "Catch 22" situation. Last year the analysts came up with initiatives which would have cut ATE at Weber and high priority programs at other campuses. He said he supported Option 1.

President Machen said it was hard for him to oppose Option 1. Looking at the composite cuts the University has already taken, they would still be down by 15 percent. Before the additional two percent, CEU has been cut by 1.8 percent, Dixie by 8 percent, Snow by 5.6 percent, SUU by 4.4 percent, UVSC by 20 percent, and SLCC by 13 percent. It is important that the Legislature understand that the cuts to date have not been made across the board. Rather, they have significantly protected the smaller schools. An additional \$300,000 (compared with \$28 million) will not make that much difference; however, President Machen said he did not want to disrupt the unity of the Council of Presidents. Regent Jensen asked how much the difference would be to the smaller schools, specifically Dixie, Snow and CEU. Assistant Commissioner Mortensen said the differences would be \$9,000 for Snow, \$10,000 for Dixie and \$8,000 for CEU.

Regent Grant had to leave the call but said he supported Option 1. **Vote was taken on the motion by roll call. The motion carried.**

Chair Karras said the Regents will need to seriously debate the Guiding Principles as actual cuts are made in the future. The two percent is a battle in a war that society will have to fight over the next several

years. The state must decide how it will fund what its citizens want as an educational system. The legislators are in a bad situation this year because there is no money. Chair Karras said he had told the Legislature that "everything is on the table." He said that included athletics, museums, festivals, etc. The Regents need to consider every option to do the best job for the state. Our message to the Legislature is that we also need some help and we cannot do this only with budget cuts and tuition increases. Regents Burningham and Barney commented that public education and higher education "are in this together" because of the anticipated enrollment growth.

Vice Chair Atkinson asked Regents and Presidents to e-mail any comments they had on the Guiding Principles to her no later than the following day. She said the draft incorporated the suggestions from Boyd Garriott and Debbie Headden in the Legislative Fiscal Analyst's Office. Commissioner Foxley pointed out that the draft did not recommend specific program cuts. It would be helpful for the Higher Education Appropriations Subcommittee Co-chairs to be able to report that not only had the Subcommittee approved the Guiding Principles, but that the Regents had approved them as a working draft as well. Vice Chair Atkinson pointed out that page 2 of the document, Cost Savings, had originated with the Regents instead of the Subcommittee. **Regent Barrett moved approval of the Guiding Principles as a working draft. The motion was seconded by Regent Sinclair.**

Regent Pitcher asked for the names and contact information for the members of the Executive Appropriations Committee. Associate Commissioner Buhler said he would e-mail or fax this information to all of the Regents after the meeting.

Regent Jardine asked if the Presidents had been given an opportunity to review and comment on the Guiding Principles. Commissioner Foxley said they had agreed generally to not be specific about programs. President Machen said he and President Huddleston serve on the committee with Vice Chair Atkinson. The Presidents have all been using these principles from the beginning. Regent Jordan asked if the motion included page 2, Cost Savings. After some discussion, Regent Barrett amended her motion to include page 2 and to change the wording on the last bullet point on page 2 to begin "Student FTE ~~will~~ **may** be decreased as programs are discontinued. . ." **Vote was taken on the motion, which carried.**

Chair Karras asked Associate Commissioner Buhler to include the schedule of legislative meetings in his fax or e-mail message to the Regents. Commissioner Foxley said the appropriations subcommittees were not scheduled to meet again; however, they could be called back or polled by Legislative Leadership.

Chair Karras asked the Regents and Presidents to include in their personal contact with members of the Executive Appropriations Committee higher education's appreciation of the pressure they are feeling and to try to help them understand the impact of the cumulative cuts on the Utah System of Higher Education. He asked everyone to keep Associate Commissioner Buhler informed of their activities and conversations with legislators.

Regent Mantes moved that the meeting be adjourned. The motion was seconded by Regent Barrett and carried unanimously. The meeting was adjourned at 10:20 a.m.

Joyce Cottrell CPS
Executive Secretary

Date Approved