AGENDA

MEETING OF THE
UTAH STATE BOARD OF
REGENTS

January 16, 2004

Utah State Board of Regents
Office of the Commissioner
of Higher Education
Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

STATE BOARD OF REGENTS MEETING
DAVIS APPLIED TECHNOLOGY COLLEGE
January 16, 2004

AGENDA

11:30 a.m. - 1:00 p.m. — LUNCHEON MEETING – STATE BOARD OF REGENTS, UTAH COLLEGE OF APPLIED TECHNOLOGY BOARD OF TRUSTEES, DATC BOARD OF DIRECTORS
Student Commons

1:00 p.m. - 2:00 p.m. — EXECUTIVE SESSION MEETING – STATE BOARD OF REGENTS
Board Room

2:00 p.m. - 3:30 p.m. — MEETINGS OF BOARD COMMITTEES

Academic, Applied Technology, and Student Success Committee
Board Room

INFORMATION:

1. Policy R401, *Approval of New Programs, Program Changes, and Discontinued Programs* — Tab A
2. Applied Technology Education Study/ATE Regional Planning — Tab B
3. Information Calendar — Tab C
    - A. Name Changes
        - i. University of Utah
            - a. Master of Science (M.S.), Master of Philosophy (M.Phil.) and Doctor of Philosophy (Ph.D.) Degrees in Anatomy to the M.S., M.Phil., and Ph.D. Degrees in Neurobiology and Anatomy
            - b. Center of Mine Land Redevelopment to the Center for Land and Resource Recovery
        - ii. Utah State University – Master of Science (M.S.) And Doctor of Philosophy (Ph.D.) Degrees in Biological and Agricultural Engineering to the M.S. and Ph.D. Degrees in Biological Engineering
    - B. Utah Valley State College – Restructuring the Department of Theatre and Communication into two separate departments: the Department of Theatrical Arts for Stage and Screen and the Department of Communication

Finance, Facilities and Accountability Committee
Student Commons

ACTION:

1. USHE – Authorization to Seek Revenue Bond Financing — Tab D
2. USHE – Proposed Revision to Policy R205, *Presidential Appointment, Term of Office, and Compensation and Benefits* — Tab E
3. USHE – Proposed Revision to Policy R590, *Issuance of Revenue Bonds for Facilities* Construction or Equipment — Tab F
4. USHE – Report on Early Retirement Incentives — Tab G

5. Salt Lake Community College – Property Purchase	Tab H

CONSENT:

6. Consent Calendar	Tab I
A. USHE – Money Management Reports	
B. UofU – Capital Facilities Delegation Reports	
C. University of Utah – Sale of Donated Properties	
D. OCHE Discretionary Funds Report	

INFORMATION/DISCUSSION:

8. USHE – Report on Tuition Waiver Procedures	Tab J
9. USHE – Update on Legislative Audit of Purchasing Cards	Tab K
10. USHE – Proposed Revision to Policy R220, *Delegation of Responsibilities to the President and* Board of Trustees	Tab L
11. UHEAA – Board of Directors Report	Tab M
12. UHEAA – Responses to Student Aid Questions from December 11, 2003 Board Meeting	Tab N

3:30 p.m. -
4:30 p.m.

REGULAR BUSINESS MEETING OF THE BOARD
Student Commons

1. Possible Ranges of Second-Tier Tuition	Tab O
2. Legislative Priorities, Including Governor's Budget Recommendation and Regents' Budget Request	Tab P
3. Reports of Board Committees Academic, Applied Technology and Student Success (Tabs A - C) Finance, Facilities and Accountability (Tabs D - N)	
4. Report of the Chair	
5. Report of the Commissioner	
6. General Consent Calendar	Tab Q

Projected times for the various meetings are estimates only. The Board Chair retains the right to take action at any time. In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify ADA Coordinator, 60 South 400 West, Salt Lake City, UT 84180 (801-321-7124), at least three working days prior to the meeting. TDD # 801-321-7130.

MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Revisions to Policy R401, Approval of New Program, Program Changes, and Discontinued Programs

Issue

R401 was approved on May 30, 2003. Though this policy has yet to be fully implemented, due to the moratorium on new programs, it has been revised to include information requested by the Program Review Committee and members of the Academic and Applied Technology Committee.

Background

R401 contains the information needed for institutions to develop program proposals for review and approval. The basic content has not been changed since the last time the Regents reviewed the policy, but a summary of the content of the Letter of Intent has been added to the front of the policy and direct references to the moratorium have been removed.

At the December 11, 2003 Board of Regent's Meeting, recommendations were made to clarify the Summary on the Program Review Committee process and the definitions on pre-majors and majors. These recommendations have been incorporated into the policy and have been presented to the Chief Academic Officers who agree with the changes.

Commissioner's Recommendation

It is the recommendation of the Commissioner that the Board review Policy R401, Approval of New Program, Program Changes, and Discontinued Programs, and discuss the changes. Action may be taken at a subsequent Board meeting.

Richard E. Kendell, Commissioner

REK/DDW
Attachment

R401, Approval of New Programs, Program Changes, and Discontinued Programs

(December 29, 2003)

R401. Summary on Program Review Committee (PRC) process:

R401 provides procedures and guidelines for Board of Regents approval and notification of new programs and programmatic and administrative changes in academic and applied technology education programs. Leadership at the institutions should work within their campus to insure that a thoughtful, selective institutional prioritization and review process is in place for all program changes. Each institution should insure that programs sent for approval have been through an institutional prioritization process that results in a limited number of Letters of Intent coming forward for review. As Letters of Intent are reviewed, emphasis will be placed on the following criteria (see 6.1.3).

1. **Program description: A brief description of the program to include information on current faculty preparedness to deliver the new program.**
2. **Market and student demand: Specific data on market demand or the utility of the degree, how the program will accommodate a changing market, and hiring patterns including local, state and national trends (long term market needs and numbers to be included.) Student demand with expectations and preparation for the program to be identified.**
3. **Budget: Five year budget projections, including all sources of funding to include grants, donations, etc. If internal reallocation is to be made, state which programs will be adjusted to support the proposed program and the anticipated amount of funding from each reallocation. Specific figures are needed.**
4. **Mission fit: Is the program within the current R312 description for the institution?**
5. **Similar programs already offered in the USHE: Identify similar program already approved and functioning in USHE institutions and justify why the program is needed. Include any specific needs this program will meet. Identify any articulation or collaboration with other USHE institutions, including supportive statements if appropriate. If duplication exists or if the program is available electronically within the local service delivery area, the justification for the duplication must include specific labor market and student demand data, or a specific request by business and industry for an alternative delivery method.**
6. **Institutional priority: as institutions are to be selective regarding the program proposals submitted, what priority does the institution place on this program as evidenced by its support and focus in moving this program proposal forward at the expense of other programs?**

7. **Exceptional program: a program that is meritorious based on its content, population served and extraordinary demand.**

R401-1. Purpose

To provide guidelines and procedures for Board approval and notification of new programs and programmatic and administrative changes in academic and applied technology education programs. In addition, this policy includes notification of discontinued programs and other program-related items that institutions shall provide to the Office of the Commissioner.

R401-2. References

2.1. Utah Code §53B-16-102, (Changes in Curriculum)

2.2. Policy and Procedures R220, Delegation of Responsibilities to the President and Board of Trustees

2.3. Policy and Procedures R315, Service Area Designations and Coordination of Off-Campus Courses and Programs

2.4. Policy and Procedures R355, Planning, Funding, and Delivery of Courses and Programs via Statewide Telecommunications Networks

2.5. Policy and Procedures R411, Review of Existing Programs

2.6. Utah Code §53B-16-102 (Continuing Education and Community Service R430)

2.7. Policy and Procedures R465, General Education

2.8. Policy and Procedures R467, Lower Division Major Requirements

R401-3. Summary of Process.

Institutions submitting program proposals for the Action Calendar, the Consent Calendar, and the Information Calendar shall adhere to the processes described in the flow charts found in Appendixes A, B, and C.

R401-4. Programs Requiring Board Consideration.

Programs inclusive of those in **R401-4** will have undergone institutional review and been approved by the institutional Board of Trustees prior to submission to the Office of the Commissioner. A definition follows each item.

4.1. Action Calendar. Programs placed on the Action Calendar require Board approval upon recommendation of the Academic, Applied Technology and Student Success Committee (See **R401-9.1** for **Template for Letter of Intent**). The following programs, including incubated programs in any of the following categories, require action by the Board:

4.1.1. New Certificates of Completion and Diplomas. A coherent sequence of courses 30 credit hours or 900 clock hours or greater, with general education requirements. These certificates are designed for entry-level employment or subsequent completion of an associate degree. For certificates developed in rapid response to business and industry, refer to **Fast-Track, R401-7.**

4.1.2. New Associate of Arts and Associate of Science Degrees. Programs of study primarily intended to encourage exploration of academic options, provide a strong general education component, and prepare students to initiate upper-division work in baccalaureate programs or prepare for employment. A minimum of 60 and a maximum of 63 credit hours, which include 30 to 39 credit hours of general education course work, and other requirements as established by USHE institutions, are required for completion of an associate degree. The Associate of Arts Degree may have a foreign language requirement. Based on compelling reasons, exceptions to the maximum credit hour requirement may be granted by the Board.

Sub-Unit Designation: (Pre Major Programs) The term "Pre Major" will be used in describing the components of the Associate of Arts/Associate of Science Degrees that are designed to prepare students for upper-division work. The use of the term "Emphasis" will be discontinued as a sub-unit of an AA or AS Degree.

Requirement: A "Pre Major" designation requires formal articulation agreements between the two-and four-year programs. The program outline (advising sheet) should clearly designate courses that will transfer to a four-year program and courses that are elective in nature. The collection of courses within these degree programs must have articulation agreements between the two-year and four-year institutions on the courses that will transfer to a four-year major program. The two-year and four-year faculty should work together to designate 'support courses' that do not transfer directly to the four-year Major but provide preparatory experience for a specific Major. These courses will count as electives. (The term "Pre Major" will also apply to preparatory, lower-division courses offered at the four-year institutions. These courses should be the same or similar to those offered by the two-year programs.)

4.1.3. New Specialized Associate - Associate of Pre-Engineering (APE Degree). Programs of study which include extensive specialized course work intended to prepare students to initiate upper-division work in baccalaureate programs. A minimum of 60 and a maximum of 63 credit hours, which include a minimum of 28 credit hours of preparatory, specialized course work, general education requirements that are less extensive than in AA or AS Degrees, and other requirements as established by USHE institutions, are necessary for completion of the degree. Because students do not fully complete an institution's general education requirements while completing a specialized associate degree, they are expected to satisfy remaining general education requirements in addition to upper-division baccalaureate requirements at the receiving institution.

Sub-Unit Designation: The term "Major" refers to the discipline in which the degree resides, or to the focus of the new degree being proposed

Requirement: Specialty Associate Degrees require Regents' Approval. These specialty Regent-approved Associate Degrees may be either a specific Major or articulate to specific four-year Majors, such as the APE and the AS Business.

Generally, the latter programs are articulated from two- to four-year majors system-wide.

4.1.4. New Associate of Applied Science Degrees. Programs of study intended to prepare students for entry-level careers. A minimum of 63 and a maximum of 69 credit hours are required. Additionally, general education requirements that are less extensive than in AA or AS Degrees and others, as established by USHE institutions, are required. Based on compelling reasons, exceptions to the maximum credit hour requirement may be granted by the Board.

Sub-Unit Designation: The term "Major" refers to the discipline in which the degree resides. The Major may be made up of one or more "Emphasis" to describe the sub unit of the Associate of Applied Science and the Associate of Applied Technology programs.

Requirement: AAS and AAT Degree Programs may have collections of courses within the Major called "Emphasis" that would require approval by the Regents. "Emphases" will be considered essential to the academic integrity of the Regents'-approved degree program. All 'Emphases' that are added to existing, approved AAS and AAT degrees must come forward as Action Items on the Regents' agenda.

4.1.5. New Associate of Applied Technology (AAT) Degrees. Programs of study intended to prepare students for entry-level careers. The AAT Degree is competency-based and offered on an open-entry/open-exit basis. A mastery of a series of identified competencies, general education course work that is less extensive than in AA and AS Degrees, and other requirements as established by the Utah College of Applied Technology, regional boards, and program advisory committees, are necessary for completion of the degree. The average time to completion of the AAT Degree should fall within a range of 1890 to 2070 clock hours; however, open-entry/open-exit, competency-based instructional delivery allows students to complete their course of study at their own pace. Like the AAS Degree, the AAT Degree is designed to prepare students for direct entry into the workforce; however, the AAT Degree may also transfer directly into Bachelor of Applied Technology (BAT) Degree programs.

Sub-Unit Designation: The term "Major" refers to the discipline in which the degree resides. The Major may be made up of one or more "Emphasis" to describe the sub unit of the Associate of Applied Science and the Associate of Applied Technology programs.

Requirement: AAS and AAT Degree Programs may have collections of courses within the Major called "Emphasis" that would require approval by the Regents. "Emphases" will be considered essential to the academic integrity of the Regents'-approved degree program. All 'Emphases' that are added to existing, approved AAS and AAT degrees must come forward as Action Items on the Regents' agenda.

4.1.6. New Bachelor of Arts, Bachelor of Science and Professional Bachelor Degrees. Programs of study including general education, major course work, and other requirements as established by USHE institutions and accreditation standards. Credit requirements include completion of a minimum of 120 and a maximum of 126 credit hours. However, some professional Bachelor Degrees, such as the Bachelor of Business Administration or Bachelor of Fine Arts, may have additional requirements. Other disciplines such as engineering and architecture may exceed the minimum of 120 credit hours in order to meet accreditation requirements. Based on compelling reasons, exceptions to the maximum credit hour requirement may be granted by the Board.

Sub-Unit Designation: The term "Major" refers to the discipline in which the degree resides.

Requirement: These Regent-approved programs may have various collections of courses within the degree which are called "Emphases" or "Specializations." (Typically, 'Specializations' tend to be part of a graduate degree program.) Such collections of courses usually were approved by the Regents at the time the degree program was approved. New "Emphases" within the approved degree program that are outside of the focus and scope of the original Regent-approved program must come before the Regents' as an Action Item. Collections of courses that retain the academic integrity of the approved degree program need not come before the Regents for approval.

(Minors and Stand-alone Minors are addressed in R401 under Majors: 4.1.6.1. and Stand-alone Minors: 4.3.5.)

4.1.6.1. Major. A sequenced set of courses within a Bachelor's Degree program that comprises study in an academic discipline. The Major is listed on the graduate credential and signifies that the recipient possesses the knowledge and skills expected of graduates in the discipline. (**Minor** courses/programs within approved degree programs will be reviewed only by institutional Boards of Trustees and submitted to the Commissioner's Office.)

4.1.7. New Master's Degrees. Graduate-level programs of study requiring a minimum of 30 and maximum of 36 credit hours of course work beyond the bachelor's degree, and other requirements as established by USHE institutions and accreditation standards. Professional master's degrees such as the Master's of Business Administration or Master's of Social Work may require additional course work or projects. Specialized professional master's degrees typically require additional course work. Based on compelling reasons, exceptions to the maximum credit hour requirement may be granted by the Board.

4.1.8. New Doctoral Degrees. Graduate-level programs in an advanced, specialized field of study requiring competence in independent research and an understanding of related subjects.

4.1.9. New K-12 School Personnel Programs. Endorsement and licensure programs for teacher education, counselors, administrators, and other school personnel and which are within existing major degree programs previously approved by the institutional Board of Trustees and the Board of Regents. These programs adhere to an approval process which requires the following steps: review by the Office of Academic Affairs, the Chief Academic Officers, appropriate officials and faculty from USHE colleges and schools of education, and the Program Review Committee (PRC); review and approval by the Board. Institutionally-approved proposals may be submitted to the Educator Development Advisory Committee (EDAC) once they have been reviewed by the Office of Academic Affairs, CAOs, colleges and schools of education faculty and officials, and the

Program Review Committee. Program proposals are then reviewed by the EDAC, which is advisory to the Board of Regents and the State Board of Education. Following its review, the EDAC may recommend approval to both boards, which have the final approval authority.

4.2. Consent Calendar. **Board Consent, which follows approval of the Academic, Applied Technology and Student Success Committee, is required for significant program and administrative changes.** (See **R401-9.3** for Template for program submission). The following items require consent of the Board:

4.2.1. Reinstatement of Previously Eliminated Administrative Units and Instructional Programs.

4.2.2. Discontinuation of Instructional Programs. The following criteria should be used to guide the review of programs for discontinuation and attendant reductions in personnel or funding prioritization.

4.2.2.1. Maintain Consistency with Institutional Mission and Roles. Review necessity of program continuation for the centrality or essence of the institution's role and mission.

4.2.2.2. Demand. Assess student demand as well as workforce and employer needs. Use program reviews to assess ongoing relevance and avoid continuing programs that may be antiquated. Identify placement and success of students in the work force.

4.2.2.3. Duplication. Consider unnecessary duplication of programs within the System, particularly programs that may be high cost and/or low producing.

4.2.2.3.1 System Coordination. Consider the statewide impact of discontinuing the program, and identify opportunities for establishing the program at another USHE institution.

4.2.2.4 Program Costs. Examine relative costs and anticipated savings from program reduction or deletion, and the comparative advantage of reallocating resources to other priorities in order to maintain student access as much as possible. Public service, institutional support, academic support and other operating areas should absorb a share of the burden.

4.2.2.4.1. Factors Affecting Short-term Cost Savings. The discontinuation of a program at a USHE institution does not produce an immediate financial savings nor reduction in personnel. It is the cost saving in the long term, which is beneficial to an institution. For example, faculty teaching in the program are not terminated immediately, but based on their hiring status (tenured or non-tenured) must be given the appropriate length of notification and they also must work with students to help them complete the program. Facilities still require maintenance and are generally absorbed by other programs resulting in no reduction in costs to the institution. Student FTE will be decreased as programs are discontinued.

4.2.2.5. Program Quality. Assess quality of the program as measured by the success of its graduates, reputation of faculty, and employer/community acceptance.

4.2.2.6. Enrollment Management and Institutional Capacity. Consider institutional enrollment management policy, limited access at the institution, upper division access, or caps within given majors.

4.2.2.7. Economic Stimulus and Recovery. Protect programs vital to economic stimulus and recovery.

4.2.2.8. Long-term Impact. Examine potential long-term impact of program discontinuations.

4.2.2.9 Role of Decision Makers. Through the process of determining which programs should be considered for possible discontinuation it is intended that the decisions should be made at the local campus in consultation with the Commissioner's Office regarding unnecessary duplication of programs. Those closest to the situation can best understand the multitude of ramifications involved in such a critical decision.

4.2.2.10. Treatment of Students. Students currently admitted to the program will be given a way to complete the program. This may require the enrollment of students at other institutions of higher education or that courses be taught for a maximum of two years after discontinuation of the program. All students must be given the opportunity to complete their program within a reasonable amount of time.

4.2.3. **Reports Requested by the Regents on Approved Programs**. Reports requested by the Regents at the time of Board approval must be submitted in the time frame as requested. Reports may be requested every year for the first three years the newly approved program is in operation. Or reports may be due within two years of the commencement of the newly approved program (see 6.4.1). These reports should be sent to the Office of the Commissioner for review by the Academic Affairs staff. Once the report has been reviewed, it will be forwarded to the Board, the report will be placed on the Consent Calendar. The Regents are likely to request that the reports include program admission criteria, enrollment data, demographic data on the enrolled students, employment information and assessment processes. The Regents may request that other elements be included in the reports.

4.2.4. Out of Service Area Delivery of Approved Programs. Programs which require substantive change notification to the regional accreditation organization and/or are offered outside of the institution's designated service area.

4.2.5. Permanent Approval of Centers, Institutes, or Bureaus. Administrative entities which perform primarily research, instructional, or technology transfer functions, and are intended to provide services to students, the community, businesses, or other external audiences, or to obtain external funds.

4.2.5.1. Temporary Approval and Temporary Sources of Funding. Requests to establish centers, institutes, bureaus, or other administrative entities which perform a primarily research, instructional, or technology transfer function, and are intended to provide external services and/or obtain external funds.

4.2.5.2. Modest Effort/Consistent with Roles/Affiliation/Three Year Limit. Institutions may seek temporary approval from the Commissioner for a center, institute, or bureau which is being established on an experimental or pilot basis. The Commissioner will evaluate and approve requests for temporary approval on the basis of the following criteria and conditions:

4.2.5.3. Temporary Source of Funds. Funding support is from temporary, non-public resources or from temporary institutional reallocation within a limited time frame.

4.2.5.4. Relatively Modest Effort. The proposed change requires a modest effort in terms of staff and space needs, normally with no permanent staff or no permanent facility assignment

4.2.5.5. Consistent with Role. The activities involved are consistent with established institutional mission and role assignments.

4.2.5.6. Affiliation with Existing Program or Department. The administrative entity involved has programmatic affiliation with an existing academic program or department.

4.2.5.7. Three-year Limit. Temporary approval of centers, institutes, etc., may be granted for a period no longer than three years, after which an institution must request approval of the Board.

4.2.6. Certificates of Completion in which Instruction is Provided by an Outside Vendor and Requires Accreditation Review. The institution offers Certificates of Completion, credit or non-credit, for instruction provided by an organization outside of the USHE.

4.2.7. Non-credit Certificates Eligible for Financial Aid. Non-credit certificates that do not fit the definition in 4.1.1 but that are eligible for financial aid.

4.3. Information Calendar. Program Additions or Changes Requiring Notification on the Board's Information Calendar. Board notification is required for changes to programs and administrative units (see Template R401-9.4.1), institutional program reviews (see Template R401-10.1), and programs under development (see Template R401-11.1).

4.3.1. Transfer, Restructuring, or Consolidation of Existing Programs or Administrative Units.

4.3.2. Name Changes of Existing Programs.

4.3.3. Institutional Program Review Report (see R411 and Template R401-10.1).

4.3.4. Programs under Development (see Template R401-11.1).

4.3.5. Stand-alone Minors. A coherent collection of courses, related to one another, that is not part of a previously approved Major or degree program. (Submission: as they are approved or eliminated by institutional Board of Trustees.)

4.3.6. Interdisciplinary Minors. A coherent collection of courses, related to one another, from previously approved Majors or programs.

R401-5. Information to be Provided to the Office of the Commissioner. The USHE institutions shall submit to the Commissioner's Office the following items:

5.1. An annual list of scheduled program reviews, as defined in R411 including date of review. (Submission: September)

5.2. An annual list of credit and non-credit certificates not meeting the definition as defined in R401-4.1.1. (Submission: December)

5.3. A list of new Minors that are part of a degree or Major program, as they are approved by institutional boards of trustees. (Submission: as they are approved)

R401-6. Procedure for Submitting New Program or Program Changes for Board Approval

6.1. New Program and Program Changes as specified in the Action Calendar, R401-4.1. The process for the approval of new programs includes the submission of a Letter of Intent and the subsequent submission of a formal proposal to the Board of Regents. To help insure quality, institutions may wish to enlist the assistance of external consultants in developing the proposed program. Typically, applied technology education programs relate directly to the requirements of business and industry. Thus, programs submitted in this area should have the benefit of consultation from a program advisory committee regarding: (1) curriculum, including specific outcome-based competencies; (2) desired level of faculty qualifications; and (3) equipment and laboratory requirements.

6.1.1. Letter of Intent. Institutional Chief Academic Officers will submit a Letter of Intent electronically for each new program proposal to initiate the Regents' program approval process. The template provided in **R401- 9.1** will be used for the Letter of Intent. (Fast-Track programs refer to **R401-7.)**

6.1.2. Staff and Chief Academic Officers (CAO) Review. USHE staff will review the Letter of Intent to assure that it is complete and provide comments to enhance its acceptability. Incomplete letters will be returned to the institution with suggestions. When Letters are determined to be complete, the Office of the Commissioner will forward the Letter to the CAOs at all USHE institutions for review and comment. Within two weeks, the CAOs will identify issues related to the information provided in the Letter of Intent, including those that impact their institutions and/or programs, program quality, and other issues the CAOs believe to be pertinent. These comments will be sent electronically to the Commissioner's Office and to all USHE institutions.

If no concerns are raised by Commissioner's staff or any institution, the Commissioner's staff will recommend to the Program Review Committee (PRC) (see **R401-6.1.3.**) that the program proposal is ready to be placed on the next Regents' agenda. The PRC may either accept or reject the staff's recommendation based upon its review. If the PRC accepts the recommendation, the proposing institution will prepare a full proposal in a timely manner so that it may be included on the subsequent Regents' agenda.

6.1.3. Submission to Program Review Committee (PRC). Once the proposing institution addresses issues raised by the CAOs, the revised Letter of Intent and institutional issues that have and have not been resolved will be forwarded for review by the Program Review Committee (PRC). The role of the PRC is to assess the proposal based upon six elements:

6.1.3.1. description,

6.1.3.2. market and student demand,

6.1.3.3. budget ~~source of funding~~,

6.1.3.4. mission fit,

6.1.3.5. ~~current availability of~~ similar programs already offered in the USHE

6.1.3.6 institutional priority ~~institutional ranking according to the priorities of the submitting institution.~~

6.1.3.7. exceptional program

6.1.3.8.~~7~~. Confidential information may be submitted to the Commissioner under seal. (See **Letter of Intent Template R401-9**.) The PRC will review the Letter of Intent and accompanying information, raise questions, and request additional information as appropriate, including a request for a consultant to review the proposed program and surrounding issues. In this case, the proposing institution will provide to the Commissioner's staff a list of appropriate consultants. The staff will contact one of the consultants and arrange for the review. Once the consultant's report has been completed, it will be made available to the PRC, proposing institution, and the CAOs. As programs are reviewed, additional individuals, such as institutional representative(s) appointed by the CAO, and Commissioner's staff, may meet with the PRC. A member from the institution's Board of Trustees also may be included.

6.1.4. Preparation of the Full Proposal. After the review process has been successfully completed, the proposing institution will develop a full proposal. The full proposal will follow the template in **R401-9.2.** and address issues raised by the CAOs and PRC.

6.2. Timetable for Submittal. Following the Letter of Intent review process, proposals will be submitted to the Commissioner's Office of Academic Affairs electronically, according to the annual schedule prepared by the Associate Commissioner for Academic Affairs, approximately two months before the date of the Regents' meeting when the proposal would be on the Regents' agenda for the first time. At the same time, the proposing institution's CAO will circulate the proposal to all USHE CAOs for review and evaluation. Once a proposal is evaluated by appropriate faculty at the other USHE institutions, comments and suggestions will be sent electronically to the Commissioner's Office and all CAOs at least one week prior to the CAO meeting where all proposals are discussed. The proposing institution will be responsible for addressing these concerns and any others in written communication electronically sent to the Commissioner's staff and all CAOs. If deemed necessary, the Office of Academic Affairs may request reviews from external evaluators.

6.3. Council of Chief Academic Officers (CAOs). The Council of Chief Academic Officers will meet prior to the Council of Presidents' and Regents' meetings. This meeting is for the purpose of discussing institutional proposals on the basis of comments submitted by other USHE institutions, any external reviews that have been conducted, initial evaluation from the Office of Academic Affairs, and comments from the PRC. This discussion will be reported to the Council of Presidents and considered by the Commissioner's staff in preparing materials and recommendations for the Board's agenda. The Commissioner's review for the Board will address not only the readiness of the institution to offer the program and the need for the program, but also the impact of the program on other USHE institutions.

6.4. Board of Regents Consideration. Program proposals that have been reviewed according to the procedures described in **R401-6.** are placed on the Board agenda for consideration by the

Regents. The Board's Academic Applied Technology and Student Success Committee reviews proposals for new programs or program changes and recommends action to the Board. The Board then takes action on the proposed program during the meeting of the Committee of the Whole.

6.4.1. Two-year Review of New, Approved Programs. Institutions with approved programs will be responsible for submitting a two-year report to the Commissioner's Office based upon quality indicators determined by the proposing institution and the Board. This report will appear on the Consent Calendar (R401-4.2.3).

6.5. Votes for Approval. All new certificates of completion, diplomas, associate, and bachelor degree programs must be approved by a majority vote of the Board members in attendance. All new master's and doctoral degree programs require at least a two-thirds majority of the members in attendance to be approved.

6.6. Budgetary Considerations Separate from Approval. Program approval by the Board consists only of authorization to offer a program. Budget requests necessary to fund the program shall be submitted separately through the regular budget process.

R401-7. Fast-Track Programs.

7.1. Fast-Track Program Approval Procedure. If programs meet the requirements in **R401-4.2.6.** and the Commissioner has previously approved the institution's internal program development and approval process, the Commissioner may approve the program, effective immediately. To request approval, the proposing institution will submit a Letter of Intent to the Commissioner's Academic Affairs Staff. The Commissioner will respond within 15 working days and will place the program on the Consent Calendar of the next Board meeting. Fast-Track programs do not require institutional ranking.

Certificates of completion, as defined in **R401.4.1.1.** will ordinarily be submitted on the Regents' Action Calendar. These certificates, by nature, require more extensive curriculum development and review which should allow sufficient time for submission under the regular review procedure. Letters of Intent for certificates of completion, if submitted for fast-track approval, must contain information specifically addressing why rapid response, as provided through the fast-track process, is necessary.

7.1.1. Two Year Review of Programs Approved through the Fast-Track Procedure. Institutions operating programs approved through the fast- track process must submit a report to the Commissioner's Office two years from the date that the program is implemented, outlining the continued viability of the program in terms of enrollment, student outcomes, budget and regional business and industry need (see Template R401-11.1).

R401-8. Programs Under Development/Consideration

8.1. Advance Information. Each institution shall submit to the Commissioner's Office of Academic Affairs an updated matrix of programs under development or consideration that may be brought to the Board for formal approval during the next thirty-six months. A compilation of this information will be included on the Information Calendar of Board of Regents' agendas. These planning documents will provide Regents with a continuously updated, system-wide view of the programs that may be brought to them for approval.

8.1.1. Two Time Periods. The information is presented in matrix format and includes two time periods: The first matrix provides information for a twelve-month period beginning with the month of the current Board agenda. The second matrix provides information for a subsequent 24-month period.

8.1.2. Information Updates. The information in each matrix is to be updated whenever the status of a program changes or a new program is being considered. This provides the Board ongoing information, for a thirty-six month period, regarding the status of programs as they progress through the institutional review process. Updated matrices should be submitted to the Commissioner's Office of Academic Affairs on the submission schedule for Board of Regents' agendas. Once a program has been approved by the Board, or is no longer under consideration at an institution, it should no longer appear in the matrix.

8.2. Matrix. In accordance with the existing program review schedule set by the Commissioner's Office, institutions will provide updated information to the Academic Affairs Office for programs under development or consideration. Changes to the matrix can be submitted electronically. The matrix will appear in the Information Calendar on the Board agenda.

R401-9. Template for Submitting Program Proposals. The templates request information and provide the format to be used when submitting program proposals for review and Board action. (Please use Ariel Narrow 12 point font.)

9.1. Template for Submission of Letter of Intent

9.1.1. Program Description. Present a short description of the program. Include information on current faculty preparedness to deliver a quality program.

9.1.2. Market and Student Demand. Provide specific data on market and student demand for the program, including how the program will function if market demand changes. Include information regarding employment opportunities both in and out of state. Indicate student demand for the program. If there is evidence of urgent need in the business and industry communities, provide appropriate details.

9.1.3. Budget. Provide specific budget information for five years, including the source of funding, and specify if enrollment growth funding is to be used. If internal reallocation is to be made, state which programs will need to be adjusted in order to support the proposed program, and the anticipated amount of funding from such a reallocation. Incorporate information regarding any new funding that is immediately available to this program. Be specific and detailed. Confidential information may be sent to the Commissioner under seal.

9.1.4. ~~Institutional~~ Mission fit. Describe how the proposed program fits within the institutional mission as defined by Policy R-312.

9.1.5. Similar Programs Already Offered in the USHE. Identify similar programs already approved and functioning in USHE institutions and justify why the proposed program is needed in light of existing programs. Include need and Utah employment data. Identify any articulation or collaboration with other USHE institutions, including supportive statements if appropriate.

If duplication exists, or if the program is available electronically within the local service delivery area, the justification for the duplication must include specific labor market and student demand data, or a specific request by business and industry for an alternative delivery method.

9.1.6. Institutional priority ~~Rank Order of Program within the Proposing Institution~~. There should be a clearly defined relationship to a high institutional priority.

9.1.7. Exceptional program: a program that is rises to a high institutional priority based on its content, population served and extraordinary demand.

9.1.8~~7~~. Signature Page to Accompany Letter of Intent. The Letter of Intent will include the signatures of the Chief Academic Officer and the appropriate dean and department chair.

9.2. Template for Submission of Proposals for New Programs Following the Successful Review of the Commissioner's Staff, PRC, and CAOs. This template provides the formats and information to be used when submitting program proposals for review and Board action and approval. Please use Ariel Narrow 12 point font.

9.2.1. Template for submission of proposals for new Certificates of Completion and Diplomas, AA/AS Degrees, AAS Degrees, AAT Degrees, specialized associate degrees, Bachelor's Degrees, Master's Degrees, Doctoral Degrees, K-12 School Personnel Programs.

SECTION I
The Request

[**Name of Institution**] requests approval to offer [Name of Degree] effective [Semester and Year]. This program has been approved by the institutional Board of Trustees on [Date].

SECTION II
Program Description

[**Complete Program Description** - Present the complete, formal program description.]

[**Purpose of Degree** - State why are you offering this degree, what are the expected outcomes.]

[**Admission Requirements** - List admission requirements specific to the proposed program.]

[**Student Advisement** - Describe the advising process for students in the proposed program.]

[**Justification for Number of Credits** - Provide justification if number of credit or clock hours exceeds 63 for AA or AS, 69 for AAS, 2070 clock hours for AAT, 126 credit hours for BA or BS; and 36 beyond the baccalaureate for MS.]

[**External Review and Accreditation** - Indicate whether any external consultants were involved in the development of the proposed program, and describe the nature of that involvement. For an applied technology education program, list the members and describe the activities of the program advisory committee. Indicate any special professional accreditation which will be sought and how that accreditation will impact the program. Project a future date for a possible accreditation review; indicate how close the institution is currently to achieving the requirements, and what the costs will be to achieve them.]

[**Projected Enrollment** - For credit programs, project both student FTE enrollments and the mean student FTE-to-faculty FTE ratio for each of the first five years of the program. For non-credit programs, project student headcount enrollments and mean student-to- faculty ratio for each of the first five years of the program. If accreditation requirements specify a specific student-to-faculty ratio, indicate the ratio(s).]

[**Expansion of Existing Program** - If the proposed program is an expansion or extension of an existing program, present enrollment trends by headcount and also by student credit hours (if appropriate) produced in the current program for each of the past five years for each area of emphasis or concentration.]

[**Faculty** - Identify the need for additional faculty required in each of the first five years of the program. State the level of preparedness of current faculty and the level of preparedness that will be needed by the fifth year. <u>Clearly state the proportion of regular full-time, tenure track faculty to part-time and non-tenure contract faculty.</u> Describe the faculty development processes that will support this program.]

[**Staff** - List all additional staff needed to support the program in each of the first five years; e.g., administrative, secretarial, clerical, laboratory aides/ instructors, advisors, teaching/graduate assistants.]

[**Library** - Describe library resources required to offer a superior program. Does the institution currently have the needed library resources?]

[**Learning Resources** - Describe other learning resources required to support the program.]

[**Institutional Readiness** - Describe the impact of the new program upon existing administrative structures and identify new organizational structures that may be needed to deliver the program. **The impact on current budgets should be described in light of the cost category that the proposed program will fall in (lower division, vocational, upper division, basic graduate or advanced graduate)—a more detailed analysis will be required for proposed programs at the advanced graduate level than the lower division level.** <u>Describe the technological infrastructure that is in place to support this program.]</u>

SECTION III
Need

[**Program Necessity** - Clearly indicate why such a program should be initiated.]

[**Labor Market Demand** - Include local, state, and national data, and job placement information, what types of jobs have graduates from similar programs obtained. <u>Indicate future impact on the program if the market demand changes.]</u>

[**Student Demand** - Describe evidence of student interest and demand that supports potential program enrollment.]

[**Similar Programs** - Are similar programs offered elsewhere in the state or Intermountain Region? If yes, cite justifications for why the Regents should approve another program. How does the proposed program differ from similar program(s)? Be specific.]

[**Collaboration with and Impact on Other USHE Institutions** - Describe discussions that may have occurred regarding your institution's intent to offer the proposed program with other USHE institutions that are already offering the program, and any collaborative efforts that may have been proposed. Analyze the impact that the new program would have on other USHE institutions.]

[**Benefits** - State how the institution and the USHE benefit by offering the proposed program.]

[**Consistency with Institutional Mission** - Explain how the program is consistent with and appropriate to the institution's board-approved mission, roles and goals.]

SECTION IV
Program and Student Assessment

[**Program Assessment** - State the goals for the program and the measures that will be used in the program assessment process to determine if goals are being met.]

[**Expected Standards of Performance** - List the standards and competencies that the student will have met and achieved at the time of graduation. How or why were these standards and competencies chosen?]

[**Student Assessment** - Describe the formative and summative assessment measures you will use to determine student learning.]

[**Continued Quality Improvement** - Describe how program and student assessment data will be used to strengthen the program.]

SECTION V
Finance

[**Budget** - For each category below, present the projected budget for an ongoing, quality program for each of the first five years:

Salaries and Wages
Benefits
Current Expense
Library
Equipment
Travel
TOTAL]

[**Funding Sources** - Describe how the program will be funded, i.e. new state appropriation, reallocation, enrollment growth, grants etc.]

[**Reallocation** - If program is to be supported through internal reallocation, describe in specific terms the sources of the funds.]

[**Impact on Existing Budgets** - If program costs are to be absorbed within current base budgets, what other programs will be affected and to what extent? Provide detailed information. Confidential information may be sent to the Commissioner under seal.]

Appendix A

Program Curriculum.

[**New Courses to be Added in the Next Five Years** - List all new courses to be developed in the next five years by prefix, number, title, and credit hours. Use the following format:]

Course Number	Title	Credit Hours

[**All Program Courses** - List all courses, including new courses, to be offered in the proposed program by prefix, number, title, credit hours, or credit equivalences. Use the following format: (please include all course descriptions in appendix.)]

Course Number	Title	Credit Hours

General Education		
	Sub-Total	
Core Courses		
	Sub-Total	
Elective Courses		
	Sub-Total	
Track/Options (if applicable)		
	Sub-Total	
	Total Number of Credits	

Appendix B

[**Program Schedule** - For each level of program completion, present, by semester, a suggested class schedule - by prefix, number, title and semester hours.]

Appendix C

[**Faculty**- List current faculty within the institution, with their qualifications, to be used in support of the program. ~~Identify those that are full-time, tenure track faculty and those that are part-time or non-tenure track contract faculty.~~]

9.2.2. Signature Page to Accompany Proposals Requiring Board Approval. This signature page, with all appropriate signatures included, should be sent to the Commissioner's Office and kept on file at the proposing institution.

Institution Submitting Proposal:

College, School or Division in
Which Program Will Be Located:

Department(s) or Area(s) in
Which Program Will Be Located:

Program Title:

Recommended Classification of
Instructional Programs (CIP) Code: __ __ . __ __ __ __

Area(s) of Emphasis or Academic
Specialty: (if appropriate)

Certificate, Diploma and/
or Degree(s) to be Awarded:

Proposed Beginning Date:

Institutional Signatures (as appropriate):

Department Chair		Dean or Division Chair
Applied Technology Director		Graduate School Dean

Chief Academic Officer		President
Date		

9.3.1. Template for Consent Calendar Items, to Include Reinstatement of Previously Eliminated Administrative Units and Instructional Programs, Out of Service Area Delivery of Approved Programs, Certificates of Completion, Proposals for Centers/Institutes/Bureaus, Program Discontinuation, and Non-credit Certificates Eligible for Financial Aid.

SECTION I
Request

[**Request**- Briefly describe the change. Indicate the primary activities impacted, especially focusing on any instructional activities.]

SECTION II
Need

[**Need**- Indicate why such an administrative change, program, or center is justified. Reference need or demand studies if appropriate. Indicate the similarity of the proposed unit/program with similar units/programs which exist elsewhere in the state or Intermountain region.]

SECTION III
Institutional Impact

[**Institutional Impact** - Will the proposed administrative change or program affect enrollments in instructional programs of affiliated departments or programs? How will the proposed change affect existing administrative structures? If a new unit, where will it fit in the organizational structure of the institution? What changes in faculty and staff will be required? What new physical facilities or modification to existing facilities will be required? Describe the extent of the equipment commitment necessary to initiate the administrative change. If you are submitting a reinstated program, or program for off-campus delivery, respond to the previous questions as appropriate.]

SECTION IV
Finances

[**Costs**- What costs or savings are anticipated from this change? If new funds are required, describe in detail expected sources of funds. Describe any budgetary impact on other programs or units within the institution.]

9.3.2. Signature Page to Accompany Proposals Requiring Board Consent. This signature page, with all appropriate signatures included, should be sent to the Commissioner's Office and kept on file at the proposing institution.

Institution Submitting Proposal:

College, School or Division in Which Program/Administrative
Unit Will Be Located:

Department(s) or Area(s) in Which Program
Will Be Located:

Program Title:

Recommended Classification of
Instructional Programs (CIP) Code: __ __ , __ __ __ __

Area(s) of Emphasis or Academic
Specialty: (if appropriate) ____

Certificate, Diploma and/or
Degree(s) to be Awarded: ____

Proposed Beginning Date: ____

Institutional Signatures (as appropriate):

Department Chair		Dean or Division Chair
Applied Technology Director		Graduate School Dean

Chief Academic Officer		President
Date		

9.4. Template for Submission to the Information Calendar of the Academic, Applied Technology and Student Success Committee and Board Action.

9.4.1. Template for Information Calendar Items to Include Transfer, Restructuring or Consolidation of Existing Programs or Administrative Units, Stand-alone Minors, Interdisciplinary Minors, and Name Changes. (Approved by the Board of Trustees and sent to the Board of Regents as an information item.)

SECTION I
The Request

(**Request**- Briefly describe the change. Include a listing of courses and credits as appropriate.)

SECTION II
Need

(**Need**- Indicate why the change is justified. Reference need or demand data if appropriate.)

SECTION III
Institutional Impact

(**Institutional Impact** - Will the proposed recommendation affect enrollments in instructional programs of affiliated departments or programs? How will the proposed recommendations affect existing administrative structures? What (new) faculty, physical facilities or equipment will be impacted?)

SECTION IV
Finances

(**Costs** - What costs are anticipated? Describe any budgetary impact, including cost savings, on other programs or units within the institution.)

9.4. 2. Signature Page to Accompany Proposals Providing Board Notification. This signature page, with all appropriate signatures included, must be attached to proposals submitted for Board notification.

Institution Submitting Proposal:

College, School of Division affected:

Department(s) or Areas(s) affected:

Change Description:

Proposed Beginning Date:

Institutional Signatures (as appropriate):

Department Chair

Dean or Division Chair

Chief Academic Officer

President

Date

R401-10. Template for Submitting Institutional Program Reviews. The following information will be contained in the Program Review Report submitted to the Commissioner's Office.

10.1. Template for Submission of Program Reviews

10.1.1. Background Information. Identify the program under review and the date of the review. List each reviewer including degree and current affiliation. Provide any additional information to better understand the context of the review, i.e. date of last review, in conjunction with accreditation or national review, etc.

10.1.2. Student and Faculty Statistical Summary. List in chart form the past five years of data regarding students, graduates, faculty, student/faculty ratio and other data that are pertinent to understanding the program.

10.1.3. Program Strengths. List the program strengths as identified by the review team.

10.1.4. Areas Suggested for Improvement. List the areas where the review team indicated improvement is needed

10.1.5. Recommendations. What specific suggestions does the review team make in regards to program improvement?

10.1.6. Commendations. List any outstanding aspects of the program as identified by the review team.

10.1.7. Institutional Response to the Review Team Report. List specifically, what the institution intends to work on prior to the next review.

R401-11. Template for Submission of Programs under Development and Consideration. The following information will be sent to the Commissioner's Office for inclusion on the website. It should be updated as needed.

11.1 Template for Submission of Programs under Development and Consideration

Programs Under Development/Consideration

Section I
(One Year)

Institution	Program Name	Degree Type	Current Status	Projected for Regents' Agenda

Programs Under Development/Consideration

Section II
(Year Two and Three)

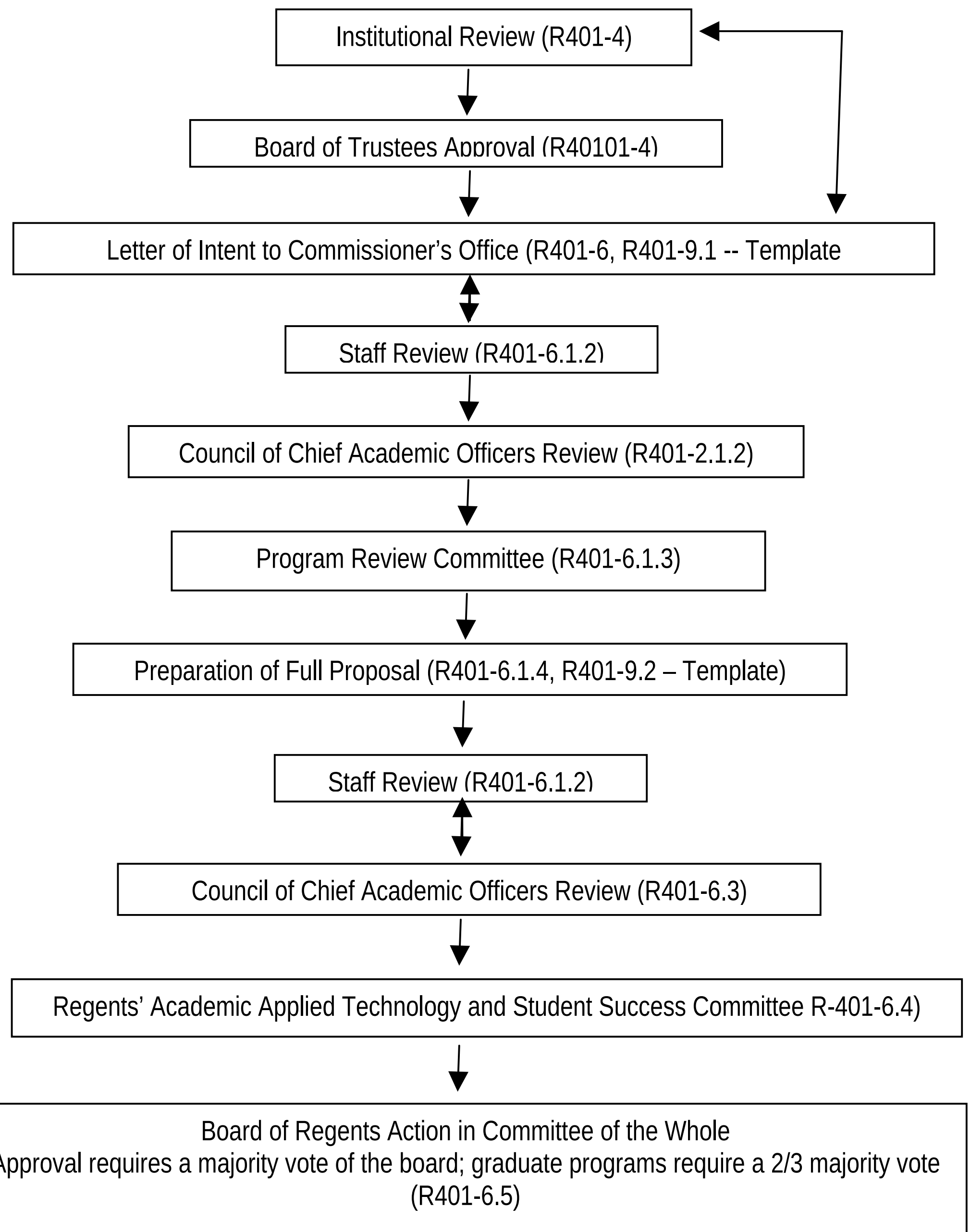
Institution	Program Name	Degree Type

(Approved November 7, 1972, amended September 25, 1973, February 21, 1984, April 27, 1990 and revised and combined with R402 October 27, 2000; amended June 1, 2001. [R402 was approved September 10, 1971, amended November 18, 1980, July 19, 1983, March 20, 1984, September 12, 1986, August 7, 1987, October 26, 1990, April 16, 1993, January 21, 1994, May 1, 1997, May 29, 1998, and revised and combined with R401 October 27, 2000.]) R401 re-written and approved November 8, 2002; amended May 30, 2003. *Approved Board of Regents, May 30, 2003.*

APPENDIX A

ACTION CALENDAR FLOW CHART (R401-4.1)

Board of Regent approval is required of all new certificate, diploma, and degree programs, including new K-12 school personnel programs. Such programs will have undergone institutional review and been approved by the Board of Trustees prior to submission to the Office of the Commissioner. The approval process for Fast Track applied technology certificate programs is described in R401-7.



APPENDIX B

CONSENT CALENDAR FLOW CHART (R401-4.2)

Board of Regent consent is required for significant program and administrative changes, including: reinstatement of previously eliminated administrative units and instructional programs, discontinuation of instructional programs*, delivery of approved programs offered outside an institution's designated service area, permanent approval of centers/institutes/bureaus, certificates of completion in which instruction is provided by an outside vendor and requires accreditation review, and non-credit certificates eligible for financial aid.

Board of Trustees Approval

Submission to the commissioner's Office (R401-4.2, R401-9.3 – Template)

Staff Review

Council of Chief Academic Officers Review

Regent's Academic, Applied Technology and Student Success Committee

Board of Regent Consent R401-4.2)
Committee of the Whole

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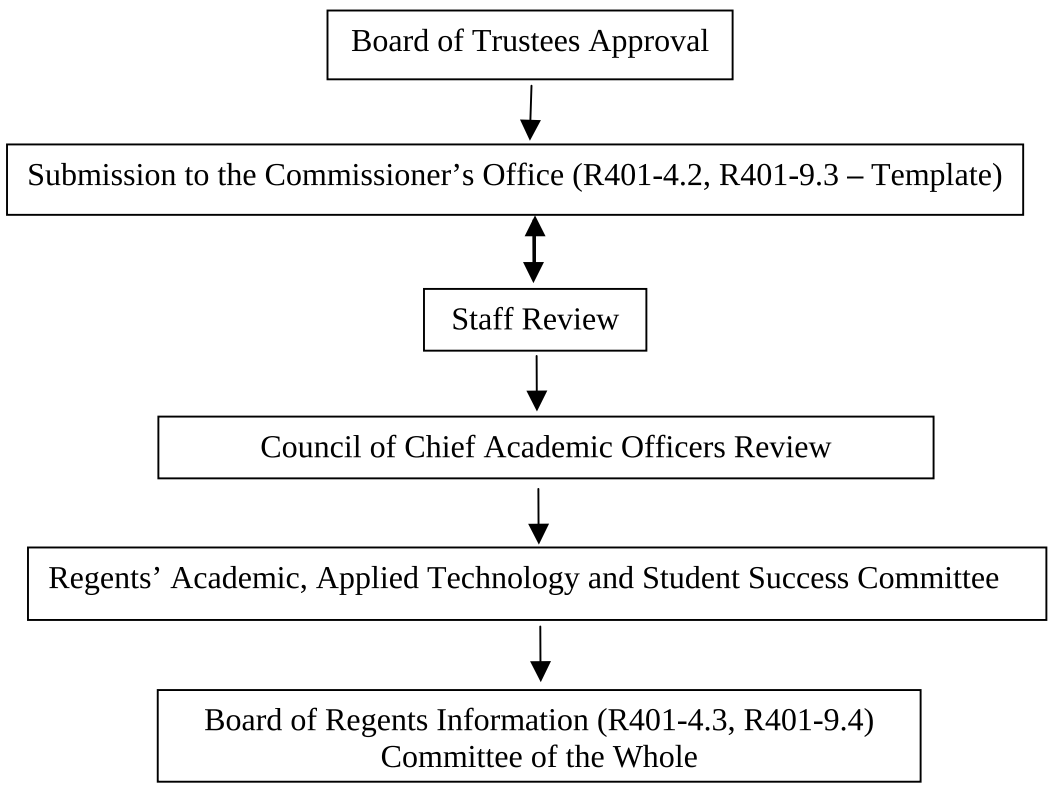
*See R401-4.2.2 for criteria to be used in guiding program review for the discontinuation of programs.

APPENDIX C

INFORMATION CALENDAR FLOW CHART (R401-4.3)

Board of Regent notification is required for changes to programs and administrative units, institutional program reviews, and programs under development. Information Calendar items may include transfer/restructuring/consolidation of existing programs or administrative units, stand-alone minors, interdisciplinary minors, and name changes.



MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Information: Applied Technology Education Study/ATE Regional Planning

Issue

During the last Legislative Session, the following intent language was passed in the Higher Education and Utah College of Applied Technology (UCAT) sections of House Bill 1:

> *It is the intent of the Legislature that* ***a study be performed of applied technology education*** *in the state with the Utah System of Higher Education, Public Education, and the Utah College of Applied Technology, by the Office of the Legislative Fiscal Analyst in conjunction with the Governor's Office of Planning and Budget. It is further the intent of the Legislature that a written report be presented by October of 2003 to the Executive Appropriation Committee, and also reported to the appropriate Legislative Appropriation Subcommittees during the 2004 General Session.*

Background

In October, 2003, The Office of the Legislative Fiscal Analyst made a formal report to the Executive Appropriations Committee based on that intent language. The study focused on the access, availability, and efficiency of applied technology education provided by higher education and public education throughout the state. An additional study concerning the cost of Applied Technology Education (ATE) will be conducted during FY 2005.

As a part of the study, the Analyst made a number of recommendations, including that ". . . each region document the justification for duplication of degrees or certificates within a region," and that "the Utah System of Higher Education, Public Education and the Utah College of Applied Technology continue to work together to develop regional plans to meet the needs of vocational students without creating unnecessary program duplication."

During the last 18 months, the Utah System of Higher Education (USHE), the Utah State Office of Education (USOE), and the UCAT have been analyzing areas of duplication within the ATE Regions of the state. As a part of that analysis, a matrix, first prepared by the UCAT and shared with the UCAT Board of Trustees, and the Utah State Board of Regents in 2003, has continued to be refined showing each ATE program offered at the secondary and post secondary level in each region of the state. Several drafts of the matrix have been completed. With each version, areas of possible duplication have been investigated and the information refined. During the last two months, meetings have taken place in each region of the state to discuss the information contained in the regional matrix. A preliminary analysis indicates that very few areas of unnecessary duplication exist within the state. A final version of the regional matrix will be completed in the next couple of months, and the Office of the Legislative Fiscal Analyst will present the updated report during the current legislative session. After the matrix is completed, a summary report will be presented to the Board.

Regional planning for ATE programs has been a continual process during the last ten years. In the past a formal report from each region was presented annually to the Joint Liaison Committee, which was a part of the Board of Regents/Utah State Board of Education structure until the passing of the UCAT legislation. Although formal regional planning has continued, formal reports have not been presented to the Board since that time.

In order to address the concerns surrounding unnecessary duplication of ATE programs, the Utah System of Higher Education in conjunction with the Utah State Office of Education has proposed a regional planning process that includes the assessment of unnecessary duplication of proposed ATE programs. The proposed plan includes the following elements:

- Regional master planning committees comprised of representatives from each higher education institution and each school district in the region, a representative from the Department of Workforce Services, and representatives from local business and industry, will exist in each region.
- These regional master planning committees will prepare an annual master plan for the regions which includes information on all existing ATE offerings in the region, plans for new programs, and plans to discontinue programs.
- In the case of new programs or the discontinuation of existing programs, regional master plans must address:
    - Student and employer demand
    - An assessment of which entity (public education/or which higher education institution) should deliver a new program and why
    - An assessment of the feasibility of moving a program to another entity rather than discontinuing the program
    - An assessment of other, like programs in the region
- No new degree or certificate of completion proposals will be received, reviewed or approved by the Board of Regents unless the regional master plan is in place, and these programs appear on the plan.

- No new high school offerings will be approved by the USOE unless they appear on the regional master plan.
- Regional concerns regarding ATE offerings that are not subject to review by the Board of Regents or the State Board of Education and that do not appear on the regional master plan will be submitted to the Office of the Commissioner or the Utah State Office of Education for consideration and action.

Options Considered

After Regents have reviewed the information concerning the ATE study and the proposed regional planning process, they may raise questions or request additional information. Once the ATE matrix has been finalized and the proposed regional planning process has been reviewed by all parties, a formal report and recommendation will be brought to the Board for approval.

Commissioner's recommendation

This is an information item only. No action required.

Richard E. Kendell, Commissioner

REK/GW

MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Information: Academic, Applied Technology, and Student Success Committee

The following administrative program changes have been submitted for review by the Regents on the Information Calendar of the Academic, Applied Technology, and Student Success Committee. The changes have been approved previously by the University of Utah, Utah State University and Utah Valley State College Boards of Trustees.

University of Utah

Name change of Master of Science (M.S.), Master of Philosophy (M. Phil.), and Doctor of Philosophy (Ph.D.) Degrees in Anatomy to the M.S., M. Phil., and Ph.D. Degrees in Neurobiology and Anatomy

Rationale: In 1992 the Department of Anatomy changed its name to the Department of Neurobiology and Anatomy. However, the degree names were not changed at the same time. Across the country, universities have made the degree names consistent with name of the department. Thus, the change in the degree names is overdue and appropriate.

Name change of Center of Mine Land Redevelopment to the Center for Land and Resource Recovery

Rationale: The name change more accurately describes the Center's activities and increases the scope of potential projects and funding opportunities. In 2003, the Center received a grant for $52,000 from the Economic Development Administration (EDA) to perform a feasibility study at the Horse Canyon Coal Mine in Emery County. The project was successful, and the College of Eastern Utah will receive this land and develop programs on the site. The EDA has again approached the Center to perform a similar feasibility study to facilitate the development of a science learning center in Monticello, Utah. Another feasibility study is planned in Green River on an old missile test range. The name change appears to be resulting in additional activities and funding.

Utah State University

Name change of Master of Science (M.S.) and Doctor of Philosophy (Ph.D.) Degrees in Biological and Agricultural Engineering to the M.S. and Ph.D. Degrees in Biological Engineering

Rationale: The name change is needed to adequately represent the status of engineering programs without ambiguity. The title of Biological and Agricultural Engineering is confusing since nothing of the traditional Agricultural Engineering now resides in this graduate program. An extensive poll of faculty, students, and selected alumni revealed support for the proposed change in the M.S. and Ph.D. Degree names. In addition, the term "Agriculture" in the degree name was thought to be a deterrent to enrollment. The name change brings consistency to the titles of the undergraduate and graduate degrees. M.S. and Ph.D. Degrees in Irrigation Engineering will not be affected. The name change will have little impact on the existing programs and is expected to stabilize enrollments. No new funding is requested.

Utah Valley State College

Restructuring of a single department, the Department of Theatre and Communication, into two separate departments, the Department of Theatrical Arts for Stage and Screen and the Department of Communication

Rationale: Theatre and Communication are distinct academic disciplines with distinct standards and practices, including tenure requirements. Of the USHE institutions that have both programs, all house them in separate departments with the exception of Dixie State College.

When the Communications Program at UVSC was launched three years ago, with one professor and several classes, its small size necessitated its location within a larger department which could provide it with administrative support. Since that time, enrollment in Communication courses quadrupled, making the program among the College's fastest growing. By Fall of the 2002 semester, 1,880 students were registered in 73 sections of 14 different communication classes, for a Full Time Equivalent (FTE) of approximately 376, taught by four full-time faculty and nearly 30 adjunct instructors. At the same time, the Theatre Program has shown steady growth of about 15 percent per year. By Fall of the 2002 semester, 802 students were registered in 58 sections of 23 different Theatre classes, for an FTE of approximately 160 taught by five full-time faculty and six adjunct instructors.

The current situation creates difficulties for both programs, and ultimately impedes the quality of service each can offer its students. The Theatre Department is responsible for Communication's administration and supervision ranging from hiring adjuncts, scheduling classes, and adjusting curriculum, to student advisement. The restructuring will allow department chairs to better serve the needs of the students and the management of their respective disciplines.

The restructuring can be accomplished with minimal impact. Enrollment will not be affected as students are enrolled in their respective Theatre and Communication classes. The Communication Program recently hired its own administrative assistant and moved into its own centralized set of offices necessary to be an independent department.

A small stipend will fund the Communication Chair. There is no longer a need to provide a stipend to the Communication Coordinator.

Commissioner's Recommendation

It is the recommendation of the Commissioner that the Regents review the Information Calendar and raise issues for clarification. No action is required by the Board.

Richard E. Kendell, Commissioner

REK/PCS

MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: USHE – Authorization to Seek Revenue Bond Financing

Issue

At the October 31, 2003 Board meeting, Regents approved one other funds capital development project, the Utah State University residence halls, parking structure, and food services project, for which revenue bond authority is needed from the Legislature. In addition to this project, Regents are now asked to approve two additional projects to proceed forward to the Legislature for revenue bonding authority.

Background

In most cases, revenue bonds issued for capital development projects on USHE campuses are issued under the name and with the authority of the Board of Regents (see UCA 53B-21). To utilize this bonding authority, the Regents must receive prior approval from the Legislature. The USU residence halls, parking, and food services project received approval from the Regents "to seek legislative bonding authority for a revenue bond of not more than $40.7 million to plan, program and construct new residence halls, a parking structure, make improvements to food services, and refund a Housing Life Safety Equipment Lease."

One new project involving the purchase of the first two floors of the Board of Regents Building at the Gateway, is presented now to receive Regent approval to seek revenue bonding authority from the Legislature. On October 19, 2001, the Board of Regents authorized the execution of a purchase agreement for three floors of the 2 Gateway office building located at 60 South 400 West in Salt Lake City. The remaining two floors of that building are now desired to be purchased. Attachment 1 contains information prepared by Associate Commissioner Gail Norris explaining the details of this acquisition.

USU officials request that Regents approve a second new project to seek Legislative authorization for revenue bond financing. This project would issue revenue parity bonds to repay an internal debt for the purchase of the Student Wellness Center, address life safety, access and sanitary concerns at Romney Stadium, provide for an artificial playing surface at Romney Stadium, and expand the Nelson Field House aerobic exercise facility. The USU Board of Trustees was scheduled to approve this transaction on January 7, 2004. Attachment 2 outlines the specifics of this proposal.

Commissioner's Recommendation

It is the recommendation of the Commissioner that Regents forward the following two projects to the Legislature for revenue bond authority, in addition to the USU residence halls, parking structure, and food services project approved previously:

(1) The acquisition of the first two floors of the Board of Regents Building at the Gateway; and
(2) The repayment of the Student Wellness Center internal debt and financing of improvements to Romney Stadium and expansion of the Nelson Field House at USU.

Richard E. Kendell, Commissioner

REK/MHS/BLM
Attachments

UHEAA
For Your Future

Utah Higher Education Assistance Authority

Utah Student Loan Guarantee Program (LGP)
Utah State Board of Regents Loan Purchase Program (LPP)
Utah Centennial Opportunity Program For Education (UCOPE)
Utah Educational Savings Plan Trust (UESP)

MEMORANDUM

January 6, 2004

TO: **Richard E. Kendell, Commissioner of Higher Education**

FROM: **Chalmers Gail Norris, Associate Commissioner for Student Financial Aid** Gail

SUBJECT: **ACTION: Completion of Building Acquisition**

Introduction

A recommendation for the Regents to consider acquisition of the remainder of the Board of Regents Building was adopted by the UHEAA Board of Directors at its meeting on November 13, 2003. Favorable terms for the acquisition are provided in an option to purchase which was part of the purchase agreement under which the Board purchased a condominium interest in the third, fourth, and fifth floors of the building. To take advantage of the favorable terms, the Board needs to complete the purchase before April 30, 2004. It is proposed that legislative authority for an additional $3.6 million (plus issuance costs) in building revenue bonds for purchase of remaining areas of the building be added to the list of Regents' requests for the 2004 Legislative Session.

Advantages of Acting Now

Reasons to exercise the existing option to purchase prior to its expiration at the end of April 2004 include the following:

1. The favorable terms under the current option are unlikely to be available at any future time.

2. Under these terms, the annualized net cost of acquiring the remaining areas of the building, compared to the current costs of leasing most of the second floor for expanding student loan servicing activities, is only $99,000 /per year, or about $7.55 per net rentable square foot (RSF).

3. There is a high likelihood that further growth in the student loan programs will require additional areas within the building within the next few years. Unless the area is acquired now, it will be leased by its current owner to other tenants, and not available when needed.

4. Meanwhile, available space may be utilized for one or more classrooms available for extension classes of USHE institutions.

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5. Acquisition of the first floor will provide a very advantageous location for provision of a *Student Opportunity Center* (outreach and information center for career exploration and college program and financial planning) as part of UHEAA's vision for promoting financial and information access to higher education for Utahns. (For a prospectus on the *Student Opportunity Center* please see Attachment C.)

6. Ownership of the complete building will provide the ability to control access through the lobby area, including a lobby reception desk and/or additional security provisions if and when circumstances might warrant them.

7. In the unlikely event the Board wished to sell its downtown facility at some time in the future, ownership of the entire building will provide a much more marketable "package."

8. All of the additional cash flows for the proposed additional bond issue and operation of the additional space will be covered from net operating revenues of the student loan program. No increase in state appropriated funds will be required.

Background

The space requirements for the Regents and the Office of the Commissioner of Higher Education (OCHE), including UHEAA, had exceeded space available for leasing in the Triad Center by early 2001. In addition, then existing leases were due for renewal in another year, and projected escalation of leasing costs indicated a need for review of alternatives to continuation of the current leases. With assistance from the Division of Facilities Construction and Management (DFCM), a request for proposals (RFP) covering both leasing and purchase options was issued, and resulting proposals reviewed and carefully evaluated. The most advantageous solution, concurred in by DFCM staff and approved by the Regents, was acquisition of the major part of a new building in The Gateway development, "Two Gateway Office Building."

Legislative authorization for eight million dollars in building revenue bonds, to be funded by revenues of the student loan program, had been enacted in 2000. The eight million dollar amount was based on a preliminary building program developed in 1999, using projected space needs and construction costs at that time. By the time of the RFP in 2001 the projected space needs had increased with significant growth in the student loan programs and proposed phased implementation of in-house servicing of the Board's portfolio of in-repayment student loans administered by UHEAA. To meet the needs projected for the near term, and utilize the existing bonding authority, the Board approved purchase of a condominium interest in the third, fourth, and fifth floors of the Two Gateway Office Building, to be financed by the authorized revenue bonds. Also authorized was a lease by UHEAA for all but a small portion of the second floor of the building.

Financial Information

The economics of the combined purchase and lease acquisition for space presently used are summarized in Section III, page 2 of Attachment A. FY 2003 Amortization and Operating Costs for floors 3 through 5 were $19.25 per rentable square foot (including costs for parking). Lease costs on the second floor were $24.20. The blended cost for all occupied areas was $20.40. As shown in Section II, page 1 of Attachment A, the Gateway II proposal selected and approved by the Regents was financially the best deal and had other advantages provided by the location of the facility. [1] The $20.40 blended cost for currently-occupied space also compares favorably with FY 2003 lease costs for class A space in the Salt Lake City Central Business District ($22.23) as shown in Section VII, page 4 of Attachment A.

Purchase of the three floors was financed by an eight million dollar building bond by the State Board of Regents Loan Purchase Program (LPP), secured by pledged loan program net operating revenues. Amortization of the bonds, plus operating costs for the three floors, are covered by funds previously budgeted for lease costs in the OCHE (SBR Administration) and UHEAA operating budgets. Costs for the three owned floors are lower than the lease costs would have been under the Triad Center lease.

Additional background regarding the bonds and the "Office Facility Project" is provided in Attachment B. The proposed additional bond issue would have similar characteristics and advantages, including no impact on the Board of Regents Student Loan Revenue Bond Systems, as discussed in Attachment B.

The Option to Purchase

The real estate purchase contract for the three floors of Two Gateway Office Building, approved by the Board on October 19, 2001, includes an Option to Purchase the remaining portions of the building. The option is applicable for three different dates: prior to April 30, 2003 (expired); prior to April 30, 2004; and prior to April 30, 2005. Prices for the first option date compared favorably to the prices of the initial purchase. Prices for the second date are comparable, and for the third date somewhat escalated. In addition, the options for the first two dates include a discount option if all remaining portions are purchased together. The option for the third date does not. Significant financial advantages can be realized by moving to acquire the remaining portions of the building at this time. In fact, the Board can secure the advantages of the additional space, including purchase of second floor space (presently leased) with only a modest increase in annual space cost, estimated at about $99,000, and payable from operating revenues of the student loan programs. The economics of the proposed purchase, financed by a proposed $3.6 million addition to the current bond indenture, are summarized in page 2 of Attachment A.

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[1] Note that the square foot average costs shown in Section II are ten-year average projected costs.

There are three specific portions remaining to be purchased, either one at a time or together (with discount). The majority of the usable square feet involved are in the second floor, all but a small corner of which UHEAA already leases at higher unit costs. In addition, there is a mezzanine area of 4,311 usable square feet, which would not be utilized initially but would be used in the future for several functions including the expansion of UHEAA programs. The final area is the first floor, including the lobby and a 2,933 square foot inside room off the lobby suitable for a college planning and information center operated by UHEAA as part of its growing outreach and information program. Alternatively, this area could be utilized as a USHE classroom, but such a classroom also might be developed in the additional area remaining in the second floor.

Section VI of Attachment A provides a comparison of relative annual operating costs of leasing vs. purchasing for three different scenarios: K. Entire Second Floor (only); L. Mezzanine and First Floor (only), and M. Second Floor, Mezzanine, and First Floor. Clearly, the most cost-effective scenario is Scenario M, purchasing all the remaining areas. The projections shown for five-year periods in Section VI are cumulative. Thus, the figures shown under 2004-2024 are for the entire 20-year period.

Proposed Action

This information is provided in support of proposed inclusion of this project, including authorization to seek the legislative approval for the $3.6 million (plus issuance expenses) bond issue in the Board of Regents January 16 agenda item for Authorization to Seek Revenue Bond Financing.

If the authorization is approved, both the purchase contract and the authorizing resolution for the new bond issue will be presented for Regents' approval at the appropriate times.

Attachments

REK/CGN

FINANCIAL INFORMATION
STATE BOARD OF REGENTS BUILDING (GATEWAY 2)
Prepared January 4, 2004

I. ACQUISITION COSTS OF CURRENT CONDOMINIUM OWNERSHIP AND REMAINDER OF BUILDING

	Total Square Feet Purchased* (1)	Building Purchase Price (2)	Purchase Price Per Square Foot* (3)
A. April 2002 Purchase of Condominium Interest in Floors 3, 4, and 5	52,566	$7,823,779	$148.84
B. Proposed Purchase of Remaining Building Areas			
1. Entire Second Floor	17,522	$2,879,818	$164.35
2. Mezzanine Area	5,084	$489,683	$96.32
3. First Floor (w/Lobby)	6,361	$595,999	$93.70
4. Total if Purchased Separately**	28,967	$3,965,500	$136.90
5. Discounted Price if Purchased Together**	28,967	$3,605,000	$124.45
C. Grand Total Entire Building If Discounted Option is Used	81,533	$11,428,779	$140.17

II. COMPARABLE ANNUALIZED COST ESTIMATES CONSIDERED IN ACQUISITION DECISION AFTER RFP REVIEW

RFP Respondent@	Best and Final Offer Proposer	Building Location	Transaction Type	Ten-Year Average Cost Per RSF
Yes	Gateway 2	Downtown	Purchase/Lease	$22.49
Yes	HK Tower	Near Downtown	Lease	$22.43@@
Yes	Triad III	Downtown	Lease	$24.06
Yes		Downtown	Lease	$23.31/$22.50∗
Yes		Downtown	Lease	$24.44/$23.63∗
Yes		Downtown	Lease	$27.94/$27.13∗
No		Draper	Lease	$20.81/$20.00∗
No		Midvale	Lease	$24.29/$23.48∗
No		Sandy	Lease	$25.61/$24.80∗
No		International Center	Lease	$26.09/$25.28∗
No		Cottonwood	Lease	$28.41/$28.24∗
No		Downtown	Lease	$31.01/$30.20∗

*RSF (Rentable Square Feet), measured by standards of Building Owners and Managers Association.

**If current purchase option is excercised by purchase prior to April 30, 2004. Includes Tenant Finish Allowance of $28 per usable square foot (excluding areas already finished under second floor lease--8,793 usable square foot x $28 = $246,204.

∗First amount shown includes $0.81 per RSF allocated cost of 3 Triad Center 4th floor extended sublease liability. Second amount shown excludes the $0.81 for better comparability with other leasing costs. Cost not applicable to three finalists.

@Build-to-sell proposals that were infeasible because unavailable by mandatory occupancy date are excluded. Most of them also were cost-prohibitive. One cost-prohibitive downtown sale proposal ($37.54) was excluded from finalists. After the RFP review process was completed, a West Valley spec building at $20.05 annualized cost per RSF was offered for sale. Building was outside the RFP location zone and required purchase of 150% of longest-range ultimate need projection.

@@Building has a smaller ratio of usable to rentable square feet, and would have required leasing at least 10,000 more RSF.

FINANCIAL INFORMATION
STATE BOARD OF REGENTS BUILDING (GATEWAY 2)
Prepared January 4, 2004

III. FY 2003 ANNUALIZED COSTS OF CURRENT CONDOMINIUM INTEREST AND SECOND FLOOR LEASE

D. Amortization and Operating Costs	Ownership of Floors 3, 4, and 5 (1)	Lease of Most of Floor 2 (2)	Combined Costs (3)
1. Debt Service--Principal	$265,000		
2. Debt Service--Interest	$374,485		
3. Transfer to Maintenance Reserve	$28,000		
4. Rent		$252,643	
5. Condominium Fees	$198,112	$88,984	
6. Electricity (Metered)	$59,868	$16,253	
7. Parking	$86,274	$26,034	
8. Total Costs	$1,011,739	$383,914	$1,395,653
E. Rentable Square Feet	52,566	15,862	68,428
F. Cost Per Rentable Square Foot	$19.25	$24.20	$20.40

IV. FY 2003-EQUIVALENT ANNUALIZED COSTS OF ENTIRE BUILDING USING DISCOUNTED PURCHASE OPTION

G. Amortization and Operating Costs	Ownership of Floors 3, 4, and 5 (1)	Ownership of Floors 1, 2, & Mezzanine (2)	Entire Building Combined Costs (3)
1. Debt Service--Principal◆	$265,000	$122,563	
2. Debt Service--Interest◆	$374,485	$173,199	
3. Transfer to Mainenance Reserve	$28,000	$15,430	
4. Rent	$0	$0	
5. Condominium Fees	$198,112	$95,869	
6. Electricity (Metered)	$59,868	$32,991	
7. Parking	$86,274	$43,086	
8. Total Costs	$1,011,739	$483,138	$1,494,877
H. Rentable Square Feet	52,566	28,967	81,533
I. Cost Per Rentable Square Foot	$19.25	$16.68	$18.33

V. NET INCREASE IN FY 2003-EQUIVALENT OPERATING COSTS TO ACQUIRE ADDITIONAL 13,105 SQUARE FEET#

J. $483,000 For Ownership of Floors 1, 2, and Mezzanine Minus $384,000 Second Floor Lease Costs Equals Net Cost Increase of $99,000, or FY 2003 Equivalent Annualized Costs of $7.55 per RSF.##

◆Assumes New $3.7 million building bond issue is closed before April 30, 2004 on terms equivalent to existing bond issue.
#1,660 additional RSF on second floor, plus mezzanine 5,084 and first floor 6361 = 13,105 additional RSF.
##Additional Costs will be paid entirely from current revenues of UHEAA for expanded in-house servicing and outreach center.

FINANCIAL INFORMATION
STATE BOARD OF REGENTS BUILDING (GATEWAY 2)
Prepared January 4, 2004

VI. COMPARISON OF PURCHASE VS. LEASE OPTIONS ON BUILDING AREAS NOT CURRENTLY OWNED

CUMULATIVE INCREMENTS:	2004-2009###	2004-2014	2004-2019	2004-2024
K. Purchasing vs. Leasing Entire Second Floor (17,522 RSF)				
4. Rent	$1,488,609	$3,163,275	$5,104,672	$7,355,283
5. Condominium Fees	$521,490	$1,108,159	$1,788,269	$2,576,703
6. Electricity (Metered)	$84,599	$170,700	$261,193	$356,302
7. Parking	$35,643	$77,170	$125,356	$180,865
8. Total Costs to Lease	$2,130,341	$4,519,304	$7,279,490	$10,469,153
1. Debt Service--Principal%	$528,105	$1,169,243	$1,975,298	$3,000,000
2. Debt Service--Interest%	$675,831	$1,208,368	$1,573,215	$1,717,478
3. Trasfr to Maint Reserve	$45,467	$89,467	$133,467	$177,467
5. Condominium Fees	$521,490	$1,108,159	$1,788,269	$2,576,703
6. Electricity (Metered)	$84,599	$170,700	$261,193	$356,302
7. Parking	$35,643	$77,170	$125,356	$180,865
8. Total Costs to Purchase	$1,891,135	$3,823,107	$5,856,798	$8,008,815
9. Difference	-$239,206	-$696,197	-$1,422,692	-$2,460,338
10. Cumulative Ave Annual Lease Cost per RSF	$23.53	$25.37	$27.39	$29.63
11. Cumulative Ave Annual Purchase Cost per RSF	$20.89	$21.46	$22.04	$22.66
L. Purchasing vs. Leasing Mezzanine and First Floor (11,445 RSF)				
4. Rent	$972,328	$2,066,184	$3,334,264	$4,804,315
5. Condominium Fees	$340,626	$723,826	$1,168,060	$1,683,048
6. Electricity (Metered)	$55,258	$111,498	$170,606	$232,729
7. Parking	$23,281	$50,406	$81,880	$118,137
8. Total Costs to Lease	$1,391,494	$2,951,914	$4,754,809	$6,838,230
1. Debt Service--Principal✦	$189,238	$418,979	$707,815	$1,075,000
2. Debt Service--Interest✦	$242,173	$432,999	$563,736	$615,430
3. Trasfr to Maint Reserve	$29,698	$58,438	$87,178	$115,918
5. Condominium Fees	$340,626	$723,826	$1,168,060	$1,683,048
6. Electricity (Metered)	$55,258	$111,498	$170,606	$232,729
7. Parking	$23,281	$50,406	$81,880	$118,137
8. Total Costs to Purchase	$880,275	$1,796,145	$2,779,274	$3,840,262
9. Difference	-$511,219	-$1,155,768	-$1,975,535	-$2,997,968
10. Cumulative Ave Annual Lease Cost per RSF	$23.53	$25.37	$27.39	$29.63
11. Cumulative Ave Annual Purchase Cost per RSF	$14.89	$15.44	$16.01	$16.64

###Includes last two months of FY 2004 plus following five Fiscal Years.
%Assumes New $3.0 million building bond issue is closed before April 30, 2004 on terms equivalent to existing bond issue.
✦Assumes new $1.075 million building bond issue is closed before 4-30-04 on terms equivalent to existing bond issue.

FINANCIAL INFORMATION
STATE BOARD OF REGENTS BUILDING (GATEWAY 2)
Prepared January 4, 2004

VI. COMPARISON OF PURCHASE VS. LEASE OPTIONS ON BUILDING AREAS NOT CURRENTLY OWNED (Continued)

CUMULATIVE INCREMENTS:	2004-2009###	2004-2014	2004-2019	2004-2024
M. Purchasing vs. Leasing Second Floor, Mezzanine and First Floor (28,967 RSF)				
4. Rent	$2,460,937	$5,229,459	$8,438,936	$12,159,598
5. Condominium Fees	$862,116	$1,831,985	$2,956,329	$4,259,751
6. Electricity (Metered)	$139,857	$282,198	$431,799	$589,031
7. Parking	$58,924	$127,576	$207,235	$299,003
8. Total Costs to Lease	$3,521,835	$7,471,218	$12,034,298	$17,307,383
1. Debt Service--Principal★	$651,330	$1,442,067	$2,436,202	$3,700,001
2. Debt Service--Interest★	$833,526	$1,490,321	$1,940,299	$2,118,223
3. Trasfr to Maint Reserve	$75,165	$147,905	$220,645	$293,385
5. Condominium Fees	$862,116	$1,831,985	$2,956,329	$4,259,751
6. Electricity (Metered)	$139,857	$282,198	$431,799	$589,031
7. Parking	$58,924	$127,576	$207,235	$299,003
8. Total Costs to Purchase	$2,620,919	$5,322,052	$8,192,508	$11,259,393
9. Difference	-$900,916	-$2,149,166	-$3,841,790	-$6,047,990
10. Cumulative Ave Annual Lease Cost per RSF	$23.53	$25.37	$27.39	$29.63
11. Cumulative Ave Annual Purchase Cost per RSF	$17.51	$18.07	$18.65	$19.27

VII. RECENT SALT LAKE COUNTY LEASE RATES FOR CLASS A FACILITIES (Class A Full Service Without Parking)

	Central Business District	Periphery	Suburban
N. Colliers International: Mid-Year Market Review 2003 Utah	$22.23	$19.15	$19.88
O. CB Richard Ellis: Salt Lake City Market Index Brief, Q3 2003	$20.20		

###iIncludes last two months of FY 2004 plus following five Fiscal Years.
★Assumes new $3.7 million building bond issue is closed before 4-30-04 on terms equivalent to existing bond issue.

Attachment B

Excerpts From Commissioner's Memorandum
Recommending Approval of Authorizing Resolution
For SBR Revenue Bonds, Series 2002 (Office Facility Project)
Approved by the Board of Regents in February 2002

Issue

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The bonds will be issued under authority of Title 53B, Chapter 21 and Section 63B-9-101 of the Utah Code Annotated 1953, as amended (the "Act"). Under this authority the Board is authorized to issue, sell and deliver revenue bonds secured by the credit, revenues and reserves of the Board's Higher Education Loan Program (the "Program") to finance the cost of acquiring, construction, furnishing and equipping office space for use by the Board (the "Project"). The Program is accounted for in a separate Enterprise Fund of the State of Utah, as the State Board of Regents Loan Purchase Program (LPP). All transactions and cash flows related to the Project will be accounted for in the LPP Enterprise Fund, and the value of the asset will be in the fund balance of the LPP Enterprise Fund.

* * * * *

Relationship of the Building Bonds to Student Loan Revenue Bonds

The Board issues Student Loan Revenue Bonds as needed, and uses the proceeds to finance purchase of FFELP student and parent loans and origination of FFELP Consolidation Loans. The Board has established two different current bond series for the Student Loan Revenue Bonds, one based on a 1988 General Indenture and one based on a 1993 General Indenture. The current Resolution will authorize a completely separate bond issue with a separate Indenture, which will not in any way overlap with, pledge, or encumber any of the funds or revenue sources for the Student Loan Revenue Bonds under the 1988 and 1993 Indentures.

The bonds issued for the Office Facility Project are not subject to the tax-exempt cap authority limitations applicable to student loan revenue bonds (and to housing authority and private purpose economic development bonds), and will not diminish the cap authority available for the student loan revenue bonds.

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The Project

The Project, which is the culmination of a lengthy request for proposals (RFP) selection process conducted for the Board by the Division of Facilities Construction and Management (DFCM), is for acquisition of floors three, four, and five (approximating 52,500 square feet of office and support space) in the newly-constructed Two Gateway Office Building. The Project will provide permanent space for the Office of the Commissioner of Higher Education (OCHE) and the Utah Higher Education Assistance Authority (UHEAA).[2] The Board of Regents voted on October 19, 2001, to authorize the execution of a purchase agreement for the Project. With The Board's approval, the real estate contract to purchase the Project was executed on December 20, 2001. The purchase price of the Project, including tenant improvements, is $8,000,000. Legislation authorizing issuance of bonds for the Project[3] provides that "the bonds or other indebtedness authorized by this section may provide up to $8,000,000, together with other amounts necessary to pay costs of issuance, pay capitalized interest, and fund any debt service reserve requirements."

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Policy Implications

Timely sale of the Board's Revenue Bonds, Series 2000 (Office Facility Project) will provide stable occupancy for the offices of the Board, the Office of the Commissioner of Higher Education, and UHEAA with long-term cost savings from escalating leasing costs. Amortization of the bond principle and interest will be covered by amounts previously budgeted to pay rental costs on a lesser amount of space.

Options Considered

Alternative lease and acquisition opportunities were thoroughly reviewed and evaluated during the facility RFP process, and the Two Gateway Office Building space acquisition was determined to provide the best value consistent with the Board's location and functionality objectives. Variable rate financing was considered, but under current market conditions a fixed rate facility was determined most likely to be advantageous longer term.

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[2] In addition, UHEAA will need to lease space on a major portion of the second floor of the building, primarily in connection with planned initiation of in-house servicing of in-repayment student loans.

[3] C. 1953, 63B-9-101, enacted by L. 2000, ch. 327, § 5.

Attachment C

PROSPECTUS:

STUDENT OPPORTUNITY CENTER

IN STATE BOARD OF REGENTS BUILDING, THE GATEWAY

Introduction

UHEAA officers have been seeking a suitable location for establishment of a UHEAA-sponsored *Student Opportunity Center* as a next step in development of a comprehensive outreach and information program in fulfillment of UHEAA's adopted mission. The UHEAA mission statement summarizes UHEAA's charter, "under the authority, control, and oversight of the Board of Regents," as "Utah's agency for promotion of financial access to postsecondary education, and for outreach and information services to assist and encourage families and individuals to plan and prepare for both the academic and financial requirements of successful education participation." Regents' acquisition of the first floor of the Board of Regents Building (Gateway 2 Office Building) will provide an exceptionally favorable location for the proposed *Student Opportunity Center.*

Need for Expanded Outreach

Researchers and policymakers across the Nation–including Congressional committees and the National Advisory Committee on Student Financial Assistance–recognize a growing and stubborn "opportunity gap" in access to and successful participation in postsecondary and higher education. The gap affects various minority groups but is even more closely associated with social and economic backgrounds across all ethnic groups. Affordability in the face of growing populations and rapidly escalating costs of attendance is one extremely crucial part of the problem. Another, also crucial, part of the problem is a lack of understanding regarding career and educational opportunities, their importance for access to meaningful employment and lifestyles, and what decisions young people need to make to be prepared to take advantage of the opportunities. "When it comes to increasing access to higher education, there's not enough money, and money's not enough."[1] In the absence of confidence regarding financial access and understanding of opportunities and preparation requirements, a large portion of the oncoming population assumes lack of opportunity, lacks inspiration and commitment to prepare for a brighter future, and fails to make informed decisions to prepare either academically or financially.

With current budget limitations, school counselor staffs increasingly are short-handed and needing additional tools to help in coping with overwhelming workloads. In this environment, even motivated students from families with higher education traditions need neutral, free or cost-effective resources for sifting through the plethora of targeted communications in the current education "marketplace," and in planning and preparing effectively for postsecondary education.

UHEAA'S Vision for Outreach

"UHEAA seeks to assure that Utah citizens and families:

1. Have access to comprehensive information and understanding of

    a. the value of thorough educational preparation and training for participation in society and the economic marketplace of today and tomorrow;

b. what is required in educational preparation and financial preparation to qualify for and take full advantage of available opportunities for postsecondary education and training;

c. the achievability of appropriate postsecondary education and training for all citizens, from all social and economic backgrounds, who aspire to it and prepare to take advantage of it, including knowledge of the availability of both need-based and merit-based financial assistance from federal, state, and private sources.

2. Have access to effective tools for understanding career and related educational opportunities, with particular emphasis on programs available in Utah postsecondary institutions, and for managing their secondary school experiences toward preparation for continuation of their educations.

3. Have access to effective tools for financial planning and for development of savings to assist in the financing of their participation in postsecondary education, recognizing that savings that cover even a small fraction of the cost of attendance can help to keep necessary borrowing to invest in postsecondary opportunities at a level that will be more manageable after graduation.

4. Have access to efficiently-administered scholarship, grant, work-study, and loan programs for postsecondary education expenses, with loan availability at the lowest feasible cost to student and family investors."[2]

Acting on the Vision

The first major component of the vision, launched almost two years ago, is *UtahMentor*, UHEAA's comprehensive web-based outreach tool for students, families, and high school counselors.[3] The second major component will be establishing the *Student Opportunity Center* in a strategic, accessible location. A third major component will be development of a series of presentations to be given in all areas of the state, as "college planning nights" using the same information that is available in *UtahMentor* and through the *Student Opportunity Center.* Synergies can be achieved by cross-promotion between these two substantial outreach and information tools.

The area adjacent to the lobby in the first floor of the State Board of Regents Building is an exceptionally favorable location for the *Student Opportunity Center.* It is the right size for incorporation of the major features of the Center. It will capitalize on major traffic flow in the Gateway/Delta Center area, including traffic of school groups visiting the Planetarium and the Children's Museum. In addition, the location is easily accessible to individuals, families, school field trips and other groups from all parts of the city and other areas via Interstate 15 and TRAX.

The center will provide a major specialized library of career exploration, college planning and financial planning materials, a multi-station computer laboratory for accessing related tools available on the Internet, featuring *Utah Mentor,* a briefing room for groups, and small consultation rooms for individuals and families, who walk in or make appointments. It will be staffed by a manager and at least one counselor full-time, with augmentation by volunteers from UHEAA staff and students from higher education institutions.

Student loan agencies in states which have pioneered these types of outreach activities are finding it productive to provide both the walk-in facilities and the Internet facilities. In the *Career Opportunity Center*, school students will be coached and trained in using *UtahMentor*, a tool they can continue to use both at home and from other available sites.

These kinds of outreach programs respond to the aforementioned reality that school students and families too often lack realistic understanding of opportunities available for access to higher education and for help in financing that access. As a result, too many young persons and families fail to make decisions needed at appropriate times to prepare for college, or they may decide unnecessarily that college is not for them. The well-known result is substantial social and economic costs. UHEAA's outreach activities aim to help increase the numbers of students and families making good decisions based on good information and realistic understanding.

End Notes

1. Martha D. Lamkin, President and CEO, Lumina Foundation for Education, in introduction to Lumina Foundation Focus, Summer 2003: "Restricted access, The doors to higher education remain closed to many deserving students."

2. Excerpted from "Utah Higher Education Assistance Authority Mission, Vision and Strategic Principles," June 26, 2003.

3. *UtahMentor* includes and promotes direct links to USHE's Majors Guide and Transfer Guide, two innovative web-based tools for high school and college students to explore and make decisions based on information about degree programs offered by Utah institutions and the transferability of courses among institutions for specific majors.

MEMORANDUM
January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: USHE – Proposed Revision to R205, *Presidential Appointment, Term of Office, and Compensation and Benefits*

Issue

Existing Regent policy (R205) describes the manner in which presidential salaries are initially established. Existing Regent practice provides that changes in presidential salaries shall be approved by the Board.

Discussion

Recent events have revealed the wisdom of presenting to the Board of Regents a periodic update on presidential and commissioner compensation. The Commissioner proposes that R205, *Presidential Appointment, Term of Office, and Compensation and Benefits,* be revised to require an annual report to the Board regarding compensation of presidents and the commissioner. A new subparagraph could be added to section **3.2. Appointments** as follows:

> **3.2.1. Annual Report of President and Commissioner Compensation.** The Office of the Commissioner shall prepare and submit to the Board an annual report detailing presidential and commissioner compensation, including compensation from private as well as public sources which is directly associated with his or her service as president or commissioner.

Recommendation

It is the recommendation of the Commissioner that the Board of Regents approve the revision to R205 to include new subsection 3.2.1. as stated in the preceding paragraph.

REK/MHS

Richard E. Kendell, Commissioner

Attachment

MEMORANDUM
January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Proposed Revision to R590, *Issuance of Revenue Bonds for Facilities Construction or Equipment*

Issue

Regent policy R590, *Issuance of Revenue Bonds for Facilities Construction or Equipment*, currently provides procedural guidelines for the issuance of revenue bonds within the USHE for facilities construction or equipment purchases.

Discussion

In several recent discussions of proposed revenue bonds, Regents have requested information regarding how the proposed bond relates to total bond debt for the institution and for the USHE as a whole. The Office of the Commissioner does not currently maintain a summary of institutional or system bond debt. However, in response to Regent interest, the Commissioner proposes that such a summary be developed, and reported annually to the Board of Regents. Since policy R590 already assigns several bond-related responsibilities to the Associate Commissioner for Finance and Facilities, it is appropriate to revise the policy to add an annual report to this list of assignments. A new section of R590 is proposed as follows:

3.7 Associate Commissioner for Finance and Facilities to Submit an Annual Report of Bond Debt – The Associate Commissioner for Finance and Facilities shall prepare and submit to the Board an annual report which summarizes institutional and system bonded indebtedness associated with institutional or system revenue bonds, and shall include a summary of State of Utah General Obligation Bond debt associated with USHE capital development.

Recommendation

It is the recommendation of the Commissioner that the Board of Regents approve the proposed revision to R590 to include new section 3.7 as stated in the preceding paragraph.

REK/MHS
Attachment

Richard E. Kendell, Commissioner

MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: USHE – Report on Early Retirement Incentives

Issue

In response to ongoing concerns expressed by the Regents regarding early retirement incentives (ERI) at USHE institutions, staff has compiled the attached issue paper. Based on the findings of this paper, eight potential actions are provided for Regent consideration.

Background

In order to provide Regents with a broader understanding of the issues related to ERI in USHE institutions, the attached issue paper presents findings on ERI from a review of management, legal, and academic literature. ERI provide organizations an opportunity to realign their workforce for financial or strategic purposes. One researcher suggests the three primary goals employers must balance concerning ERI: (1) getting the right number of older workers to take ERI; (2) getting the right older workers to take ERI, and (3) obtaining older workers' commitment to retire early at the right cost to the organization. To understand how these goals interact, sections of the paper provide insight into the governing federal policy, economics, structures, and benefits characteristics and eligibility. The major points covered in each of these sections are highlighted below:

- **Governing Federal Policy.** Based on amendments to the Age Discrimination in Employment Act that were included with the Higher Education Act Amendments of 1998, higher education institutions have authority (1) to offer voluntary retirement incentive plans, (2) to reduce or end the benefits related directly to the incentive plan at a certain age, and (3) to provide these incentives in addition to other retirement or severance benefits.

- **Economics.** An economic model titled the life-cycle model of employment suggests that because employers and employees prefer an increasing-wage structure over the employee's career, periods exist in a career when an employee is either overpaid or overproductive. This balances out over the career of the employee if the employee leaves at the age of retirement. Without the ability to enforce mandatory retirement, employers turn to incentive packages to entice employee's to retire

- **Structure.** Incentives can be structured either as temporary (only available during a particular window), or permanent (available indefinitely). Permanent incentives vary based on whether they are available upon retirement at any age or whether eligibility for the incentive terminates at a specific age. The literature suggests that permanent plans with terminating eligibility, like those offered by USHE institutions, provide the most effective incentive and management tool.

- **Eligibility.** Eligibility criteria can include age, years of service, or a combination of the two. Using all three as multiple hurdles, as USHE institution plans do, helps employers avoid the risk of losing the wrong employees. A national survey reports almost half of the higher education institutions offering ERI require administrative approval, whereas the other half allows for automatic eligibility.

- **Characteristics.** Significant flexibility exists in designing the cost of these incentives. A national survey showed that of institutions offering lump sum payments, most were less than or equal to 9 months of salary. USHE institutions offer cash incentives that are paid out as stipends over a number of years that range in value from 12 to 15.8 months of salary. Also, the importance of providing an incentive related to the provision of health insurance is frequently discussed in the literature, which suggests that health concerns and the rising costs of healthcare make the provision of health insurance essential for enticing early retirement.

- **Other Considerations.** In addition to ERI, the literature suggests other actions that organizations can undertake to ease the transition to retirement for employees while managing the organizations financial and workforce needs. These actions include improved pre-retirement counseling and developing phased-retirement or bridge employment options.

Policy Implications

As a result of the research related to compiling this issue paper and previous reports, staff has developed eight potential actions for Regents to consider regarding institutional early retirement incentives. These are outlined below:

1. Affirm the use of ERI by USHE institutions as an appropriate instrument to manage financial and workforce needs of the institution.

2. Direct institutions to maintain permanent ERI which have terminating points of eligibility (typically prior to full-retirement age) and require administrative approval in order to manage the ongoing needs of the workforce. In cases of financial restructuring, institutions may consider temporary ERI windows with approval from the institutional Board of Trustees.

3. Establish that the maximum value of the stipend benefit provided as part of the ERI shall be no more than 12 months salary, with annual adjustments for cost-of-living increases if granted to all employees.

4. Establish that the maximum value of the health and dental insurance benefit shall be no more than the amount provided regular employees of the institution for five years.

5. Direct institutions to develop better internal mechanisms to track the usage of ERI and evaluate the effectiveness of their institutional plans.

6. Instruct the Commissioner's Office to work with institutions to report annually on the usage of and benefits of ERI at each institution.

7. Direct institutions to study establishing differential eligibility criteria and benefits for different groups of employees, namely faculty, exempt staff, and non-exempt staff.

8. Direct institutions to develop or evaluate other mechanisms which ease the transition to retirement for employees, including the effectiveness of pre-retirement counseling and opportunities for phased-retirement or bridge employment.

Commissioner's Recommendation

It is the recommendation of the Commissioner that the Regents review and discuss the attached issue paper and potential actions, and then adopt the potential actions.

Richard E. Kendell, Commissioner

REK/MHS/BLM
Attachment

USHE ISSUE PAPER *January 7, 2003*

Early Retirement Incentives in the Utah System of Higher Education

INTRODUCTION

For the past 18 months, members of the State Board of Regents have asked Commissioner's Office staff to report on early retirement incentives (ERI) in the Utah System of Higher Education (USHE). A primary concern of Regents has been the financial costs and benefits of ERI offered within the USHE. To this end, staff has compiled reports identifying the relative richness of ERI across institutions, the utilization of ERI, the financial liability of ERI, and the characteristics of ERI offered by the State of Utah, school districts, and other educational entities (see Appendix 1)[1].

Though each of these reports has contained useful information, they have not addressed fully Regent concerns regarding ERI. Specifically, the reports have not justified the existence of ERI through a strictly financial cost-benefit analysis. This topic does not lend itself to a straight-forward analysis. If institutional organization and structure were static, and positions receiving ERI were in each instance replaced with a lower cost person in that position, then the cost-benefit would be simple to calculate.

Institutional practices concerning ERI complicate cost-benefit analysis in two primary ways. First, occasions where the utilization of ERI provided cost-savings for an institution are oftentimes difficult to track and quantify because affected positions are combined or reallocated. These reallocations may or may not result in net cost savings to an institution, but they are beneficial because they allow an opportunity to reorganize and better fulfill desired objectives. Second, in some circumstances ERI are provided for the primary purpose of being a severance mechanism. ERI usage in severance cases results in an identifiable cost for the institution, but the benefit is more difficult to quantify. Examples of these difficult to quantify situations include the potential for protracted legal proceedings concerning a separation, avoidance of implementing far-reaching employee productivity measures to build a case for terminating unproductive employees, or providing a small stream of income and health benefits to an older employee who falls short of qualification for disability but is increasingly challenged to perform effectively because of serious illness or functional impairments (Feldman, 2003; Worth, 1995).

Unlike the Regent concern regarding the cost of ERI to the employer, other groups oppose the usage of ERI because of their impact on employees. Such opponents criticize how ERI reduce the number of older workers, disadvantage the long term financial situation of individuals, are not truly voluntary, and amount to age discrimination (Worth, 1995). Though these concerns are not addressed in the body of this paper, the existence of a multi-sided debate on the matter of ERI emphasizes its complexity.

The purpose of this issue paper is to provide Regents with a broader understanding of the issues related to ERI in USHE institutions through the review of management, legal, and academic literature. Given the context provided by this literature interwoven with how current USHE ERI offerings relate to these topics, a recommendations section provides alternatives for Regents to review while considering how to provide oversight on the issue of ERI.

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[1] Attachment 1 of Appendix 1 has been updated since September 10, 2003. The changes reflect the revisions to Snow College's early retirement policy adopted in October, 2003, as well as adding descriptions of the ERI plans in UCAT.

EARLY RETIREMENT INCENTIVES – EXISTANCE AND STRUCTURE

Financial enticements offered to older workers as an inducement for them to retire,[2] ERI provide organizations an opportunity to realign their workforce for financial or strategic purposes. Whether motivated by difficult economic conditions, a needed "rebalancing [of] the portfolio of employee skills," or reinventing the organizational culture, Daniel Feldman from the University of Georgia's Terry Colleges of Business suggests three primary goals employers must balance concerning ERI: "(1) getting the *right number* of older workers to take ERI; (2) getting the *right older workers* to take ERI, and (3) obtaining older workers' commitment to retire early at the *right cost* to the organization" (2003, p. 84). To understand how these goals interact, the following sections provide summarize background and best practice information regarding the governing federal policy, economics, structures, characteristics and eligibility of ERI.

LEGAL REQUIREMENTS AND BACKGROUND

The federal Age Discrimination in Employment Act (ADEA) , 29 U.S.C. § 621-634, prohibits "discriminat[ing] against a person because of his/her age with respect to any term, condition, or privilege of employment -- including, but not limited to, hiring, firing, promotion, layoff, compensation, benefits, job assignments, and training." (U.S. Equal Employment Opportunity Commission, 2003). Congress amended the ADEA in 1990 through the Older Workers Benefit Protection Act, 492 U.S. 158 (1989) "to specifically prohibit employers from denying benefits to older employees" (ibid).

While these requirements apply to all employers, faculty tenure increases the complexity of implementing ADEA provisions for colleges and universities. When amendments to the ADEA in 1986 made mandatory retirement ages illegal, higher education institutions received an exemption until January 1, 1994. Subsequent Congressional action through the Higher Education Act Amendments of 1998 clarified among other issues the legality of higher education institutions (1) to offer voluntary retirement incentive plans, (2) to reduce or end the benefits related directly to the incentive plan at a certain age, and (3) to provide these incentives in addition to other retirement or severance benefits (Flower, 1998).

The provision of ERI has been employed by many organizations, including higher education institutions, as a method to meet one of the stated purposes of ADEA, which is "to help employers and workers find ways of meeting problems arising from the impact of age on employment" (29 USC § 621 (b)). By making retirement more attractive or possible, organizations have sought to develop alternatives that allow them to reshape their workforce or payroll without employing tactics that discriminate on the basis of age (Flower, 1998). The attractiveness of these options can also provide a dignified exit-track for dissatisfied older employees and for those who no longer find benefit from the latent functions of work (Feldman, 2003).

Like many other colleges and universities, USHE institutions developed incentives for early retirement as a reaction to the elimination of age-based mandatory retirement. The commonality of this practice is evident from several sources. For one, the Congressional amendment of ADEA requirements through the Higher Education Act Amendments of 1998 to clarify the legality for ERI plans at colleges and universities illustrates the interest in this issue nationally. In addition, a survey in 2000 by the American

[2] Reviewing writings on early retirement requires the separation of the discussion on early retirement <u>decisions made by employees</u> from early retirement <u>incentives offered by employers</u>. Though the two topics are related and the issues interact, this paper focuses on that literature which describes and analyzes early retirement incentives (ERI) offered by employers.

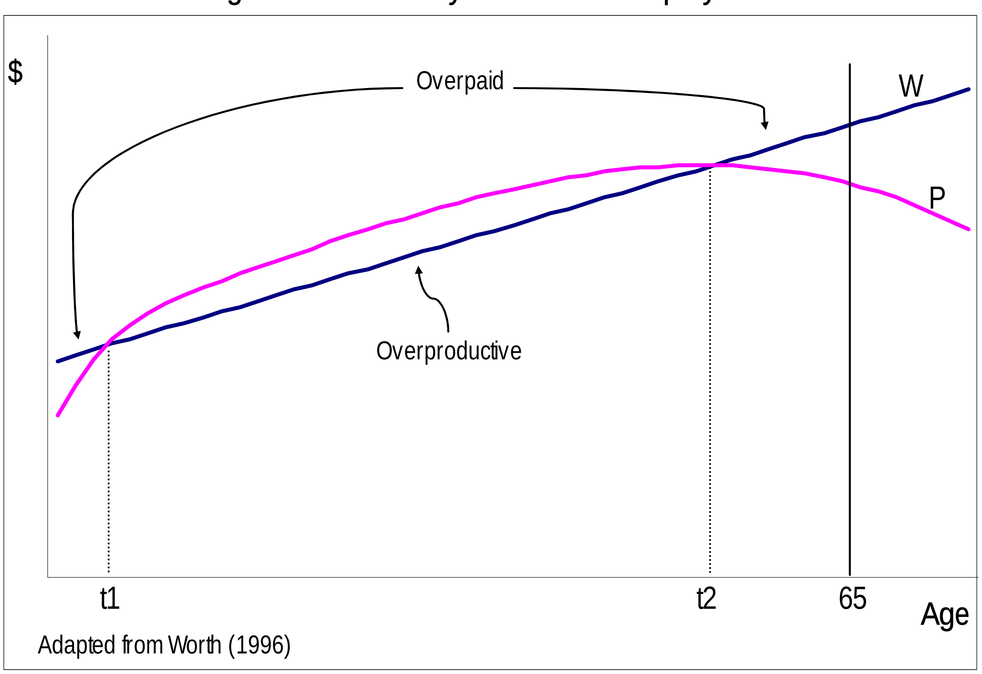
Association of University Professors (AAUP) reports that 46 percent of 392 public institutions surveyed had one or more financial incentive programs since 1995 to encourage faculty members to retire before age 70 (Ehrenberg, 2000). Given this precedence for ERI programs, the next section provides an economic model which provides a rational for offering ERI from the employer's perspective.

THE ECONOMICS OF ERI: LAZEAR'S LIFE-CYCLE MODEL OF EMPLOYMENT

An economic understanding of ERI, given the constraints of ADEA, provides a perspective on the financial benefit of these incentives to employers (Worth, 1995). A traditional economic assumption holds that the marginal wage of an employee equates to that employee's marginal productivity. However, economist Edward P. Lazear developed the life-cycle model of employment to explain "the empirical fact that wages increase over a career employee's lifetime even though marginal productivity has been shown to level off and eventually decrease in the later years of employment" (Worth, 1995, p. 416).

Lazear documented that both employers and employees prefer an increasing-wage structure over a constant wage structure, even if the total constant dollar lifetime earnings under each structure were equal. Employers prefer the increasing-wage structure because the promise of future increases deters employee shirking. On the other hand, employees prefer the increasing-wage structure because of a desire to realize constant improvement and a reward for sustained service. To provide this increasing wage structure, employers have to make up for the period of increasing wages and diminishing productivity later in an employee's career by under-compensating an employee during early periods. Assuming that an initial training period occurs when an employee's wage exceeds marginal productivity, an employee's career can be divided into three segments, one of overpayment, one of overproductivity, and another overpayment period when marginal productivity begins to decrease but marginal wage continues to increase. To make the amounts of overpayment and overproductivity equivalent, there must be a termination point (Worth, 1995). Prior to the elimination of mandatory retirement in ADEA, the age of mandatory retirement became this equalization point.

Figure 1. The Life-Cycle Model of Employment



The life-cycle model of employment is illustrated in Figure 1, where W equals marginal wages, and P equals marginal productivity. The periods prior to *t1* and after *t2* represent the periods of overpayment, whereas the period between *t1* and *t2* represents the period of overproductivity. Using mandatory retirement at age 65 as a termination point, the periods of overpayment and overproductivity are equalized. According to Worth, "Lazear's life-cycle explanation for mandatory retirement has become the accepted model of career employment, receiving much empirical support" (1995, p. 418).

When mandatory retirement was eliminated, employers lost their ability to maintain balance under the life-cycle model of employment. As a legal alternative under ADEA, they realized that in order to avoid the liability of employees working past the point equilibrium, an alternative would be to pay them out a sum equal to or less than the remaining amount of wages owed the employee under the life-cycle model (Worth, 1995). This amount is represented by the "overpaid triangle" between *t2* and age 65 in Figure 1.

From this economic perspective, the rationale for ERI comes from an employer's motivation to obtain agreement for voluntary retirement from an employee before the employer reaches a deficit in the amount of wages paid to the employee over that employee's career. This alternative in place of mandatory retirement provides employers "a nondiscriminatory means to complete the life-cycle contract, make room for the younger generation of workers, and provide a more human alternative to layoffs (Worth, 1995, p. 438).

This model serves to justify the existence of ERI in USHE institutions. In addition to circumstances where offering ERI helps with short-term financial challenges by restructuring a payroll, ERI is also a tool to limit an institution's economic liability related to employees working beyond the point of equilibrium in the life-cycle model of employment.

Structure of Early Retirement Incentives

Integral to meeting the employer's objectives under the life-cycle model of employment is the structure of ERI. This structure also significantly influences the employer's ability to balance Feldman's three goals of getting the right number of the right people to retire for the right price. The two primary structural differences in these incentives are temporary or window-of-opportunity plans and permanent or long-term plans. In the St. Louis University Public Law Review, Stith and Kohlburn (1992) describe the differences and discuss the effectiveness of window and long-term ERI plans.

Temporary ERI terminate at the same time for all employees who meet the minimum age and service requirements for eligibility. While these temporary plans can generate the most immediate short-term financial savings for an employer, several aspects make them difficult to administer. For instance, temporary plans always create a disgruntled group of employees who just miss the minimum eligibility requirements. However, granting eligibility to this borderline group does nothing to solve the problem because it only serves to create another borderline group. Perhaps the largest negative regarding temporary ERI is that employees come to expect these incentives and therefore delay retirement in order to wait for the next incentive window. This "hold-out" pattern can cost more financially as a result of a higher proportion of employees waiting for the window before retiring. It also can create an overload of experienced employees who simultaneously exit, resulting in too few experienced employees (Stith and Kohlburn, 1992, Ehrenberg, 2000).

Permanent incentive plans last for an indefinite duration and provide each individual employee with a window of opportunity to elect participating in the plan given certain minimum eligibility criteria. One-type of permanent plan is a retirement bonus plan, which simply pays a bonus benefit to an employee who retires after meeting the minimum requirements. Such bonus plans provide little incentive to retire early because the bonus will be realized no matter when the employee chooses to retire once the minimum requirements are met. Furthermore, because there is the potential for all employees to receive this bonus, the value of the ERI must be decreased. Variations of retirement bonus plans, such as sick leave buy-backs at retirement regardless of age, promote other goals, such as increasing attendance. While this benefit may help retirement appear more attractive, such plans are more effective if they are structured to award employees for desired behavior rather than encouraging early retirement (Stith and Kohlburn, 1992).

Another type of permanent ERI is a terminating plan. This type of plan, clarified as permissible under the Higher Education Act Amendments of 1998, allows the employee a fixed time after achieving eligibility to elect participation in the ERI. These plans effectively provide an incentive to retire because of the deadline for choosing the benefit (Stith and Kolhburn, 1992). The difficult aspect of these plans is identifying an appropriate incentive that entices retirement without costing too much. This is particularly true for employees in defined contribution retirement plans, who unlike counterparts in defined benefit plans, have accepted all the risk for generating enough income on a monthly basis. For this reason ERI may be less appealing for older employees in defined contribution retirement systems (Feldman, 2003).

The plans offered by USHE institutions, with the exception of two plans offered at UCAT campuses, fall under the structure of permanent-terminating plans. These plans establish a fixed time between the attainment of eligibility and the age of full retirement when an employee can elect to receive the incentive. This terminating-eligibility feature causes the plans to function as an incentive for employees to retire early. The plans at Davis ATC and Ogden-Weber ATC have elements of permanent-terminating and permanent-retirement bonus incentives. Four ATC campuses offer no ERI. USHE institutions have offered temporary or window plans, most recently SLCC in early 2002, to deal with budget reductions.

State of Utah employees are eligible for up to five years of health and life insurance coverage if they retire before age 65. If they exhaust the 5 years of coverage before becoming eligible for Medicare, they may cash-out 25 percent of their sick leave and converted sick leave, and then use the remaining sick and converted sick leave except for 480 hours to purchase the same health and life insurance or to purchase a Medicare supplement. This type of incentive functions with a dual purpose of encouraging regular attendance as well as providing financial motivation to retire early.

Design of ERI Benefits Characteristics and Eligibility

The design of eligibility and characteristics of ERI benefits again relates to the Feldman's three goals concerning ERI. While the first two goals of getting the right number and the right people to retire can be primarily influenced by eligibility criteria, the characteristics of the financial incentive relate directly to the third goal's purpose of identifying the right cost of the ERI for the organization while still obtaining commitment from the employee to retire early. This section provides a brief review concerning the objectives, effectiveness, and relevant issues related to the characteristics of an early retirement benefit and designing eligibility criteria.

ERI Benefit Characteristics

Significant flexibility exists for organizations in designing the cost of an early retirement incentive. Possible variations include buy-outs or other cash incentives, adding an incremental increase to the retirement benefit, or offering a terminal leave period during which benefits for retirement continue to accrue. The provision of health insurance is also an important consideration for these older employees, particularly those with illness who face large potential medical costs.

The AAUP 2000 faculty retirement survey found that 24 percent of 384 public institutions surveyed and 35 percent of 595 public and private institutions surveyed offered cash buyouts between 1995 and 2000. Of the institutions offering lump sum payments, 55 percent did not offer more than nine months of salary, while 28 percent offered 9 to 18 months, and only 16 percent offered buy-outs worth more than 18 months (Ehrenberg, 2000).

As reported to the Regents in September 2003, four USHE institution plans offer 12 months of salary, one offers 12.3 months, three offer 14.4 months, and one offers 15.8 months. Though the value of this cash pay-out is greater than that provided by most other higher education institutions included in the AAUP survey, USHE institutions spread their payments out as an annuity over a number of years, as opposed to a single lump-sum distribution. It is unclear from the AAUP survey whether institutions offer lump sum or annuity payments for the cash buyouts. Given the time-value of money, it would be understandable for USHE institutions to provide a greater cash benefit in terms of months of salary and spread it out over time.

The other benefit provided as part of USHE ERI programs is health and dental insurance. The provision of health and dental insurance for retiring employees, who are likely to have serious illness or concerns about medical costs, is a fundamental to encourage early retirement. Older workers are sensitive to being vulnerable while on a fixed retirement income to rapid inflationary increases in the cost of goods or services. As today's health care costs for prescriptions and patient care are particularly on an upward trend, contributions to health insurance are essential to promoting early retirement (Feldman, 2003).

One consequence of providing this benefit, however, is related to the requirement that employees meet certain criteria before being eligible. Karoly and Rogowski (1994) report that "access to retiree health benefits reduced the probability of retiring until the worker became eligible for the benefit and increased the probability of retiring thereafter, with the largest effect occurring at the age of eligibility" (1994, p. 104). Thus some workers are enticed to work longer in order to become eligible for this benefit.

ERI Eligibility Criteria

Eligibility criteria are given little consideration in the literature. Stith and Kohlburn note that "any minimum age or service requirements are permissible" (1992, p. 271). Because the criteria influence who might consider this option, estimating how many and which employees will elect early retirement is essential to maintaining an effective program. This estimation is difficult because it depends on personal financial, family-status, and other factors outside an employer's knowledge (Feldman, 2003).

Feldman suggests that employers consider "multiple hurdles for ERI eligibility" (2003, p. 110). Requiring minimum ages and years of service, in addition to a combined age and years of service factor, helps employers avoid the risk of losing relatively young employees who have a long history with the organization or of paying an unearned benefit to a short-time but older employee. Though this multiple hurdle strategy decreases the overall size of the eligibility pool, it also decreases the likelihood of having the *wrong numbers* or *wrong employees* taking early retirement. USHE institution plans contain “multiple hurdles”, including age, years of service, and a combination of age and years of service.

Another question regarding eligibility centers on the need for administrative approval. The 2000 AAUP survey suggests that just under half of the institutions that offered ERI buy-outs required administrative approval. In other institutions tenured faculty were automatically eligible once they had meet minimum requirements (Ehrenberg, 2000). Each USHE plan requires employees to apply for and receive administrative approval from institutional administration, perhaps including the Board of Trustees, before being granted ERI. The approval is to be based on a rational consideration of the impact of the request, establishing early retirement as a potential benefit rather than an entitlement. The drawback to this position is that because ERI are granted on a case-by-case basis, institutions with large number of employees on grants or other soft funds can not build the cost of the ERI into the grant, even though the employee’s regular salary and benefits may have come from grant funds. At least one USHE institution has recently considered eliminating the administrative approval requirements in order to allocate the ERI costs to grants.

Related to eligibility criteria and the design of benefit plans, one question that arises concerns the particular attention paid to faculty tenure in creating the need for and design of ERI for higher education institutions and whether the design of benefit plans and eligibility criteria should differ across groups of employees. For instance, one question could be whether eligibility or the design of the benefit need be different for tenured faculty as opposed to untenured faculty or staff to achieve an effective outcome from ERI. In addition, because of the distinction in the USHE between exempt staff being on a defined contribution retirement plan and non-exempt staff being on a defined benefit retirement plan, and the potential difference the type of retirement plan may have on retirement decisions, perhaps the ERI criteria and benefits for exempt and non-exempt staff should be differentiated.

OTHER ERI CONSIDERATIONS

In addition to the points noted previously regarding the legal and economic background of ERI, the structure of these incentives, and the associated benefits and eligibility criteria, several other considerations are important to outline. First is the need to recognize the inherent “free-rider” problem associated with ERI. This refers to offering this incentive to those workers who would have retired without any incentive. Though free rider costs are difficult to determine, failure to acknowledge their existence can lead to under-projecting the costs of an ERI and overstating the benefits (Feldman, 2003).

Other considerations should be given to alternatives aside from or in addition to ERI than can ease the transition to retirement for employees. Feldman (2003) cites a number of these factors, including (1) bridge employment – where an employee takes a different type of position late in career but before exiting the workforce; (2) improved pre-retirement counseling; (3) using early retirees as contingent employees; and (4) dealing with older workers respectfully and designing meaningful retirement and ERI options as an indicator to all employees of the organizations humane core values.

In addition to these options, the 2000 AAUP retirement policies survey reports on institutions offering phased retirement programs. Just 23 percent of the 393 public institutions and 27 percent of 607 public and private institutions offered phased retirement. Phased retirements allowed a faculty member to continue teaching part-time for reduced compensation over a period of years before taking full retirement, the timing of which is typically determined in advance. Nearly two-thirds of the cases require administrative approval before phased retirement may be granted (Ehrenberg, 2000). Phased retirement options have a similar benefit to bridge employment, in that they ease the transition of an employee into retirement.

RECOMMENDATIONS

In relation to this discussion of ERI, including the legal requirements surrounding their creation, an economic model that justifies the need for these incentives, and background discussion on the alternative structure, benefits, and eligibility criteria, this section contains potential actions that the Commissioner recommends Regents consider regarding USHE early retirement incentives. Regents should note that dramatic changes to early retirement programs in existence could create a rush of activity on campuses for institutions to apply under the current guideline. In addition, because of the history of legal issues and case law related to ERI, Commissioner's staff and institutions should work with the State Attorney General's office or institutional counsel to implement any changes.

Potential actions for Regent consideration include:

1. Affirm the use of ERI by USHE institutions as an appropriate instrument to manage financial and workforce needs of the institution.

2. Direct institutions to maintain permanent ERI which have terminating points of eligibility (typically prior to full-retirement age) and require administrative approval in order to manage the ongoing needs of the workforce. In cases of financial restructuring, institutions may consider temporary ERI windows with approval from the institutional Board of Trustees.

3. Establish that the maximum value of the stipend benefit provided as part of the ERI shall be no more than 12 months salary, with annual adjustments for cost-of-living increases if granted to all employees.

4. Establish that the maximum value of the health and dental insurance benefit shall be no more than the amount provided regular employees of the institution for five years.

5. Direct institutions to develop better internal mechanisms to track the usage of ERI and evaluate the effectiveness of their institutional plans.

6. Instruct the Commissioner's Office to work with institutions to report annually on the usage of and benefits of ERI at each institution.

7. Direct institutions to study establishing differential eligibility criteria and benefits for different groups of employees, namely faculty, exempt staff, and non-exempt staff.

8. Direct institutions to develop or evaluate other mechanisms which ease the transition to retirement for employees, including the effectiveness of pre-retirement counseling and opportunities for phased-retirement or bridge employment.

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Appendix 1

Update on Study of Early Retirement Practices (including attachments)
(September 10, 2003)

Note: Attachment 1 of this report has been revised to reflect the revisions to Snow College's early retirement policy adopted in October, 2003, as well as adding descriptions of the ERI plans in UCAT.

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Utah System of Higher Education *September 10, 2003*

Update on Study of Early Retirement Practices

Issue

In conjunction with interest in health insurance and other benefits programs, the Regents' Finance, Facilities, and Accountability Committee has asked for additional information on early retirement programs at USHE institutions. Past reports to the Regents on this issue have identified the prevalence and usage of USHE early retirement programs, descriptive explanations of USHE programs, and justifications of those programs related not only to cost-savings but also to management flexibility issues.

In addition to summarizing the findings from past reports, this report presents an analysis designed to compare the value of early retirement benefits across the 9 USHE institutions' current programs. Additional national benchmark comparisons are also provided, along with potential options. Regents are asked to direct staff regarding their desired next steps on this issue

Background

Through institutional policy and procedures, USHE institutions currently provide early retirement programs that allow employees who meet specified age and length of employment criteria to be eligible to receive a stipend and insurance coverage for a limited period of time or until the employee is eligible for full retirement benefits. Currently, USHE plans do not entitle employees to early retirement benefits. Employees must apply and receive approval from institutional administration, perhaps including the Board of Trustees, based on a rational consideration of the impact of the request.

These programs have not been instituted primarily for cost-saving purposes, although cost savings can be realized in some circumstances. The greatest advantage to institutional officials of early retirement programs is the administrative flexibility realized through potential reallocations that would not have been possible without early retirees. Originally these plans were created as a response to the elimination of mandatory retirement practices, creating an incentive similar to severance or buy-out packages used in the private sector. Attachment 1 summarizes current institutional plans.

Benefits Relativity Analysis

In order to compare the value of the benefits offered across the various USHE early retirement programs, institutional officials agreed to complete four early retirement costing scenarios or "story problems" (Attachment 2). By identifying four hypothetical employees and eliminating all potential variability for these employees except the specific provisions of the early retirement program, the analysis is intended to identify the relative value of the early retirement benefit across USHE institutions.

Attachment 3 reports the summary results for each costing scenario and the four-scenario average. The relative value of three types of benefits for each institution is identified: (1) stipend and salary-related benefits (FICA), (2) health benefits, (3) and dental benefits. An overall score is also assigned. The score in each category is indexed to the average benefit offered across the USHE. Though the scenarios identified annual cost increases, in compiling the analysis staff noticed that these inflationary factors had differential and unintended effects on the relativity scores. The summary presented in Attachment 3 eliminates the effect of any inflationary increases to present a "constant-dollar" analysis.

Index scores should not be interpreted as an absolute relativity of early retirement plans, but rather as the relativity based on the 4 identified scenarios. However, because the scenarios represent a diverse collection of employee ages, years of experience, and salaries, the four-scenario average relativities are meant to be representative of the respective institutional early retirement plans.

Differences in benefit relativities can be explained almost entirely by focusing on four characteristics of the plan. These are (1) eligibility requirements, (2) length of benefit, (3) percentage of final salary provided as a stipend, and (4) percentage of health and/or dental coverage provided by the institution.

1. Eligibility requirements. Eligibility requirements vary in two ways that affect relativity indexes. Except for WSU, all institutions require that age plus years of service total 75 before the benefit may be taken. However, the minimum age requirements range from 56 to 60. This variation is the first difference that can affect scores, but it only has an impact if combined with differential "length of benefit" standards. The second difference is that three institutions allow time at other USHE institutions to count toward years of service. Southern Utah University, Snow College, and SLCC all have higher index scores on Scenario C because of this provision that allows years of service to transfer across the system.

2. Length of Benefit. The length of the benefit for early retirement stipends varies from 5 to 10 years. UU, CEU, and UVSC cap their stipend benefit at five years. USU, SUU, Snow, and DSC have a six-year stipend maximum. WSU and SLCC allow for longer periods, up to seven years at SLCC and up to 10 years at WSU, however both of these schools reduce the stipend percentage so that the total cumulative value of the stipend is equal to the amount of the five-year benefit. USU, SUU, Snow, and DSC have higher relativity scores on Scenarios A, B, and D because of this provision.

   In addition, SUU allows for the health and dental benefit to continue until full-retirement age, even if the salary stipend has exceeded the six-year maximum. As a result, SUU receives a higher relativity score on Scenarios A and D.

3. Percentage of Final Salary Provided for Stipend. All but three institutions provide a stipend equal to 20 percent of the final salary. SUU provides 22 percent, SLCC provides 20.5 percent for a five-year recipient with reduced amounts for longer recipients, and WSU provides variable amounts based on the point of entry into early retirement, but each of these is equal to 20 percent for a five-year recipient. SUU, and to a small extent SLCC, have higher index scores on all scenarios as a result of the percentage of final salary final salary provided for a stipend.

4. Percentage of Health and Dental Coverage Provided. Except for CEU, institutions provide the same health and dental benefit to early retirees as for regular employees. CEU provides 100 percent for health benefit but only 80 percent for dental. This causes CEU's dental relativity score to be the lowest.

5. **Other.** Both Snow and DSC offer small life insurance benefits to their early retirees. The impact of these amounts is reflected only in the total relativity score and not the individual relativity scores for stipends, health, and dental.

Though early retirement plans exist at five UCAT campuses, some of these plans – those at Bridgerland, Ogden-Weber, and Davis -- are based on a different premise, i.e. that health benefits are provided based on accumulated sick leave. Therefore they are not directly comparable for the purposes of this analysis and are not scored. Mountainland and Dixie ATC offer identical plans as UVSC and DSC, respectively.

Similar requirements related to accumulated sick leave impact early retirement benefits for State of Utah and many school district employees, making it difficult to benchmark across these plans as well.

National Benchmark Findings

A recent report by the American Association of University Professors, *The Survey of Changes in Faculty Retirement Policies* (Ehrenberg, 2003), outlines findings from a 608-institution survey related to (1) characteristics of tenured faculty's regular retirement programs, (2) types of incentive and phased retirement programs, (3) college and university policies for retired faculty, and (4) institutions perceptions of the impact of eliminating mandatory retirement on their faculty.

On retirement incentive programs, the survey found that 46 percent of the institutions surveyed (279 out of 606) have had one or more opportunities for faculty to receive a financial incentive to retire before age 70. Public, two-year institutions with faculty ranks were the most likely to offer these types of incentive programs. Of all institutions survey, 206 offered buy-outs with minimum eligibility requirements. About half of these cases were reported to have been ongoing programs, similar to those offered by USHE institutions, and the other half were limited-time windows. The report speculates that offering retirement windows creates an expectation that another window will be offered, delaying retirement for some faculty who are waiting for the next incentive.

The report states that 55 percent of buyout plans, whether one-time windows or ongoing, offered buy-outs for less than 9 months of salary, while 28 percent offered 9 to 18 months salary and 16 percent offered more than 18 months. Stipends at four USHE institution plans offer 12 months of salary, while one offers 12.3 months, three offer 14.4 months, and one offers 15.8 months.

The report also found that 27 percent or 167 responding institutions offered phased retirement programs. The majority of these require administrative approval. These options were more prevalent in institutions with defined contribution retirement plans, such as faculty plans in the USHE. A limited number of USHE institutions (two) offer phased retirement options.

In questioning whether the proportion of tenured faculty who remain employed beyond age 69 was greater today than before the elimination of mandatory retirement, only 22 percent of responding institutions indicated that they perceived it was greater today. However, doctoral institutions were much more likely to perceive this as an increased problem today than any other type of institution.

Previous Reports Previously, the Regents have received reports on early retirement summarizing the utilization of early retirement programs in the USHE, the financial liability of early retirement programs, and outlines of early retirement incentives for other State of Utah employees, public education employees in Utah, and some examples of early retirement or equivalent incentives in the private sector. The summary of this report is provided as Attachment 4.

Other Items The Governmental Accounting Standards Board (GASB), which sets financial reporting standards for public entities, has proposed a new statement regarding how USHE institutions would have to report the financial liability for early retirement programs and all other post-employment benefits on financial statements. Currently institutions report the future liability for early retirement based on current costs. The proposed statement would require institutions to report an actuarial valuation of the cost of the potential early retirement benefits earned in the current year. This new rule, if adopted, would likely have the impact of increasing the liability for early retirement shown on institutional financial statements, as well as require institutions to employ an actuary to determine this liability every two to three years, depending on the size of the institution.

Next Steps The Commissioner's Office, with cooperation from USHE Human Resource and Administrative officials, has prepared this report based on Regent inquiries. Additional guidance from the Regents is needed point concerning any next steps with regard to early retirement programs. Potential options include:

- Continue receiving periodic reports on the utilization of early retirement programs.
- Continue to monitor statewide and national benchmarks, although this is less clearly defined than for other areas, such as health benefits.
- Consider guidelines concerning the parameters of early retirement incentives, including eligibility requirements, length of benefits, stipend percentage, and insurance coverage.

References

Ehrenberg, Ronald G. (2003). *The Survey of Changes in Faculty Retirement Policies.* American Association of University Professors. Accessed online at *http://www.aaup.org/Issues/retirement/retrpt.htm* on August 7, 2003.

Governmental Accounting Standards Board. *Proposed Statement of the Governmental Accounting Standards Board: Accounting and Financial Reporting by Employers for Other Postemployment Benefits Other Than Pensions.* Accessed online at http://www.gasb.org/pub/index.html on September 8, 2003.

Attachments

SUMMARY OF USHE EARLY RETIREMENT PROGRAMS

Institution	Eligibility	Cash Incentive	Insurance Benefits
University of Utah	1. Employed 75% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 60	1. Lesser of 20% of participant's annual salary at the time of early retirement <u>or</u> the estimate social security bridge maximum benefit at age 65 2. Increases annually based on personal services appropriation increases from Legislature	1. Health Insurance provided to participant and eligible dependents equal to that provided to regular full time employees for five years or until age 65
Utah State University	1. Employed 50% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 56	1. Lesser of 20% of participant's annual salary at the time of early retirement <u>or</u> the estimate social security bridge maximum benefit at age 65 for a maximum of 6 years	1. Medical and Dental Insurance provided to participant and eligible dependents equal to that provided to regular full time employees for six years or until age 65
Weber State University	1. 15 years of full-time continuous service and within 10 years of Full Retirement Age (FRA) 2. Phased retirement available in which the retiree forfeits a portion of his or her full-time position for a year of eligibility for early retirement. 3. The total period in years of phased and total early retirement cannot exceed the period for which the stipend and benefits are paid.	1. Depends on years to FRA. Amount not to exceed Social Security bridge maximum at FRA. a. Less than 1 year = 30% of base salary for 1 year or FRA b. 1-2 years = 30% of base salary for lesser of 2 years or FRA c. 2-3 years = 30% of base salary for lesser of 3 years or FRA d. 3-4 years = 25% of base salary for lesser of 4 years or FRA e. 4-5 years = 20% of base salary for lesser of 5 years or FRA f. 5-8 years = 20% of base salary for 5 years. g. 8-9 years, 16.67% of base salary for 6 years h. 9-10 years, 14.28% of base salary for 7 years	1. A percent of full-time employee premium depending on years to FRA. a. Less than 1 year = 100% health, 80% dental for 1 year or FRA b. 1-2 years = 100% health, 80% dental for 2 years or FRA c. 2-3 years = 100% health, 80% dental for 3 years or FRA d. 3-4 years = 100% health, 80% dental for 4 years or FRA e. 4-5 years = 100% health, 80% dental for 5 years or FRA f. 5-8 years = 100% health, 80% dental for 5 years g. 8-9 years = 83.3% health, 66.6% dental for 6 years h. 9-10 years = 71.4% health, 57.1% dental, for 7 years

SUMMARY OF USHE EARLY RETIREMENT PROGRAMS

Institution	Eligibility	Cash Incentive	Insurance Benefits
Southern Utah University	1. Employed full-time for 9 months or more per year 2. Age combined with years of service totals 75 or more 3. Minimum age 57 4. Employed a minimum of 6 years of University qualifying service credit, with service of full time for 9 months per year under institutional appointment at any other USHE institution will qualify for University service on a one-year for one-year basis	1. Lesser of 22% of participant's annual salary at the time of early retirement <u>or</u> the estimate social security bridge maximum benefit at age 65 – maximum of 6 year period 2. Cash incentive will be adjusted annually if University receives personal services appropriation increases from Legislature <u>or</u> any increase in the estimated Social Security maximum benefit for which the retiree will be eligible at 65	1. Medical and Dental Insurance provided to participant and eligible dependents equal to that provided to regular full time employees until the first day of the month following the 65th birthday
Snow College *(Policy revised October, 2003)*	1. Employed 75% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 57 4. At least the last 10 years of service must be from Snow College. 5. Phased retirement available in which the retiree forfeits a portion of his or her full-time position for a year of eligibility for early retirement.	1. Lesser of 20% of participant's annual salary at the time of early retirement or the estimate social security bridge maximum benefit at age 65 for a maximum of 6 years 2. Yearly increases adjusted for up to six years using the normal criteria for salary improvement.	1. Medical, Dental, Vision, and Life Insurance provided to participant and eligible dependents equal to that provided to regular full time employees for 6 years or until age 65

SUMMARY OF USHE EARLY RETIREMENT PROGRAMS

Institution	Eligibility	Cash Incentive	Insurance Benefits
Dixie College	1. Employed 75% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 56	1. Equivalent to 20% of employees contracted salary for the 12 month period prior to the actual date of early retirement 2. Paid for a maximum of 6 years or age 65 3. Cash incentive will be adjusted annually at a rate determined by College administration and at the same rate received by college employees performing at a satisfactory level	1. Medical and Dental Insurance provided to participant and eligible dependents equal to that provided to regular full time employees until the last day of the month following the 65th birthday, or the last day of the month which totals 6 years
College of Eastern Utah	1. Employed 75% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 56 4. Minimum of 15 years of full-time service at the College	1. 20% of participant's annual salary at the time of early retirement 2. Maximum of 5 years 3. Stipend will be adjusted annually according to the College's standard base salary and cost of living increase	1. Health and Dental Insurance provided to participant and eligible dependents equal to that provided to regular full time employees for five years or until the retiree becomes eligible for Medicare
Utah Valley State College	1. Employed 75% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 57	1. 20% of participant's annual salary at the time of early retirement 2. Maximum of 5 years 3. Stipend will be adjusted annually according to the College's standard base salary and cost of living increase	1. Health Insurance provided to participant and eligible dependents equal to that provided to regular full time employees until the retiree becomes eligible for Medicare

SUMMARY OF USHE EARLY RETIREMENT PROGRAMS

Institution	Eligibility	Cash Incentive	Insurance Benefits
Salt Lake Community College	1. Employed 75% or greater 2. Age combined with years of service totals 75 or more 3. Minimum age 57 4. Minimum of 15 years of full-time service at the College, <u>or</u> related employment with the USHE	1. Depends on the point of entry into the program (years to FRA). a. Less than 1 – 5 years, 20.5% of base salary b. 5-7 years, Pro-rated: stipend amount for 5 years divided by number of months employee selects to be paid c. 7 years, 14.3% 2. The stipend will be adjusted annually at a rate determined by the College administration, normally it will be at the same base increase as that given to faculty or staff, whichever employee group the early retiree worked under 3. Stipend will be paid a maximum of 7 years	1. Medical and Dental Insurance provided to participant and eligible dependents at the same level provided to regular full time employees for seven years or until age 65 a. Up to 5 years, 100% of premium b. 5.5 years, 90.9% c. 6 years, 83.3% d. 6.5 years, 76.9% e. 7 years, 71.4% 2. Retiree also pays current payroll deduction as other employees
Utah College of Applied Technology (varies by campus)			
Southeast ATC Uintah Basin ATC Southwest ATC Salt Lake/Tooele ATC	No early retirement plan		
Dixie ATC Mountainland ATC	Same plan as Dixie State College Same plan as Utah Valley State College		

SUMMARY OF USHE EARLY RETIREMENT PROGRAMS

Institution	Eligibility	Cash Incentive	Insurance Benefits
Bridgerland ATC	1. Age plus years of service must be equal to or greater than 75. 2. Must work for the college for at least 10 consecutive years. 3. Must be eligible to retire under the Utah State Retirement while employed with the college.	1. Participants will receive a stipend of 15% of their annual salary at the time of retirement. 2. The stipend will continue for 3 consecutive years or until the participant becomes eligible to receive unreduced social security benefits (age 65), whichever occurs first.	1. Insurance benefits are not offered.
Ogden-Weber ATC	1. Must be 55 years of age 2. Must have 10 years of service with the ATC system, five of which must be with the college. 3. Must retire from Utah State Retirement or TIAA/CREF while employed at the college.	1. A monthly distribution shall be made to the employee equivalent to 10% of their monthly compensation at the time of retirement. 2. The stipend shall be paid for 36 months.	1. Medical and dental and supplemental insurance provided to participant and eligible dependents at the same level provided to regular full time employees until the participant becomes eligible for Medicare. 2. Accumulated sick time will be paid out to employees eligible for early retirement according to the following schedule of full-time service with the college. a. 0-9 years 0% b. 10-19 years 25% c. 20-29 years 50% d. 30+ years 75%

SUMMARY OF USHE EARLY RETIREMENT PROGRAMS

Institution	Eligibility	Cash Incentive	Insurance Benefits
Davis ATC	1. Must have 10 years of salary service credit including 5 years current service at the college. 2. Must retire from the Utah State Retirement System while employed at the college.	1. Participants will receive a stipend of 15% of their annual salary at the time of retirement. 2. The stipend will continue for 3 consecutive years or until the participant becomes eligible to receive unreduced social security benefits (age 65), whichever occurs first. 3. Participants with greater than 25 years of service, but less than 30 may also purchase additional salary service credit by applying some or all of their eligible stipends on a one-time lump sum basis. a. Eligible for 3 years of stipend will receive a credit for 45% of annual salary to purchase additional salary service credit. b. Eligible for 2 years of stipend will receive a credit for 30% of annual salary to purchase additional salary service credit. c. Eligible for 1 year of stipend will receive a credit of 15%.	1. Medical and Dental Insurance provided to participant and eligible dependents at the same level provided to regular full time employees for ten years or until age 65 when the participant becomes eligible for unreduced social security benefits. a. Year 1-3 same premium as regular employees b. Year 4-10 100% of the premium 2. 20% of the participants sick leave to be applied to one of the following options a. Lump sum employer contribution to employees 401k or 403b account. b. Lump sum equal to participant's accumulated sick leave based on the position on the salary schedule c. A credit of 20% of the accumulated sick leave value to be applied to health insurance premiums during retirement

Utah System of Higher Education *August 11, 2003*

Early Retirement Benefits Relativity Study

Early Retirement Costing Scenarios

OVERVIEW

Purpose

In order to measure the relative benefit provided by different USHE institutions through their early retirement incentive programs, the Commissioner's Office has developed the following four hypothetical scenarios. Each institution is to calculate the cost to the institution of early retirement incentive paid out to the employee in each scenario until the employee reaches age Full Retirement Age (FRA). The result of these calculations will be compared to measure the relative value of the early retirement incentive programs.

Assumptions

Each scenario provides assumptions so that the early retirement pay-out calculations can be made. In addition to assumptions about the specific employee, additional scenario assumptions are provided to remove any variability related to an early retirement pay out that is driven by different institutional compensation packages and not the early retirement policy. An example of this is health insurance premiums.

In addition, for ease in calculations, assume that each employee's start date and birth date are June 30, and that you are making these calculations on their birthday in 2004. Assume that there are not any administrative, paperwork, or approval burdens, and therefore a person could start receiving early retirement the next day after the calculations are made. Salary related benefits amounts should only include FICA.

If your plan has various options for the length of the early retirement payout, assume the employee elects the longest option possible. Social security monthly benefit amounts are provided using the Social Security Administration's "Quick Calculator" found at *http://www.ssa.gov/retire2/calculator.htm.*

Responses

Institutional responses should be provided on the accompanying Microsoft Excel spreadsheet, specifying by scenario the value of salary stipend, salary-related costs related to the stipend (e.g. FICA), health insurance benefits, dental benefits, and other costs for each year.

SCENARIOS

Scenario A – Allan

A 54-year old male exempt staff member (Allan) works 40 hours per week on a 12-month contract and desires to take early retirement at the earliest point at which he is eligible. Allan has worked at your institution for 20 years, and prior to that worked 10 years at other USHE institutions. His annual salary at age 54 is $60,000. His salary will increase 3% per year until he takes early retirement, and institutional employees will have salary increases of 3% per year after he takes early retirement. Allan is married, has a 10-year old child, and will be enrolled for family coverage at least through age 65. He wants to stay on the institutional insurance plan as long as possible. The current premium paid by your institution for family coverage is $7,500 per year, and this amount will increase 10% per year for the next 10 years. Allan also desires to have dental coverage during early retirement, if available. Your institution's current dental premium payment for family coverage is $750 a year and this amount will increase by 5% per year for the next 10 years. The estimated social security monthly benefit amount for this employee is $1,601.

Scenario B – Betty

Betty is a 58-year old single faculty member who has taught at your institution for 15 years, including 8 summers. Prior to that, Betty worked for a Big 5 accounting firm. Betty also desires to take early retirement as soon as she is eligible. Betty's current salary is $65,000 per year. Her salary will increase 2.5% per year until her early retirement, and institutional salaries will increase 2.5% after that date as well. Per year single health and dental coverage provided by your institution runs $3,000 and $450, respectively. Each will increase 9% per year indefinitely. The estimated social security monthly benefit amount for this employee is $1,614.

Scenario C – Carol

Carol earns $110,000 a year as an administrator. At age 60, and with 13 years of experience at your institution, she is ready to take early retirement as soon as eligible. Carol worked previously for 5 years at another USHE institution immediately prior to joining your staff. Salary increases at the institution will be 3.5% each year for the next 10 years. Carol desires 2-person health during early retirement, but no dental coverage. Health insurance 2-person premiums for the institution currently cost $6,000 per year, and will increase by 11% per year in the future. The estimated social security monthly benefit amount for this employee is $1,823.

Scenario D – Dale

Dale is a non-exempt employee, age 57, who has worked at your institution for 33 years. His annual pay is $35,000. Dale desires early retirement as soon as he is eligible. Salary increases at your institution are set to be 2% per year. Family health and dental coverage, which Dale desires during early retirement, is $8,000 per year for health and $900 per year for dental. Health insurance will increase 10% per year and dental 8% per year. The estimated social security monthly benefit amount for this employee is $1,100.

USHE Early Retirement Benefit Relativity Index

September 11, 2003

Report based on completion of four early retirement costing scenarios

Scenario A

Institution	Benefit Relativity Index (1): Stipend and Salary-related Benefits	Health Benefits	Dental Benefits	Total Early Retirement Benefits
University of Utah	0.89	0.87	0.91	0.88
Utah State University	1.06	1.05	1.09	1.06
Weber State University	0.91	0.87	0.73	0.89
Southern Utah University	1.17	1.40	1.45	1.26
Snow College	1.06	1.05	1.09	1.07
Dixie State College	1.22	1.05	1.11	1.15
College of Eastern Utah	0.89	0.87	0.73	0.88
Utah Valley State College	0.89	0.87	0.91	0.88
Salt Lake Community College	0.91	0.96	1.00	0.93
USHE Average (2)	1.00	1.00	1.00	1.00

Scenario B

Institution	Benefit Relativity Index (1): Stipend and Salary-related Benefits	Health Benefits	Dental Benefits	Total Early Retirement Benefits
University of Utah	0.89	0.91	0.95	0.89
Utah State University	1.07	1.09	1.14	1.07
Weber State University	0.89	0.91	0.76	0.88
Southern Utah University	1.17	1.09	1.14	1.15
Snow College	1.07	1.09	1.14	1.08
Dixie State College	1.16	1.11	1.16	1.15
College of Eastern Utah	0.89	0.91	0.76	0.88
Utah Valley State College	0.89	0.91	0.95	0.89
Salt Lake Community College	0.98	0.99	1.03	0.98
USHE Average (2)	1.00	1.00	1.00	1.00

Scenario C

Institution	Benefit Relativity Index (1): Stipend and Salary-related Benefits	Health Benefits	Dental Benefits	Total Early Retirement Benefits
University of Utah	0.90	0.90	N/A	0.91
Utah State University	0.90	0.90	N/A	0.91
Weber State University	0.90	0.90	N/A	0.91
Southern Utah University	1.13	1.12	N/A	1.14
Snow College	1.13	1.12	N/A	1.16
Dixie State College	0.90	0.92	N/A	0.92
College of Eastern Utah	0.90	0.90	N/A	0.91
Utah Valley State College	1.13	1.12	N/A	1.14
Salt Lake Community College	1.12	1.12	N/A	1.14
USHE Average (2)	1.00	1.00	N/A	1.00

USHE Early Retirement Benefit Relativity Index

September 11, 2003

Report based on completion of four early retirement costing scenarios

Scenario D

Institution	Benefit Relativity Index [1]: Stipend and Salary-related Benefits	Health Benefits	Dental Benefits	Total Early Retirement Benefits
University of Utah	0.91	0.87	0.92	0.89
Utah State University	1.09	1.05	1.11	1.07
Weber State University	0.91	0.87	0.74	0.88
Southern Utah University	1.20	1.39	1.48	1.31
Snow College	1.09	1.05	1.11	1.07
Dixie State College	1.09	1.07	1.13	1.08
College of Eastern Utah	0.91	0.87	0.74	0.88
Utah Valley State College	0.91	0.87	0.92	0.89
Salt Lake Community College	0.92	0.96	0.86	0.94
USHE Average [2]	1.00	1.00	1.00	1.00

Four-Scenario Average

Institution	Benefit Relativity Index [1]: Stipend and Salary-related Benefits	Health Benefits	Dental Benefits	Total Early Retirement Benefits
University of Utah	0.89	0.88	0.92	0.89
Utah State University	1.01	1.02	1.11	1.01
Weber State University	0.90	0.88	0.74	0.89
Southern Utah University	1.16	1.30	1.40	1.21
Snow College	1.09	1.07	1.11	1.09
Dixie State College	1.07	1.04	1.13	1.07
College of Eastern Utah	0.89	0.88	0.74	0.89
Utah Valley State College	0.97	0.93	0.92	0.96
Salt Lake Community College	1.01	1.00	0.95	1.00
USHE Average [2]	1.00	1.00	1.00	1.00

Notes:

(1) A score of 1.0 indicates that the school matches the average of the 9 USHE institutions

(2) UCAT is not included because of the different structure of the plans at Bridgerland, Ogden-Weber, and Davis ATC, which make them not comparable to other USHE institutions for this analysis. Dixie and Mountainland ATC have the same program as their fiscal agent, DSC and UVSC, respectively. Other UCAT campuses (Salt Lake-Tooele, Southeast, Southwest, and Uintah Basin) don't have an early retirement program.

USHE Finance, Facilities, and Accountabilities Committee

Progress Report on Early Retirement

April 2003

I. USHE Early Retirement Incentive Programs

A. Response to Elimination of Mandatory Retirement – Early retirement incentive programs at USHE institutions were developed as a tool to address the loss of mandatory retirement age policies that were found to be discriminatory.

1. Management Tool – The incentive of an early retirement program becomes a management tool that can not only promote cost savings in some circumstances, but also increases administrative flexibility through potential reallocations and reorganizations that would not have been possible without early retirees. This has a similar purpose to severance or buy-out packages used in the private sector.

B. Widespread Existence – All 9 two- and four-year institutions have early retirement incentive programs. The UCAT campuses of Bridgerland, Davis, and Ogden-Weber also have independent early retirement programs. Other UCAT campuses that use another USHE institution as their fiscal agent have access to the early retirement incentive available at that institution. Uintah Basin ATC formerly had an early retirement program but eliminated it about a year ago.

C. Benefit Descriptions

1. Eligibility Requirements – Most institutions require that age plus years of service total 75, with a minimum age ranging from 56 to 60. A few institutions also have minimum years of service requirements, such as 10 or 15. Weber State University requires an employee to have 15 years of service and be within 10 years of full retirement age.

2. Cash Incentives – A stipend of generally 20 percent of the employee's salary for the previous 12 months is the common standard for most institutions. Some institutions limit the length of time the stipend can be awarded even though an employee may not have reached full retirement age, and others limit the amount of the stipend to the maximum Social Security bridge benefit at age 65. In addition, policies provide for the stipend to increase annually at some institutions to coincide with salary increases given to current employees.

3. Insurance Benefits – The type of insurance coverage offered to early retirees varies from medical only to medical, dental, vision, and life. The length of the coverage typically lasts for five years or until the early retiree is eligible for Medicare. Coverage is subject to the same changes in plan design and premiums that affect other institutional employees.

D. Two-year Utilization of Early Retirement Programs, 2000-2001 and 2001-2002. (see Attachment 1)

1. Number of Employees – 244 employees, including 106 faculty and 138 staff, initiated early retirement benefits during this two-year period.

2. Early Retiree Positions Filled -- Of the 244 early retirement vacancies, institutional officials were able to identify 108 positions (44 percent) that were filled. (Note: The University of Utah, which had 63 of the 244 positions, was not able to identify which if any positions were filled). Other positions may have been left vacant or reallocated to another area.

3. Compensation Prior to Early Retirement – The annual salary and benefit costs associated with the 244 early retirees prior to their retirement averaged about $73,260 (corrected from original agenda item).

E. Financial Liability of Early Retirement Program – In response to questions on the financial liability of early retirement programs:

1. CEU Program Redesigned – Previously it was reported that one circumstance creating financial hardship at CEU was an early retirement program that was enhanced in 1993 to provide healthcare benefits for retirees. This benefit enticed many employees to take early retirement, resulting in a large early retirement liability. This plan has been modified to limit the length of time healthcare benefits are provided to early retirees.

2. Liability of Employees Retiring – With regard to an institution's liability related to early retirees, there are three factors to consider:

   a) Liability of Accrued Vacation – Institutions have the financial obligation to pay out accrued vacation time to employees upon termination or retirement. This liability is recorded in the audited statement of net assets each year.

   b) Liability of Early Retirement Incentives – When an employee enters an early retirement arrangement, an obligation to pay the stated benefit is created for a specified number of years. This post-employment liability for employees currently entered into early retirement arrangements is reflected in the statement of net assets. The ability of an institution to fund this liability is associated with, among other things, how the institution addresses the position vacated by the early retiree, and whether it is left vacant, reallocated, or if filled, what level of salary the replacement receives.

   c) No Liability Associated with Retirement – Because annual contributions are made to the Utah Retirement Systems defined benefit plan or TIAA-CREF defined contribution plan, USHE colleges and universities have no further liability once annual contributions are made.

II. Other Early Retirement Incentive Programs in Utah Government and Education

A. **State Government –** Utah state agency employees do not have access to an early retirement program. However, they receive up to 5 years of health and life insurance coverage if they retire under age 65. In addition, they are able to cash out specified amounts of sick leave and converted sick leave upon retirement and use a portion of these proceeds to pay for health insurance costs if they are not yet Medicare-eligible when the 5 years of health coverage expires.

B. **Public Education –** Many school districts in Utah offer early retirement incentives similar to those offered by USHE institutions. Brief descriptions of some of these programs are outlined below:

1. **Washington School District –** The district provides a 20% monthly annuity and continued payment of insurance premiums for employees granted early retirement.

2. **Logan School District –** Employees whose age and years of service equal 75 with at least 15 years of service are eligible for up to four years of a stipend based on half the difference between a base bachelors salary step 1 lane 1 and the current salary. Early retirement employees also receive one or two party medical coverage for that time period, and may convert sick leave to extend medical coverage.

3. **Davis School District –** Early retiring educators receive social security bridge payments equal to 16% of salary for up to three years into a 401(a) or 403(b) plan, and these employees may instead authorize the district to purchase additional salary service credit in the Utah Retirement System plan. Early retirees may also receive sick leave as a payment into a 401(a) or 403(b) plan or as a credit against health insurance premiums. Employees are eligible for health and dental insurance for up to 10 years.

4. **Alpine School District –** An employee with 10 years of district service and age 60 or 15 years of district service and eligible for full retirement under the Utah retirement system can receive 20% monthly stipend for up to four years and health benefits coverage for up to five years.

III. Early Retirement Incentives in Other Colleges and Universities

1. **University of Colorado Program –** Employees whose age and years of service meet minimum specified requirements are eligible for a pro-rated contribution to health, dental, and life insurance benefits.

2. **Other Colleges and Universities in the West –** A Internet search of human resource and policy and procedure web sites for institutions in other western states, including Colorado, New Mexico, Arizona, Nevada, Idaho, Oregon, Washington, Montana, and Wyoming, yielded little information on existing early

retirement incentives. Additional research needs to be done in this area. A comprehensive report on the subject, such as the Kaiser Foundation survey on health benefits, has not yet been identified.

a) Arizona Board of Regents Proposal – At the upcoming April 24-25 meeting of the Arizona Board of Regents, the Board will be "asked to approve a new policy that would delegate to the presidents the discretionary authority to approve a voluntary separation and retirement incentive program for employees at each university."

3. Early Retirement Windows – A June 11, 2002 article in the Chronicle of Higher Education has recently reported on the impact of early retirement incentive windows at a number of institutions, including the University of Massachusetts, University of Idaho, and Rutgers University. The University of Massachusetts Department of Music and Dance was losing 11 of 25 tenured professors as a result of early retirement. The University of Idaho and Rutgers University are each losing 75 faculty members. Virginia Tech recently created a retirement window that gives the university the option of accepting or rejecting an individual's application for early retirement.

4. Additional Sources – Additional sources on the use of early retirement in colleges and universities will continue to be sought.

IV. Early Retirement Incentives in the Private Sector

1. Private sector companies also use early retirement incentives during times of restructuring and fiscal concern. For example, General Motors in January 2002 announced a announce a new early retirement program for salaried employees in an effort to again cut combined salaried and contract work force by 10 percent this year. Similar practices exist in other organizations, including the LDS Church, which opened an early retirement window that was taken up by 600 of 1,000 eligible employees, and 40 percent of the vacated positions were not filled. Many employers allow an individual to start their retirement early but offer a reduced annual annuity. Other employers are cutting pension and retirement benefits for future retirees. Additional comprehensive data on early retirement incentives in the private sector will continue to be developed.

MEMORANDUM
January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Salt Lake Community College – Notice of Potential Property Purchase

Issue

Regent Policy R710 requires the Board of Regents to review and approve all institutional requests for property acquisitions that commit institutional funds in excess of $25,000.

Background

Officials at Salt Lake Community College have notified the Commissioner that they may require time on the agenda of the January 16, 2004, Regents meeting for consideration of a capital purchase. As of the time when these meeting agenda materials were to be mailed, SLCC remains in negotiations regarding this purchase. If negotiations proceed in time for review and action by the SLCC Board of Trustees at their January 14, 2004, meeting, the Trustees will forward their recommendation, with accompanying documentation, to the Board of Regents for their consideration at the January 16 meeting.

Recommendation

The Commissioner's Office will review the actions and recommendations of the SLCC Board of Trustees and evaluate the attendant documents. If the purchase agreement is in order, the documents will be forwarded to the Board for review and action, either approval or deferral pending receipt of additional information.

Richard E. Kendell, Commissioner

REK/MHS

MEMORANDUM
January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Action: Consent Calendar, Finance, Facilities, and Accountability Committee

It is the recommendation of the Commissioner that the Regents approve the following items on the Finance Facilities, and Accountability Committee Consent Calendar:

A. OCHE – Money Management Reports (Attachment 1). Board Policy R541, Management and Reporting of Institutional Investments, section 4.10 directs that a comparative annual summary of investment results be submitted annually for Board approval. Attached are the comparative exhibits compiled from the reports submitted by the institutions. Complete institutional reports are on file in the Commissioner's Office. The Money Management Report will be submitted to the Governor and Legislature in compliance with the Money Management Act of 1974.

B. UofU -- Capital Facilities Delegation Reports (Attachment 2). In accordance with the capital facilities delegation policy adopted by the Regents and by the State Building Board, the attached report is submitted to the Board for review. Officials from the institution will be available to answer any questions that the Regents may have.

C. UofU – Sale of Donated Property (Attachment 3). Policy R710 requires Board of Regents approval for the sale of property. As stated in the attached letter from Vice President Arnold Combe, the University requests approval for the sale of three donated properties. Proceeds from the sale will be used as directed by the donors.

Richard E. Kendell, Commissioner

CHF/MHS/jv
Attachments

MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: USHE – Report on Tuition Waiver Procedures

Issue

Utah Code authorizes or requires USHE institutions to provide 16 different general types of tuition waivers for students who meet certain eligibility criteria (see Attachment 1). For "Resident Meritorious or Impecunious Waivers" (Type 1a), the eligibility criteria simply specify that a student should be "meritorious or impecunious" (financially needy). For "Meritorious Nonresident Waivers" (Type 2a through 2c) and "Meritorious Nonresident Graduate Student Waivers" (Type 5), eligibility criteria specify that a student need only be "meritorious". Neither state law nor Regent policy provides a definition for "meritorious" or "impecunious." In response to questions raised by a number of Regents and Presidents, this information report summarizes how institutions are currently implementing and distributing waivers with the criteria of meritorious or impecunious.

Background

The existence of tuition waivers in the USHE dates back to 1919, when 25 years prior to the Federal GI Bill, the Legislature created tuition waivers for "persons who have served in the army or navy of the United States during the recent world war." In 1921, the scope of these waivers was broadened to include "meritorious and impecunious" students "to a number not exceeding ten per cent of the regular bona fide students registered." Since that time, the number and type of waivers has expanded based on needs identified by the Legislature. For out-of-state students, existing law includes waivers for border students, reciprocal agreements, the Western Undergraduate Exchange program, summer school, and nonresident transition. For in-state students, waivers exist for senior citizens, wards of the state, the surviving spouse and dependents of police officers and firefighters killed in the line of duty, National Guard members, public school teachers, undocumented alien students who attended a Utah high school for three years and graduated, and students who have completed technologically-delivered sequential Mandarin Chinese courses through concurrent enrollment in high school. A listing of each of these waivers, along with statutory and policy citations and a brief overview of the waiver is included in Attachment 1.

Of particular interest at this time are those waivers which are to be awarded to "meritorious" or "impecunious" students, as these criteria are not defined elsewhere. Institutions have established multiple standards for waivers based on merit. Because the type of merit is not specified, meritorious waivers for residents and nonresidents are awarded for students based on not only academic achievement, but also other areas, including leadership, citizenship, service, extracurricular activities (such as athletics, performing arts, journalism or debate), and organization specific awards (such as clubs, student associations, or student services groups). In addition, several levels of academic awards exist, ranging from those awarded at the institution level to those awarded by individual departments.

Waivers awarded on the basis of academic merit at the institution level have rigorous academic merit requirements, which generally are based on high school or transfer GPAs, standardized test scores, and admissions index criteria. Most other meritorious waivers, including those awarded by academic departments or colleges, athletics, and other organizations have minimum requirements that must be met and maintained to receive the waiver. Minimum requirements vary based on the type of waiver. In addition, the decision-making body for each of these waiver awards has additional criteria which are used to determine merit in the designated area.

Although authorized, few waivers are awarded to resident students based on impecunious criteria. A report prepared in August, 2002 on waivers in the USHE, showed that only 1.5 percent of the resident meritorious and impecunious waivers were awarded to students based on impecunious criteria. Similar to the non-academic meritorious waivers mentioned above, impecunious waivers typically have minimum academic requirements but are awarded based on additional criteria which measure financial need.

In addition to the diverse types of waiver programs in place at a USHE institution, each institution varies significantly in the distribution of academic and non-academic merit-based waivers. Though some institutions may have similar categories of waivers, the standards of merit which are used to award the waivers vary significantly.

In summary, each USHE institution has developed a unique meritorious waiver program that not only provides different categories of waivers, but also awards the waivers based upon a complex set of different criteria. Without any official system guidance on standards, each institution has developed a waiver system that attempts to fulfill identified needs for merit and need-based student financial assistance given that institution's circumstances.

Commissioner's Recommendation

This is an information item only. No action is necessary.

Richard E. Kendell, Commissioner

REK/MHS/BLM
Attachments

MEMORANDUM
January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: USHE – Update on Legislative Audit of Purchasing Card Programs

Issue

The Office of the Legislative Auditor General was recently requested to conduct a limited review of purchase card usage in Utah's institutions of higher education. The review of purchases was primarily focused on two institutions (UofU and WSU), while policies were reviewed at two additional institutions (SUU and DSC). The review, completed on December 15, 2003, found no examples of purchasing card abuse or fraud and called for no repayments by employees. The review did find that some policies and practices for approving purchases, at some institutions, need strengthening and that certain policies should be more explicit.

Discussion

Nine of ten USHE institutions have implemented some form of purchasing card program (P-Card). The use of P-Cards (essentially "debit" cards) simplifies the purchasing process by decentralizing decision-making to the department level and generating savings in staff time needed for processing purchase orders and check requests, mailing, and scanning. P-Cards improve efficiency and accountability because the electronic reports of purchases are available for review on a real-time basis. P-Cards significantly improve institutional ability to participate in e-commerce, as practiced by most of today's vendors.

Cards are issued to employees with a demonstrated need who receive supervisory approval. Each cardholder receives training regarding the appropriate use of the card. Control procedures include monthly review by the cardholder's supervisor and periodic audit by the purchasing and internal audit departments.

The review by the Legislative Auditor found that each institution had internal control policies for the P-Card program. However, the Audit team found isolated examples where controls were not properly implemented. Several supervisors (out of many interviewed) were found who were not adequately reviewing purchases or were not knowledgeable about all recent purchases by subordinates. One cardholder (out of hundreds reviewed) was found who was loaning the P-Card for use by other employees. Examples were also found where subordinates were asked to review purchases by their supervisor.

Legislative Audit staff raised an additional issue – the perceived need for more explicit and consistent policies regarding the use of P-Cards to spend state funds to purchase meals, gifts, and flowers. While recognizing that some business meals and some hosting expenses are appropriate, the auditors raised questions about several purchases, and pointed out that they found some departments which permitted such purchases and other departments which did not.

The report by the Legislative Auditor included four recommendations:

1. We recommend that the institutions of higher education, or Board of Regents if the institution does not have a dedicated purchasing card audit function, extend their audits of purchasing card usage to include the supervisory review.

2. We recommend that the institutions of higher education examine purchasing card policies and practices to ensure the approval of card purchases is made at the appropriate level or other controls exist.

3. We recommend that the institutions of higher education replace policies allowing self and reciprocal approval of purchases with more appropriate control-conscious policies.

4. We recommend that the institutions of higher education review and clarify purchasing card policies in relation to business meals and employee gifts or other miscellaneous expenditures.

The Legislative Auditor did not recommend extending this informal review to a formal audit because the institutions consulted agreed to make changes recommended as a result of the review.

<u>Recommendation</u>

<u>This is presented to the Regents as an information item. The Commissioner will ensure that all presidents are aware of the recommendations listed above. Any follow-up on these recommendations will occur within the regular agenda of Regents' and Trustee Audit Committees.</u>

REK/MHS — Richard E. Kendell, Commissioner

Attachment

MEMORANDUM
January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Proposed Revision to R220, *Delegation of Responsibilities to the President and Board of Trustees*

Issue

State statute establishes Utah public higher education institutions as business entities capable of entering into contracts or otherwise committing institutional funds. Institutional presidents are authorized to manage and operate their institutions within some limitations established by the Board of Regents. Some institutional financial decisions require Trustee or Board of Regents notification or approval. Board policy appears to be silent on other significant financial decisions.

Discussion

The Board of Regents has identified by policy a number of specific financial decisions which require review and approval by the Board of Trustees and/or the Board of Regents.

Regent policy R532, Acceptance and Approval of Contracts and Grants, delegates authority to presidents to enter into research and training grants and contracts under certain amounts. Contracts over those amounts, ranging from $200,000 to $1,000,000 based of type of institution, must be approved by the Regents.

Regent policy R548, Institutional Discretionary Funds Administration and Accountability, provides a threshold amount ($50,000) above which Trustees must approve expenditures of discretionary funds.

Regent policy R710, Capital Facilities, requires Board approval of property acquisitions over $25,000.

Regent policy R710 stipulates that certain types of projects require Board approval. Section 4.5.5.1. states:

> *If it is proposed that the project be funded in whole or in part from an adjustment in student fees, incurring of contractual debt, or the disposal or exchange of land or other capital assets, the project proposal, after being approved by the institutional Board of Trustees, shall be scheduled, in consultation with the Commissioner, for presentation to the Board of Regents for action at the same time that Board of Regents action approving the proposed funding arrangement is sought.*

State Board of Regents

Regent policy R710 also requires Board approval of property leases which meet certain criteria:

> *(1) exceed $50,000 per year; (2) commit the institution to space rentals for a 5-year duration or beyond; or (3) lead to the establishment of regular state-supported daytime programs of instruction in leased space.*

Possible Omissions in Current Policy

Despite this list of policy restrictions, there may remain significant categories of financial transactions not included in policy. For example, because the focus of R532 is research and training contracts, it appears that R532 does not cover all contracts. If R532 covers only research contracts, there could be a wide range of administrative contracts not currently requiring Regent or Trustee review or approval. "Other" contracts might include:

- Service agreements/contracts
- Management agreements/contracts
- Employment agreements/contracts
- Sole source contracts
- Operating agreements/contracts
- Consultant agreements/contracts
- Contracts for use of institutional facilities
- Capital equipment leases

Some of these "other" types of contracts or financial transactions are covered by existing state or institutional procurement guidelines, or are already subject to Trustee review at some institutions. However, in an attempt to close what may be a policy "loophole," it may be prudent to suggest in policy that all significant contracts be reviewed by Regents or Trustees **if they are not currently subject to such review** as dictated by current policy.

Proposed Policy Solution

Policy R220, Section 4.5.2., Delegation of Responsibilities to the President and Board of Trustees, lists eight statements of delegated authority to the Board of Trustees. A ninth statement could be added to include any financial transactions not already covered in policy:

4.5.2.9. Review and approval of financial transactions, agreements, or contracts, not already included in Section 4.5.2. or other Board policy, to include transactions which represent a significant and material financial obligation, as determined by the Board of Trustees in collaboration with the president. The "significance and materiality" of financial obligations may be determined utilizing criteria such as the threshold dollar amounts currently in place for research contracts, which range from $250,000 to $1 million, or a threshold established as a certain percentage of the institution's operating budget, or by other criteria established by the Trustees in collaboration with the president.

Policy Questions

This proposed solution has the potential to raise several policy questions.

1. Does the Board agree that an approval "loophole" exists, and if so, is the loophole most effectively "closed" with a policy revision?

2. Should a new and separate policy be created to address general contracts and agreements which are "significant and material" or can this issue be included as a revision to existing policy.

3. Does the Board wish to delegate approval of "loophole" contracts to Boards of Trustees, or retain approval with the Board of Regents?

Recommendation

It is the recommendation of the Commissioner that the Board of Regents review the proposed revision to R220, Section 4.5.2.9., discuss questions which arise associated with this revision, provide direction to staff regarding additional information needed, request institutional comment on the proposed revision, and consider action on this matter at a subsequent meeting of the Board of Regents.

REK/MHS

Richard E. Kendell, Commissioner

Attachment - R220, pages 3 & 4 (as currently approved)

MEMORANDUM

January 6, 2004

TO: **State Board of Regents**

FROM: **Richard E. Kendell**

SUBJECT: **INFORMATION: UHEAA--Board of Directors Report**

The next scheduled meeting of the UHEAA Board of Directors is Tuesday, January 13. A copy of the agenda for the meeting is attached (Attachment A). An information report on the Board's actions at the January 13 meeting will be presented at the Board of Regents meeting on January 16.

Attachment A

AGENDA

MEETING OF
THE UTAH HIGHER EDUCATION ASSISTANCE AUTHORITY
BOARD OF DIRECTORS

BOARD OF REGENTS BUILDING, THE GATEWAY
60 SOUTH 400 WEST
FIFTH FLOOR BOARD ROOM
SALT LAKE CITY, UTAH

Tuesday, January 13, 2004
10:00 A.M. - 12:00 P.M.

(In compliance with the Americans with Disabilities Act (ADA), individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify Becky Hudson, ADA Coordinator, at the Board of Regents Building, The Gateway, 60 South 400 West, Salt Lake City, UT 84101 or at 321-7211 at least three working days prior to the meeting.)

1. **Calling of the Roll, Welcome and Introductions**
2. **Chairman’s Oral Report**
3. **Executive Director’s Oral Report**
4. **Minutes of the November 13, 2003 Meeting**
5. **Consideration of Resolution for Executive Session at End of Regular Meeting**

6. **Consideration of Action Reports**

#1 Adoption of Revised Calendar Year 2004 Schedule of Regular Meetings

#2 Money Management Investment Reports

#3 Contract with Bond Counsel to Seek IRA Private Letter for LPP Combined Purpose Arbitrage Calculation

#4 Conversion of UESP Computer Systems from Oracle to Sequel Server

#5 Amendment of UHEAA Board of Directors Bylaws

#6 UHEAA Authorized Signatures

7. **Committee Reports**

#7 Report of the Audit Committee

8. **Informational Items**

A. Status Report: Utah Mentor

Additional Information Items May Be Carried in and Presented at the Meeting.

NOTE: UHEAA Board of Directors Audit Committee meets beginning at approximately 12:30 p.m..

Richard E Kendell, Commissioner

Attachment

REK/CGN

MEMORANDUM

January 6, 2004

TO: **State Board of Regents**

FROM: **Richard E. Kendell**

SUBJECT: **INFORMATION: UHEAA–Responses to Student Aid Questions From December 11 Meeting**

INTRODUCTION

At the December 11, 2003 Board meeting, the Regents discussed a staff report on the "Role of Student Financial Aid in Access to Higher Education." The discussion followed a review and discussion of a UCAMHE "Report on Barriers to Higher Education for Minorities." At the conclusion of the discussion, two very thoughtful but difficult to answer questions were posed to the staff. This brief report provides a limited response to the questions. Challenged by the importance of the concerns behind the questions, and the inadequacy of the responses to provide concrete solutions to the concerns, staff will continue to try to develop additional information on the complex relationships between student financial aid and ability of lower and middle income students to afford effective participation in higher education as costs increase.

QUESTIONS AND RESPONSES

"(1) There are limits to meaningful assistance of loans, particularly in the students' ability to repay the loans. In preparation for the Legislature, could we develop information on a systemwide basis about how much more students would have to finance to pay the cost of increased tuition and fees, and how much would be needed in grants to keep the amount of borrowing manageable for repayment after graduation?"

Using the assumptions presented in the December report, the amount of additional costs for USHE collegiate students needing financial aid resulting from average nine percent tuition increases would be at least $11.9 million dollars–for tuition alone. If we are fortunate enough to receive projected $2.6 million in increased federal need-based aid (mostly Pell Grants), the unmet remainder would be $9.3 million for USHE and a total UCOPE increase of $10.4 million including allowances for the 10 percent of UCOPE funds for needy Utah residents attending Utah nonpublic collegiate institutions. Offsetting institutional need-based aid increases mandated by the Regents from one-half percentage point of projected tuition increases, and a modest anticipated increase in UHEAA Scholarships, that unmet remainder would be reduced to $8.8 million.

To the extent any of that $8.8 million is not covered by state appropriation increases, the affected students would need to either work even more hours than they presently do (if they can find the work), or cut back further on already inadequate course loads (compounding already inadequate academic progress to completion), or borrow the difference (except that in many cases the affected students–especially first year students–already are borrowing to the existing loan limits under federal law).

So part of the answer is that many students will have to incur increased debt loads before graduating, and for those entering lower-paid professions or having to settle for low paying jobs because they can't find work in their fields or professions repayment will be a challenging problem. But the rest of the answer is that even if they could handle increased repayment loads for federally-supported (hence, lower cost) subsidized loans, in many cases they will not be able to obtain the loans because they already borrow to the authorized limits for those loans. Some may turn to more expensive unsubsidized or alternative private loans or even credit card borrowing and really compound their repayment difficulties. Others will drop out.

"2. What would be the effect of differential pricing on access? Ability to repay varies by major and profession, additionally. Different programs have different costs to the institutions. The students taking less expensive courses are subsidizing those students in higher cost programs. Students in certain degree programs (Education, for example) may not be able to repay the same amount of loans if they are employed in their chosen fields. Should our financial aid system take these factors into account?"

There are both practical logistical challenges and policy or philosophy challenges to what at first sounds like a good idea. The practical problem is that moving to differential tuition charges by individual disciplines and fields (except in separate, self-contained professional schools) would first require the institutions to extend the current cost study model (based on courses taught) to a much more complicated model to determine average direct and indirect instructional costs of the courses taken by students in each degree field. Then, once the appropriate cost models have been determined, the institutions would need to make significant changes in their administrative data processing systems to assess the tuition charges. Most USHE institutions presently have limited capacity to convert their administrative data processing systems to a new software platform (Banner) that would accommodate the complexity of the task.

But even if there were not logistical obstacles, there are philosophical issues. The typical situation historically has been that the differential instructional costs of different fields of study have been cross-subsidized by students only to a limited degree because the larger share of those costs (at least in publicly-supported institutions) is paid by state appropriated funds. The differential costs have been subsidized by public funds on the philosophic premise that society needs to provide opportunity for student choices and to have graduates from a variety of fields. Differential pricing of courses may negatively affect student choices. And to the extent some professions earn higher salaries, such individuals pay back more in taxes.

A cursory review of Fiscal Year 2002 cost study data in Tab I of the USHE 2003-04 Data Book seems to confirm that USHE institutions have not yet reached a point where tuition charges for all undergraduate students exceed the full instructional costs of their fields of study for any students except in limited instances for students in low cost-of-instruction fields paying non-resident tuition charges. There have been limited attempts to tie tuition to true instructional costs. Tuition for medicine, law and other professional fields are examples of higher tuition charges.

Given historical experience (which may not necessarily predict future experience), the approach to equality of opportunity has been not to charge differential tuitions but to provide differential subsidies in the form of student aid for those less able or unable to afford the standard cost of attendance charges. This approach has not been fully successful only because of insufficiencies in the funds available for need-based financial aid, a situation on which little progress has been achieved over the past decades and on which the recent revenue shortages at both state and federal levels are resulting in some further loss of ground.

In this context, a tuition plan which charges lower tuition for students in fields which pay materially lower salaries over a lifetime of employment might make it easier for lower income students choosing those fields to afford their costs of attendance, but also may tend to steer those students away from the higher cost and higher paying fields of study for which they may have both aptitudes and strong interests. The result could be further reinforcement of exisiting socio-economic differences. By charging lower tuitions for enrollment in lower paying fields, the institutions and the state would incur revenue losses that would have to be made up from other funding sources such as charging some students significantly more. It may be that those other funding sources, if in fact available, might best be applied to need-based student aid in furtherance of individual choice and diversity of opportunity.

Over the years, a few institutions have experimented with differential undergraduate tuition charges based on fields of study. Most have quietly dropped the experiments after not very much experience with them. A more successful approach to differential undergraduate tuition has been one based on enrollment levels, typically a differential between lower and upper division undergraduate students. A philosophical case can be made for this approach because student loan borrowing limits are substantially lower for lower division students, especially first year students. And instruction costs typically are substantially lower for lower division courses. How much of a logistical challenge institutions might face in implementing this kind of differential tuition is a question the institutions would have to answer.

These limited responses to the thought-provoking questions do not provide easy answers. The issues raised in the responses tend to illustrate how elusive is the sought after “silver bullet” to deal with higher education’s current funding crisis. As stated in previous discussions, while increased student loans can be one helpful tool, practical limitations on feasible student borrowing keep this one tool from providing the “silver bullet.”

Richard E. Kendell, Commissioner

REK/CGN

MEMORANDUM

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Possible Ranges of Second-tier Tuition

Issue

At the January 16, 2004 Board meeting, Presidents will discuss with Regents possible ranges for 2004-05 second-tier tuition increases. The discussion is preliminary in nature and subject to input from student hearings to be held over the coming weeks. In addition, the outcome of legislative funding decisions will also influence the final second-tier amount. The ranges presented at this meeting will be reported to the Higher Education Appropriations Subcommittee during the General Session for their information. Regents will finalize 2004-05 tuition at the March 11-12 meetings. Tuition increases for the Utah College of Applied Technology proceed along a different approval path and will come to the Regents for approval at a later date.

Background

The 2004-05 year marks the fourth time Regents have utilized a two-tier process for establishing tuition rate increases. The process begins with the Regents creating a first-tier tuition increase that is the same percentage for the nine of the ten institutions. This increase is utilized as a dedicated credit for the plan of financing in the appropriations act for the state appropriated budget. At the October 31, 2003 Board meeting, Regents approved a 4.5 percent first-tier increase for 2004-05, specifying that revenue generated by 0.5 percent of the increase be set aside by institutions for need-based student financial aid. Regents have also adopted the policy of adjusting graduate tuition on a program-by-program basis.

Once the first-tier increase is established, institutions begin considering necessary second-tier increases unique to their institution. Second-tier increases are intended to address specific areas of need at each institution. Presidents will come to the January 16 Board meeting prepared to discuss the range of increase as well as potential needs that could be addressed by this additional revenue. The process allows USHE officials to inform legislators of potential tuition increases for 2004-05 during the General Session. Significant changes in appropriated tax fund levels during the General Session could affect the need for additional tuition revenue. Any such changes would be considered as final second-tier tuition levels are approved in March.

Prior to final approval, USHE institutions will conduct tuition hearings with students as required by Regent Policy R511, *Tuition Disclosure and Consultation,* and UCA 53B-7-101.5—*Proposed Tuition*

Increases – Notice – Hearings, to discuss with students the areas of need and amount for second-tier tuition increases. The results of those hearings, along with the specific amounts and uses of second-tier tuition proposals will then be reported to Regents for consideration. Recommendations for student fee increases will also be presented at that time.

To provide some comparative background information and context for discussion with the Presidents, Attachment 1 provides benchmark inflation and tuition increase information, including data on the Consumer Price Index (Table 1), Higher Education Price Index (Table 2), WICHE states' tuition increases (Table 3), national tuition increases (Table 4), historical USHE tuition increases (Table 5), the impact of tuition increases on revenue and students (Tables 6 and 7), and tuition and fee amounts at other similar public institutions in the 15 WICHE states and eight Rocky Mountain states (Tables 8 through 11). Attachment 2 presents graphs depicting the comparisons from Tables 8 through 11.

Commissioner's Recommendation

It is the recommendation of the Commissioner that Regents:

(1) Discuss with Presidents ranges for second-tier tuition increases for 2004-05;

(2) Provide input on the suggested ranges;

(3) Approve preliminary ranges for reporting to the Legislature during the General Session, subject to final legislative funding levels and input received during student hearings; and

(4) Direct Presidents to hold student hearings in preparation for approval of final 2004-05 tuition rates, as well as fee increases, at the March Board meeting.

Richard E. Kendell, Commissioner

REK/MHS/BLM
Attachments

Benchmark Inflation and Tuition Increase Information

Table 1. General Inflation Indicator

Consumer Price Index, July 1993 to September 2003

	7/93 to 7/94	7/94 to 7/95	7/95 to 7/96	7/96 to 7/97	7/97 to 7/98	7/98 to 7/99	7/99 to 7/00	7/00 to 7/01	7/01 to 7/02	7/02 to 7/03	11/02 to 11/03
Academic Year Increase	2.8%	2.8%	3.0%	2.2%	1.7%	2.1%	3.7%	2.7%	1.5%	2.1%	
Most Recent 12-months (November to November)											1.8%

Source: Bureau of Labor Statistics. Consumer Price Index--Urban (Not Seasonally Adjusted) July to July. October 2003 (www.bls.gov).

Table 2. Higher Education Inflation Indicator

Higher Education Price Index, July 1993 to July 2003

	7/93 to 7/94	7/94 to 7/95	7/95 to 7/96	7/96 to 7/97	7/97 to 7/98	7/98 to 7/99	7/99 to 7/00	7/00 to 7/01	7/01 to 7/02	7/02 to 7/03
Academic Year Increase	3.4%	2.9%	2.9%	3.1%	3.5%	2.4%	4.1%	4.9%	4.8%	2.5%

Source: Research Associates of Washington. College and University Higher Education Price Index. 2003 Update.

Table 3. Regional Tuition Indicator

WICHE Region Tuition & Fee Increases at Public Institutions, 1993-94 to 2003-04

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Public Four-year Institutions											
Resident Undergrad.	9.3%	9.5%	3.8%	3.8%	4.2%	2.1%	2.0%	2.4%	5.2%	5.3%	16.3%
Resident Graduate	11.2%	10.7%	6.3%	3.7%	4.4%	3.6%	1.4%	3.7%	5.2%	5.3%	17.6%
Nonresident Undergrad.	6.7%	7.6%	4.6%	5.2%	4.2%	3.0%	2.8%	2.8%	4.5%	8.9%	8.6%
Nonresident Graduate	6.6%	7.6%	5.9%	4.6%	3.4%	3.2%	2.9%	3.5%	4.5%	7.6%	9.1%
Public Two-year Institutions											
Resident	8.5%	7.4%	4.7%	5.7%	5.1%	4.0%	5.2%	4.7%	5.0%	7.8%	10.1%
Nonresident	7.9%	8.0%	4.2%	5.7%	4.1%	3.3%	3.2%	3.9%	3.2%	5.5%	7.8%

1993-94 through 2003-04 Sources: WICHE. Tuition and Fees in Public Higher Education in the West 2003-2004. (forthcoming)

Table 4. National Tuition Indicator

National Average Tuition Increases at Public Institutions, 1999-2000 to 2003-04

	1999-00	2000-01	2001-02	2002-03	2003-04
Research Universities					
Resident Undergrad.	3.5%	5.0%	6.5%	9.8%	11.2%
Resident Graduate	4.0%	5.1%	6.2%	8.6%	11.1%
Nonresident Undergrad.	4.5%	4.6%	6.1%	9.1%	9.0%
Nonresident Graduate	4.8%	5.0%	6.1%	8.0%	9.0%
Comprehensive Institutions					
Resident Undergrad.	3.6%	4.7%	7.0%	10.0%	11.6%
Resident Graduate	4.1%	5.2%	7.2%	9.2%	12.3%
Nonresident Undergrad.	3.8%	4.2%	6.7%	8.8%	9.5%
Nonresident Graduate	4.5%	4.4%	6.7%	8.5%	9.7%
Community Colleges					
Resident	2.9%	5.9%	5.0%	8.3%	9.9%
Nonresident	4.7%	2.4%	4.6%	6.7%	6.6%

1999-00 through 2003-04 Sources: Washington Higher Education Coordinating Board. Tuition and Fee Rates: A National Comparison. 2003-04.

Benchmark Inflation and Tuition Increase Information

Table 5. Tuition Increase History

USHE Undergraduate Resident and Nonresident Tuition Increases, 1993-94 to 2003-2004

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02 (3)	2002-03 (3)	2003-04 (3)
Resident Increases											
UU	7.0%	5.0%	6.0%	0.0%	3.8%	2.7%	3.0%	4.0%	6.8%	9.6%	11.5%
USU	7.0%	7.0%	6.0%	0.0%	3.8%	2.7%	3.0%	4.0%	9.0%	9.5%	9.5%
WSU	7.0%	7.0%	6.0%	0.0%	3.8%	2.7%	3.0%	4.0%	7.0%	9.0%	9.5%
SUU	7.0%	7.0%	6.0%	0.0%	3.8%	2.7%	3.0%	5.8%	7.5%	9.0%	23.5%
Snow	4.0%	5.8%	5.0%	0.0%	3.8%	2.7%	3.0%	4.0%	5.5%	9.5%	9.4%
Dixie	4.0%	4.0%	0.0%	0.0%	3.8%	2.7%	3.0%	4.0%	5.5%	5.0%	7.3%
CEU	4.0%	5.5%	5.0%	0.0%	3.8%	2.7%	3.0%	4.0%	5.5%	8.0%	8.5%
UVSC	4.0%	4.0%	3.0%	0.0%	3.8%	2.7%	3.0%	4.0%	12.5%	19.5%	12.5%
SLCC	4.0%	4.0%	3.0%	0.0%	3.8%	2.7%	3.0%	4.0%	5.5%	9.0%	8.5%
USHE Average (1)	5.3%	5.5%	4.4%	0.0%	3.8%	2.7%	3.0%	4.2%	7.2%	9.8%	11.1%
USHE First-tier only (2)									5.5%	4.0%	4.5%
Nonresident Increases											
UU	11.4%	7.6%	6.1%	0.0%	3.8%	2.7%	3.0%	4.0%	6.8%	6.8%	11.5%
USU	12.7%	11.3%	-2.0%	5.6%	3.8%	2.7%	3.0%	4.0%	9.0%	9.0%	9.5%
WSU	13.1%	14.0%	0.0%	0.0%	3.2%	2.8%	3.0%	4.0%	7.0%	7.0%	9.5%
SUU	15.2%	20.1%	0.0%	0.0%	3.8%	2.7%	3.0%	5.8%	5.5%	5.5%	11.8%
Snow	20.6%	5.8%	0.0%	0.0%	3.8%	2.7%	3.1%	4.0%	5.5%	5.5%	4.5%
Dixie	11.1%	14.7%	1.3%	0.0%	3.8%	2.7%	3.0%	4.0%	5.5%	5.5%	7.5%
CEU	15.0%	14.0%	8.5%	0.0%	3.8%	2.8%	6.3%	4.0%	5.5%	5.5%	8.6%
UVSC	8.6%	10.7%	4.0%	0.0%	3.8%	2.7%	3.0%	4.0%	12.5%	12.5%	12.5%
SLCC	7.3%	6.8%	5.0%	0.0%	3.7%	2.7%	3.0%	4.0%	5.5%	5.5%	8.5%
USHE Average (1)	12.8%	11.7%	2.5%	0.6%	3.7%	2.7%	3.4%	4.2%	7.0%	7.0%	9.3%
USHE First-tier only (2)									5.5%	4.0%	4.5%

(1) Simple Average.

(2) The systemwide first-tier increase is shown for 2001-02 through 2003-04. This amount applied to all institutions. Institutional amounts include both first and second-tier increases. First-tier increases included an 0.5% set aside for need-based student financial aid in 2002-03 and 2003-04.

(3) Percentages represent increases that apply to greatest number of students at the institution, and do not include differential increases for some students or programs.

Table 6. Tuition Increase Revenue Impact

Estimated Impact of 1% and 4.5% Tuition Increase on Tuition Revenue

	UU	USU	WSU	SUU	Snow	Dixie	CEU	UVSC	SLCC	USHE
Revenue w/ 1% Increase	$888,400	$493,100	$295,800	$119,300	$44,000	$46,900	$23,200	$368,400	$255,800	$2,534,900
Revenue w/ 4.5% Increase	$3,997,900	$2,218,700	$1,331,300	$537,000	$198,000	$211,200	$104,700	$1,657,700	$1,151,300	$11,407,800

Table 7. Tuition Increase Rate Impact

Impact of 1% and 4.5% Tuition Increase on Full-time Tuition Rates

	UU	USU	WSU	SUU	Snow	Dixie (1)	CEU	UVSC (1)	SLCC	USHE (2)
Resident Undergraduate										
2003-04 Full-time Rate	$3,058	$2,545	$2,130	$2,332	$1,370	$1,416	$1,406	$2,072	$1,697	$2,003
1% Increase	$31	$25	$21	$23	$14	$14	$14	$21	$17	$20
4.5% Increase	$138	$115	$96	$105	$62	$64	$63	$93	$76	$90
Resident Graduate (3), (4)										
2003-04 Full-time Rate	$2,484	$2,449	$2,204	$2,962						$2,525
1% Increase	$25	$24	$22	$30						$25
4.5% Increase	$112	$110	$99	$133						$114
Nonresident Undergraduate										
2003-04 Full-time Rate	$10,704	$8,420	$7,456	$7,696	$6,072	$6,192	$5,894	$7,252	$5,939	$7,292
1% Increase	$107	$84	$75	$77	$61	$62	$59	$73	$59	$73
4.5% Increase	$482	$379	$336	$346	$273	$279	$265	$326	$267	$328
Nonresident Graduate (3), (4)										
2003-04 Full-time Rate	$8,768	$8,573	$7,716	$9,774						$8,708
1% Increase	$88	$86	$77	$98						$87
4.5% Increase	$395	$386	$347	$440						$392

(1) Lower division rates only listed for Dixie and UVSC.

(2) Simple Average.

(3) General graduate tuition rates only, differential graduate tuition rates not included.

(4) Graduate tuitions may be less than undergraduate because a full-time load for a graduate student (10 credits) is less than an undergraduate (15 credits).

WICHE and Rocky Mountain State Public Tuition and Fees Comparisons for 2003-2004

Table 8. Resident Undergraduate Tuition and Fees Comparisons

		WICHE State Comparisons (1)							Rocky Mountain State Comparisons (2)						
USHE Institution	Comparison Group	Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.	Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.
UofU	Doc. - Res. Extensive	15 of 24	$3,646	$5,853	$2,586	$4,327	62%	84%	4 of 11	$3,646	$4,021	$2,586	$3,366	91%	108%
USU	Doc. - Res. Extensive	22 of 24	$3,141	$5,853	$2,586	$4,327	54%	73%	10 of 11	$3,141	$4,021	$2,586	$3,366	78%	93%
WSU	Masters I & II	21 of 41	$2,632	$4,326	$2,256	$3,006	61%	88%	8 of 12	$2,632	$4,178	$2,256	$3,035	63%	87%
SUU	Masters I & II	20 of 41	$2,794	$4,326	$2,256	$3,006	65%	93%	7 of 12	$2,794	$4,178	$2,256	$3,035	67%	92%
Snow	Two-Year	84 of 249	$1,670	$3,230	$330	$1,182	52%	141%	28 of 78	$1,670	$3,074	$448	$1,496	54%	112%
DSC Upper Division	All Bacc.	17 of 20	$2,378	$4,379	$2,100	$2,936	54%	81%	8 of 10	$2,378	$3,126	$2,100	$2,585	76%	92%
DSC Lower Division	Two-Year	71 of 249	$1,778	$3,230	$330	$1,182	55%	150%	22 of 78	$1,778	$3,074	$448	$1,496	58%	119%
CEU	Two-Year	77 of 249	$1,740	$3,230	$330	$1,182	54%	147%	21 of 78	$1,740	$3,074	$448	$1,496	57%	116%
UVSC Upper Division	All Bacc.	13 of 20	$2,508	$4,379	$2,100	$2,936	57%	85%	7 of 10	$2,508	$3,126	$2,378	$2,585	80%	97%
UVSC Lower Division	All Bacc.	14 of 20	$2,450	$4,379	$1,778	$2,903	56%	84%	7 of 10	$2,450	$3,126	$1,778	$2,520	78%	97%
SLCC	Two-Year	61 of 249	$2,035	$3,230	$330	$1,182	63%	172%	4 of 78	$2,035	$3,074	$448	$1,496	66%	136%

Table 9. Resident (General) Graduate Tuition and Fees Comparisons

		WICHE State Comparisons (1)							Rocky Mountain State Comparisons (2)						
USHE Institution	Comparison Group	Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.	Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.
UofU	Doc. - Res. Extensive	21 of 24	$3,428	$9,366	$1,840	$5,447	37%	63%	8 of 11	$3,428	$5,081	$1,840	$3,623	67%	95%
USU	Doc. - Res. Extensive	22 of 24	$3,399	$9,366	$1,840	$5,447	36%	62%	9 of 11	$3,399	$5,081	$1,840	$3,623	67%	94%
WSU	Masters I & II	22 of 41	$2,846	$7,614	$2,400	$3,678	37%	77%	9 of 12	$2,846	$4,813	$2,400	$3,477	59%	82%
SUU	Masters I & II	17 of 41	$3,424	$7,614	$2,400	$3,678	45%	93%	6 of 12	$3,424	$4,813	$2,400	$3,477	71%	98%

Source: WICHE. Tuition and Fees in Public Higher Education in the West 2003-2004. (forthcoming)

Notes:

(1) WICHE states include Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Arizona, New Mexico, Utah, Colorado, Wyoming, Montana, North Dakota, and South Dakota.

(2) Rocky Mountain states include Idaho, Nevada, Arizona, New Mexico, Utah, Colorado, Wyoming, and Montana.

(3) USHE institutions are ranked within the comparison group, with a ranking of "1" being the highest tuition and fee level.

(4) Simple average.

WICHE and Rocky Mountain State Public Tuition and Fees Comparisons for 2003-2004

Table 10. Nonresident Undergraduate Tuition and Fees Comparisons

USHE Institution	Comparison Group	WICHE State Comparisons (1): Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.	Rocky Mountain State Comparisons (2): Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.
UofU	Doc. - Res. Extensive	18 of 24	$11,292	$20,336	$7,266	$15,026	56%	75%	6 of 11	$11,292	$20,336	$7,266	$11,891	56%	95%
USU	Doc. - Res. Extensive	23 of 24	$8,946	$20,336	$7,266	$15,026	44%	60%	10 of 11	$8,946	$20,336	$7,266	$11,891	44%	75%
WSU	Masters I & II	38 of 40	$7,958	$14,977	$4,326	$10,557	53%	75%	11 of 11	$7,958	$14,977	$7,958	$10,150	53%	78%
SUU	Masters I & II	35 of 40	$8,158	$14,977	$4,326	$10,557	54%	77%	8 of 11	$8,158	$14,977	$7,958	$10,150	54%	80%
Snow	Two-Year	70 of 248	$6,372	$9,953	$840	$5,468	64%	117%	33 of 78	$6,372	$8,526	$840	$5,330	75%	120%
DSC Upper Division	All Bacc.	18 of 20	$7,826	$13,332	$7,258	$9,212	59%	85%	10 of 10	$7,826	$11,329	$7,826	$9,166	69%	85%
DSC Lower Division	Two-Year	57 of 248	$6,554	$9,953	$840	$5,468	66%	120%	20 of 78	$6,554	$8,526	$840	$5,330	77%	123%
CEU	Two-Year	73 of 248	$6,228	$9,953	$840	$5,468	63%	114%	35 of 78	$6,228	$8,526	$840	$5,330	73%	117%
UVSC Upper Division	All Bacc.	17 of 20	$7,833	$13,332	$7,258	$9,212	59%	85%	9 of 10	$7,833	$11,329	$7,826	$9,166	69%	85%
UVSC Lower Division	All Bacc.	17 of 20	$7,630	$13,332	$6,554	$9,138	57%	83%	9 of 10	$7,630	$11,329	$6,554	$9,018	67%	85%
SLCC	Two-Year	72 of 248	$6,277	$9,953	$840	$5,468	63%	115%	34 of 78	$6,277	$8,526	$840	$5,330	74%	118%

Table 11. Nonresident (General) Graduate Tuition and Fees Comparisons

USHE Institution	Comparison Group	WICHE State Comparisons (1): Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.	Rocky Mountain State Comparisons (2): Rank(3) in Comparison Group	USHE Institution Tuit/Fees	Comparison Group Max. Tuit/Fees	Comparison Group Min. Tuit/Fees	Comparison Group Avg.(4) Tuit/Fees	Utah Institution % of Max.	Utah Institution % of Avg.
UofU	Doc. - Res. Extensive	21 of 24	$10,659	$20,345	$7,914	$15,058	52%	71%	8 of 11	$10,659	$20,345	$7,914	$12,244	52%	87%
USU	Doc. - Res. Extensive	22 of 24	$10,583	$20,345	$7,914	$15,058	52%	70%	9 of 11	$10,583	$20,345	$7,914	$12,244	52%	86%
WSU	Masters I & II	40 of 41	$8,704	$17,190	$8,304	$11,372	51%	77%	11 of 12	$8,704	$16,400	$8,304	$11,078	53%	79%
SUU	Masters I & II	32 of 41	$10,236	$17,190	$8,304	$11,372	60%	90%	7 of 12	$10,236	$16,400	$8,304	$11,078	62%	92%

Source: WICHE. Tuition and Fees in Public Higher Education in the West 2003-2004. (forthcoming)

Notes:

(1) WICHE states include Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Arizona, New Mexico, Utah, Colorado, Wyoming, Montana, North Dakota, and South Dakota.

(2) Rocky Mountain states include Idaho, Nevada, Arizona, New Mexico, Utah, Colorado, Wyoming, and Montana.

(3) USHE institutions are ranked within the comparison group, with a ranking of "1" being the highest tuition and fee level.

(4) Simple average.

Figure 1. Resident Undergraduate Regional Tuition & Fee Comparisons, 2003-04

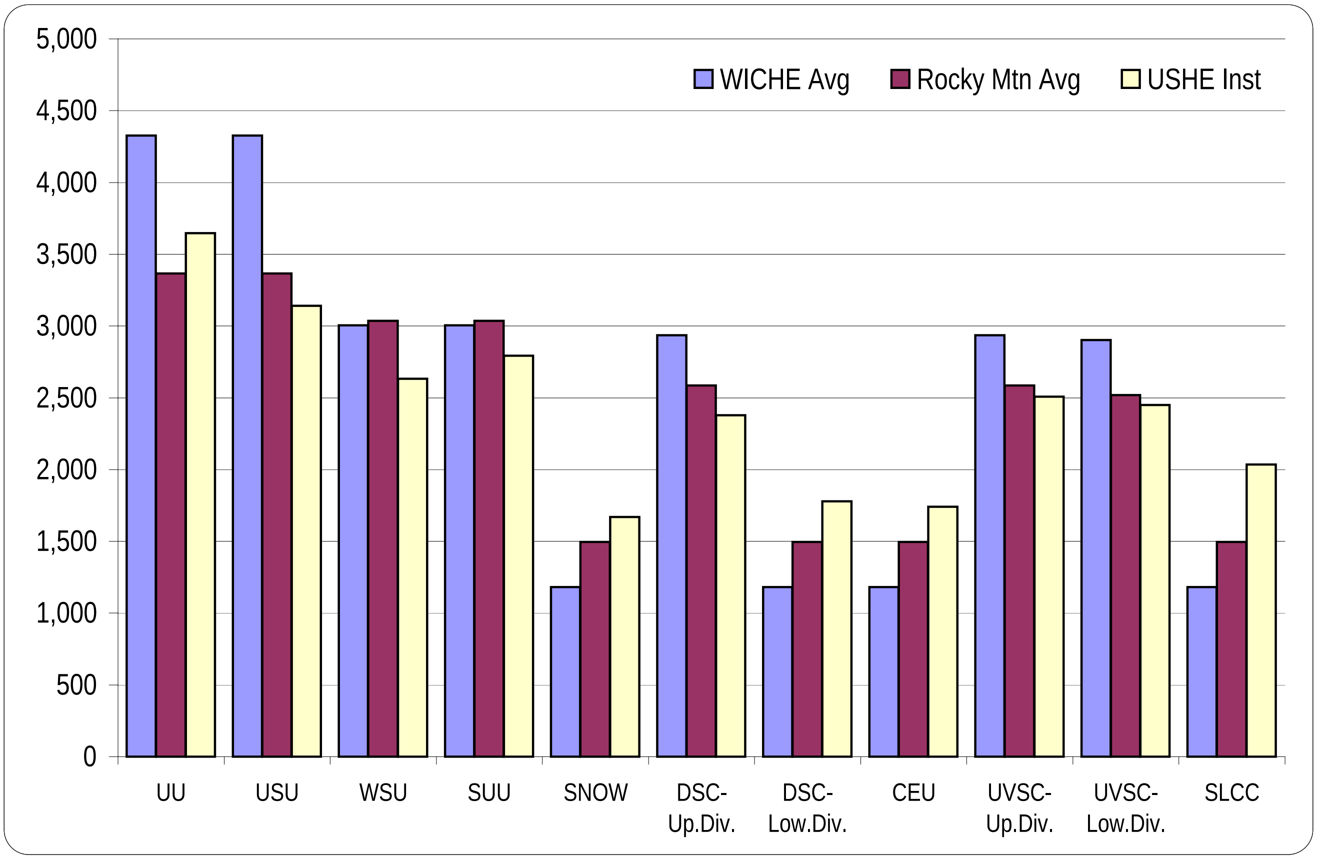


Figure 2. Resident Graduate Regional Tuition & Fee Comparisons, 2003-04

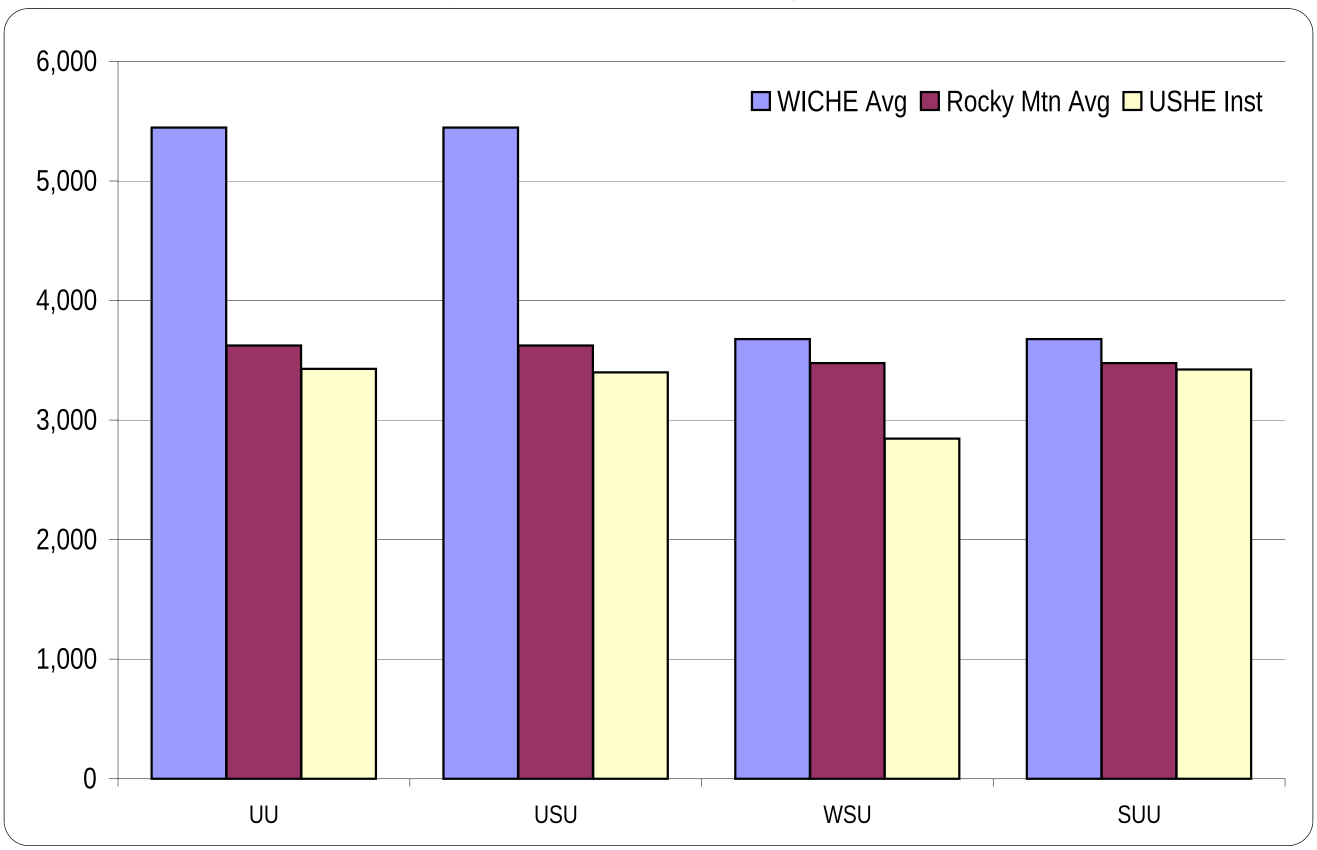


Figure 3. Nonresident Undergraduate Regional Tuition & Fee Comparisons, 2003-04

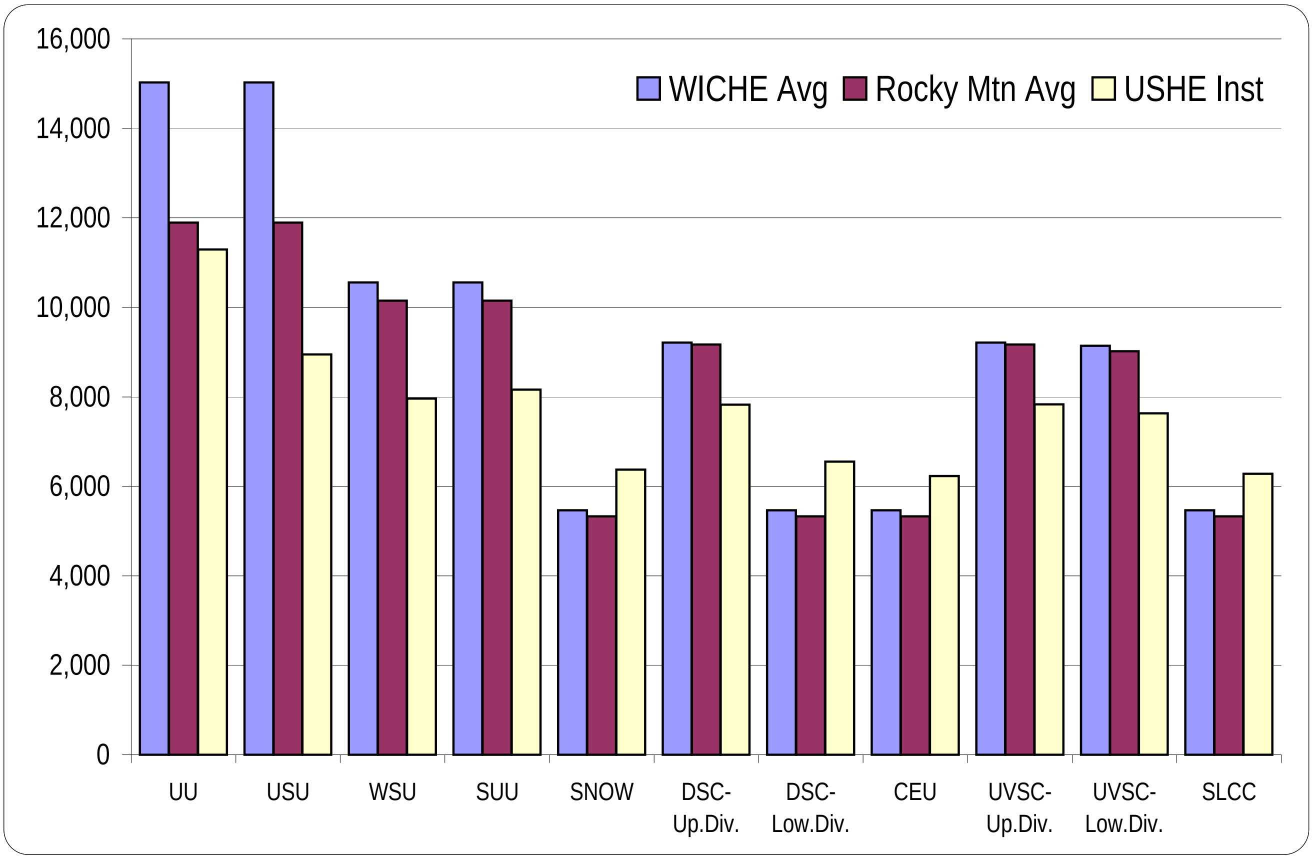
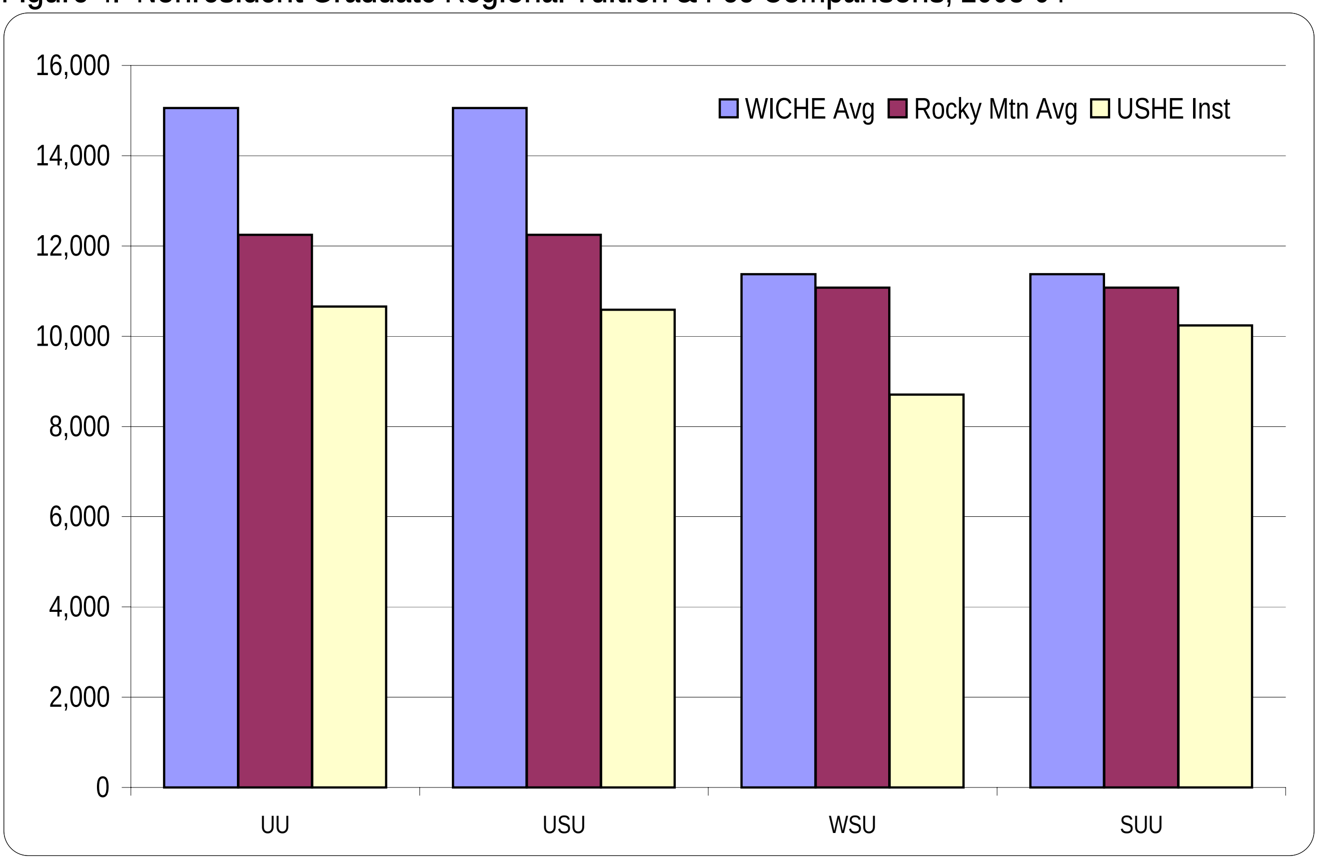


Figure 4. Nonresident Graduate Regional Tuition & Fee Comparisons, 2003-04



January 7, 2004

MEMORANDUM

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Legislative Priorities, Including Governor's Budget Recommendations and Regents' Budget Request

In anticipation of the 2044 General Session of the Utah State Legislature which will convene on Monday January 19, 2004, three documents are provided for your information. First, as announced at the last Board of Regents meeting on December 11, 2003, Governor Olene S. Walker has recommended $23.2 million in new state tax funds for Higher Education, closely following the priorities for funding adopted by the Board of Regents. Attachment A is a comparison of the Governor's recommendation with the request of the State Board of Regents. Attachment B is an overview of the legislative session, and Attachment C is a summary of the legislative priorities of the Utah System of Higher Education. This information has also been shared with Presidents and the Chairs and Vice Chairs of the Boards of Trustees. A weekly report during the legislative session will be emailed to all Regents, Presidents and Trustee Chairs and Vice Chairs

Richard E. Kendell, Commissioner

RK:db
Attachments

Utah System of Higher Education *January 6, 2004*

Operating Budget Comparisons (Tax Funds Only)
FY 2004-05 and FY 2003-04 Supplementals

State Board of Regents Request and Governor's Recommendation

	State Board of Regents	Governor Walker	
	Amount	Amount	Above/ (Below) SBR
Utah Higher Education Funding Formula - USHE Priorities			
Compensation			
3% Salary Increase	$12,543,300	$8,162,100	($4,381,200)
12% Health and Dental Premium Rate Increase	5,741,100	4,773,600	(967,500)
State Retirement Rate Increase (168 Basis Points)	1,330,500	3,677,400	2,346,900
New Student Support @ 25% [2,639 FTE Student increase]	10,929,700	2,500,000	(8,429,700)
Facilities Support			
New Facilities Operation and Maintenance	2,521,000	1,500,000	(1,021,000)
Fuel and Power	11,030,100	0	(11,030,100)
Total Formula - USHE Priority Increases	$44,095,700	$20,613,100	($23,482,600)
Other Ongoing USHE Needs			
Core Support - USHE Core Issues	$0	$750,000	$750,000
New Student Support -- Other 75% [7,914 FTE Student Increase]	32,677,800	0	(32,677,800)
Salary Equity	3,000,000	0	(3,000,000)
Nursing Initiative - Phase 1 of 3	2,172,500	0	(2,172,500)
Engineering Initiative	2,000,000	1,000,000	(1,000,000)
Libraries	350,000	0	(350,000)
Student Financial Aid -- UCOPE	2,000,000	0	(2,000,000)
Student Success/Retention	500,000	0	(500,000)
Software Licensing Increases	1,100,000	0	(1,100,000)
Standard Mandated Costs			
Americans with Disabilities Act Accommodations	500,000	0	(500,000)
Student Financial Aid Base Maintenance -- Federal Match	265,000	0	(265,000)
New Century Scholarships	407,000	250,000	(157,000)
Utah Engineering & Computer Science Loan Forgiveness Program	500,000	0	(500,000)
Internal Service Fund Adjustments	0	81,400	81,400
Total Other Ongoing USHE Needs	$45,472,300	$2,081,400	($43,390,900)
One-time Increases			
Technology	$1,500,000	$0	($1,500,000)
Engineering and Computer Science Initiative	2,000,000	500,000	(1,500,000)
Nursing Initiative	500,000	0	(500,000)
Libraries	300,000	0	(300,000)
Total One-time Increases	$4,300,000	$500,000	($3,800,000)
Supplemental Increases			
Fuel and Power	$10,384,200	$0	($10,384,200)
New Century Scholarship	157,500	0	(157,500)
Total Supplemental Increases	$10,541,700	$0	($10,541,700)

USHE 2004 Legislative Overview

January 6, 2004

Budget

- Regents requested $44.1 million in new state tax funds for top three priorities—compensation, unfunded student enrollments, and facility support. Regents also identified an additional $45.5 million in "other on-going needs."
- Governor Walker has recommended $24.9 million in new state tax funds for compensation, new students, O&M, and Engineering Initiative.
- Executive Appropriations Committee has adopted initial revenue estimates prepared by the Legislative Fiscal Analyst which are $21.7 million lower than the Governor's projection. The Legislature has identified only $38 million available to add to this year's budget for all of state government including Higher Education and Public Education. Appropriation Subcommittees have been allocated the same budgets as appropriated this year (current base budgets).
- Revenue estimates will be updated in February; if the economic recovery continues, additional revenue may be realized and budgeted at that time.

Capital Facilities

- Regents have identified and prioritized 9 capital facility projects, for a total of $161.8 million.
- UCAT Board has advanced 2 projects, for a total of $14 million.
- Governor Walker has not recommended any USHE projects this year.
- The Legislature will have approximately $64 million of capital bonds retired this year which could be used for capital facilities. There is disagreement over whether $50+million of this amount should be used for the State Capitol Building restoration project, or whether that should be funded separately.
- Legislative approval is also needed for non-state funded projects. (This is usually not a problem.)

Legislation

- USHE is not proposing any new legislation this year.
- Bills that have been pre-filed:
  - HB 6, Repeal of Interstate Commission on Cooperation in Higher Education (Rep. Bush)
  - HB 25, Governmental Internet Information Privacy Act (Rep. Harper)
  - Instate Tuition for National Guardsmen (Rep. King)
  - Tuition Waiver for Purple Heart Recipients (Rep. Hughes)
- Other bills that have been discussed but not yet filed include:
  - In-state residency for students at Job Corps.
  - A new scholarship program under "UCOPE" for students meeting certain income guidelines.
  - Requirement of disclosure to students of the cost of their college education and the portion paid by taxpayers.

USHE 2004 Legislative Priorities

January 6, 2004

1. Employee Compensation

USHE is only as good as its employees—faculty and staff. Without legislative action this year, employees will face their third straight year without a salary increase. Health and dental insurance premium increases also mean that without additional funding employees will see a net-decrease in take-home pay.

- USHE competes for faculty in a national market. Even though other states have also faced budget challenges, USHE institutions are finding it increasingly difficult to attract and retain faculty as well as key staff. As the national economy improves, this will be an increasing challenge.
- Salary equity—whether USHE faculty and staff are paid at market—has been a concern for several years. A recent study demonstrates that this problem is worsening. Nearly 3,000 faculty and staff positions have been determined to be less than 90% of market for similar positions. Failure to address compensation will worsen these inequities.

2. Unfunded Student Enrollment

Since 2001 USHE institutions have admitted a net increase of 10,474 students without receiving any additional state support for their education. In good budget times and bad, the Legislature has funded enrollment growth in order to ensure access to Higher Education. Quality of programs, and continued access, is threatened unless the issue of “unfunded students” is addressed.

- Growing student enrollments at a time of budget cuts has resulted in USHE institutions receiving $930 less per student (in real dollars) than five years ago, a 16.6% cut in state support.
- Fewer state dollars has meant more significant tuition increases—averaging double-digit increases for each of the past three years. Increased tuition has only partially filled the budget gap, as tuition has increased an average of $588 per student during the past five years.
- Absorbing new students without new state support has meant eliminating class sections, more part-time and adjunct faculty, larger class sizes, and less support services such as counselors. Each of these lessens quality and can increase the length of time to completion—increasing state costs in the long run.

3. Facilities Support

New facilities have opened without full funding of the operational and maintenance costs (or “O&M”). Similarly, state funding has not kept up with utility rate increases, meaning that colleges and universities have had to raid other funds to pay utility bills. These mandatory costs must be met or serious consequences result from buildings that are not properly maintained.

4. Capital Development Projects

USHE will advocate for funding of the nine capital facility projects prioritized by the Board of Regents, totaling $161.8 million in state funds, and the two projects prioritized by the Utah College of Applied Technology Board of Trustees, totaling $14 million.

January 7, 2004

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: General Consent Calendar

It is the recommendation of the Commissioner that the Regents approve the following items on the General Consent Calendar:

1. Minutes – Minutes of the Regular Board of Regents Meeting held December 11, 2003, at Board of Regents' offices in Salt Lake City, Utah.

2. Grant Proposals - Approval to submit the following proposals:

   A. University of Utah – Public Health Service/National Institute Gen Med Science; "Population Genetics of Mobile Elements;" $2,318,516. Lynn B. Jorde, Principal Investigator.

   B University of Utah – Public Health Service/National Institute Gen Med Science; "Genetic Diversity, Functional Genomics and Gene Networks;" $16,303,455. Jean-Marc Lalouel, Principal Investigator.

   C. University of Utah – Public Health Service; "Human Genetics of Susceptibility to Herpes Simples Virus Diseases;" $2,370,200. John D. Kriesel, Principal Investigator.

   D. University of Utah – Leukemia & Lymphoma Society; "Nitric Oxide and Leukemia;" $5,000,000. Paul J. Shami, Principal Investigator.

   E. University of Utah – Public Health Service; "Markov Chain Monte Carlo Methods for Linkage Analysis;" $2,123,140. Alun W. Thomas, Principal Investigator.

   F. University of Utah – Public Health Service; "Molecular Genetics of Lyme Arthritis Susceptibility;" $2,344,569. Janis J. Weis, Principal Investigator.

   G. University of Utah – Public Health Service; "MPNSTS In Nf1: A Multicenter Clinical Trial;" $5,076,796. David H. Viskochil, Principal Investigator.

   H. University of Utah – Public Health Service/National Heart Lung & Blood; "Genetics of Autism Intermediate Phenotypes;" $2,570,256. Hilary H. Coon, Principal Investigator.

   I. University of Utah – Public Health Service/National Institute of Mental Health; "Research on Autism and Autism Spectrum Disorders;" $3,059,676. Janet E. Lainhart, Principal Investigator.

J. University of Utah – Public Health Service; "Dual Process Intervention for Recently Bereaved Spouses;" $2,952,983. Michael S. Caserta, Principal Investigator.

K. University of Utah – National Science Foundation; "Weak Bonding-Synthesis, Structure, Spectroscopy, and Stability;" $2,786,120. Joel S. Miller, Principal Investigator.

L. University of Utah – National Science Foundation; "Chemically Functionalized Nanopores for Membranes and Sensors;" $2,610,189. Ilya Zharov, Principal Investigator.

M. University of Utah – Federal Emergency Management Agency; "Willard Marriott Library, Seismic Retrofit;" $2,994,038. Sarah C. Michelak, Principal Investigator.

N. University of Utah – Department of Defense/Prime Flow thru Naval Research/Purdue University; "Plasmonic Nanophotonics, Sensing and Nanofabrication;" $2,000,000. Steven M. Blair, Principal Investigator.

O. University of Utah – Public Health Service; "Gradient Arrays for High Performance Extended FOV MRI;" $2,160,113. Dennis L. Parker, Principal Investigator.

P. Utah State University – US Department of Defense Missile Defense Agency; "RAMOS Joint Critical Design Review;" $54,790,646. Thomas Humpherys, Principal Investigator.

Q. Utah State University – US Department of Defense US Air Force; "Response to FY02 Air Force Research Laboratory (AFRL) Broad Agency Announcement (BAA) Area (6) Tactical Environmental Support Subcategory (6)A Atmospheric Categorization;" $2,297,544. Ronald J. Hippi, Principal Investigator.

R. Utah State University – US Department of Education; "Utah Telework Fund Program;" $1,000,000. Martin E. Blair, Principal Investigator.

S. Utah State University – National Science Foundation; "A Vertically Integrated Applied and Industrial Mathematics Program at Utah State University;" $1,828,208. Joseph V. Koebbe, Principal Investigator.

T. Utah State University – US Department of the Interior Bureau of Indian Affairs; "BIA Schoolwide Monitoring;" $1,479,634. John Copenhaver, Principal Investigator.

U. Utah State University – Department of Health & Human Services; "In Vitro Antiviral Screening Program;" $6,567,573. Robert W. Sidwell, Principal Investigator.

V. Utah State University – Department of Health & Human Services; "Evaluation of Post-Adoption Services;" $5,235,541. Brent Miller, Principal Investigator.

W. Utah State University – NASA Jet Propulsion Laboratory; "Wide-Field Infrared Survey Explorer (WISE) Extended Phase A Study Effort;" $2,127,653. Scott H. Schick, Principal Investigator.

X. Utah State University – Northrop Grumman; "Proposal for Engineering Support and IR Radiance Source System;" $11,611,505. Vern Alan Thurgood, Principal Investigator.

Y. Utah State University – Missile Defense Agency; "RAMOS Rosoboronexport Addendum 21;" $6,937,800. Tom Humpherys, Principal Investigator.

Z. Utah State University – US Department of Defense Missile Defense Agency; "RAMOS Task Order 12;" $2,326,877. Thomas Humpherys, Principal Investigator.

AA. Utah State University – Department of Health and Human Services; "In Vitro Antiviral Screening Program: Respiratory Viruses;" $3,107,063. Robert W. Sidwell, Principal Investigator.

BB. Utah State University – Department of Health and Human Services; "In Vitro Antiviral Screening Program: Biodefense Pathogens;" $3,566,998. Robert W. Sidwell, Principal Investigator.

CC. Utah State University – Department of Commerce; "Federal Assistance to Fund the Infrastructure Needs for the Expansion and Development of the Utah State University Innovation Camp;" $2,700,000. M. K. Jeppesen, Principal Investigator.

DD. Utah State University – National Science Foundation; "Methodology for Multi-Platform Watershed Health Monitoring: Sensors, Data Collection Networks, Data Assimilation, and Model-Data Interactions;" $1,598,409.18. Marian W. Kemblowski, Principal Investigator.

EE. Utah State University – USAF Arnold Air Force Base; "RAMOS - MIC 4;" $7,471,176. Joe Tansock, Principal Investigator.

FF. Utah State University – Northrop Grumman; "Internal Calibration Unit (ICU);" $7,847,509. Joseph J. Tansock, Principal Investigator.

3. Grants Awarded

A. University of Utah – National Institute of Arthritis, Muscles & Skin; "Study of the Efficacy of Glucosamine and Glucosamine/Chondroitin Sulfate in Knee Osteoarthritis;" $2,257,806. Daniel O. Clegg, Principal Investigator.

B. University of Utah – National Cancer Institute; "A Prospective Study of Alaska Natives and American Indians;" $2,600,724. Martha L. Slattery, Principal Investigator.

C. Utah State University – NASA Langley Research Center; "Geostationary Imaging Fourier Transform Spectrometer (GIFTS); "$4,248,556. Gail Bingham, Principal Investigator.

D. Utah State University – US Department of Defense Missile Defense Agency; "RAMOS Task Order 12;" $2,899,420. Thomas Humpherys, Principal Investigator.

E. Utah State University – University of Utah; State Funding for the Installation of the Digital Satellite System; $1,055,377.04. Barbara A. White, Principal Investigator.

F. Utah State University – US Department of Defense Missile Defense Agency; "RAMOS Task Order 12;" $4,482,979. Thomas Humpherys, Principal Investigator.

G. Utah State University – US Department of Defense Missile Defense Agency; "RAMOS Task Order 12;" $2,905,027. Thomas Humpherys, Principal Investigator.

H. Utah State University – Department of Health and Human Services; "Animal Models of Human Viral Infections for Evaluation of Experimental Therapies: Influenza and Orthopox Viruses;" $1,382,029. Robert W. Sidwell, Principal Investigator; Donald Smee, John D. Morrey, Dale Barnard, Co-Principal Investigators.

I. Utah State University – USDA Cooperative State Research Service; "Implementation of the Western Region Sustainable Agriculture Research and Education (SARE) Professional Development Program (PDB);" $1,090,298. V. Philip Rasmussen, Principal Investigator.

J. Utah State University – US Department of Education; "Operate Regional Resource Center, Region No. 5, Utah State University;" $1,350,200. John Copenhaver, Principal Investigator.

4. 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 March 11, 2004 at Southern Utah University in Cedar City, Utah and March 12, 2004 at Dixie State College in Hurricane, Utah, to consider property transactions, personnel issues, litigation, and such other matters permitted by the Utah Open and Public Meetings Act.

Richard E. Kendell, Commissioner

RK:jc
Attachments

MINUTES OF MEETING
UTAH STATE BOARD OF REGENTS
BOARD OFFICES, SALT LAKE CITY, UTAH
December 11, 2003

C O N T E N T S

MINUTES OF MEETING
UTAH STATE BOARD OF REGENTS
BOARD OFFICES, SALT LAKE CITY, UTAH
DECEMBER 11, 2003

Regents Present	Regents Excused
Nolan E. Karras, Chair	Jerry C. Atkin
E. George Mantes, Vice Chair	Jed H. Pitcher
Linnea S. Barney	
Daryl C. Barrett	
Bonnie Jean Beesley	
Kim R. Burningham	
William Edwards	
David J. Grant	
James S. Jardine	
Michael R. Jensen	
Charles E. Johnson	
David J. Jordan	
David L. Maher	
Sara V. Sinclair	
Marlon O. Snow	
Maria Sweeten	

Office of the Commissioner
Richard E. Kendell, Commissioner
David Buhler, Associate Commissioner for Public Affairs
Don A. Carpenter, Executive Assistant
Joyce Cottrell, Executive Secretary
Kimberly Henrie, Budget Analyst
Brad Mortensen, Assistant Commissioner for Finance and Facilities
Chalmers Gail Norris, Associate Commissioner for Student Financial Aid
Phyllis C. Safman, Assistant Commissioner for Academic Affairs
Mark H. Spencer, Associate Commissioner for Finance and Facilities
Deanna D. Winn, Associate Commissioner for Academic Affairs
Gary S. Wixom, Assistant Commissioner for Applied Technology Education and Special Projects

INSTITUTIONAL REPRESENTATIVES

University of Utah
A. Lorris Betz, Senior Vice President for Health Sciences/Dean, School of Medicine
David W. Pershing, Senior Vice President for Academic Affairs
Paul Brinkman, Associate Vice President for Budget and Planning
Fred C. Esplin, Vice President for University Relations
John G. Francis, Associate Vice President for Academic Affairs
Nancy Lyon, Assistant Vice President for Governmental Affairs
Laura Snow, Special Assistant to the President and Secretary of the University
Kimberly Wirthlin, Assistant Vice President for Health Sciences

Utah State University

Kermit L. Hall, President
Fred R. Hunsaker, Vice President for Administrative Services
Richard W. Jacobs, Budget Director
Sydney Peterson, Assistant Provost
Kevin C. Womack, Associate Vice President for Administrative Services

Weber State University
F. Ann Millner, President
Donna J. Lister (WSU/SUU), Nursing
Kathleen Lukken, Provost
Norman C. Tarbox, Jr., Vice President of Administrative Services

Southern Utah University
Steven D. Bennion, President
Abe Harraf, Provost

Snow College
Michael T. Benson, President
Bradley A. Winn, Provost

Dixie State College
Robert C. Huddleston, President
Phil Alletto, Vice President for Student Services
Carole Grady, Assistant Professor of Nursing
Joe Peterson, Academic Vice President
Stanley J. Plewe, Vice President of College Services

College of Eastern Utah
Ryan L. Thomas, President

Utah Valley State College
William A. Sederburg, President
Brad Cook, Vice President of Academic Affairs
Cameron Martin, Assistant to the President
Val Peterson, Vice President of Administration and External Affairs
J. Karl Worthington, Associate Academic Vice President

Salt Lake Community College
Judd D. Morgan, Interim President
Julie Curtis, Assistant to the Academic Vice President
Donald L. Porter, Vice President of Business Services
David Richardson, Vice President of Academic Services
Trenton Kemp, Student Body President

Utah College of Applied Technology
Gregory G. Fitch, President
Linda Fife, Vice President for Academic and Student Services

Representatives of the Press
Shinika A. Sykes, *Salt Lake Tribune*
Stephen Speckman, *Deseret Morning News*

Others
Race Davies, Governor's Office of Planning and Budget
Boyd Garriott, Office of the Legislative Fiscal Analyst
Debbie Headden, Office of the Legislative Fiscal Analyst
Eric C. Isom, Utah State Senate
Kenneth E. Nye, Program Director, Capitol Development, DFCM
Kevin Walthers, Office of the Legislative Fiscal Analyst

Chair Nolan Karras called the meeting to order at 1:00 p.m. He welcomed Dr. Darrell White, recently appointed the Governor's Deputy for Education. Chair Karras excused Regent Atkin and Regent Pitcher and said Regent Sinclair had been present for an earlier meeting but became ill and went home.

PRESENTATION BY GOVERNOR OLENE S. WALKER

Commissioner Kendell escorted Governor Walker into the room, where she was greeted with warm applause. Governor Walker said she appreciated the opportunity to visit with the Regents, Presidents and others in higher education. She announced that she was not proposing any cuts in higher education. In keeping with her focus on education, Governor Walker said she would be proposing a four percent increase in state funding for higher education for FY2005 – $39 million of new money, $25 million of new state money, and $14 million from tuition. This includes $26 for a compensation increase.

The Governor said she was delighted that the economy appears to be turning around; however, there are still some very difficult decisions to be made. Utah's focus must clearly be on education. She complimented the Regents on the USHE Engineering Initiative. Her budget recommendation will include $1.5 for the Engineering Initiative, which she expects higher education to match. Already there has been a 23 percent increase in bachelor's degrees awarded in the areas of engineering, math and computer science. Governor Walker said she would be proposing $750,000 for other initiatives and that she hoped some could go to the Nursing Initiative.

The Governor said the Walker Work Plan, which contains two challenges for higher education, consists of four things: (1) The initiatives must be good for the citizens of the State of Utah. (2) They must be initiatives or issues which can be accomplished in 400 days. (3) The goals cannot be based on money. (4) They must be things about which Governor Walker feels passionate. Her challenges:

1. Governor Walker said she was asking the research universities and the other USHE institutions to work closely together with the business and professional community to partner in getting research grants. Higher Education is the engine which drives economic development. She asked the Regents to report back to her on September 1 on what had been accomplished in this area.

2. In connection with the idea of focusing on competency-based education, Governor Walker said we must make certain that the students entering the colleges or universities are prepared for higher education-level work. She asked the Regents to develop a self-supporting program by June 1, 2004 for remedial classes to assist high school graduates who are not ready to do college-level work. These must be stand-alone centers with the authority to hire whoever is needed (retired public school teachers, for example) and the freedom to do whatever is necessary to prepare the students for college. She challenged the Regents to be ready by Fall 2004.

Governor Walker said she realized these were big challenges, but they will make a difference. Parents and students in public schools must also realize that high school must count. Statistics show that two-thirds of the students in remedial classes are recent high school graduates; one-fourth of them need help in composition, and three-fourths need help in mathematics. Everyone in public education (K-12 and higher education) has a responsibility to provide a good education, and public schools have a responsibility to prepare students for college. The centers must also provide for non-traditional students who are returning to school for vocational training or education. The cost must not be prohibitive to these individuals, either.

Governor Walker said in the 1990s, 17,000 new students entered the public education system. In the next decade, there will be 145,000 new students entering the public education (K-12) system. They will be in the higher education system in the near future, and we must be prepared. We have a great challenge in Utah in that we have more youth 18 years of age and under than anywhere else in the country. Our opportunity is to train a highly qualified workforce to support a strong economy. The Governor acknowledged that it would not be easy to maintain the proposed budget with the Legislature, and she urged the Legislature to realize the importance of public and higher education and to find ways to fund these proposals.

Governor Walker offered to respond to questions. Regent Johnson commended the Governor for addressing the needs of higher education. He asked about her proposal for a self-supporting remedial center. Will the students pay? Governor Walker replied that the students will pay, but the Regents have the obligation to make it affordable. She suggested that remedial classes do not require Ph.D. faculty to teach them. Regent Johnson pointed out that most of the students who require remedial education are less able to afford it. Governor Walker said she would leave it up to the institutions and the Regents to work out the details.

Chair Karras told the Governor that the Regents had formed a Research and Economic Development Committee to address the first challenge. The committee is chaired by Regent Daryl Barrett. The Academic, Applied Technology and Student Success Committee, chaired by Regent Jim Jardine, will take the initiative for the remedial centers. Chair Karras noted that $485 million is brought into the state every year in research grants. Projections show that we will have 30,000 FTE additional students in the higher education system in the next ten years, in addition to the 145,000 students who will be coming into the public education system.

Regent Grant asked about plans to restructure the tax system. Will the Governor propose doing anything about removing constraints so that more money can go to higher education? Governor Walker said, "Everything is on the table." Tax reform is an difficult process, and she has set an August 1 deadline for its completion.

Assistant Commissioner Safman commended the Governor for her pro-active approach and thanked her for her support of education. She pointed out that K-12 and higher education work closely together. Individuals from both education systems are currently working with high school and college math and writing teachers to identify assessments and how to change the teaching methods so that the students are prepared for college when they leave high school. They are now looking for funding so that the need for remedial education will not be permanent.

Governor Walker commended higher education and public education for working more closely together now than at any time in the past 30 years. She thanked the Regents for allowing her to introduce her initiatives during the Board meeting and wished them luck in meeting these hard challenges.

Announcement of Interim President at the University of Utah

Chair Karras announced that Dr. A. Lorris Betz, Senior Vice President for Health Sciences, had been appointed Interim President of the University of Utah, effective January 1, 2004. Chair Karras thanked Dr. Betz and Senior Vice President Pershing for their efforts in making the transition work smoothly.

The Regents recessed to committees at 1:30 p.m.

COMMITTEE OF THE WHOLE

Following meetings of the Board Committees, the meeting of the Committee of the Whole was reconvened at 3:00 p.m. Chair Karras asked the Regents to let Secretary Cottrell know of their measurements for the new academic regalia if they had not already done so.

Recognitions

Snow. Vice Chair Mantes recognized President Mike Benson and the Snow College Badgers, who won the Golden Isles Bowl in Georgia. Regent Mantes, who accompanied the group, said the game was won in overtime. Everyone applauded President Benson and his athletes. Chair Karras congratulated President Benson and asked him to convey the Board's congratulations to the team and coaches. President Benson thanked Vice Chair Mantes for accompanying the team to Georgia. He noted that Dixie State College had also played for a national championship and that Utah was the only state to have two teams in the top five. He congratulated President Huddleston and the Dixie Rebels.

Dixie. President Huddleston said Dixie's women's soccer program had won the national championship, and his wife, who coached the team, was named Coach of the Year. Chair Karras congratulated President and Mrs. Huddleston and said for a volunteer coach to lead a team to win the national championship was very rare. He asked that a letter of commendation be sent to Mrs. Huddleston, along with a bouquet of flowers from the Regents and Presidents.

UCAMHE – REPORT ON BARRIERS TO HIGHER EDUCATION FOR MINORITIES

Chair Karras said he had first discussed a report to the Board with Sam Curley, President of the Utah Coalition for the Advancement of Minorities in Higher Education (UCAMHE). The presentation was given by Kate Maxwell-Stephens, UCAMHE President-Elect.

Ms. Maxwell-Stephens reported that the Coalition was comprised of public and private institutions of higher education. The organization's goal is to increase the number of students of color attending and graduating from Utah's higher education institutions. Their goals are to increase access by ensuring adequate preparation for college-level work, to increase retention by better data collection and recording, to increase financial aid, to stress the need for better teacher preparation programs for K-12 schools, and to recruit students of color as well as faculty and staff. She noted that the University of Utah has a diversity requirement which is an effective asset to the institution in encouraging the general public to become more aware of Utah's diverse population. She thanked former Commissioner Foxley for her support of UCAMHE and the Board of Regents for supplying scholarship funding. She also thanked Commissioner Kendell for attending the UCAMHE Scholarship Luncheon at Salt Lake Community College in November.

President Benson said the *Chronicle of Higher Education* had published a cover story entitled, "Is Higher Education Ready for an Increasing Latino Population?" This is becoming an issue at Snow College with an increasing Hispanic population. Ms. Maxwell-Stephens said Utah has a 15 percent minority population, with a 7.9 percent minority enrollment in our colleges and universities.

Regent Beesley thanked Ms. Maxwell-Stephens for the UCAMHE report. Utah has a number of needy students who would not qualify for funding. She asked what the residency factors were for qualifying for financial aid. Associate Commissioner Norris said an applicant must be a citizen or a permanent resident of the United States to qualify for the federal program. Ms. Maxwell-Stephens said very few scholarships are available. Many students have lost their funding, and others are not aware of the opportunities available to them. Junior high school students are not familiar with a college track, nor what is expected of them if they wish to pursue a college education.

Regent Burningham said the need of minority students is of paramount importance to the State Board of Education. A strategic plan has been identified with one goal dealing exclusively with this area. Regarding the statement in the report regarding failure to do adequate reporting, Regent Burningham responded that new efforts to improve the quality of reporting in public education had just been implemented in November. The program is now online with 40 million lines of evidence. He agreed with the need and said the system is moving in the right direction.

Regent Sweeten offered to work with Commissioner Kendell to make sure that diversity becomes one of the Board's priorities. Commissioner Kendell said he had worked with Regent Sweeten on a new high-tech high school. In the first class, 35 percent of the students were of color, moving toward an engineering degree. The issue of diversity is being addressed by most of the national professional associations. He said it was his intention to put together an action plan to define short-term and long-term goals. Regent Sweeten suggested that the Board partner with UCAMHE to present this message to the Legislature. Commissioner Kendell asked Associate Commissioner Norris if UtahMentor had a Spanish version. Mr. Norris said it did not, but the section entitled "Mapping Your Future" does include a Spanish component.

Regent Johnson said he had heard that the Legislature was considering a program for 100 scholarships for minorities. Vice Chair Mantes said a bill had been drafted which would not add new funding but would require the USHE to set aside up to 500 tuition waivers each year. We are suggesting a fiscal note to open up additional funding for UCOPE.

Chair Karras said concern had been expressed by the minority population during the SLCC presidential search process. He referred to the report on financial aid in Tab I and asked Associate Commissioner Norris to discuss the report.

UHEAA – Role of Student Financial Aid in Access to Higher Education (Tab I). Associate Commissioner Norris referred to the "Lumina Foundation Focus" in the Regents' folders, which highlights the critical need for access. In response to questions raised by Regent Beesley in the last Board meeting, Mr. Norris reported that roughly half of the USHE students qualify for financial aid. We need more research to provide more accurate data. After offsetting UHEAA scholarships and the set-aside of one-half percent from the second- and third-tier tuition, we still need in excess of $8 million to avoid losing purchasing power next year, assuming an average total tuition increase of nine percent. Associate Commissioner Norris pointed out that Governor Walker's budget request contains no mention of student aid. When tuition is increased, students have to increase their debt. There are loan limits to the amounts they can borrow, and individuals should not borrow more than they can afford to repay.

Regent Beesley thanked Associate Commissioner Norris and Commissioner Kendell for preparing the report on this important issue and asked the following follow-up questions:

1. There are limits to meaningful assistance of loans, particularly in the students' ability to repay the loans. In preparation for the Legislature, could we develop information on a systemwide basis about how much more students would have to finance to pay the cost of increased tuition and fees, and how much would be needed in grants to keep the amount of borrowing manageable for repayment after graduation?

2. What would be the effect of differential pricing on access? Ability to repay varies by major and profession, additionally. Different programs have different costs to the institutions. The students taking less expensive courses are subsidizing those students in higher cost programs. Students in certain degree programs (Education, for example) may not be able to repay the same amount of loans if they are employed in their chosen fields. Should our financial aid system take these factors into account?

Associate Commissioner Norris asked if Regent Beesley meant differential tuition at the undergraduate level. With adequate financial aid, the students could handle tuition in the fields they want to study. He said he would do the research and then discuss the pros and cons of differential tuition.

Regent Maher referred to an article in the *US News and World Report* about a recent CNN money survey about state colleges and universities. Adjusting for inflation, the average tuition increase was 13 percent nationally. Utah has been economically mindful of managing higher education in a low-cost manner. Utah was in the ten lowest publicly funded schools in dollar tuition per student. The survey also indicated that 60 percent of undergraduates were receiving some form of financial aid. That trend is increasing as tuition increases.

President Morgan commented on the importance of counselors in access and retention. The Legislature does not appear to see counselors and advisors as critically important. We need people to explain financial aid, how to get into school, and how to get past the barriers identified in the UCAMHE report.

Chair Karras thanked Ms. Maxwell-Stephens for her report and asked her to express the Board's appreciation to the UCAMHE organization.

REPORTS OF BOARD COMMITTEES

Academic, Applied Technology and Student Success Committee

Chair Jardine said Tabs A and B were proposals from Southern Utah University and Dixie State College regarding the shortage of nurses and nurse educators in southern Utah. Weber State University has been providing the nursing program in southern Utah. Dixie has proposed a 2+2 program, and SUU has proposed its own baccalaureate program, which is distinct from a 2+2 program. He explained that the 2+2 1program was aimed at students who wish to enter the nursing marketplace after two years of preparatioan with the option of returning later for the BSN Degree. In a Bachelor's Degree program the first two years are primarily general education, with the practical training received in the last two years. This would be a shift for SUU.

These proposals were presented to the Program Review Committee (PRC) last spring. Members of the PRC went to southern Utah to identify the need and to meet with the community. The PRC struggled with the idea of having two bachelor's programs in southern Utah. They also could clearly see the need. In July representatives of the Utah Nursing Forum attended a Board meeting and made a presentation. At the end of this process, the Program Review Committee was still struggling with these issues.

The Commissioner's Office requested reports from two consultants, both of which were distributed to the Regents. Some of their conclusions provided answers and others raised questions.

Southern Utah University – Bachelor's Degree in Nursing (Tab A). Chair Jardine said the PRC had considered the simple approach of transferring WSU's 2+2 program to SUU. There were discussions about whether SUU could achieve critical mass with the quality of the program as well as its financial viability. The PRC received helpful input from Weber State University. The proposal was adjusted in committee to include a transition plan to take care of the students currently in the 2+2 program and allow them to complete that program. Currently, students cannot transfer from a 2+2 to a BSN program without complications.

Secondly, the committee recommended that the Board authorize the bachelor's program proposed by SUU to begin in the fall of 2005, assuming the University can meet the conditions set forth in Replacement Tab A, page 2. The committee recommended approval of the program with conditions, and an effective date of Fall Semester 2005. **Chair Jardine moved approval of the program, with the above conditions. The motion was seconded by Regent Barrett.**

President Bennion expressed his appreciation to the PRC for their hard work and long hours on this effort. He also expressed appreciation to the Commissioner and his staff for their efforts.

Chair Jardine said one of the SUU Trustees had promised that if there was a shortfall, he would personally make up the difference. He encouraged President Bennion to get that commitment in writing. Regent Barrett commended both SUU and Dixie for their cooperative work in implementing two complementary programs in southern Utah. Chair Karras said he appreciated the work of the PRC and the Academic Committee. **Vote was taken on the motion, which carried.**

Dixie State College – Bachelor of Science Degree in Nursing (Tab B). Chair Jardine said the committee had looked at the issues and the critical need for nurses in St. George, an area which is growing rapidly in numbers. Demographics suggest that there will be very high demand for this program, and evidence shows that there will be students to meet this demand. The committee was also satisfied with Dixie's preparations for this program. A Ph.D. nursing administrator is already on campus. The committee was also satisfied with the funding and recommended approval of the program. **Chair Jardine moved approval of Dixie's proposal. The motion was seconded by Regent Barrett and carried.** President Huddleston expressed appreciation to Regent Jardine and the PRC Committee for the time they took to work out a good solution to these proposals.

Academic, Applied Technology and Student Success Committee Consent Calendar (Tab C). **Chair Jardine moved approval of SUU's proposal to reinstate a Minor in Finance. The motion was seconded by Regent Jensen and carried.**

Revisions to Policy R401, *Approval of New Programs, Program Changes, and Discontinued Programs* (Tab D). Chair Jardine said amendments to this policy will be proposed and discussed with the Chief Academic Officers (CAOs). He asked that comments be directed to Associate Commissioner Winn.

Finance, Facilities and Accountability Committee

Chair Karras chaired the committee in the absence of Committee Chair Pitcher and Vice Chair Atkin. He reviewed the committee discussion.

Salary Equity Study (Tab G). Chair Karras said the Salary Equity Study indicated we are falling behind as a result of the freeze on salaries. The committee had a good discussion about determining numbers and how fair they are. Chair Karras said he appreciated the report.

Utah Valley State College – Baseball Stadium (Tab J). The proposed baseball stadium at UVSC was approved previously, and this item was for information only. The College has received $2.7 million in donations to pay for a $3+ million stadium.

Salt Lake Community College – "Itineris" New Century High School (Tab K). Chair Karras referred to Tab K and said this new high school would be administered in cooperation with Salt Lake Community College. This will be the third such school in the state. Six schools are planned with higher education partners in each instance. The Governor's proposal calls for five New Century High Schools initially.

Finance, Facilities and Accountability Committee Consent Calendar (Tab E). **On motion by Chair Karras and second by Regent Grant, the following items were approved on the committee's Consent Calendar:**

A. OCHE – Monthly Investment Report
B. UofU and USU – Capital Facilities Delegation Reports

Report of the Chair

Impact of the Governor's message on the USHE Budget Request. Chair Karras pointed out that Governor Walker's budget proposal included tuition revenues, while the Regents' proposal did not. Regent Barrett and her committee are working on raising awareness as a system on higher education's contributions to the state's economic development.

Regent Jardine said his committee learned that the Legislature had commissioned a study of duplication between UCAT degrees and what is being done in USHE institutions. The committee asked the Commissioner's staff to meet with Debbie Headden and others to understand the issues so that we can respond to questions from the Legislature.

Gift for Former Commissioner Foxley. Chair Karras said he had sent a letter to current and former Regents, Presidents, and senior OCHE staff, asking if they would like to participate in a nice gift for Dr. Foxley. He thanked everyone for their generosity. In addition to a gift, which will be presented to her at the dinner this evening, enough money was contributed so that a $1000 donation could also be made to the Vestil S. Harrison Scholarship Fund, which Dr. Foxley and her siblings endowed a few years ago on the occasion of their father's 90th birthday. He thanked everyone for responding to his request so quickly.

Report of the Commissioner

Meetings with Legislators. Commissioner Kendell said he and Associate Commissioner Buhler have been meeting with individual legislators about higher education issues. They have visited with Legislative Leadership of both the House and Senate in both parties. Each Regent and President received a letter asking them to identify legislators they know and would be willing to meet with to discuss pertinent issues. Those letters were in the folders and should be returned to Associate Commissioner Buhler. This is a shared role across the entire higher education community. Commissioner Kendell said he hoped to meet with the Board Executive Committee to strategize for the 2004 Legislative Session. They also hope to meet with Trustee chairs and vice chairs two or three times during the session. Weekly reports of legislative activities will be sent to all Regents and Presidents. Commissioner Kendell and Associate Commissioner Buhler will meet with institutional legislative liaisons twice weekly throughout the session. Commissioner Kendell said he welcomed everyone's involvement and ideas.

University of Utah Presidential Search. Commissioner Kendell reported that the search is going well, and the committee is very active. Regent Jardine, who chairs the search committee, said there were 21 committee members, making this the largest search committee in USHE history. All are dedicated individuals. The committee held several constituent meetings to receive input and retained a search consulting firm to assist them in the process. The search is moving along efficiently. Commissioner Kendell said he and the consultant, with committee input, were developing a publication which will be sent to all interested candidates. Advertising for the position will also be expanded.

Meetings on January 6. In response to a question by Regent Jensen, Commissioner Kendell said a meeting would be held on the morning of January 6 for the Board Executive Committee, Trustee chairs and vice chairs, and USHE Presidents. The discussion will focus on legislative strategies and audit committees. Regent Grant noted that the Regents' Audit Committee meets with the audit committee of one of the institutions at each Board meeting. The meeting earlier today was with the SLCC Audit Committee. The committee has met with the audit committees of three of the campuses so far, and this practice will continue.

General Consent Calendar

On motion by Regent Grant and second by Regent Jensen, the following items were approved on the General Consent Calendar (Tab M):

1. Minutes – Minutes of the Regular Board of Regents Meeting held October 31, 2003, at Utah Valley State College in Orem, Utah.

2. Grant Proposals - Approval to submit the following proposals:
   A. University of Utah – National Science Foundation; "Utah School of Stem Education;" $17,135,026. Philip J. Smith, Principal Investigator.

   B University of Utah – Public Health Service, Center for Disease Control; "Occupational Safety and health Education and Research Training Grant;" $5,579,944. Royce Moser, Jr., Principal Investigator.

C. University of Utah – Public Health Service; "Markov Chain Monte Carlo Methods for Linkage Analysis;" $2,626,676. Alun William Thomas, Principal Investigator.

D. University of Utah – Public Health Service; "Novel Treatments and Etiologies of Conotruncal Defects;" $15,664,818. Robert E. Shaddy, Principal Investigator.

E. University of Utah – Public Health Service; "Genetics of Autism Intermediate Phenotypes;" $2,042,584. Hilary H. Coon, Principal Investigator.

F. University of Utah – Public Health Service; "A Longitudinal Multimodal Neuroimaging Study of Autism;" $3,034,920. Janet E. Lainhart, Principal Investigator.

G. University of Utah – Public Health Service, National Cancer Institute; "An Integrated Approach to Oncologic Imaging;" $3,725,835. Dennis L. Parker, Principal Investigator.

H. University of Utah – Public Health Service; "Dual Process Intervention for Recently Bereaved Spouses;" $2,916,035. Michael S. Caserta, Principal Investigator.

I. University of Utah – National Science Foundation; "NSF 02-186. PBI:Solanum: A Worldwide Treatment;" $4,360,008. Lynn A. Bohs, Principal Investigator.

J. University of Utah – Public Health Service/Prime Flow through the University of Illinois/Chicago; "Chemotaxis Glue Grant Consortium;" $4,761,521. John S. Parkinson, Principal Investigator.

K. University of Utah – National Science Foundation; "NSF03-2. Research Training in Mathematical and Computational Biology;" $2,579,183. James P. Keener, Principal Investigator.

L. University of Utah – Public Health Service; "Utah Program on Aging and Cancer (UPAC);" $3,609,836. Ken R. Smith, Principal Investigator.

M. University of Utah – US Environmental Protection Agency; "Southwest Center for Environmental Research and Policy;" $2,500,000. George F. Hepner, Principal Investigator.

N. University of Utah – Public Health Service, National Center Research Resources; "The Gauss House: A Campus-wide Core Facility for High Field NMR;" $3,783,855. Ronald J. Pugmire, Principal Investigator.

O. University of Utah – Department of Education/Office of Science; "Multi-State Simulation of Nanostructures in Soft Matter;" $4,627,759. Gregory A. Voth, Principal Investigator.

P. University of Utah – Department of Defense/DARPA; "Thermoacoustic Direct Thermal to Electric Conversion;" $3,815,451. Orest G. Symko, Principal Investigator.

Q. University of Utah – HHS/National Institutes of Health; "Localization of Left Ventricular Dysfunction Using Hyperelastic Warping;" $3,238,465. Jeffrey A. Weiss, Principal Investigator.

R. University of Utah – National Science Foundation; "Collaborative Research: A Unified Experimental Environment for Diverse Network Technologies;" $6,685,027. Frank J. Lepreau, Principal Investigator.

S. University of Utah – HHS/National Institutes of Health; "Cancer Center Support Grant;" $19,962,535. Stephen M. Prescott, Principal Investigator.

T. University of Utah – HHS/National Institutes of Health; "Persistent Pain: Peripheral and CNS Mechanisms;" $2,027,321. Alan R. Light, Principal Investigator.

V. University of Utah – HHS/National Institutes of Health; "Nicotine Prevention for Native American Children;" $4,617,885. Edward B. Clark, Principal Investigator.

W. University of Utah – HHS/National Institutes of Health; "Genetic Basis of Morphological Changes Associated with Domestication;" $2,135,070. Karl G. Lark, Principal Investigator.

X. University of Utah – Public Health Service/NIBIB/Biomed Imag; "Biomechanics of the Semicircular Canals;" $2,470,477. Richard D. Rabbitt, Principal Investigator.

Y. University of Utah – Public Health Service; "Quantitative Diffiusion Tensor Imaging in Autism;" $2,170,955. Ross T. Whitaker, Principal Investigator.

Z. University of Utah – Public Health Service; "Increasing Muscle Function in Cardio-Pulmonary Patients;" $3,277,802. Paul C. Lastayo, Principal Investigator.

AA. University of Utah – Department of Defense/U.S. Air Force; "Intuitive Audio-Visual Representation of Network Events to Improved Decision Making;" $2,241,532. Stefano Foresti, Principal Investigator.

BB. University of Utah – National Science Foundation; "A Peripheral Nerve, Intrafascicular Multielectrode Array;" $3,456,214. Richard A. Normann, Principal Investigator.

CC. University of Utah – National Science Foundation; "Carbon Dioxide Reduction Evaluation (Core) Center;" $6,962,030. Taria Rai Peterson, Principal Investigator.

DD. University of Utah – Public Health Service; "Behavioral Preparation for Treating Fibromyalgia;" $3,115,477. Akiko Okifuji, Principal Investigator.

EE. University of Utah – Public Health Service; "Eosinophils, Asthma, and Topical Anesthetics;" $2,114,847. Gerald J. Gleich, Principal Investigator.

FF. University of Utah – Public Health Service; "Optimal Volume Status of Dialysis Patients;" $2,387,702. Goldfarb-Rumyantzev, Principal Investigator.

GG. University of Utah – Public Health Service; "Cutaneous Measures of Diabetic Neuropathy;" $2,007,869. A. Gordon Smith, Principal Investigator.

HH. University of Utah – Public Health Service/National Institute of Child Health;" $2,185,156. Steven L. Bealer, Principal Investigator.

II. University of Utah – Public Health Service; "The Utah Study of Exceptional Familial Survival;" $3,183,625. Richard A. Kerber, Principal Investigator.

JJ. University of Utah – Huntsman Foundation; "Huntsman Cancer Institute FY 2003-2004;" $20,000,000. Stephen M. Prescott, Principal Investigator.

KK. University of Utah – Public Health Service; "The Feasibility of an Intraneural Auditory Prosthesis Stimulating Electrode Array;" $3,748,673. Richard A. Normann, Principal Investigator.

LL. University of Utah – Public Health Service/NIBIB/Biomed Imag/Enginer; "Data Display to Detect-Diagnose-Treat Critical Events;" $4,287,334. Dwayne R. Westenskow, Principal Investigator.

MM. University of Utah – Public Health Service/National Eye Institute; "University of Utah, Core Vision Research Grant;" $2,038,575. Eric M. Lasater, Principal Investigator.

NN. University of Utah – Department of Justice/Juvenile Justice & Delinquency Prevention; "Girls Study Group;" $2,086,055. Karol L. Kumpfer, Principal Investigator.

OO. University of Utah – Public Health Service; "CABA Agonists Improve Brain Function in Old Monkeys;" $3,246,073. Audie G. Leventhal, Principal Investigator.

PP. University of Utah – Public Health Service; "Pathological and Genetic Investigations in Childhood ALCL;" $2,751,022. Megan S. Lim, Principal Investigator.

QQ. University of Utah – Public Health Service/National Institutes of Health; "Pediatric Critical Care Scientist Development Program (PCCSDP);" $3,551,105. J. Michael Dean, Principal Investigator.

RR. University of Utah – Public Health Service/National Cancer Institute; "An Integrated Approach to Oncologic Imaging;" $3,652,466. Dennis L. Parker, Principal Investigator.

SS. University of Utah – US Department of Energy/Golden Colorado Support Office; "Functionally Designed Cellular Composites for Nanocrystalline Metal Hydrides and Overall Kinetic Modeling of Hydrogen Storage Process;" $2,296,563. Z. Zak Fang, Principal Investigator.

TT. University of Utah – Public Health Service/National Institute of Nursing Research; "Education and Support for Older Adult Cancer Survivors;" $2,04,983. Susan L. Beck, Principal Investigator.

UU. University of Utah – US Department of Defense/Army/Army Reserve Office (ARO); "A Novel Multi-Scale Approach for Hybrid Bio-Mechanical Systems;" $3,924,375. Gregory A. Voth, Principal Investigator.

VV. University of Utah – National Science Foundation; "Research Training Group in Mathematical and Computational Biology;" $2,383,165. James P. Keener, Principal Investigator.

WW. University of Utah – National Institutes of Health; "Genetic Diversity, Functional Genomics and Gene Networks; $3,273,583. Jean-Marc Lalouel, Principal Investigator.

XX. Utah State University – U.S. Air Force Research Laboratory at Hanscom Air Force Base; "Response to FY02 AFRL/VS BAA Area (6) Tactical Environment Support Category (6)a Atmospheric Categorization;" $2,297,544. Ron Huppi, Principal Investigator.

YY. Utah State University – National Institutes of Health; "Mechanistic Studies on Fe(II)-Dependent Methionyl Aminopeptidases;" $1,416,032. Richard C. Holz, Principal Investigator.

ZZ. Utah State University – Northrop Grumman Electronic Systems; "Internal Callibration Unit (ICU);" $7,847,509. Joe Tansock, Principal Investigator.

AAA. Utah State University – US Department of Defense/Missile Defense Agency; "RAMOS Task Order 12;" $4,887,366. Thomas Humpherys, Principal Investigator.

BBB. Utah State University – Northrop Grumman; "Space-Based Space Surveillance;" $18,156,216. Robert E. Anderson, Principal Investigator.

CCC. Utah State University – Northrop Grumman; "Space-Based Space Surveillance;" $6,518,667. Robert E. Anderson, Principal Investigator.

3. Grants Awarded

A. University of Utah – Lawrence Livermore National Laboratory; "Center for Simulation of Accidental Fires and Explosions (C-SAFE);" $3,000,126. David W. Pershing, Principal Investigator.

B. University of Utah – US Environmental Protection Agency; "Southwest Center for Environmental Research and Policy;" $2,335,400. George F. Hepner, Principal Investigator.

C. University of Utah – Huntsman Foundation; "Huntsman Cancer Institute FY 2003-2004;" $10,000,000. Stephen M. Prescott, Principal Investigator.

D. University of Utah – National Heart Lung & Blood Institute; "Genetics and Consequence of Nicotine Addiction. CFDA 93.838;" $2,066,353. John R. Hoidal, Principal Investigator.

E. University of Utah – National Science Foundation; "Development of a Web-Based Grid Computing Environment for Research and Education in Computational Science and Engineering;" $3,200,000. Thanh N. Truong, Principal Investigator.

F. University of Utah – National Cancer Institute; "Molecular and Clinical Approaches to Colon Cancer Precursors;" $2,444,860. Randall W. Burt, Principal Investigator.

G. Utah State University – NASA Langley Research Center; "Geostationary Imaging Fourier Transform Spectrometer (GIFTS);" $3,958,815. Gail Bingham, Principal Investigator.

4. 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 January 16, 2004 at the Davis Applied Technology College in Kaysville, Utah to consider property transactions, personnel issues, litigation, and such other matters permitted by the Utah Open and Public Meetings Act.

Appreciation

Chair Karras acknowledged the presence of USU Vice President Fred Hunsaker and said this was his last day of work. He thanked him for his many years of service. Mr. Hunsaker thanked everyone for their support through the years. Chair Karras said he was very pleased with the good start made by Commissioner

Kendell and was convinced even more that the Board had made the right selection. He wished everyone a happy holiday season.

Adjournment

The meeting was adjourned at 4:07 p.m.

Joyce Cottrell CPS
Executive Secretary

Date Approved