

MINUTES OF MEETING
UTAH STATE BOARD OF REGENTS
BOARD OF REGENTS OFFICES, THE GATEWAY
OCTOBER 19, 2004

Regents Present

Nolan E. Karras, Chair
Jerry C. Atkin
Daryl C. Barrett
Bonnie Jean Beesley
Katharine B. Garff
James S. Jardine
David J. Jordan
Trent Kemp
Jed H. Pitcher
Sara V. Sinclair
Marlon O. Snow

Regents Excused

E. George Mantes, Vice Chair
Linnea S. Barney
Kim R. Burningham
David J. Grant
Michael R. Jensen
Maria Sweeten

Office of the Commissioner

Richard E. Kendell, Commissioner
David L. Buhler, Associate Commissioner for Public Affairs
Don A. Carpenter, Executive Assistant
Joyce Cottrell, Executive Secretary
Richard Davis, Deputy Executive Director for Finance and Administration, UHEAA
Brian Foisy, Assistant Commissioner for Financial Services
Phyllis C. Safman, Assistant Commissioner for Academic Affairs
Mark H. Spencer, Associate Commissioner for Finance and Facilities and Interim Executive Director, UHEAA
Lucille T. Stoddard, Interim Associate Commissioner for Academic Affairs
Kevin Walthers, Assistant Commissioner for Finance and Facilities
Lynne Ward, Assistant Commissioner and Executive Director, UESP
Gary S. Wixom, Assistant Commissioner for Applied Technology Education and Special Projects
Andrea Worthen, Academic Affairs Intern

INSTITUTIONAL REPRESENTATIVES

University of Utah

Michael K. Young, President
David R. Pershing, Senior Vice President for Academic Affairs
Paul T. Brinkman, Associate Vice President for Budget and Planning
Nancy S. Lyon, Assistant Vice President for Governmental Affairs

Utah State University

Stan Albrecht, Executive Vice President and Provost
Clint Moffitt, Assistant Vice President for Finance/Controller

Weber State University

F. Ann Millner, President
E. Jeffery Livingston, Interim Dean, John B. Goddard School of Business
Brad Mortensen, Assistant Vice President for Support and Auxiliary Services
Norman C. Tarbox, Jr., Vice President for Administrative Services
Cody S. Jones, Student Body President

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

Snow College
Michael T. Benson, President
Bradley A. Winn, Provost
Justin Chandler, Student Body President

Dixie State College
Robert C. Huddleston, President
Lee Caldwell, Academic Vice President

College of Eastern Utah
Ryan L. Thomas, President

Utah Valley State College
William A. Sederburg, President
Brad Cook, Vice President for Academic Affairs
Linda Makin, Director of Budgets
Cameron Martin, Assistant to the President

Salt Lake Community College
Judd D. Morgan, Interim President
Pat Albertson, Utah Higher Education Staff Association
Julie Curtis, Assistant to the Academic Vice President
David Richardson, Vice President of Academic Services

Utah College of Applied Technology
Gregory G. Fitch, President
Linda Fife, Campus President, Salt Lake-Tooele ATC
Kimberly Henrie, Budget Officer

Representatives of the Press
Stephen Speckman, *Deseret Morning News*
Amy K. Stewart, *Standard-Examiner*
Shinika A. Sykes, *Salt Lake Tribune*

Others
Carrie Flamm, Utah Student Association
Kim Hood, Governor's Office of Planning and Budget
Happi Peterson, Utah Student Association
Lynne Ward, Deputy Chief of Staff for Governor Walker

Chair Nolan Karras welcomed everyone and called the meeting of the State Board of Regents to order at 9:00 a.m. He excused Vice Chair Mantes and Regents Barney, Burningham, Grant, Jensen, and Sweeten.

Introductions. Chair Karras introduced **Meghan Holbrook**, who had been appointed to fill the vacancy on the Board of Regents left by the resignation of David Maher. Governor Walker had submitted Meghan's name to the Utah Senate for confirmation later in the week. Chair Karras congratulated her and said she would be a great addition to the Board. Ms. Holbrook expressed her delight at being appointed to the Board and said she looked forward to joining this distinguished group of individuals.

President Benson introduced **Justin Chandler**, the new Student Body President at Snow College. Commissioner Kendell introduced **Lynne Ward**, Deputy Chief of Staff for Governor Walker. Lynne has accepted the position of Executive Director of the Utah Educational Savings Plan Trust and Assistant to the Commissioner for Budgets. Regent Kemp introduced **Carrie Flamm**, Executive Director of the Utah Student Association.

Chair Karras reviewed the day's agenda and dismissed the Regents to their committee meetings.

COMMITTEE OF THE WHOLE

Chair Karras reconvened the Committee of the Whole at 10:40 a.m. and asked for reports of the Board Committees.

Reports of Board Committees

Finance, Facilities, and Accountability Committee

USHE – Substitution of Letter of Credit – State Board of Regents, Student Loan Revenue Bonds, Series 1993A (Tab E). Chair Pitcher explained that the Board's Letter of Credit with Lloyd's TSB Bank, originally negotiated in 1999 for five years with a 0.225% annual cost, was due for renewal or replacement. The Commissioner's staff solicited bids for a replacement Letter of Credit and received responses from Lloyd's TSB Bank and DEPFA Bank plc. At its October 7 meeting, the Student Finance Subcommittee unanimously voted to recommend the DEPFA bid for a seven-year term at a 0.28% annual cost. Details and the Approving Resolution were provided in Attachment A. **Chair Pitcher moved approval of the Approving Resolution. The motion was seconded by Regent Snow and adopted with the following vote:**

AYE: Jerry C. Atkin
 Daryl C. Barrett
 Bonnie Jean Beesley
 Katharine B. Garff
 James S. Jardine
 David J. Jordan
 Nolan E. Karras
 Trenton Kemp
 Jed H. Pitcher
 Sara V. Sinclair
 Marlon O. Snow

NAY: (None)

University of Utah – Authorizing Resolution for the Execution and Delivery of a First Amendment to Huntsman Cancer Institute Sublease Agreement (Tab F). Chair Pitcher explained that the proposed amendment was necessary because the State Building Ownership Authority had recently refunded some 1996 bonds, issued for the construction of the Huntsman Cancer Institute, in order to reduce debt service costs. The building was subleased to the University of Utah at a rate sufficient to cover debt service. The refunding issue reduced the lease amount needed to cover debt service by approximately \$40,000 per year over the next nine years. HCI revenue will cover the service costs, and the savings will remain with the institution; no state tax funds or student fees will be used. **Chair Pitcher moved approval of the Lease Amendment. The motion was seconded by Regent Snow and adopted unanimously by the Board.**

USHE – Fall 2004-2005 Enrollment Report (Tab G). Chair Pitcher reported that enrollment during Fall Semester 2004 grew by .82 percent FTE; head count grew by 2.8 percent. Budget-related enrollment decreased by 170 students. UCAT was precluded from this report because of its open-entry/open-exit, competency-based education. The report was provided for information and required no action.

UHEAA – Board of Directors Report on Utah Educational Savings Plan (Tab H). Chair Pitcher reported that Chair Karras has asked the committee to provide a report of “lessons learned” from the UESP audit. The Commissioner’s cover memo and attached documents were provided in response to that request. Chair Karras noted that the State Auditor concurred that the lessons learned were appropriate. Chair Pitcher said the Board was pleased with the appointment of Lynne Ward as the new Executive Director of UESP and is confident she will provide excellent direction. He noted that the UESP consistently has been ranked one of the top such savings plans in the nation.

USHE – Letter to the State Building Board Regarding the Q&P Process (Tab I). Chair Pitcher explained that the Commissioner had sent the letter to the State Building Board in response to questions raised at the joint meeting of the two Boards in September. A committee will be assigned to study the Q&P process and the new formula used by the State Building Board. Chair Karras wryly acknowledged that the Board had learned that the quantitative process is not as quantitative as previously thought; it is a numerical ranking process.

Academic, Applied Technology, and Student Success Committee

Policy R401, Approval of New Programs, Program Changes, and Discontinued Programs (Tab A). Chair Jardine noted the interplay between the policy itself and the moratorium on new programs during the past couple of years. Concerns had been expressed about the inefficiencies and flexibility of the policy, so the committee asked Associate Commissioner Stoddard and the Chief Academic Officers (CAOs) to work through the policy and recommend appropriate revisions. The committee approved the final revision of the policy.

Chair Jardine noted that UCAT had been included in the approval process. The committee determined that an institution would not be precluded from bringing forward more than one program if they were related, although each program would have to be considered on its own merit. The committee discussed ongoing challenges to this process. The Program Review Committee (PRC) and other Regents recognize that by the time programs come to the Regents for approval, they already have been reviewed rigorously by the institution, other institutions, the Commissioner’s staff, and the PRC. The committee discussed the need for institutions

to work together on the peer review process. The committee also discussed the Regents' challenge of the lack of funding for programs and the need for the Presidents to determine how resources will be allocated.

It was pointed out that the Regents' role includes looking at how the programs fit into the institutions and the role and missions of the institutions. Commissioner Kendell said his staff would be more involved in interacting with the institutions earlier in the process. Regents were advised that each institution has a planning process for new programs, and they need to consider the program proposals in that context.

Chair Jardine moved approval of Policy R401 as the program approval policy for the Utah System of Higher Education. The motion was seconded by Regent Beesley and adopted unanimously.

Utah Valley State College – Undergraduate Stand-Alone Minor in Deaf Studies (Tab B). Chair Jardine said the committee had learned that the University of Utah, Utah State University, and Salt Lake Community College also have significant programs in American Sign Language (ASL) or Deaf Studies. The committee asked the institutions to coordinate with the other schools and to be thoughtful in determining whether or not a higher level of education is needed. This item was provided for information only and required no action.

New Career-Oriented Websites (Tab C). Chair Jardine asked Assistant Commissioner Gary Wixom to report on the new developments. Dr. Wixom said Governor Walker had previously announced a new website at www.careers.utah.gov. This is the result of a partnership between the Governor's Office, the Department of Workforce Services (DWS), and the Utah System of Higher Education. Students can use this site to investigate careers as well as job opportunities and wages. There is also a direct link with www.utahmentor.org from this site. Another link is to the Utah Majors Guide (www.utahmajors.org), which is also linked to DWS, Dr. Wixom demonstrated www.utahmajors.org and www.utahcte.org, both of which can be accessed from the www.careers.utah.gov website. Chair Jardine said the committee had discussed ways to make this information available to the students and thought it was a great new tool. Dr. Wixom said the websites were developed as a partnership between DWS, public education, and higher education. He thanked Cyd Grua and Andrew Worthen for leading the effort from the Commissioner's staff

Committee Name Change (Tab D). Chair Jardine said Commissioner Kendell had requested a shorter, more succinct name for the committee. After much discussion and many suggestions, the committee was unable to decide on an appropriate name, so they charged Commissioner Kendell and Associate Commissioner Stoddard to come up with a shortened, inclusive name for the committee.

General Consent Calendar

On the motion of Regent Atkin and a second by Regent Pitcher, the Regents unanimously approved the following items on the General Consent Calendar:

- A. Minutes – Minutes of the Regular Board of Regents Meetings held September 9-10, 2004 at Weber State University in Ogden, Utah.
- B. Grant Proposals - (on file in the Commissioner's Office)
- C. Grants Awarded

1. University of Utah – National Science Foundation; “NRT: Collaborative Research: A Unified Experimental Environment for Diverse Network Technologies;” \$1,202,144. Frank J. Lepreau, Principal Investigator.
 2. University of Utah – Health and Human Services/National Institutes of Health/National Center for Research Resources; “Bioelectric Field Modeling, Simulation and Visualization;” \$1,149,054. Christopher Johnson, Principal Investigator.
 3. University of Utah – Health and Human Services/National Institutes of Health/National Institute for Neurological Disorders and Stroke; “Signal Transduction and Processing in Chemoreceptors;” \$1,178,594. Salvatore J. Fidone, Principal Investigator.
 4. University of Utah – Health and Human Services/National Institutes of Health/National Institute of Aging; Genetic Epidemiology of Aging in Utah Pedigrees; \$1,176,288. Steven C. Hunt, Principal Investigator.
 5. University of Utah – Health and Human Services/National Institutes of Health/National Institute for Neurological Disorders and Stroke; “Identification and Characterization of Novel Therapeutics for the Treatment and Prevention of Epilepsy;” \$1,603,737. H. Steve White, Principal Investigator.
 6. University of Utah – US Department of the Interior/National Park Service; “Assistance for the University of Utah Museum of Natural History;” \$2,963,000. Sarah B. George, Principal Investigator.
 - 7 University of Utah – Health and Human Services/National Institutes of Health/National Institute of Aging; “The Utah Study of Fertility, Longevity and Aging;” \$1,183,304. Ken R. Smith, Principal Investigator.
- D. 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 December 9, 2004, at the Board of Regents’ Offices in Salt Lake City, Utah, to consider property transactions, personnel issues, litigation, and such other matters permitted by the Utah Open and Public Meetings Act.

Resolution in Support of Constitutional Amendment 2

Commissioner Kendell referred to Tab L and noted that this constitutional amendment had been sponsored in the last Legislative Session by Representative Greg Curtis. It has received strong bipartisan support from both houses of the Legislature. The Commissioner said passage of this amendment was essential to advance the research and development capacity of our two research universities. It was his opinion that it would be helpful for the Regents to approve a formal resolution in support of this amendment. An Editorial Opinion in the October 18 edition of *Salt Lake Tribune* supporting Amendment 2 was in the Regents’ folders, along with a commentary by Jim Macfarlane (UofU Trustee Chair) and Dinesh Patel (USU Trustee), published in the October 17 edition of the *Salt Lake Tribune*.

The commissioner said this proposed amendment was taken to the Constitutional Revision Committee for a lively discussion. USU President Kermit Hall is a member of that committee, but was out of town and unavailable for comment. However, Provost Stan Albrecht summarized President Hall's recommendations. President Young said this was an enormously useful amendment from the perspective of the research universities. It clarifies any legal doubts about the institutions' right to equity ownership in intellectual property. It also sends a signal that the universities have a role in bringing products to the market, stimulating the economy and improving lives. It also signals to the business community that the universities are interested in participating in ways to allow products to be developed and employees to be hired.

Regent Atkin moved adoption of the resolution. The motion was seconded by Regent Kemp and carried unanimously.

Discussion of Initiative 1

Commissioner Kendell referred to Tab M and said there were many views about Initiative 1. It covered the desirable issues of clean air, clean water, quality of life, etc. There is also the issue, however, of long-term capital debt which may be needed for higher education and other State needs. It was noted that institutions and municipalities have other mechanisms to raise money for specific projects. He asked Lynne Ward to respond to this proposed initiative from the Governor's perspective.

Ms. Ward said a Citizen's Initiative requires the signatures of 130,000 registered voters before it can be placed on the ballot. This initiative would increase sales tax by 1/20 of one percent (0.05%) for the purpose of issuing a bond for clean air, open space, and clean water. She explained the information in Tab M. In looking at the detail, Governor Walker was concerned about several issues. A press release citing her concerns was attached to Tab M. One of the Governor's concerns was the possible impact of a \$150 million debt on the State's AAA bond rating. This is a debt capacity issue because the State has already received a "red flag warning" because of its debt capacity. Other states have done this "budgeting by initiative" and the results have not always been positive. The State Constitution does not allow governments to pay property taxes to each other. Governor Walker concluded that this initiative did not make good policy sense.

Regent Jordan pointed out that if the Regents were to take a formal position, it may not be viewed in a positive light. He asked, "Is this really our fight?" Commissioner Kendell agreed and did not recommend a formal proposal or resolution. However, he added that everyone in higher education should know of the initiative and its potential implications. The Governor asked citizens to educate themselves and become informed voters. Ms. Ward noted that the Governor protects the State's general funds; this is her role. Regent Jardine suggested that the Commissioner let the editorial boards of the major newspaper know that the Regents think the citizens should be informed and realize the implications if this initiative passes.

Proposed 2005-2005 Budget Request

Commissioner Kendell reviewed the background of the budget information in Tab K. He recognized Associate Commissioner Spencer and his team for their work in preparing the Regents' budget request. There are many views on what constitutes a realistic budget for these times. Higher education needs a new compact with the State Legislature. State revenues will be limited, but it would be helpful to know what can be expected regarding funding from the Legislature. Utah statute requires the Regents to determine higher education's total need but to work within the State's ability to pay.

Associate Commissioner Spencer walked the Regents through the budget presentation. From State tax funds, the following amounts are recommended: \$35 million as a base budget, \$4.8 million in one-time increases, and \$12.8 million in supplemental increases.

Compensation. The Regents' top priority is compensation; a one percent salary increase would take a two percent increase in first-tier tuition. The increase in the tax funds/tuition ratio is largely due to the large increases in health and dental insurance premiums. The Legislature generally determines the compensation increases for State employees toward the end of the legislative session. Additional funds of \$3.75 million are requested which would be assigned to the Regents to retain key faculty and staff.

Regent Pitcher suggested that the increases projected for health and dental insurance premiums were still too low. Commissioner Kendell explained that they were based on State projections that would, in effect, set the standard for all State funding.

Infrastructure. The Regents' second priority is infrastructure (mandated costs). We did not have to worry about mandated costs in the past because O&M was funded by the State. Last year mandated costs were not funded and intent language was drafted to the effect that it not even be requested. However, these are actual costs which must be met. O&M costs for 2005 and 2006 are \$2.5 million and \$2.6 million, respectively. The accumulated deficit for fuel and power in the current year is \$14 million. Associate Commissioner Spencer pointed out that the institutions have documented efficiencies in the System, but the costs have increased and will continue to increase.

Initiatives. The third category shown on the supplementary material to Tab K was State strategic priorities. If the Engineering Initiative can be fully funded, it will be nearly completed. The Nursing Initiative is in its second funding year and has a match from industry. The Engineering Initiative only has a match from the institutions and some private sector funding.

Student Financial Aid. Regent Jardine suggested that with the increasing tuition, a proportionate increase in student financial aid should be stressed. Perhaps more can be done in this area. Commissioner Kendell said the State appropriation would be matched by one-half percent in the first tier of tuition for need-based grants. It was clarified that the first two years the Board proposed that one-half percent from first-tier tuition be set aside for financial aid, it was adopted. Last year the Legislature did not approve that plan; however, it will be proposed again next year.

Kimberly Henrie pointed out that in 2003-2004, 2400 students were helped through grants, work study, and scholarship programs. Associate Commissioner Spencer said a report was being developed on student financial aid which should respond to some of these questions.

New Century Scholarship. Associate Commissioner Spencer pointed out that the number of students who qualify and apply for the New Century Scholarship plan has increased, yet the amount of funding has not increased since its inception.

Access. Dr. Spencer said the fourth Regent priority this year is access. This is an effort to correct the imbalance between tuition and tax funding. These funds would be increased for SLCC, WSU, and UVSC, which are below the 65/35 percent ratio.

One-time Funding Requests. Associate Commissioner Spencer briefly reviewed the list of items in this category. Regent Beesley noted that in the most recent Governor's Forum, Dr. Lee Todd, President of the University of Kentucky, mentioned that Kentucky had a statewide contract for all libraries in the state, including college and university libraries. Dr. Spencer responded that the USHE has a consortium for libraries, which includes BYU and Westminster. The Pioneer Online Library is available to everyone through the Utah Education Network.

Supplemental Increases. Dr. Spencer said the items shown were the current-year deficits for fuel and power and the New Century Scholarship.

Chair Karras said he had reviewed the \$215 million list of total needs compiled by the Commissioner. The proposed budget represents a more realistic request. The Regents had a very productive session in Richfield with the Higher Education Appropriations Subcommittee. There appears to be more of a willingness to give the Regents a "trust fund" to incentivize behavior within the System.

Second-tier Tuition. Associate Commissioner Spencer said the Commissioner's goal was to avoid using second-tier tuition for mandated costs such as O&M and fuel and power. Commissioner Kendell noted the current method of paying infrastructure costs is to raid every other department to come up with the funds to meet these expenses. When a faculty member is not hired because the money is needed to pay an institution's power bill, quality is diminished. We are looking at a balance between tuition and State funding for salary equity and growth.

Regent Pitcher moved adoption of the proposed 2005-2005 budget request. The motion was seconded by Regent Atkin and carried unanimously.

Utah Education Network (UEN) Budget Request. Assistant Commissioner Wixom, Co-chair of the UEN Steering Committee, briefly explained the UEN budget request shown in Supplement 2 to Tab K. **Regent Barrett moved that the Regents endorse the UEN budget request. The motion was seconded by Regent Sinclair and carried unanimously.**

Student Health Care. Regent Jordan proposed an issue for later discussion. He had heard from some students at the University of Utah that as health care costs increase, many of the students are going uninsured, or perhaps a student is insured but not the spouse. He asked if this is becoming a serious problem for the institutions. Reportedly, many married students are having to make the choice between paying tuition and paying for health insurance. Chair Karras recommended that this issue be included in the report on financial aid. Regent Kemp reported that many single students also are not covered by health insurance. They are no longer covered under their parents' insurance, and they cannot afford to pay for their own premiums. President Millner acknowledged that this is a problem everywhere; students are having to choose between having a roof over their heads, food to eat, paying their tuition, or paying for health care.

Report of the Commissioner

UCAT Budget. Commissioner Kendell noted that the UCAT budget had not been included in the USHE budget request because their budget request is presented to the Legislature separately.

Governor's Forums. Commissioner Kendell said the topic of the first Governor's Forum was workforce preparation. The Commissioner expressed his concern that the Forum seemed to focus too heavily on college graduates meeting workforce needs, all of which were put into 60 management categories. He noted that higher education programs are much larger and much richer than the 60 categories presently used and address many needs in addition to workforce requirements of business and industry. There is already a tremendous amount of cooperation in responding to workforce needs. A comment was made during the Forum about the lack of communication between education and business and industry. Commissioner Kendell pointed out that there is a lot of communication in the form of college advisory councils and committees, but noted that specific meetings with Workforce Services are being planned.

The second Governor's Forum focused on economic development and stimulated a very provocative discussion. Investments in economic development have represented a \$2 billion investment in the K-12 system in Kentucky. Their "Bucks for Brains" campaign brought in millions of dollars. Now they are doing a "Bonds for Brains" which has also been successful, bringing \$20 million into four-year institutions to develop Centers of Excellence and other economic development programs. The University of Kentucky has abandoned its FTE funding approach and instead uses peer institutions for comparison purposes. Funds are targeted to compare favorably with peers.

Commissioner Kendell said he liked the idea of developing "trust funds" to provide incentives for our institutions. Some of the legislators believe it is possible to fund everything with existing money through better management. We know that there is not much money to be invested. The State needs to decide that higher education is one of the most strategic investments its citizens can make. Chair Karras said this would be brought back for further discussion in greater detail.

Notable Accomplishments. Commissioner Kendell noted the accomplishments of the institutions, which were summarized in the Regents' folders. He acknowledged that Governor Walker had awarded the Governor's Medal for Science and Technology to Dr. Lorris Betz at the University of Utah and congratulated him on this honor.

Position Statements. Both gubernatorial candidates had formulated their plans for higher education; copies were included in the Regents' folders.

Adjournment

The meeting adjourned at 12:40 p.m.

Joyce Cottrell CPS, Executive Secretary

Date Approved