

September 14, 2000
ILR 2000-D

President Lyle W. Hillyard, Co-chairman
Speaker Martin R. Stephens, Co-chairman
Members of the Audit Subcommittee
State Capitol Building
Salt Lake City, UT 84114

Subject: SmartUTAH, Western Governors University, and Envision Utah

Dear Legislators:

We have completed our review of SmartUTAH, Western Governors University (WGU), and Envision Utah. All are nonprofit organizations that have received funding from a variety of sources, including the State of Utah. We estimate that the following amounts of state funds have been allocated directly as monetary support and indirectly as services and/or benefits to each organization: SmartUTAH has received approximately \$905,000; WGU has received approximately \$516,000; and Envision Utah has received in excess of \$900,000.

Each of the three organizations analyzed in this report has actively solicited direct and/or indirect funding from private corporations and government agencies. It should be noted and emphasized that this report summarizes direct state funding amounts and offers general estimates of indirect state funding. Indirect funding was often difficult to determine due to the number of agencies with which the organizations interact, and also because indirect funding is usually not closely monitored. In estimating indirect state funding, we analyzed the organizations' interactions with state agencies through their utilization of staff, facilities and other resources, as well as federal monies that may have been allocated through state agencies.

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In addition to receiving some state support, the three organizations are similar in other respects. All are nonprofit organizations that fuse government agencies with private corporations. Toward this end, all have promoted themselves, or have been described in the media, as public/private partnerships. Each has been supported and promoted as new and innovative, and each appears to provide benefits to the citizens of Utah. Finally, each organization has nebulous funding due to joint work with state agencies.

The following aspects of each organization are analyzed in this report:

- Direct and indirect state funding
- Nature of organization
- Benefits produced

SmartUTAH Foundation

SmartUTAH has received \$880,000 in direct state funding through the Governor's Office of Planning and Budget (GOPB) and the Department of Community and Economic Development (DCED), and approximately \$25,000 in indirect state funding for a total of \$905,000. SmartUTAH will continue to seek direct and indirect state funding. It is a nonprofit organization whose purpose is to promote and facilitate electronic commerce and electronic government in the State of Utah. It does this by encouraging and facilitating the development of an advanced information infrastructure that will be available to all citizens of the state and by educating citizens and businesses in the use of the new infrastructure. SmartUTAH utilizes two primary programs in pursuing its mission and goals: Internet and technology expositions and the Library Learning Centers program. The beneficiaries of SmartUTAH's work are primarily citizens and businesses in communities outside of the Wasatch Front.

SmartUTAH Has Received Direct and Indirect State Funding

SmartUTAH received \$845,000 through DCED from 1995 through 1997, and \$35,000 through GOPB in 1998. In addition, we estimate that SmartUTAH has received \$25,000 in indirect state funding for the seven Internet and technology expositions that it has held and for its Library Learning Centers program. SmartUTAH officials indicate that

they will continue to seek direct and indirect state funding. A summary of state funding for SmartUTAH is shown in Figure 1.

Figure 1. SmartUTAH Direct and Indirect State Funding. SmartUTAH's state funding support has been primarily through its initial DCED funding received from 1995 - 1997.

Direct State Funding	
- DCED	\$845,000
- GOPB	35,000
Subtotal of direct funding	880,000
Indirect State Funding	25,000
Total	\$905,000

SmartUTAH Educates Citizens about Electronic Commerce and Electronic Government

SmartUTAH has existed since 1994 as a nonprofit organization with the purpose of promoting electronic commerce and electronic government. In 1995, Governor Leavitt chose SmartUTAH as a method of educating citizens about technology and how to use it as it relates to business, government services, and education. Its' primary government goal is to reduce the cost of state and local government services by making them available through electronic media (on-line). The next step is to educate the public about these services and how to use and obtain them. Its primary business goal is to help Utah businesses offer their products and services through the Internet. Educating the public about electronic commerce is also an important step. Its primary education goal is to make the Internet available to all citizens of the state, to aid in enhanced research and distance learning opportunities.

SmartUTAH utilizes two programs to accomplish its mission and goals, and to comply with Governor Leavitt's charge:

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- **Internet and Technology Expositions Educate Utah Citizens.** The expositions are usually one day events that are held in communities outside the Wasatch Front. Most of the seven expositions held thus far have taken place on college campuses. The events allow community members to learn about Internet products and services. They also allow local businesses to learn how to offer their products and/or services through the Internet. The local chambers' of commerce usually take the lead in carrying out the expositions and SmartUTAH offers help in planning, funding, advertising and marketing.
- **The Library Learning Centers Program Takes the Internet to Rural Utah Libraries.** SmartUTAH is in partnership with the Division of State Library to provide equipment and training to libraries in rural areas and to give them full Internet capabilities. SmartUTAH provides the equipment, the Division of State Library provides training to library personnel, and the libraries pay for the Internet services. SmartUTAH also carries out advertising and marketing for Library Learning Centers. To date, nine libraries have been supplied with equipment and training. The ultimate goal is to make the Internet readily available to all citizens of the state.

The primary beneficiaries of SmartUTAH's work are citizens and businesses in communities where the expositions have been held and Library Learning Centers have been established. Also, representatives from the Division of State Library indicate that SmartUTAH has aided them greatly in fulfilling the division's mission. Potentially, more citizens may benefit from SmartUTAH if common government services are moved on-line.

Western Governors University

The State of Utah appropriated \$400,000 a year for three years to the State Board of Regents, starting in 1997, for distribution to WGU. However, only \$516,000 (\$400,000 in 1997, \$116,000 in 1998 and \$0 in 1999) was actually spent by WGU. The remaining funds and interest earned, according to the Board of Regents, were spent elsewhere within higher education as specified by legislative intent in the 1999 General Appropriations Act. There were no apparent shifts in funding involving State of Utah funds. Utah and Colorado are the only two, of the approximately 20 WGU member states/territories, to have allocated more than \$100,000. There have been no significant indirect costs to the

State of Utah for its involvement with WGU. The school has recently increased its reliance on corporate funding as opposed to government funding and tuition-paying students.

According to legislative leadership, it is unlikely that WGU will receive additional direct funding from the State of Utah. WGU is a nonprofit, degree-granting, higher education organization that operates through electronic media. Distance learning courses are offered from dozens of colleges, universities and corporations that can ultimately result in a competency-based degree. The primary benefits of WGU have been corporate scholarships to public educators; an increase in distance learning courses; and, increased training opportunities for private corporations and perhaps even government agencies.

WGU Has Received Direct State Funding

The State of Utah appropriated \$400,000 to WGU each year for fiscal years 1997, 1998 and 1999 through the Board of Regents. However, only \$516,000 was actually spent by WGU. The remaining funds and interest earned, as specified by legislative intent in the 1999 General Appropriations Act, were spent elsewhere within higher education. There were no apparent shifts in funding involving State of Utah funds allocated for WGU. Each member state/territory was required to contribute \$100,000 to join WGU. Utah and Colorado are the only two, of the approximately 20 member states/territories, to have spent more than this amount with Colorado supplying a \$3 million grant for curriculum development. There have been no significant indirect costs to the State of Utah for its involvement with WGU. A summary of state funding for WGU is shown in Figure 2.

Figure 2. WGU Direct and Indirect State Funding. WGU received state funds for fiscal years 1997-1999.

Direct State Funding	\$516,000
Indirect State Funding	0
Total	\$516,000

WGU's continuing operations will rely mainly on corporate contributions. As planned, the school has increased its reliance on corporate funding as opposed to government funding. At this time, there is an insufficient number of tuition-paying students to support

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WGU. There are several possible causes for the low enrollment including WGU's lack of accreditation and high tuition rates. WGU literature informs prospective degree candidates that the cost to complete a WGU associates degree program is between \$5,350 and \$6,850. This compares to approximately \$3,200 at a State of Utah college or university. As of January 2000, there were approximately 200 degree-seeking students enrolled in WGU.

WGU Has Struggled to Define its Role and Purpose

WGU is a nonprofit, degree-granting, higher education organization that operates through electronic media. Because of a low number of tuition-paying students and other universities' expansion of distance learning programs, WGU has struggled to fulfill its original mission. It was created by Governor Leavitt and Former Governor Romer of Colorado in January 1997. It has administrative offices in Salt Lake City and academic offices in Aurora, Colorado. The school offers distance learning courses from dozens of colleges, universities and corporations primarily located in the western states. WGU is not a content provider, but rather relies on existing institutions for course work and instruction. Courses are offered through the Internet, television and mail.

WGU awards competency-based degrees rather than traditional credit-based degrees. Competency-based degrees are granted after students pass requisite exams rather than acquiring a pre-determined number of credits. The students complete courses simply to prepare themselves to pass the exams. Accordingly, it is possible that a student could receive a degree from WGU without completing any courses. WGU, as of September 2000 will offer seven degrees and will continue to seek accreditation.

WGU continues to face numerous challenges. Most of the parties we spoke with wondered whether WGU will survive. The most pressing of its challenges is the low number of tuition-paying students. Other institutions of higher education have expanded their distance learning programs and are filling them with their own students. WGU must also be accredited to attract more students.

Despite these challenges, WGU has been beneficial to some. The most obvious beneficiaries have been public educators who have received corporate scholarships. In addition, an increase in distance learning courses offers more options to students and allows higher education to more easily reach rural areas of the state. WGU has apparently encouraged other institutions of higher education to increase their distance learning

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programs, thus offering more options to students. In addition, WGU offers increased training opportunities for private corporations and perhaps even government agencies. Finally, some we spoke with felt that WGU could be a leader in competency-based education.

Envision Utah

We estimate that Envision Utah has received in excess of \$900,000 in indirect funding (services and benefits) from the State of Utah over the last four years. There has been no direct state funding to the organization. Indirect state funding was difficult to determine because of Envision Utah's partnerships with numerous state agencies. It works jointly with the GOPB on numerous projects, the most significant of which is Quality Growth Efficiency Tools (QGET). The state will continue to provide indirect funding for the organization.

Envision Utah is a nonprofit advisory organization that studies growth issues and strategies for the Wasatch Front. It is currently advocating and promoting a preferred growth strategy that was developed from a series of studies, surveys, public meetings and partnership workshops. Envision Utah favors incentives for compliance to its strategy rather than mandates. Its board members do not receive compensation for their services. The Quality Growth Commission serves a similar role, and even shares GOPB staff with Envision Utah. Finally, the benefits of Envision Utah include increased focus and discussion on growth issues, the development of QGET information which is now available to all government agencies, and federal grant monies for state agencies.

Envision Utah Has Received Indirect State Funding

Envision Utah has been the benefactor of at least \$900,000 in indirect funding from the State of Utah. This includes \$650,000 in state appropriations for the QGET state and local planning processes which include: transportation, air quality and water. Additionally, Envision Utah has benefitted from approximately \$250,000 in incidental state support. There has been no direct state funding to the organization. Indirect state funding was difficult to determine due to Envision Utah's work and partnerships with numerous state agencies. Envision Utah utilizes staff, information, technical expertise and other resources

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from many state agencies. For the purpose of identifying program costs in this report, we identified indirect state funding used for Envision Utah's projects conducted in partnership with state agencies.

Envision Utah Works Closely with GOPB. The two organizations share grants, information, technical expertise and other resources. While we are not critical of this relationship, it is important to recognize that the high level of state government involvement with Envision Utah creates a truly public/private partnership. This partnership is not readily apparent to most, given that the majority of media coverage has focused on Envision Utah only.

Quality Growth Efficiency Tools (QGET) Is the Most Significant and Costly Joint Envision Utah/State of Utah Project. QGET was developed by GOPB to facilitate Envision Utah's analyses and projections. The program has resulted in an on-going growth modeling capacity that is now available to all government agencies. Envision Utah's director believes that QGET is the direct desired result of legislative intent language for a joint growth modeling program.

QGET consists of a technical committee with representatives from state and local governments and from the private sector. QGET analyzes growth issues as they relate to demographics, economics, transportation, air quality, land use, water availability and infrastructure costs. GOPB coordinates QGET and the QGET Technical Committee.

The State of Utah appropriated funds to GOPB of which \$650,000 was spent on QGET. We classified the expenditure as an indirect cost because Envision Utah was the catalyst of the QGET process which is now available for use by government agencies. The state will continue to provide indirect funding to Envision Utah through its continued partnership with state agencies. A summary of state funding for Envision Utah is shown in Figure 3.

Figure 3. Envision Utah Direct and Indirect State Funding. Envision Utah continues to receive funding through QGET and joint projects with various state agencies.

Direct State Funding	\$ 0
Indirect State Funding	
- Funding for QGET	650,000
- Incidental State Support	250,000
Total	\$900,000

Envision Utah's Primary Functions Are Communication and Information

Envision Utah is a nonprofit advisory organization that studies growth issues and strategies for the Wasatch Front. It is sponsored by a nonprofit organization called the Coalition for Utah's Future and operates under that organization's nonprofit status. In January 1997, the Coalition for Utah's Future created Envision Utah to deal with the problems that were arising from unprecedented growth along the Wasatch Front. Envision Utah's focus is on the 10 counties from Brigham City to Nephi and Grantsville to Kamas.

Envision Utah advocates a process whereby citizens and community leaders make knowledgeable decisions and Envision Utah promotes the decisions. There are 130 "Envision Utah partners" which include government, education, business and religious leaders. This group helps determine what policies and strategies Envision Utah promotes. The organization essentially brings decision-makers together to discuss and choose possible growth strategies and scenarios. It is currently advocating and promoting a preferred growth strategy that was developed after a series of studies, surveys, public meetings and partnership workshops. Envision Utah has not lobbied for mandates to enforce its strategy. Rather, it favors offering incentives for compliance.

Quality Growth Commission and Envision Utah Serve Similar Roles. While the Quality Growth Commission is not a subject of this report, we did note during our analysis that the two organizations have similar roles, goals and agendas, and both utilize staff and resources of GOPB. For a time, the current chairman of Envision Utah served

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simultaneously as a member of the Quality Growth Commission. There are others who continue to work for both organizations. The two groups have even joined forces on some projects. The primary difference, according to representatives from GOPB who work with both organizations, is that Envision Utah focuses on the Wasatch Front while the Quality Growth Commission has a statewide legislative mandate concerning growth issues.

Envision Utah Has Provided Benefits to the Citizens of Utah. The Envision Utah process has increased the focus and discussion on growth issues in the State of Utah. While some critics argue that the organization has attempted to promote a hidden agenda, it has created a forum for valuable discussion. As discussed earlier, QGET was created for Envision Utah and is now available to government agencies. Finally, Envision Utah has secured some federal grants that have been shared with state agencies. The most significant was a Transportation and Community and Systems Preservation Pilot Program (TCSP) grant from the Federal Highway Administration. Envision Utah received \$200,000 and GOPB received \$225,000. GOPB shared this money with several other agencies for QGET work.

We hope this letter addresses your concerns. If you would like additional information or further clarification of any point, please feel free to contact our office.

Sincerely,

Wayne L. Welsh
Auditor General

WLW:GRF/lm