

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Legislative Update and Governor's FY 2006 Recommendations
Date: February 1, 2005

Recommended Actions:

1. Receive a report on the Governor's FY 2006 recommendations.
 2. Receive an update on the 2005 Legislative Session.
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Executive Summary:

New Regent Appointment	The week of January 17, the Governor announced the resignation of two Regents, John Forsyth and David Neil, and announced new Board member appointments, Michael Gartner and Teresa Wahlert. These new appointments are subject to confirmation by the Iowa Senate.
Legislative Committees	Representatives from the Regent Economic Development Committee made presentations to the Joint Economic Development Appropriations Subcommittee on Thursday, January 27. These presentations provided the subcommittee with information on the programs, activities, and issues related to the economic development appropriations that the Regent universities receive.
Governor's Budget Recommendations	<p>The Governor released his budget recommendations for FY 2006 on Monday, January 31st.</p> <p>The Governor has challenged the Regents universities to achieve greater efficiency by matching \$40 million of additional state funding with \$20 million of reallocation savings. The Governor recommended an increase of \$40 million in state funding for the Regent universities, which is a combination of a \$20 million incremental appropriation and \$20 million that will be included in the salary bill. This recommendation is consistent with the Regent Partnership for Transformation and Excellence Plan.</p> <p>His recommendations also included an appropriations increase of \$528,431 for the Regent special schools, which is equivalent to the 4% allowable growth increase for other K-12 schools. This is consistent with the Regent request for special school funding.</p> <p>His budget further fully funded requested tuition replacement appropriations. The recommendations also add \$500,000 for special schools maintenance from the new Iowa Values Bridge Financing Fund.</p> <p>For economic opportunities, the Governor's recommendations provide \$800 million over 5 years, through bridge financing, to support the Iowa Values Fund. These funds include \$60 million for University Research and Development. For FY 2006, \$21.9 million is designated for the Biosciences initiative as outlined by the Battelle report.</p>

Background/Analysis:

Regent Transformation and Excellence Plan

The Regent four-year partnership for university transformation begins the public reinvestment in the operations budgets for enhancing the quality of the public higher education enterprise and provides both an incentive and an opportunity for university-wide reprioritization and reallocation of resources to areas of most strategic importance.

This partnership is between Iowa students and their parents, Iowa taxpayers, public policy makers, and the Board of Regents. It consists of three key elements:

- New incremental state funding. This partnership plan calls for a \$40 million increase in state appropriations to the Board of Regents for fiscal years 2006 through 2009.
- Matching funds. The three Regent universities will reallocate at least \$20 million per year for each of the four years of the plan.
 - This Regent matching program is at a rate of \$2 state funding matched to \$1 university reallocation for each of the next four years.
 - The Board adopted a reallocation policy with clear and consistent definitions for this purpose and acceptance by the state of those definitions.
- Moderate tuition increases. If this partnership plan is adopted, and appropriations are funded at the level requested, the Regents will agree not to increase tuition beyond the base inflationary increase for Iowa resident undergraduates during the four-year period the program is operational. The Board extended the application of its maximum tuition inflationary increase by limiting the increase in mandatory fees to no more than projected inflation.

Funding Uses

The new funding from this Transformation and Excellence Partnership Plan will:

- Assist in achieving nationally competitive salaries to allow the universities to recruit and retain faculty members who are among the very best in their fields of study, with a particular focus on disciplinary areas that are important to the future of Iowa.
- Focus resources in areas critically important to the future of Iowa:
 - Increasing class offerings in areas of high student demand and of great importance to the state of Iowa.
 - Strengthening academic areas negatively impacted by appropriation cuts over the past five years.
 - Developing new academic programs vital to the economic needs and growth of Iowa
 - Further enriching the educational experience
 - Improving student progress toward graduation
 - Managing class sizes more effectively
 - Preserving the excellence of statewide outreach services inherent in the missions of the three Regent universities

Beyond the Regent initiatives, the Board formally supported the Iowa Department of Economic Development's biosciences request for funding based on the Battelle study recommendations.

Based on research conducted by the Battelle Memorial Institute of the biosciences research strengths at Iowa's regent institutions, the current infrastructure used to transform that research into commercial products, needed to improve. A plan was created by Battelle for a biosciences industry in Iowa in cooperation with IDED, ICIB, UNI, ISU, U of I, commodity groups, farm organizations, private and investor owned utilities, business associations, local economic development professionals, venture capital firms, community colleges, the Department of Education and the Board of Regents.

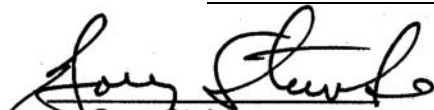
The plan describes and defines the implementation strategy needed to create the systems infrastructure required to move research to commercialization, creating companies, jobs and wealth.

The plan outlines the funding needed to:

1. secure and enhance six bioscience research platforms within the state's research universities identified in earlier Battelle research with the highest level of potential success in developing commercial products,
2. enhance graduate student training,
3. develop business and university partnerships,
4. generate federal support dollars as well as private investment,
5. create an Alliance representing the key public and private partners to move the bioscience industry forward,
6. develop entrepreneurial support systems specific to the biosciences industry and,
7. conduct an economic impact study of the entire state to determine how varying types of bioscience companies create jobs and/or wealth in both urban and rural settings.

The state will leverage at least \$5 in federal and other dollars for every \$1 of state support. Year one of the ten-year effort will require \$21.9 million of state funding for activities based in multiple sites. The IDED will require a \$1.6 million general fund appropriations to carry out the lead functions defined by the plan as economic development activities. The Board of Regents will require a \$3.7 million general fund appropriation for their responsibilities. Bond financing for year one totaling \$16.6 million (of the projected \$170 million total bond fund for 10 years) to develop facilities and equipment, and technology infrastructure investments in pilot plants, demonstration facilities and other translational facilities and equipment also required.

The plan relies on the cooperation and coordination of multiple players from the public and private sectors.


Gary Steinke

Approved: 
Gregory S. Nichols