

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Regent Legislative Program
Date: March 11, 2005

Recommended Action:

Receive the report on the 2005 legislative session.

Executive Summary:

New Regent Appointees	The Governor announced new Board member appointments, Rose Vasquez, Ruth Harkin, and Tom Bedell. These new appointments are subject to confirmation by the Iowa Senate.
Legislative Session Timetable	The first funnel date, which provides the deadline for committee consideration of and action on non-budgetary bills, was Friday, March 11.
Legislative Targets	There are five different funding proposals for FY 2006: <ul style="list-style-type: none">• The Governor's proposed budget recommendations provided: \$40 million to the Regents consistent with the Regent Partnership for Transformation and Excellence Plan; and a 4% increase for operating and \$500,000 for capitals for the special schools.• Legislative targets, most without published details, have been prepared by the Senate Republicans, the Senate Democrats, the House Republicans, and the House Democrats. The legislative plans to fund the Regent institutions are unclear at this time.
Regent Deregulatory Bill	Two bills, HF 686 and SF 348, encompass the Regent proposed deregulatory package. These bills simplify and streamline government processes of the Board of Regents to allow the Board and its institutions to operate more efficiently and effectively while maintaining accountability. Both bills have passed out of committee and are on the debate calendars.
Economic Development Bill	The Economic Growth Committee approved a bill for a new economic development program, similar to the Iowa Values fund that was struck down by the Iowa Supreme Court in 2004.

Background:

Governor's Budget Proposal

The Governor released his budget recommendations for FY 2006 on Monday, January 31st.

The Governor challenged the Regent 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.

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.

His budget further fully funded requested tuition replacement appropriations and added \$500,000 for special schools maintenance from the new Iowa Values Bridge Financing Fund.

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.

**Regent
Deregulatory Bills**

The proposed Regent bills (SF 348 and HF 686), while not exactly the same, are very similar. These bills simplify and streamline government processes of the Board of Regents to allow the Board and its institutions to operate more efficiently and effectively while maintaining accountability.

**Best Business
Practices (More
Competition)**

The bills would:

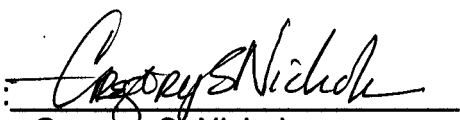
- Authorize the Board of Regents and its institutions to competitively bid financial and compliance audit services, similar to community colleges, cities, counties, and school districts, and provide incentives to control costs.
- Authorize the Board of Regents and its institutions to competitively select investment custodians from a larger group of service providers, which would allow for increased competition and lower costs.
- Allow the Board of Regents to employ or retain attorneys or counsel.
- Authorize carryover of state funding. Budgetary flexibility provides the Board of Regents and its institutions with opportunities to ensure effective budget management, to maintain accountability, and to provide for the best possible delivery of instruction, research, and service (in the Senate version only).
- Increase the bid limit (from \$25,000 to \$100,000) for construction, repairs, and building improvements to permit the institutions to proceed in a more timely and cost-effective method, resulting in savings for small projects. The work would continue to be awarded based on competitive pricing.
- Modify language on retainage (as agreed upon with Master Builders of Iowa (MBI)) to permit the Regent institutions to have the discretion, not currently allowed by Iowa Code, to release retainage prior to acceptance of the contract for the portions of the work that have been completed and determined to be acceptable. Partial release of retainage is commonplace in the private sector and would resolve a fairness issue in the current statutory requirements.
- Modify Iowa Code to be consistent with changes to other retainage language.

**Streamlined
Government
Processes**

- Remove the Board of Regents and its institutions from being defined as a municipality, which relieves the institutions from unnecessary costly advertising of public hearings for construction work which is governed by other Iowa Code sections.
- Authorize the Board of Regents to acquire or dispose of real estate and grant easements.

- Eliminate extraneous reporting requirements on fire and environmental safety. The Board currently utilizes management and oversight systems that regularly measure achievements in Board and institution strategic priorities, while pursuing continuous quality improvement in programs and services.
 - Allow the Regents to be more market responsive in selling Regent bonds and could result in enhanced revenues for bond sales.
 - Eliminate reporting requirements for the Center for Agricultural Health and Safety at the University of Iowa, which no longer receives state funding. The University of Iowa communicates the activities of this Center through an annual conference, a web site, a newsletter, and an e-mail monthly bulletin. This provides an opportunity for the University to reallocate resources from producing an annual report, into other areas of communication that may help provide greater efficiency to the Center.
- Outdated and/or
Obsolete Iowa
Code Sections
- Eliminate an obsolete Iowa Code section for payments to attorneys or counsel prior to July 1, 1978.
 - Eliminate an unnecessary Iowa Code reference to be consistent with proposed amendments.
 - Eliminate various Iowa Code sections, including:
 - Excessive red tape for processing of Regent out-of-state travel requests and claims that could be more efficiently handled by the Board.
 - Reports that are very detailed and do not reflect current standards and practices in bonding and energy reporting from 1989.
 - An unnecessary Iowa Code section to be consistent with proposed amendments.
 - Reporting five-year capital projects requirements to be consistent with previous legislative actions (2001 session) that eliminated projects plan.
 - Obsolete Iowa Code sections regarding college savings plans and funding of Regent laboratory schools.


Gary Steinke

Approved: 
Gregory S. Nichols