

MEMORANDUM

To Board of Regents
From: Board Office
Subject: Legislative Program for 2005
Date: October 20, 2004

Recommended Action: Accept the report and adopt the recommendations for 2005 legislative program as outlined in this item.

Executive Summary: Each year, the Board is asked to adopt a legislative program request. For 2005, the recommendation is to make the operating appropriations request known as the Partnership for Transformation and Excellence the number one priority.

The three other elements of the Board's legislative program include capital appropriations for deferred maintenance, regulatory relief initiatives, and increased state support for the Regents special schools.

Additionally, support for three other non-Regent initiatives is requested.

Strategic Plan: Board priorities of Quality Education, Research, Public Service & Economic Development, Public Accountability are all addressed in the program recommended.

Background: The Board Office and the State Relations Officers have been meeting with legislators over the past 60 days to discuss the Regents Public Policy Task Force recommendations which were approved by the Board at its September meeting. These legislative meetings will continue through December and assessments of these meetings will be made before the start of the legislative session. The 2005 session of the Iowa General Assembly is scheduled to commence on Monday, January 10, 2005.

Partnership for Transformation and Excellence The Partnership for Transformation and Excellence is the top priority of the Regent legislative program for the 2005 legislative session. This four year partnership plan represents a simple, ambitious, and highly focused legislative agenda which will enhance the Regent strategic priorities of educational quality and public accountability. It will provide moderate student tuition increases for Iowa students and their families, a clear, concise and auditable reallocation plan to strengthen the academic focus at the three Regent universities, and a capitals appropriations request, to address safety and deferred maintenance needs.

Specifically, this partnership between Iowa Students and their parents, Iowa taxpayers, public policy makers, and the Board of Regents consists of three key elements:

Regent Request for
Additional State
Appropriations

The first element of this partnership plan is a request for a \$40 million incremental increase in state appropriations to the Board of Regents for Fiscal Years 2006 through FY 2009. Assuming full funding of this request, by year three or FY 2008, Regent funding would be restored to the FY 2001 level.

Reallocation
Matching
Requirement

The second element of the plan is a matching funds request from the state where the three Regent universities reallocate up to \$20 million per year for each of four years. In return, the state will appropriate to the Regents at a \$2.00 to \$1.00 match ratio, \$40 million per year for each of the next four years. This reallocation represents the beginning of an important public reinvestment in the educational enterprise of the three Regent universities which will enhance the quality of the public higher education enterprise and provide both an incentive and an opportunity for university-wide reprioritization and reallocation of resources to the most important strategic areas.

The reallocation of resources at the three Regent universities will occur under the following clear, consistent, and auditable definition:

Reallocation
Definition

- Reallocation of institutional funds occurs when funds within the base budget of a defined university entity (presidential/vice presidential unit, college, academic or nonacademic department, division, program, or other unit) are removed by the dean, vice president, or president overseeing that entity and redirected to another entity or purpose. Funds so removed cannot be redirected back to that original entity or purpose within four years except under extraordinary circumstances and only then by increasing an equivalent reallocation amount for the current year. Reallocation may be made to support new strategic initiatives, to meet enrollment increases and the demand for new courses and services, to fund new but unavoidable or mandated cost increases, or to support any other initiatives important to the core functions of the university.
- The Board will annually set a target dollar amount or percentage of expected reallocations for each institution. Institutions will report on a semi-annual basis to the Board on their actions relative to reallocations.

Examples of actions that are reallocations:

- Moving funds that supported a faculty position in the Department of Physics to support a new faculty position in the Department of Genetics, Development, and Cell Biology.

- Moving funds that supported a faculty position in genetics to support a new faculty position in cell biology, all within the Department of Genetics, Development, and Cell Biology.
- Moving funds from the budgets of all academic departments within a college to create an additional collegiate-wide professional position for information technology support.
- Moving funds from fuel and utility budgets because of additional efficiencies to fund new faculty positions in strategic disciplines.
- Moving funds from academic and other programs that are being eliminated or downsized to increase funding to academic programs of higher priority.
- Moving the support for a faculty position from the General Education Fund to a private grant or contract and using the GEF savings to cover the start-up costs for a new faculty hire.
- Moving funds from individual staff positions within Facilities Management to support unfunded and mandated collective bargaining staff salary and benefit increases.
- Moving funds from individual faculty or staff positions within a college to support more competitive faculty salaries within the college.

Examples of actions that are not reallocations:

- Movement of funds that supported a staff position in financial aid record keeping to funding for an automated software system to maintain the same records, but more efficiently.
- Movement of funds that supported a P&S staff position to oversee freshmen chemistry labs to support a graduate student to oversee the same freshmen chemistry labs.
- Movement of funds within an academic department from graduate student support to student hourly wages.
- Movement of funds from a lecturer position in Art and Design teaching drawing to a tenure-track position in the same department teaching drawing.

The reallocation policy will be reviewed at least every five years.

Predictable Tuition

The third element of the plan establishing a partnership with the legislature and the Governor specifies that if this Transformational 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 resident Iowa undergraduates during the four year period the program is operational.

This assumes that all current base funding will remain constant in FY 2006 at FY 2005 funding levels.

A plan for the distribution and allocation of new resources as a result of

the Partnership for Transformation and Excellence Plan will be presented to the Board for its consideration at the December Board of Regents meeting.

Additional elements of the Board's 2005 Legislative Program:

**Deferred
Maintenance and
Fire Safety**

A five-year plan to address the most significant deferred maintenance and fire safety needs of facilities on the campuses that impact the quality of the education and research activities and the safety of participants.

This program would require a \$15 million state commitment for five years and a match of institutional funds to meet the most critical needs in this area. This will be the only state capitals funding request from the Regents in the upcoming legislative session for FY 2006.

After consideration of numerous options, the Board Office recommends the allocation of this \$15 million be based on the replacement values of each institution's general fund facilities. Replacement values are based upon a reporting mechanism established by the former Department of General Services in the late 1980's, and were developed based on building types. The institutional July 1, 2004 reported values have been increased from this benchmark over time due to building cost inflation, with the costs of new facilities added to the calculations.

Using replacement values as the basis for allocation would be consistent with the Board Office focus in previous documents, most recently the Board September agenda item on the five-year capital plan, for building repair budgets to equal at least 1% of the replacement value of the facilities.

Regulatory Relief

A non-appropriations request for relief from numerous statutory and administrative state mandates that impede the Regents flexibility in governance, require unnecessary extra staff work or reporting that results in inefficiencies, which are obsolete or currently serve no critical strategic purpose or which increase operating costs by limiting Regents access to more competitively priced products. Such items hamper the ability of the Regents and the institutions to take actions deemed advisable to focus on key priorities and to reduce costs when necessary.

Some examples of these mandates include:

- Iowa Code 8D.10 requires state agencies, including the Regents, to provide an annual report to the general assembly certifying identified savings associated with the agency's use of the Iowa Communications Network. Unfortunately, due to the private sector market rates for data and voice services (which includes internet services) the Regents enterprise is unable to show or

certify a savings through the use of the network. In fact, for these two services, the cost would be less if the Regents enterprise would be able to use private sector providers. For this reason, the Board Office recommends the Regents enterprise no longer be required to provide this report.

- For the last several years, the general assembly has required the Department of Administrative Services to charge \$2.00 per month per contract on all health insurance plans administered by the department. For the Regents enterprise this represents approximately 7,200 AFSCME employees. The reality is that the administration of these health insurance plans is handled exclusively by the Board of Regents enterprise. The Department of Administrative Services plays only a minimal role in the day to day administration of these plans. Therefore, the Board Office recommends the Regents system be exempted from the administrative fee for this purpose or the fee be substantially reduced.
- Iowa Code 262A.3 requires the Board of Regents to submit annually to the general assembly, a Five Year Capital Projects and Two-Year Bond Proposal Report. This requirement was eliminated for all of state government with the exception of the Board of Regents some years ago. Detailed information related to Regent capital projects and bonding information is readily and publicly available in the Regents docket material and on the Regents website. The Board Office recommends this requirement be eliminated from the Iowa Code for the Regents enterprise as it is for the rest of state government.

Special Schools
Funding

At the level of other K-12 schools allowable growth reflected in state school aid funding. This has been the approach adopted in recent years and is recommended to continue for FY 2006.

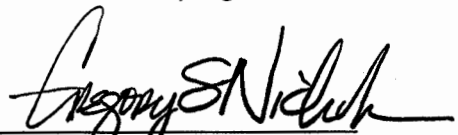
Support of Non-
Regent Initiatives

Beyond the initiatives recommended above, the Board has a strategic interest in supporting three other anticipated proposals that will originate from other agencies. The first is the recommendation from the Iowa Department of Economic Development to fund the Battelle recommendations related to the biosciences. The others are recommendations from the Iowa College Student Aid Commission to fund the state College Work Study program and the Iowa Grant program.



Gary Steinke

Approved:



Gregory S. Nichols