

The Board of Regents, State of Iowa, met on Tuesday and Wednesday, August 3 and 4, 2004, at the Convention Center in Sioux City. The following were in attendance:

	<u>August 3</u>	<u>August 4</u>
<u>Members of the Board of Regents, State of Iowa</u>		
Mr. Forsyth, President	All sessions	All sessions
Dr. Arbisser	All sessions	All sessions
Dr. Becker	All sessions	All sessions
Mr. Downer	All sessions	All sessions
Mr. Neil	All sessions	All sessions
Dr. Newlin	All sessions	All sessions
Ms. Nieland	All sessions	All sessions
Ms. Rokes	All sessions	All sessions
<u>Representing the <i>Office of the Board of Regents</i> at the Board Table</u>		
Executive Director Nichols	All sessions	All sessions
Director Barak	All session	All sessions
Director Elliott	All sessions	All sessions
Director Evans	All sessions	All sessions
Minutes Secretary Briggie	All sessions	All sessions
<u>Representing the <i>State University of Iowa</i> at the Board Table</u>		
President Skorton	All sessions	All sessions
Provost Hogan	All sessions	All sessions
Vice President True	All sessions	All sessions
<u>Representing <i>Iowa State University</i> at the Board Table</u>		
President Geoffroy	All sessions	All sessions
Provost Allen	All sessions	All sessions
Vice President Madden	All sessions	All sessions
<u>Representing the <i>University of Northern Iowa</i> at the Board Table</u>		
President Koob	All sessions	All sessions
Associate Provost Koch	All sessions	All sessions
Vice President Schellhardt	All sessions	All sessions
<u>Representing the <i>Iowa School for the Deaf</i> at the Board Table</u>		
Superintendent Prickett	All sessions	All sessions
Director Heuer	All sessions	All sessions
<u>Representing the <i>Iowa Braille and Sight Saving School</i> at the Board Table</u>		
Director Hooley	All sessions	All sessions

THE CORRESPONDING DOCKET MEMORANDUM FOR
EACH AGENDA ITEM IS AVAILABLE ON THE
BOARD OF REGENTS WEBSITE AT:

www.state.ia.us/educate/regents

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OBTAINED FROM THE BOARD OFFICE
BY CALLING 515/281-3934.

BOARD OF REGENTS, STATE OF IOWA

On Tuesday, August 3, 2004, the following Board Committees met: Economic Development, Audit and Compliance, and University of Iowa Hospitals and Clinics Executive Board. The reports of the Committee meetings are contained within these minutes, beginning on page 16.

The following business was transacted on Wednesday, August 4, 2004, beginning at 8:32 a.m.

MINUTES OF THE BOARD MEETING OF JUNE 15-16, 2004.

President Forsyth asked if there were any additions or corrections to the minutes. There were none.

MOTION: Regent Neil moved to approve the minutes of the June 15-16, 2004, Board of Regents meeting, as written. Regent Arbisser seconded the motion.
MOTION CARRIED UNANIMOUSLY.

President Forsyth made the following announcement regarding Dr. Deborah Turner, who was not in attendance at this meeting. Dr. Turner has written to the Governor and submitted her resignation from the Board of Regents. She indicated that increasing demands in her professional life, most notably in her obligation to patients in her surgical practice of gynecological oncology, have made her unable to continue her service as a Regent. President Forsyth acknowledged the difficulty of the decision for Dr. Turner as she has truly enjoyed, and been a valued member of, the Board.

President Forsyth said he had asked Executive Director Nichols to work with Dr. Turner to seek an opportunity to pay tribute to her at the earliest opportunity, hopefully around a Regents meeting. President Forsyth said Governor Vilsack had indicated his intent to name a new Regent, hopefully in the not-too-distant future.

INSTITUTIONAL AND BOARD OFFICE PERSONNEL TRANSACTIONS.

MOTION: Regent Neil moved to approve personnel transactions, as follows: University of Iowa: Register of Personnel Changes for June 2004 which included an additional faculty tenure action. Iowa State University: Register of Personnel Changes for June 2004 which included the

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August 3-4, 2004

following actions: Appointment of James A. Davis, Associate Professor of Electrical and Computer Engineering, as Chief Information Officer and Director of Academic Information Technologies beginning July 1, 2004, at an annual salary of \$145,000. Appointment of David K. Holger, Professor of Aerospace Engineering, as Associate Provost for Academic Programs and Dean of the Graduate College beginning July 1, 2004, at an annual salary of \$191,206. Appointment of Mark J. Kushner as Dean of the College of Engineering and Professor of Electrical and Computer Engineering beginning January 1, 2005, at an annual salary of \$235,000. Appointment of Charles E. Glatz, Professor and Chair of Chemical Engineering, as Interim Dean of the College of Engineering beginning July 1, 2004, at an annual salary of \$213,714. Appointment of Jerry R. Thomas, Professor and Chair of Health and Human Performance, as Interim Dean of the College of Education beginning August 1, 2004, at an annual salary of \$152,000. Retirement of Norman F. Cheville as Dean of the College of Veterinary Medicine and Distinguished Professor effective August 15, 2004. Appointment of John Thomson as Dean of the College of Veterinary Medicine beginning August 15, 2004, at an annual salary of \$207,000. University of Northern Iowa: Register of Personnel Changes for June 2004 which included the following actions: Change – John Somervill stepping down as Dean of the Graduate College effective June 30, 2004. He will retain his faculty status in the Department of Psychology. Change – Susan Koch, Associate Provost, will add service as Interim Dean of the Graduate College. Retirement – Charles Means, Associate Vice President, effective June 30, 2004. Change – Kichoon Yang will add service as Interim Associate Vice President to provide guidance for the Sponsored Programs, Grants and Contracts and related offices. Iowa School for the Deaf: Register of Personnel Changes for June

and July 2004. Iowa Braille and Sight Saving School: Register of Personnel Changes for May and June 2004. Board Office: Retirement of Dotti Hale, Administrative Assistant, effective June 30, 2004. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL.

Following Director Evans' presentation on the proposed Policy Manual revisions, President Forsyth asked that the institutions, in conjunction with the Board's Human Resources Committee, perform a cost-benefit analysis of the Board's phased retirement program to determine whether it is appropriate to continue the program. Director Evans said the matter could be added to the work plan of the Human Resources Committee.

MOTION: Regent Downer moved to accept, as a first reading, revisions to the following sections of the Policy Manual: §4.03A: Professional and Scientific Classification System and §4.35 Phased and Early Retirement. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

ANNUAL STUDENT FINANCIAL AID REPORT.

Assistant Director Gonzalez highlighted the following two components of the report: (1) continuing financial aid issues and (2) accomplishments and initiatives undertaken by the Regent universities. She stated that, despite increases in institutional grant aid, more than three-fourths of the aid provided last year was in the form of loans and employment. Campus-based federal programs are not keeping pace with tuition increases. She said there has been an emphasis on achieving efficiencies through expanded technology. There has been an emphasis on augmenting grant aid and student employment opportunities. There has also been an emphasis on early identification of students who are not making satisfactory academic progress.

Regent Downer pointed out that the amount of student financial aid the universities provide to students is in excess of the annual state general fund appropriation to the universities.

Regent Arbisser noted that the \$620 million figure of total financial aid distributed to Regent universities students does not include the funds provided to students through outside employment.

President Forsyth said it would be helpful for Board members to be provided with an historical perspective including a five-year review of student financial aid to provide context of the figures three to four years ago.

Assistant Director Gonzalez responded that prior student financial aid reports have included historical data. However, this year, the information presented in this report utilized the Iowa College Student Aid Commission report data and this was the only year available. This year will serve as the base year for future reports.

President Forsyth stated there is a need for additional federal appropriations for campus-based student financial aid programs, and that the issue should be high on the institutions' lists of federal priorities. President Skorton said he would be glad to provide a briefing on the higher education act at a future meeting. President Forsyth asked that the university presidents and Executive Director Nichols select an appropriate time to provide such a report to the Board. President Geoffroy suggested waiting until next year because Congress will start with a new proposal next year.

Regent Becker noted that, in many states, the state legislature provides the largest amount of funds for financial aid and what the universities provide is in addition to the state-appropriated funds. In Iowa, the universities have provided the greater proportion of student financial aid at a time when the universities are not being fully funded by the legislature and have to fund salaries within existing institutional funds. She said that issue needs to be considered when it comes time to talk to the legislature. Somehow the legislature either has to give the Regents more money for financial aid or the legislature has to supplement the student financial aid in some other way.

Executive Director Nichols stated that he serves on the Iowa College Student Aid Commission. One of the Commission's initiatives for the coming year is to reinstate the state-funded work-study program. He said national higher education organizations such as SHEEO and AGB are also involved in issues related to funding of financial aid. Therefore, financial aid funding is being monitored on several levels.

Regent Becker asked for the amount of funds that are channeled through the Iowa College Student Aid Commission compared to other states. Executive Director Nichols responded that Iowa historically has had lower tuition and lower state support for student financial aid than the norm. The overall state commitment to student financial aid is below the median on a per capita basis.

There was discussion about the amount of student financial aid funds in Iowa compared to the amount of student financial aid funds of other states. Executive Director Nichols said he could provide Board members with information to quantify the specific amounts.

Provost Hogan stated that the federal higher education bill that was drafted and considered in the House and is now on hold gives no hope whatsoever of any increase in federal student financial aid support, and some provisions are likely to be more onerous. He said the proposed federal legislation puts a premium on Iowa's efforts to re-establish the work-study program.

President Forsyth said the proposed federal legislation also helps to frame the Board's upcoming tuition discussion.

Regent Downer suggested there may be opportunities to point out to Iowa's congressional delegation some of the shortcomings in the federal education bill that is currently before Congress. Perhaps recommendations could be made as to how the bill could be modified to be more supportive. He said he would like to see a summary of what has been discussed and what might be the impact. The information could be useful in conversations with Iowa's legislators both on the state and federal levels.

President Forsyth stated that once the Board has a succinct position on this, he would write to Iowa's congressional delegation.

President Forsyth asked if there were data available for those who graduate with debt at each university. Assistant Director Gonzalez responded that this information, provided by the Iowa College Student Aid Commission, was limited to those students who start and complete their programs at the same institution and assume debt.

Regent Becker noted that in the past the Regents have been provided with data that shows differences between the three institutions, which was not provided in this year's report.

President Forsyth said it would be helpful for the Board to be provided with information on the order of magnitude. Assistant Director Gonzalez said she would follow up on the request for information.

Provost Hogan presented the specific data for University of Iowa students as of May 2003. He said the average student debt load for those who graduated with need-based debt was \$10,418. The average student debt load for those residents with non-need based debt was \$17,178. Sixty-seven percent (67%) of students (residents and non-residents) incur debt. Thirty-seven percent (37%) of resident undergraduate students and 51% of non-resident undergraduate students incur no debt.

There was discussion about the debt load of students with non-need based debt. Many students who do not qualify for federally-subsidized loans can take out a non-subsidized loan which is counted as financial aid.

President Forsyth asked for the status of the Board's financial aid study. Director Barak responded that two alternatives have been discussed: 1) opt into the national survey which would provide comparison information or 2) survey of the Regent institutions that would provide no trend data and no comparison information. A decision needs to be made which way to go. He stated that he had attended a meeting in Washington the previous week with representatives of the National Post-Secondary Student Aid Survey. Its survey is currently taking place; therefore, Iowa cannot be included at this time as a state. Iowa will be included in the next survey and the survey will include data for the community colleges, the private colleges, and the Regent institutions. The organization that conducts the survey has agreed to train someone from the Board Office staff to manipulate the current year study to obtain some of the desired information.

President Forsyth asked if the survey could be discussed at the next Education and Student Affairs Committee meeting in September. Director Barak said the next study would take place in 2006 and would provide comparable information for Iowa's community colleges, private colleges, and Regent institutions with the nation.

Regent Newlin referred to pie charts that were included in the meeting materials for student financial aid. He suggested that totals be included in future charts.

Assistant Director Gonzalez provided the following data: At Iowa State University, 29% of residents and 43% of non-residents graduate without debt; the average debt load for Iowa residents at Iowa State University is \$12,302. At the University of Northern Iowa, 27% of residents and 49% of non-residents graduate without debt; the average debt load for Iowa residents at the University of Northern Iowa is \$11,462.

ACTION: President Forsyth stated the Board received the report, by general consent.

ANNUAL DISTANCE EDUCATION REPORT.

Assistant Director Girardi presented an overview of the annual distance education report.

Regent Nieland said it appeared there was a reduction of 4,000 in total student enrollments, which was a substantial long-term loss. She asked if there are targets for enrollments.

Assistant Director Girardi said there are fluctuations from year to year. He did not think the 4,000 figure was necessarily a long-term loss although the number was lower than

last year. In terms of the number of programs, he said the institutions add and drop programs depending on student interest.

Regent Downer referred to county distribution and asked if the strong number for Carroll County was because of the relationship of the University of Northern Iowa with Des Moines Area Community College's Carroll campus. Assistant Director Girardi said he did not know the reason for the strong number but noted that the numbers include enrollments at off-campus locations.

Regent Downer encouraged institutional officials to look at potential opportunities in distance learning to see if there are other ways to serve areas of the state that are a significant distance from a Regent campus.

Regent Neil noted that recently the University of Phoenix was approved to offer programs in the state of Iowa. He asked how the Regent universities' costs and course offerings compare with those of the University of Phoenix. President Geoffroy stated the University of Phoenix has historically targeted working adults although its representatives have announced an intention to move aggressively into the 18- to 24-year-old market. Given the University of Phoenix's success nationally with working adults, there is a general belief that the University will be quite successful in the 18- to 24-year-old market. He said the University of Phoenix typically offers on-line courses that can be taken via the Web. It also has a typical common tuition charge nationwide. When the University of Phoenix offers classes in leased space within a community, it sets tuition near the mid-point of the private universities in that region, which is typically much higher than public tuition.

Regent Neil asked if there have been surveys conducted of the business community to determine whether a degree from the University of Phoenix is valued as much as a degree from Iowa State University.

President Forsyth responded that employers who have tuition reimbursement do not differentiate between accredited institutions. From a business perspective, one has to look for a standard. He knows of personnel in his company who are using the University of Phoenix and think it has been an excellent learning experience.

President Forsyth stated it was time to develop a strategic plan related to distance learning. He suggested that the three presidents and the provosts determine whether there should be a different approach to distance learning. The bigger strategic question is how to position the enterprise in distance learning. He suggested the institutions review the issue with the Education and Student Affairs Committee which would then report back to the Board.

Regent Becker expressed support for taking another look at distance learning, including the relationship of the Iowa Communications Network and the impact of high-speed internet access.

Regent Rokes asked how many full-time students are taking the distance learning classes. Assistant Director Girardi said he did not know if there was a way to determine an answer to that question, but the institutions report it is a trend.

Regent Rokes suggested the institutions market the availability of distance education to full-time University students. She explained how many students, like herself, go home for the summer and can continue their education through distance learning classes.

President Forsyth suggested it might be helpful to look at best practices across the country. He then asked that the institutions and Board Office determine a reasonable timeframe for discussing a distance education strategic plan with the Board's Education and Student Affairs Committee, and report back to the Board.

Executive Director Nichols referred to earlier discussion regarding the University of Phoenix. He said the University had just received approval from the state of Iowa to "set up shop". Representatives of the University of Phoenix told the Iowa College Student Aid Commission that Des Moines was its initial target.

Regent Downer asked if there had been an indication of the courses the University of Phoenix would be offering. Executive Director Nichols responded that he would characterize the courses as those of business programs. Provost Allen said he saw a list of courses and most were business and MIS related and could be for undergraduate or graduate degrees.

President Geoffroy stated the University of Phoenix is successful because it focuses on a single objective, which is to educate. It does not perform research or scholarly activities, and does not have an extension program. He said the University of Phoenix standardizes its courses nationwide. The University of Phoenix is a tightly-focused business model that does very well.

Regent Becker stated the Iowa Coordinating Council for Post-High School Education had discussed the University of Phoenix offerings in the Iowa market.

Regent Downer stated it was important to recognize that the students who enroll with the University of Phoenix feel they are getting what is not available elsewhere. For the future of the Regent institutions, he said the Board needs to proceed with the distance learning strategic planning initiative.

There was discussion, initiated by a question by Regent Neil, about review of community college courses with regard to 2+2 agreements. Provost Allen stated that Regent universities' staff review community colleges' coursework. Associate Provost Koch stated that the 2+2 programs are built on very strong long-term relationships with the community colleges.

President Koob stated that Regent university students who transfer from Iowa's community colleges persist at rates indistinguishable from those of students who begin their education at a Regent university. He noted that graduation rates of community college students are far lower than those for students attending Regent universities. Students who learn how to learn in the community college environment do well at the universities.

Assistant Director Gonzalez stated that the North Central Association, the regional accrediting body, establishes minimum qualifications for faculty who teach in the community colleges' AA and AS degree programs.

President Forsyth stated that his impression was there was a need to have a strategic direction for the enterprise relative to distance learning and that there is some sense of urgency.

ACTION: President Forsyth stated the Board received the report, by general consent.

TUITION POLICY REVIEW.

Executive Director Nichols presented a summary of the Board Office recommendation. He stated that in May the Board asked the University presidents to propose further refinements to the Board's tuition policy and to report back at this meeting. Included in the materials for this meeting was a summary of the presidents' recommendations and a series of policy questions. The questions posed to the Board were:

- Should base resident undergraduate tuition rates continue to be the same at all three universities?
- Should those base tuition rates for undergraduate resident students be increased to keep pace with inflation and, if so, what index should be used?
- Should there be a base tuition rate that the Board reviews every year and should that rate be adjusted by a factor for educational quality across all three institutions? Alternatively, should the Board allow the universities to request supplemental increases in undergraduate tuition for quality or other purposes?

Executive Director Nichols said the last series of questions related to graduate tuition which was not a major part of the discussion in May.

Executive Director Nichols stated the recommendation from the presidents and the original recommendation of the Board Office in May both contemplated that there might be differences in tuition rates by institution. Both recommendations contemplated an enhanced role for the institutional heads in setting tuition. The institutional heads would have more authority to make recommendations to the Board about potential supplemental rates.

President Koob presented the presidents' two-part proposal. First, the presidents determined there was nothing that fundamentally distinguished the institutions in terms of the value of the courses to the students. Equal quality undergraduate education is offered in common disciplines and the base tuition should therefore be the same. The presidents suggested that the Higher Education Price Index (HEPI) should play an important role in determining tuition policy. Second, the presidents recognize that each institution operates in a different marketplace and the conditions that affect the costs at each institution may be different. Therefore, each institution should be allowed to recommend a supplement to the base tuition that reflects the conditions under which it operates.

President Skorton stated the goals of the presidents' recommendations were to: 1) keep tuition increases reasonable, 2) recognize the excellence of undergraduate education at all three institutions and 3) recognize the differences in cost of education at all three institutions.

President Geoffroy stated that another aspect considered by the presidents was to maintain as much flexibility as possible for the future. The proposal creates the opportunity for the presidents to bring forward recommendations for supplemental tuition increases.

Executive Director Nichols stated that the tuition proposals would be brought to the Board as a package for consideration each year. The intent is to make the initial proposal on tuition in December 2004 with Board action scheduled for February 2005. He said the timetable was implicit in the proposal before the Board at this meeting.

President Forsyth asked if any Board members had a concern about undergraduate tuition being different at the three universities at some time in the future. If there were no philosophical concerns, he said they could proceed to discuss the details.

Regent Neil asked if a lack of state support was what gave birth to the idea of differential tuition. President Skorton responded that lack of state support was one factor, but another factor was the different missions of the universities. The markets for faculty are also different. The issue has been exacerbated by the downturn in state appropriations.

President Forsyth stated that fees are charged in some of the professional areas and those fees are not considered tuition. Therefore, charges are not currently constant across the institutions. There has been identical tuition for basic undergraduate programs for some period of time. With regard to Regent Neil's comment about the lack of state support, President Forsyth stated that the Board probably would not be having this tuition policy discussion if state funding had been increased by \$110 million over the last four years instead of being cut by \$110 million. The fact is that the Regent institutions have been cut by \$110 million and there is no strategic reason that tuition has to be identical for each institution. The recommendation before the Board provided flexibility for the institutions to propose various charges. The Board could accept or reject an institutional recommendation.

Regent Neil stated he perceived the recommendation as a crutch that will expand over time. President Forsyth responded that tuition may expand over time if that is the judgment of the Board. He said the intent is to have an integrated public policy approach that hopefully will add to the base support of the institutions. The approach in the past may have been overly simple given the complexity of the environment.

Regent Arbisser said he took exception to using the quality association with price. He suggested using the term "resource intensity". President Forsyth said "quality" was chosen because historically the Board of Regents has utilized maintenance of quality as the reason for increasing tuition beyond an inflationary factor. It does not refer to differential quality. The Board could choose to not use quality as the reason for an additional increase in tuition because it is difficult to define quality. The Board could establish a base tuition rate according to an index and any additional charges would have to come forward from the institutions based on factors on which the Board has previously agreed.

Regent Becker stated the Board does not have support from the state for faculty salaries, which was largely the reason that this discussion was taking place. She said University of Northern Iowa officials can choose the best and brightest and hire them at a competitive salary. At the two research institutions – the University of Iowa and Iowa State University – the best and brightest cannot be hired at a competitive salary. The research institutions have to have enough funds to hire the best and the brightest in their marketplaces. The Regents have to ensure that the University of Iowa and Iowa State University have the ability to continue to attract and maintain excellent faculty. If

the Board does not have some way of differentiating the institutions, the University of Iowa and Iowa State University are going to be unable to continue to maintain and attract excellent faculty.

Regent Downer expressed support for the position articulated by Regent Becker. He said the quality being offered at all three institutions is high. However, there are many different factors and different attributes of the faculty. He then commended the presidents on the work they had done in developing the tuition policy proposal.

Regent Newlin expressed support for the position articulated by Regent Becker. He said there cannot be quality institutions without quality faculty.

Regent Arbisser expressed support for the position articulated by Regent Becker.

Regent Rokes suggested the reason for the tuition charges should be articulated as benefiting students versus paying higher salaries to professors.

Regent Nieland stated that what was proposed was a hybrid approach. She hoped the policy would not be incomprehensible to the general public.

President Forsyth said the Board's Public Policy Task Force is preparing to bring to the Board suggested changes in how the Board approaches the legislature. The Task Force will propose packaging the Board's legislative requests over a multi-year period.

Regent Nieland asked if the proposed tuition policy would satisfy the comments of the rating agencies. President Koob responded affirmatively.

Executive Director Nichols stated that, under the existing policy, the Board uses an estimate of the Higher Education Price Index in determining inflationary increases in tuition. He asked whether or not the Board wished to use a projected number and which index the Board wished to use. He presented the following three index options:

- 1) Higher Education Price Index (HEPI), which is historically the most generous index,
- 2) the Consumer Price Index (CPI), which historically is the least generous index and least directly related to higher education but is the most familiar to the world at large and
- 3) Higher Education Cost Adjustment (HECA) which is a relatively new index and is more generous than CPI because it reflects white collar salaries, but does not specifically reflect higher education salaries.

Board members proceeded to discuss the index to be used to determine inflationary increases in tuition, the highlights of which follow:

- Of those peers who may use an inflation formula in setting tuition, very few would use HECA because it is a recently-developed index.
- HEPI is no longer maintained by its developer but, rather, is maintained by Research Associates of Washington, a private research organization. The raw data will still be available for use by the University of Iowa's forecasting institute.
- HEPI mirrors the costs the Regent institutions would be experiencing.
- Board members desire to continue to use HEPI on a projection basis since tuition is set in advance. The inflation rate would initially be set at the mid-point of the projection.
- The Board Office tuition recommendation should include HECA data for an historical measure.

President Skorton stated that the presidents' tuition recommendations would not only consider a formula-based increase but would also compare the tuition with each of their peer institutions.

President Koob stated that each year the institutional heads would have to justify a supplement to the base tuition. Although the supplement could be repeated year after year, the Board would be asked to reaffirm the supplement each year.

President Skorton stated that, in the case of the University of Iowa, it was unlikely that a supplement or differential would be operative for only one year. If a problem is identified, it would likely take more than one year to be resolved.

President Geoffroy stated that the university presidents did not reach agreement explicitly on all of the details. He said he would be willing to support the framework being discussed.

Regent Becker said it made sense to keep the base as a base and not consider the supplemental portion as being added to the base for the following year.

President Forsyth clarified that the presidents presented a proposal for a four-year period for a base tuition with increases to be set at the mid-point of projections of the Higher Education Price Index. Any incremental charges would come forward on an institution-by-institution basis. Current surcharges for graduate and professional programs would be rolled into tuition; therefore, there will be some differential tuition by disciplines as exists currently. At the end of four years, the Board would reassess the

policy; however, at any time prior to the end of the four-year period, the Board can choose to reassess the policy due to unintended consequences.

President Forsyth asked that the Board Office write up the essence of the Board's discussion as a policy to be broadly distributed. Executive Director Nichols said the Board Office would make every effort to have the policy in final form for the September Board of Regents meeting.

Regent Becker asked if the calculations for student financial aid set aside would be based on the sum of the supplemental fees and the base tuition. President Forsyth agreed, and asked that be added to the Board's policy.

Regent Newlin asked if the university presidents would be consulting among themselves with regard to tuition proposals each year. President Skorton responded affirmatively, and added that the presidents would also consult with the students and faculty on each campus.

Regent Rokes asked if upper and lower division tuition would be the same regardless of a student's program. President Geoffroy said there would have to be a specific tuition proposal to differentiate between upper and lower division tuition. The same approach could be used for all classes of students – have the same base tuition but allow for supplemental requests by each university. The supplements could vary in each of the classes of graduate, professional and non-resident students. Presidents Skorton and Koob agreed with President Geoffroy's proposal in concept.

President Forsyth stated that a Board policy would be written for all classes of students. If there is compelling logic that an index should not apply for a given professional discipline, the Board would entertain that discussion.

Executive Director Nichols asked if President Geoffroy's recommendation was to calculate a base for non-residents and to allow for an additional supplement by institution. President Geoffroy responded affirmatively.

ACTION: President Forsyth stated the Board, by general consent, (1) Considered the tuition proposal presented by the three universities presidents. (2) Determined which aspects of the proposal to adopt by way of completing action on the 'basis for charging tuition' portion of the ongoing tuition policy study. (3) Established specific guidelines/parameters for supplemental tuition proposals as a means of providing guidance to the Board Office

and institutions in preparing for future tuition rate proposals. (4) Directed the Board Office to prepare any necessary change in the Board Policy Manual to implement the intent of the Board relative to the basis for charging tuition, based on the direction given at this meeting.

FY 2004 BUDGET CEILING ADJUSTMENTS.

Executive Director Nichols stated the budget ceiling adjustments were requested because of additional unanticipated revenues near the end of the fiscal year from the following two sources: 1) The Governor rescinded part of the FY 2004 across-the-board cut and 2) non-appropriated funds were greater than expected.

President Forsyth asked that the record reflect the Board's expression of appreciation to Governor Vilsack for the restoration of funds and the Board's commendation to the institutions for using a portion of the additional funds for deferred maintenance.

MOTION: Regent Becker moved to approve the FY 2004 budget ceiling adjustments of \$2.6 million and revised FY 2004 general fund budgets, as presented. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

CONCEPTUAL FY 2006 OPERATING APPROPRIATIONS PRIORITIES.

Executive Director Nichols stated that institutional officials had provided the Board with a preview of the elements for inclusion in institutional FY 2006 appropriations requests. He invited Board members' commentary on those requests as preparation of the appropriations requests continues. In September, the Board will be presented with integrated FY 2006 state appropriations requests.

President Forsyth observed that the institutional appropriations priorities had been presented for Board review prior to release of the Battelle study. He then stated that in the Board's Public Policy Task Force consideration of a new approach with the legislature, consideration is being given to not requesting funding for faculty salaries. He said salaries are critical but have been a "non-starter" over at least the last three years. Discussions have taken place about the concept of a matching program whereby the legislature would provide appropriations over a multiple number of years for transformational excellence. As the institutions transform and reduce expenses, additional funds would become available. Perhaps two-to-one dollars would be

available from a state appropriation to assist with transformational excellence for programmatic purposes and faculty salaries.

President Forsyth provided the following example of what was being considered by the Public Policy Task Force: The institutions could develop four-year budgets. The legislature would fund \$40 million a year for a total of \$160 million and the institutions would reallocate \$20 million a year for a total of \$80 million. Those funds would provide funding for faculty salaries and other focused needs of the institutions.

President Forsyth stated the Public Policy Task Force will report in September that the Board needs to make changes if it expects to receive increased funding from the legislature.

ACTION: President Forsyth stated the Board considered the conceptual FY 2006 operating appropriations requests, by general consent.

COMMITTEE REPORT – AUDIT AND COMPLIANCE.

Regent Newlin presented the following report of the August 3, 2004, meeting of the Audit and Compliance Committee:

- Committee members discussed the work plan and approved a change in the internal auditors' annual report from May to August in 2005.
- The Committee received a progress report on the FY 2004 audit plans and the FY 2005 internal audit plans from each of the universities. Committee members requested that the three university internal auditors report audit hours consistently, which includes allocating director's hours.

Committee members asked about the status of the Sarbanes Oxley implementation and that follow-up on the Sarbanes Oxley activities be added to the work plan for the next meeting. The Vice Presidents of Finance were asked to outline the status of implementation of Sarbanes Oxley at each institution.

- The Committee discussed implementation of a dashboard presentation for internal audits to better focus and highlight the materiality/criticality of each audit, the results of each audit as well as the timeliness of follow-up reviews. The Committee requested that the Board Office convene the internal auditors (and other institutional personnel as necessary) to discuss and detail specifics for the internal audit dashboards to be presented at the next Committee meeting in November.

The Committee received reports from the universities' internal auditors.

MOTION: Regent Newlin moved to receive the report of the Audit and Compliance Committee and direct the Board Office to convene the internal auditors and report to the Committee on completed definitions and benchmarks at the November meeting. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

COMMITTEE REPORT – ECONOMIC DEVELOPMENT.

Regent Downer presented the following report of the August 3, 2004, meeting of the Economic Development Committee:

- Committee members heard a brief report by Mike Blouin, Director of the Iowa Department of Economic Development.
- Committee members received and discussed a presentation by Dr. Walt Plosila of the Battelle Memorial Institute concerning the Battelle report, Iowa's Bioscience Pathway for Development. Institutional representatives provided responses to and expressed support for the Battelle report, stating the report reflected institutional input. Institutional representatives also said the Battelle proposals build upon existing institutional strengths.
- Committee members received and discussed reports from each of the Regent universities concerning their economic development activities.
- Committee members received and discussed Dr. Barak's summary of a report by the National Center for Higher Education Management Systems. The data concern Iowa's performance on a number of indicators related to postsecondary education and the economy.

Regent Downer asked that the Committee be provided with a fuller presentation of Director Barak's report, which was also presented to the Coordinating Council, including the PowerPoint presentation.

Regent Newlin referred to the opportunity for institutional feedback to the Battelle report and stated the Board should be extended that same privilege. Therefore, he asked that Iowa State University's risk assessment project on biotechnology be included in the report.

Regent Downer stated that Regent Newlin made an excellent point and that he would pursue that suggestion in the areas in which he is involved.

MOTION: Regent Downer moved to receive the report and to adopt Regent Newlin's request that Iowa State University's risk assessment project on biotechnology be included in the Battelle report. Regent Arbisser seconded the motion.

President Forsyth suggested that both Dr. Barak's presentation and feedback on the Battelle report be scheduled for the next meeting of the Economic Development Committee. He asked Board members and institutional officials to reflect on the Battelle report in preparation of an integrated response to the report.

VOTE ON THE MOTION: Motion carried unanimously.

COMMITTEE REPORT – UIHC EXECUTIVE BOARD.

Regent Arbisser presented the following report of the August 3, 2004, meeting of the UIHC Executive Board Committee:

- The Committee received the director's report, an update on the Hospital's strategic plan development, and an update on the University Hospitals operations, programs and finances as of May 2004.
- Committee members discussed and approved an amendment to the Bylaws, Rules and Regulations of UIHC regarding the frequency of clinical privileges review and received changes to the Bylaws regarding patient care. The Committee recommended Board approval of the change.
- The Committee received a report on the Joint Commission on Accreditation of Health Care Organizations and the role of the governing body.
- The Committee accepted its work plan without change.

MOTION: Regent Arbisser moved to approve an amendment to the Bylaws, Rules and Regulations of UIHC regarding the frequency of clinical privileges review and received changes to the Bylaws regarding patient care. Regent Neil seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

MOTION: Regent Arbisser moved to receive the report of the University of Iowa Hospitals and Clinics Executive Board Committee. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

INSTITUTIONAL ROADS PROGRAM.

MOTION: Regent Neil moved to approve the recommended five-year institutional roads program with capital projects totaling \$7,419,000 for calendar years 2005 through 2009, including projects totaling \$1,483,800 for 2005. Regent Becker seconded the motion.

President Forsyth asked for the rationale for allocating 40 percent of the funds to each the University of Iowa and Iowa State University, and 20 percent to the University of Northern Iowa. Since the needs of the institutions vary over time, he questioned whether the resources should be deployed accordingly.

Associate Director Racki responded that the primary reason for the formula was because there are so many unmet needs on each of the campuses. However, if it was the Board's desire, the methodology could be reexamined for next year's report.

Regent Neil suggested there was also a governmental relations issue. He said there might be an opportunity to increase the level of funding of the institutional roads program.

Vice President Madden stated the formula was originally based on the number of miles of roads. The institutional roads funds are distributed for the entire state network of roads, including those of public parks and facilities. He said the existing formula is a fairly straight-forward method for distributing the funds.

President Forsyth stated the consensus of the Board was to examine whether the existing formula for distribution of funds is the best way to allocate the resources going forward.

Regent Becker said she concurred with Regent Neil's suggestion that the Board may want to look at its legislative priorities to determine whether the institutional roads funds issue should be added.

VOTE ON THE MOTION: Motion carried unanimously.

INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS.

MOTION:

Regent Newlin moved to approve leases and easements for the benefit of the institutions as summarized below: University of Iowa—Lease agreement with Condor Business Journal for its use of business incubator space in the Technology Innovation Center at the Oakdale Campus. Lease renewals with Vertex L.L.C. and AudioNet International, LLC, for their use of business incubator space in the Technology Innovation Center at the Oakdale Campus. Lease renewal with Village Court Associates for the University's use of apartment space in the Des Moines area for residents of the Carver College of Medicine Department of Ophthalmology. Sublease agreement with Iowa Workforce Development for the University's use of office space in Mason City, Iowa, for the Center for Disabilities and Development. Lease amendment with Solberg Investments III for the University's use of additional office space in Rhinelander, Wisconsin, for a research project of the Department of Psychology. Lease amendment with Aurora Business Park Associates, L.P. for the use of additional space for the Board of Regents Office in Urbandale, Iowa. Sublease amendment with the Quad-Cities Graduate Study Center for the University's continued use of space at Augustana College, Rock Island, Illinois, by the School of Social Work. Easement agreements with the City of Iowa City, Iowa, for the City's use of University property for construction of a recreational trail. Iowa State University—Lease renewal with Indian Hills Community College, Ottumwa, Iowa, for the University's use of office space for the Southeast Iowa Area Extension Office/Outreach Center. Lease extensions with Determan Investments and Banner Investments for the University's use of space in Mason City and Dubuque for the Child Welfare Research and Training Project. Lease amendment with the United States Department of

Agriculture (USDA) Agricultural Research Service for its use of an additional 0.22 acres of land at the Plant Introduction Station in Story County, Iowa. Iowa School for the Deaf— New agreement with Loess Hills Area Education Agency 13 for its use of space in Long Hall. Regent Becker seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

President Forsyth recognized President Geoffroy.

President Geoffroy introduced Dr. Sanjeev Agarwal, President of Iowa State University's Faculty Senate, and Sophia Magill and William Rock, the two new student leaders at Iowa State University.

RESOLUTION FOR THE SALE AND AWARD OF \$25,000,000 UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS, SERIES 2004.

Vice President True stated the bond sale before the Board was the final sale to finance the Carver Biomedical Research Facility.

Barry Fick of Springsted, Inc., the Board's financial advisor, stated that bids were accepted that morning on behalf of the University of Iowa Facilities Corporation and the Board of Regents for the sale of \$25,000,000 of taxable revenue bonds. He said he was pleased to report that eight bids were received, which was higher than the number of bids usually received. There is a significant shortage of bonds, and taxable bonds in particular, which contributed to the large number of bids received. He stated the winning bid was from Legg Mason Wood Walker for a true interest rate of 5.73%. Worst-case interest rate projections were 1.75% higher than AAA-rated tax exempt bonds, while the winning bid came in at 1.15% higher than AAA-rated tax exempt bonds. He noted the bonds have a call feature after 10 years.

Ed Bittle of the Ahlers law firm, the Board's bond counsel, discussed the resolutions that were before the Board for approval.

MOTION:

Regent Arbisser moved to Adopt A Resolution Authorizing and Approving the Execution and Delivery of the First Supplement to Indenture, the Bond Purchase Agreement, the Continuing Disclosure Certificate, the 2004 Lease Amendments, and Authorizing and Providing for the Issuance of University of Iowa Facilities Corporation Revenue Bonds (Roy J. and Lucille A. Carver Biomedical Research Building Project) \$25,000,000 Revenue Bonds, Series 2004, and Providing for the Payment Thereof. Regent Becker seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

COSTS OF BOND ISSUANCE.

ACTION:

President Forsyth stated the Board received the report on the issuance costs for the February - May 2004 bond sales, by general consent.

President Forsyth thanked President Koob and his staff of the University of Northern Iowa as the away-from-home host for this meeting. On behalf of the Board and Board staff, he said the meeting arrangements had worked very well.

RENEWAL OF BOND ASSOCIATED CONTRACTS.

MOTION:

Regent Newlin moved to approve the annual renewal of the contracts through August 31, 2005, with (a) Ahlers Law Firm (now known as Ahlers & Cooney) as bond counsel to the Board of Regents, including authorization for the Executive Director to enter into an amendment to increase the hourly rates consistent with Section 6 of the contract; (b) Springsted, Inc. as financial advisor to the Board of Regents; and, (c) Berens-Tate Consulting Group for arbitrage rebate services. Regent

Downer seconded the motion. MOTION
CARRIED UNANIMOUSLY.

Regent Arbisser asked that in the future the Board be provided with issuance costs of other institutions with which to benchmark these financial issues. Director Elliott responded that the Board Office would do so.

UPDATE ON KINNICK STADIUM RENOVATION, SUI.

Vice President True stated that Athletic Director Bob Bowsby would provide a status report on premium seat sales. University officials would also provide a report on the capital campaign and request permission to begin awarding contracts. One major contract which was recently bid was for reconstruction of the south stands. University officials requested to proceed with the award of a \$9.4 million contract to Knutson Construction Services Midwest, Inc.

Director Bowsby said he was pleased to report that sales have gone well. University officials had pledged to have 80% subscription by September 1. Subscriptions, including verbal commitments and signed letters of intent, are currently around 99% of the 80%. The plan began with 40 suite opportunities but was amended to convert enough indoor club seat space for seven additional suites. University officials had anticipated difficulty marketing the indoor club seats which are by far the highest priced seats. The University has 51 signed letters of intent for the 47 suites. There are 56 signed letters of intent plus verbal commitments for a total of 113 of the 130 indoor club seats. There are 880 signed letters of intent plus verbal commitments for a total of 1,208 outdoor club seats. He said the University of Iowa Foundation has undertaken a phone bank with students calling qualified potential purchasers of seats in the three upscale amenity categories. The students have done a great job and have had terrific success. The rate of conversion of verbal commitments to signed letters of intent is approximately 95%. Director Bowsby stated that purchasers will be allowed to make their designation as to seating location based on past contributions to the Athletic Department.

Director Bowsby referred to information provided to Board members, dated July 30, and stated that with verbal commitments there is an additional \$900,000 in subscriptions. That figure will put the total over the \$5.1 million required to handle the debt service.

President Forsyth referred to the 80% subscription pledge. He said some of the assumptions have been changed. Therefore, he asked on what dollar amount the 80% was based. Director Bowsby responded that the 80% dollar amount was \$5.18 million.

President Forsyth said the existing figure was about \$300,000 less in terms of signed letters of intent, which was the Board's threshold.

Director Bowsby clarified that the figure was about \$200,000 less but he anticipated the figure would be above the threshold in the next 10 days.

Regent Neil stated that, as one of the original doubters of this project, he had been proven wrong, so far.

Regent Nieland stated that, as another doubter, she was awaiting receipt by the University of a large capital gift.

Director Bowsby stated the capital campaign was presented with a 10-year window although University officials are using a 5-year window. At the present time, there are capital campaign commitments of \$6.45 million which include a major gift which he was not at liberty to discuss. There are several seven-figure proposals in the works. He was confident the University would exceed the goal of \$10 million but he did not know by how much. He cautioned that because of the way gifts are structured, it was possible that some gifts would be deferred.

Director Bowsby stated there were many smaller naming opportunities with costs ranging from \$50,000 to \$250,000. He expects there will be many of those kinds of gifts that will generate a substantial amount of money in the aggregate.

President Forsyth pointed out that the goal for the capital campaign was \$10 million to \$15 million. Vice President True responded that the \$15 million figure included gifts beyond the capital campaign for the project. Two-thirds of the \$15 million would be for bricks and mortar but not everyone wants to contribute to bricks and mortar.

Director Bowsby pointed out that an oral commitment had been received for \$5 million in endowed scholarships.

Regent Newlin offered congratulations to University officials on their successes. He said he was never a doubter and was still not a doubter.

Regent Neil asked if Knutson Construction Services Midwest, Inc., and McComas Lacina (the two companies which bid on the reconstruction of the south end zone structure) were Iowa companies. Rod Lehnertz, Architect at the University of Iowa, responded that both firms are from Iowa City.

MOTION: Regent Becker moved to (1) receive an update on the Kinnick Stadium Renovation project, including

an updated report on fund raising and the commitments for new seating areas, and the bids received for the new south end zone structure and (2) based upon the updated information, authorize the University to proceed with the project. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Neil noted that authorizing the Board Office to approve construction contracts was not the Board's usual procedure. Executive Director Nichols responded that one of bids was higher than the budget estimate; therefore, University officials brought it forward for approval.

President Forsyth suggested that as long as contract awards are within the budget, the Board Office should be authorized to approve the contracts between Board meetings. A status report on the Kinnick Stadium renovation project will be placed on the agenda for each Board meeting.

On behalf of the Board, President Forsyth congratulated Director Bowsby, Vice President True, President Skorton and the rest of the team.

Director Bowsby thanked the Board for its support.

MEMORIAL UNION RENOVATIONS AND PARKING RAMP REPAIRS, ISU.

Vice President Madden presented the University's proposal for repairs to the Memorial Union parking ramp, stating that University officials have looked at a number of alternatives. University officials proposed that the parking ramp project be added to the overall financing plan for renovation of the Memorial Union which the Board had previously approved. Under the proposed schedule, the bonds would be sold in November 2004. He said the ramp is critical to the overall activities of the Memorial Union. University officials have analyzed whether to continue operating the parking ramp as part of the Memorial Union or to move it to the parking enterprise. The conclusion was to continue to operate the parking ramp with the Memorial Union.

Regent Neil asked if bond counsel was in agreement with the conclusion to keep the parking ramp with the Memorial Union. Vice President Madden responded affirmatively. He said the size of the bond sale was based on consultation with the Board's bond advisors.

President Forsyth asked why University officials programmed the project on a 40-year cycle for a parking ramp with a 20- to 25-year life expectancy. Vice President Madden

responded that University officials tried to equalize the four alternatives with a common time period.

President Forsyth asked, if the University did not need the spaces during construction, whether a better solution might be to tear down the existing parking ramp and build a new one. Vice President Madden responded that was not necessarily a better economic choice. Although building a new ramp might have some value, it is difficult to take the parking ramp out of service for the length of time necessary to construct a new facility.

President Forsyth asked about University officials' conversations with students about the proposed parking rate increases. Vice President Madden responded that, although no one likes rate increases, the Memorial Union advisory board supported moving ahead with the project as proposed.

President Forsyth said the assumption of a 4% per year increase in general funds seemed optimistic, based on history. Vice President Madden responded that the 4% increase was based on Higher Education Price Index projections, and reflected the predominance of salaries in the cost structures. Through consultation, the 4% figure was determined to be a reasonable long-term projection.

President Forsyth asked why University officials proposed to maintain the operation of the parking ramp with the Memorial Union and not move the operation to the University's parking enterprise. Vice President Madden responded that the reasons included the ability to change the cost structure for event parking, and because the Memorial Union maintenance staff performs the day-to-day oversight, cleaning and operation of the ramp, which is more cost effective than having those activities performed by the parking enterprise.

President Forsyth asked if moving the management of the parking ramp to the parking enterprise would have a negative impact from a bonding perspective on the Memorial Union cash flow. Vice President Madden responded that the Memorial Union building renovation project cash flow is independent of the parking ramp. If operation of the Memorial Union parking ramp was moved to the parking enterprise, there would need to be an additional parking enterprise debt issuance, which would more expensive than what was proposed.

MOTION:

Regent Becker moved to (1) Grant permission to proceed with project planning, including the design professional selection process, for the Memorial Union Parking Facility—Structural Repairs project which would address the deterioration of the

structure's post-tensioning system and concrete floor slab to extend the life of the parking ramp, and authorize the Executive Director to approve the selected design professional firm and the negotiated agreement for services. (2) Consider an increase of \$.25 in the parking rate for the first hour for the Memorial Union parking ramp (from \$.75 per hour to \$1.00 per hour) and the other hourly rates. (3) Accept the financial plan for the Memorial Union renovation and parking ramp repairs. Regent Newlin seconded the motion. MOTION CARRIED UNANIMOUSLY.

COLLEGE OF DESIGN COMPUTER LEASE PROGRAM, ISU.

Vice President Madden stated that the College of Design computer lease program was voluntary. He noted there had been nearly no defaults.

MOTION: Regent Neil moved to (1) approve the College of Design at Iowa State University to continue to offer a computer lease program to students and (2) authorize Iowa State University to enter into a financing arrangement of up to \$600,000 for FY 2005 for the fourth year of the computer lease program. Regent Newlin seconded the motion. MOTION CARRIED UNANIMOUSLY.

NAMING OF NEW ARENA, UNI.

President Koob presented University officials' request to name the new arena at the University of Northern Iowa the McLeod Center.

Regent Downer asked for the status of the construction contract process. President Koob responded that construction drawings were being finalized. University officials plan to go to bid the last week of August, with bids to come in the last week of September. Assuming all goes as planned, contract award should take place by the ground breaking on October 9.

MOTION: Regent Newlin moved to approve the University of Northern Iowa request to name the new arena the "McLeod Center". Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

**INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS
TRANSACTIONS.**

(a) University of Iowa.

Vice President True asked that Senior Associate Director Staley address the University Hospitals and Clinics' Emergency Treatment Center Expansion and Renovation project and the Nursing Clinical Education Center project.

Senior Associate Director Staley discussed the program statement for the Emergency Treatment Center Expansion project. He reviewed Board approvals to date of elements of the project.

Regent Newlin asked how University officials quantified the anticipated increased volume. Senior Associate Director Staley responded that the volume was based on historical growth and projected forward.

Regent Becker asked for the number of new residents and what that figure was projected to be over the next five years. Dr. Hans House, Director of the new Emergency Medicine Residency Program, stated the original projection was for six residents per class for a total of 18 residents for the three years of the program. However, due to the large number of applications received, the number of residents per class was increased to eight.

MOTION: Regent Neil moved to approve the program statement for the University Hospitals and Clinics' Emergency Treatment Center Expansion project. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

Senior Associate Director Staley next discussed the program statement for the University Hospitals and Clinics' Nursing Clinical Education Center project. He said the project would address the teaching and staff orientation needs of the University of Iowa Hospitals and Clinics and the College of Nursing. He reviewed Board approvals of project elements that have taken place to date. The project will provide classrooms, clinical simulation laboratories, information technology training facilities, and office space for nursing staff associated with the Center's educational programs.

President Forsyth pointed out that relatively expensive potential clinical space was being used for the project. Senior Associate Director Staley responded that this space would not be used for clinical operations because it is housed in the 1920s old General Hospital.

President Forsyth asked for the percentage of total funding that would be provided by the College of Nursing and how the ongoing operating costs would be handled. Senior Associate Director Staley responded that the College of Nursing would purchase all of the equipment, estimated at approximately \$1 million, and support up to \$800,000 of the capital costs.

President Forsyth said there should be some consequential operating expenses freed up as a result of increasing efficiencies. Vice President True suggested that Dean Dreher should speak to the issue. Dean Dreher has been a driving force behind this project for the College of Nursing to work more closely with the Hospital.

President Forsyth suggested that University officials provide the Board Office with information on the operating expenses that are saved as a result of this project. He said the project was a model in merging two laboratories into one and creating efficiencies as a result. The outcomes will be better from a teaching perspective and there are savings that can be reallocated.

MOTION: Regent Newlin moved to approve the program statement for the University Hospitals and Clinics' Nursing Clinical Education Center project. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President True provided an overview of the West Campus Chilled Water Plant Development/Expansion project. He said University officials requested permission to proceed with the Phase 2 project and approval of the Phase 2 engineering agreement with Stanley Consultants of Muscatine. He thanked Associate Director Racki for helping University officials to work through this project over the last several months.

Another item on the University's capital register was a project description, budget and architectural agreement with Herbert Lewis Kruse Blunck of Des Moines for the Blank Honors Center—Build Out Fifth Floor project which would finish the fifth floor shell space to consolidate existing clinic functions of the Belin-Blank Center. Vice President True said the proposed expansion was made possible by the receipt of gift funds.

MOTION: Regent Neil moved to approve the University's requests related to the West Campus Chilled Water Plant Development/Expansion project and the Blank Honors Center—Build Out Fifth Floor project. Regent Downer seconded the motion.

MOTION CARRIED WITH PRESIDENT
FORSYTH ABSTAINING.

President Forsyth stated that he abstained from voting on the motion because he had a potential conflict of interest with the engineering consultant.

MOTION: Regent Newlin moved to approve the remaining items on the Register of Capital Improvement Business Transactions for the University of Iowa. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) Iowa State University.

Vice President Madden stated there were four major projects on Iowa State University's capital register, for which approval was requested. One such project was the Hilton Coliseum Improvements 2004 project which generally involved non-general fund support.

MOTION: Regent Newlin moved to authorize permission to proceed with project planning including the architectural selection process for the Hilton Coliseum Improvements 2004 project. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President Madden stated that another project was the Alumni Center for which University officials requested permission to proceed with project planning and selection of the architect.

Regent Arbisser complimented University officials for planning to utilize the Alumni Association operations endowment to pay the operating costs of the Alumni Center.

MOTION: Regent Arbisser moved to authorize permission to proceed with project planning and selection of the architect for the Alumni Center project. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President Madden next addressed the Student Success Center project. He said the Hixson Scholarship program was one of the programs that would be housed in the facility.

Regent Becker expressed support for a Student Success Center that would serve the student athletes and the other students on campus.

Regent Newlin asked how much of the \$10 million of private gifts for this project had been raised. President Geoffroy responded that University officials had received firm commitments for \$5 million and there was a good outlook for receiving the rest.

MOTION: Regent Newlin moved to authorize permission to proceed with project planning and selection of the architect for the Student Success Center project. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President Madden next addressed the proposed Dairy/Animal Science Education and Discovery Facility—Phase 1 – Dairy Facility, and Phase 2 – Pavilion project, the funding for which is contingent on the sale of the Ankeny farm. He stated that in 2002 the Iowa legislature directed the University to sell the Ankeny farm land. Because the land was the site of a munitions manufacturing facility during WW II, there are some environmental issues. In July 2004, the federal Environmental Protection Agency transferred jurisdiction to the Iowa Department of Natural Resources, which University officials believe will facilitate the environmental clean up activities. He noted that cost estimates for the clean up were received within the last two weeks.

Vice President Madden stated the University dairy farm on Mortenson Road was closed in late-2003. The facilities in Ankeny currently house the combined dairy research and teaching programs. Planning the new dairy facility needs to get started to sequentially coordinate the sale of the Ankeny land and the new construction. University officials believe that planning of the new facility would best be accomplished by coordinating and integrating Phases 1 and 2. The project will not move beyond the initial planning phase until the Ankeny farm sale has occurred.

Vice President Madden said the siting of the new dairy farm is part of what needs to be resolved. University officials require professional assistance in that regard.

MOTION: Regent Neil moved to authorize permission to proceed with project planning, and to approve the program statement and the architectural agreement with OPN Architects, Des Moines, for the Dairy/Animal Science Education and Discovery Facility—Phase 1 – Dairy Facility, and

Phase 2 – Pavilion project, as presented. Regent Arbisser seconded the motion.

Regent Newlin asked if the University had purchased a farm south of Ames on which to locate the Dairy facility. Vice President Madden responded that the University had not purchased property south of Ames. He said there is a particular area in which University officials are interested. The owners have indicated a willingness to continue conversations with University officials but exact terms and arrangements have not been determined, and the Board's approval would be required to purchase the property. He said there are alternative properties in the area that either the University currently owns or the Foundation owns. The question is whether an appropriate economic package can be developed which would ultimately be brought to the Board for review and approval.

Regent Downer asked for the preferred proximity of the site to the campus. He said it seemed that the location in question would be expensive real estate. Vice President Madden responded that College of Agriculture officials would prefer that the site be within a 10- to 15-minute commute from the core campus. He said the land under consideration is good Iowa farm land but was not in an area that he would consider an urban development area.

Regent Newlin asked if interest in dairy farming in Iowa is increasing. Vice President Madden responded affirmatively. He said there has been a major growth in dairy farming in Iowa and this is a high priority for the College of Agriculture.

Regent Neil asked for an anticipated timetable for completing the land transactions. Vice President Madden said he hoped to have the transactions completed within the next 6-12 months. However, the City of Ankeny is performing zoning planning and that impacts land values for the property on which the current dairy farm is located in Ankeny. Also, approval of the Iowa Department of Natural Resources (DNR) is required. He noted that the DNR has been very cooperative. The environmental clean up is progressing at a rate that is relatively rapid.

VOTE ON THE MOTION: Motion carried unanimously.

MOTION: Regent Neil moved to approve the remaining items on the Register of Capital Improvement Business Transactions for Iowa State University. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) University of Northern Iowa.

Vice President Schellhardt stated the University of Northern Iowa's capital register was in order.

MOTION: Regent Newlin moved to approve the University of Northern Iowa's capital register, as presented. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

BOND ISSUANCE SCHEDULE FOR REMAINDER OF CALENDAR YEAR 2004 AND CALENDAR YEAR 2005.

Following Associate Director Racki's presentation on the proposed bond issuance schedule, Regent Becker asked why variable rate bonds were being proposed for the University of Iowa Hospitals and Clinics. Vice President True responded that in November the University of Iowa Hospitals and Clinics Executive Board Committee will receive a report on the University of Iowa Hospitals and Clinics' capital plan and debt issuances, including the issuance of variable rate or fixed rate debt.

President Forsyth asked that the discussion in November address why an enterprise that has the reserves to satisfy its capital needs for the foreseeable future would instead incur debt. Vice President True said that was the core issue that University officials would address. Barry Fick of Springsted, Inc., the Board's financial advisor, has been involved in the discussion. The November report to the Committee will include a package that considers the capital plans and the best management of cash.

Mr. Fick stated there is generally a much stronger acceptance in the market than in the past of the use of variable rate bonds as a management tool. Variable rate bonds offer an issuer a potential advantage in matching short-term assets with short-term liabilities from a balance sheet perspective. He said that should there be an increase in the interest rate for variable bonds as they are re-priced, there would be an increase in the investment earnings generated by short-term funds of which the Hospital has a significant amount. The Board's financial advisors continue to work with the University of Iowa Hospitals and Clinics and the University on capital requirements from a cash management perspective, an earnings perspective and a rating agency perspective. He stated that one of the primary determinants of a medical center's credit rating is the number of days of cash on hand. Generally, the larger that number, the better the credit rating.

President Forsyth stated that one did not need to worry about one's bond ratings if one has no outstanding bonds; if one has enough cash that one can use cash.

Regent Neil asked for the current difference in interest rates of variable rate bonds and fixed rate bonds. Mr. Fick responded that the difference is slightly in excess of 4%. Variable rates are at approximately 1.1% on an annualized basis while fixed rate is approximately 5% for a 25-year bond issue.

MOTION: Regent Neil moved to establish a revised schedule for the issuance of bonds for the remainder of calendar year 2004 and calendar year 2005, as presented. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Downer pointed out there was nothing on the bond issuance schedule for the University of Iowa's Far West Campus Recreational project. Vice President True responded that the project would not be funded with debt. He added that University officials would soon be talking with Board leadership and the full Board about the project.

PRELIMINARY RESOLUTION FOR THE SALE OF ACADEMIC BUILDING REVENUE BONDS, SERIES 2004.

MOTION: Regent Neil moved to adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,000,000 Academic Building Revenue Bonds, Series S.U.I. 2004. Regent Nieland seconded the motion.

Regent Newlin asked about the balance of the academic building revenue bonds issuances totaling \$120 million. Associate Director Racki reviewed the just-approved bond schedule and listed the projects that, in addition to the \$25,000,000 before the Board for the University of Iowa, total \$120 million.

Regent Newlin asked if the Image-Guided Radiation Therapy project at the University of Iowa was not included in the total. Associate Director Racki responded that the Image-Guided Radiation Therapy project was not included in the total. She said the bonding for the project was authorized by the 2002 General Assembly. Should the Board decide not to sell variable rate bonds, the bond sale for the Image-Guided Radiation Therapy project would be moved to a subsequent year.

Vice President True said it was projected to be 2007 before the rest of the debt for the University of Iowa Chemistry Building and Art and Art History Building would be sold. Those issuances are included in the \$120 million total to which Regent Newlin referred.

VOTE ON THE MOTION: Upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil,
Newlin, Nieland, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

REIMBURSEMENT RESOLUTION FOR UIHC.

President Forsyth referred to the earlier discussion about the November University of Iowa Hospitals and Clinics Executive Board Committee meeting topics relative to arbitrage and bonding. He asked if it was critical that the Board take action on the reimbursement resolution at this meeting.

Vice President True said the reimbursement resolution would allow the University to recoup expenses should debt be issued in the future. He did not know what opportunities may pass if the reimbursement resolution is not acted on until November, but said the issue is time sensitive. Board adoption of the resolution does not commit the University to issue any debt.

President Forsyth questioned why it would make a difference if the Board waited until November to adopt the resolution, since University officials do not plan to issue debt between now and November.

Vice President True responded that the adoption date was important. If debt is issued in the future, there is a rule as to how far back the project costs can be reimbursed.

Ed Bittle of the Ahlers law firm, the Board's bond counsel, stated that, under the tax law, only expenditures incurred within the last 60 days prior to adoption of the reimbursement resolution can be reimbursed. Over the next couple of months, if the University incurs expenditures that would ultimately be financed with tax-exempt financing, the resolution would permit reimbursement to the fund from which the money initially came. If there is no debt issued, it does not matter whether or not the resolution has been adopted.

MOTION: Regent Neil moved to adopt A Resolution
 declaring an official intent under Treasury

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Regulation 1.150-2 to issue debt to reimburse the University of Iowa Hospitals and Clinics for certain original expenditures paid in connection with the University of Iowa Hospitals and Clinics improvement projects. Regent Newlin seconded the motion, and upon the roll being called, the following voted:

AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.

NAY: None.

ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

President Forsyth asked if Board members were willing to have a telephonic meeting of the Board prior to the next regularly-scheduled meeting (September 14-15, 2004). He said the Board's Public Policy Task Force has a sub-set of recommendations that it would like to bring forward to the Board. Hearing no concerns, he asked that the Board Office schedule a one-hour telephonic meeting, after consulting with Board members as to their schedules.

EXECUTIVE SESSION. President Forsyth requested that the Board meet in closed session pursuant to Iowa Code §21.5(1)(c) to discuss matters with counsel where litigation was imminent.

MOTION:

Regent Downer moved to enter into closed session. Regent Becker seconded the motion, and upon the roll being called, the following voted:

AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.

NAY: None.

ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 3:15 p.m. on August 4, 2004, and adjourned therefrom at 3:50 p.m. on that same date.

FACULTY APPEAL.

Regent Arbisser presented the following resolution for Board consideration:

WHEREAS a former faculty member employed as a tenure track Assistant Professor at a Regent institution applied for promotion and tenure to the position of Associate Professor; and

WHEREAS, promotion and tenure for faculty at the institution may be attained only through the institution's promotion and tenure process as described in the institution's Faculty Handbook; and

WHEREAS the former faculty member's application for promotion and tenure to the position of Associate Professor was denied by the institution and his employment terminated on May 15, 2004; and

WHEREAS, the former faculty member appealed the final decision of the institution denying him promotion and tenure to the position of Associate Professor to the Board of Regents pursuant to Regent Policy Manual section 4.22; and

WHEREAS, the Board of Regents has reviewed the record submitted in the appeal and finds that procedural inconsistencies occurred in the application of the institution's tenure and promotion process that may have affected the outcome of the former faculty member's review.

NOW THEREFORE BE IT RESOLVED that the institution is directed to reinstate the former faculty member as a tenure-track Assistant Professor retroactive to May 16, 2004; and that with reinstatement his employment as a tenure-track Assistant Professor shall be extended for the term of the 2004 - 2005 academic year; and

BE IT FURTHER RESOLVED that upon his reinstatement, the institution shall provide him with clear counseling and guidance regarding his current status in the promotion and tenure process and what improvement is necessary to achieve promotion and tenure at the institution; and

BE IT FURTHER RESOLVED that the institution shall provide the former faculty member with the opportunity, during the coming year of employment, to reapply and be reconsidered for promotion and tenure to the position of Associate Professor at the institution; and

BE IT FURTHER RESOLVED that should the former faculty member either elect not to seek or be denied promotion and tenure to the position of Associate

Professor, then his employment with the institution shall conclude at the end of the 2004 - 2005 academic year.

MOTION: Regent Arbisser moved to adopt the resolution, as presented. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

STUDENT APPEAL.

MOTION: Regent Downer moved to deny the request of the student employee for review of a final institutional decision. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

STUDENT ORGANIZATION APPEAL.

MOTION: Regent Becker moved to deny the request of the student organization for review of a final institutional decision. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

RETIREMENT WITH SEVERANCE AGREEMENT REQUEST FOR SUPERINTENDENT THURMAN AND PROPOSAL FOR TASK FORCE, IBSSS.

MOTION: Regent Neil moved to approve the retirement with severance agreement request of Superintendent Dennis Thurman. Regent Rokes seconded the motion.

On behalf of the Board, Regent Becker expressed gratitude for the work of Superintendent Thurman during his tenure. She said he has been creative, caring and committed in his service to students with visual impairment and to their families. She asked that Director Hooley pass on the Board's well wishes as Superintendent Thurman continues to heal from his recent surgery. She also asked that the Board's gratitude be expressed to the other members of the Iowa Braille and Sight Saving School staff for their extra work during the time that Superintendent Thurman has been out of service.

VOTE ON THE MOTION: Motion carried unanimously.

MOTION: Regent Neil moved to refer the proposed study to the Education and Student Affairs Committee to develop a study committee, a work plan and

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undertake the study. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Forsyth noted that Superintendent Thurman would assist the Education and Student Affairs Committee in the study.

EXECUTIVE SESSION. President Forsyth requested that the Board meet in closed session pursuant to Iowa Code §21.5(1)(i) at the request of employees whose performance was being considered.

MOTION: Regent Downer moved to enter into closed session. Regent Becker seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 3:58 p.m. on August 4, 2004, and adjourned therefrom at 5:02 p.m. on that same date.

ADJOURNMENT.

The meeting of the Board of Regents, State of Iowa, adjourned at 5:02 p.m. on Wednesday, August 4, 2004.



Gregory S. Nichols
Executive Director