

MEMORANDUM

To Board of Regents
From: Board Office
Subject: Regent Legislative Program
Date: January 7, 2002

Recommended Action: Approve the addition to the Board's legislative program for the 2002 session of the following University of Iowa's proposals

- Bonding for the UIHC; and
- Legislative relief for the University Hygienic Laboratory.

Executive Summary:

The 2002 Session of the Iowa General Assembly is scheduled to convene on Monday, January 14, 2002. The Governor is scheduled to present his Condition of the State address on Tuesday, January 15, 2002. An oral report will be provided to the Board regarding the Governor's address.

At its November 2001 Board meeting, the Board approved its 2002 legislative program which includes support for the University of Northern Iowa targeted funding through other state agencies.

This month, the University of Iowa proposes to add hospital revenue bonding of \$100 million to the Board's legislative program. Pursuant to Iowa Code Chapter 263A, legislative authorization is necessary for the Board to issue hospital revenue bonds. The bond proceeds would be used to support a major capital development program at the University of Iowa Hospitals and Clinics through the year 2010, which is expected to total \$724 million.

The State Hygienic Laboratory, housed at the University of Iowa, has incurred additional, unbudgeted expenses dictated by Homeland Security issues. The University of Iowa requests Board authorization to seek legislative relief for these supplementary security measures.

A monthly update of legislative activity relevant to the Regent institutions will be provided to the Board during the session.

Background:

UIHC Bonding Proposal

The University of Iowa proposes that the Board of Regents seek legislative authorization, pursuant to Chapter 263A, to issue \$100 million of Hospital Revenue Bonds over a period of years.

No state funding is being requested and under no circumstances would any hospital revenue bonds or notes issued become a debt of the state. Only revenues from paying patients will be used to meet obligations related to these revenue bonds.

History

The state has previously authorized the Board to issue hospital revenue bonds in 1973, 1978, 1980, and 1983. For past issues, as well as any new legislative authorization, the Board would determine the timing of individual bond sales.

UIHC's bonding, as part of its overall capital management, has allowed the UIHC to make \$600 million in capital improvements since 1976 without any state capital appropriations.

Needs

Hospital bonds would help finance needed projects of the UIHC's capital development plan totaling \$724 million. The plan includes new construction for ambulatory care services, functional as well as health, fire and safety renovations, and replacement of critical diagnostic and therapeutic technologies, and computer and telecommunications systems. The bonding component would provide the most cost-effective way for UIHC to complete the planned capital development projects in a timely manner.

Innovations in medicine are occurring at an unimaginable rate and hold the promise of longer, healthier lives for Iowans. Failure to invest in modernization through these capital projects would limit Iowa's access to the latest and best medical treatments. The University of Iowa Hospitals and Clinics' ability to remain one of the nation's best teaching hospitals would be jeopardized if its facilities were allowed to become obsolete.

Financial Considerations

The UIHC current average debt load (debt-to-equity ratio) is 2 percent, which is very low compared to the average debt load for Iowa's hospitals of 30 to 40 percent as reported by the Iowa Hospital Association.

The University reports that a financial consultant analyzed UIHC's finances and indicated that UIHC could issue more than \$100 million in revenue bonds and not jeopardize its Aa2 credit rating.

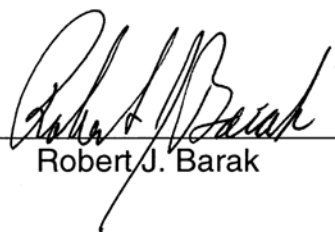
**Hygienic
Laboratory
Proposal**

The State Hygienic Laboratory, housed at the University of Iowa, has been incurring costs, both one-time and recurring, to implement additional security measures subsequent to threatening national events and corresponding measures dictated by Homeland Security issues.

It is expected that the General Assembly may discuss issues relative to Homeland Security initiatives during the 2002 session. The University requests Board approval for the opportunity to seek legislative funding available for Homeland Security measures.



Pamela M. Elliott

Approved: 

Robert J. Barak