

The Board of Regents, State of Iowa, met on Wednesday and Thursday, June 19 and 20, 2002, at Iowa State University, Ames, Iowa. The following were in attendance:

	<u>June 19</u>	<u>June 20</u>
<u>Members of Board of Regents, State of Iowa</u>		
Mr. Newlin, President	All sessions	All sessions
Ms. Ahrens	By telephone	By telephone
Dr. Arbisser	All sessions	All sessions
Dr. Becker	All sessions	Excused at 2:57 p.m.
Mr. Fisher	All sessions	All sessions
Dr. Kelly	All sessions	All sessions
Mr. Neil	All sessions	Excused at 12:08 p.m.
Ms. Nieland	All sessions	All sessions
Dr. Turner	All sessions	All sessions
<u>Office of the Board of Regents, State of Iowa</u>		
Executive Director Nichols	All sessions	All sessions
Director Barak	All sessions	All sessions
Director Elliott	Excused	All sessions
Director Wright	All sessions	All sessions
Associate Director Brunson	All sessions	Excused
Associate Director Hendrickson	Excused	All sessions
Associate Director Racki	Excused	All sessions
Assistant Director Stratton	Excused	All sessions
Minutes Secretary Briggle	All sessions	All sessions
<u>State University of Iowa</u>		
President Coleman	Excused	Excused at 2:28 p.m.
Interim President-Designate Boyd	Excused	Excused at 2:28 p.m.
Provost Whitmore	Excused	Excused at 2:28 p.m.
Vice President Kelch	Excused	Excused at 2:28 p.m.
Vice President True	Excused	Excused at 2:28 p.m.
Interim Director Rice	Excused	Excused at 2:28 p.m.
Associate Director Braun	Excused	Excused at 2:28 p.m.
<u>Iowa State University</u>		
President Geoffroy	Excused	All sessions
Interim Provost Allen	Excused	All sessions
Vice President Hill	Excused	All sessions
Vice President Madden	Excused	All sessions
Executive Assistant to the President Dobbs	Excused	All sessions
Assistant to President Chidister	Excused	All sessions
Director McCarroll	Excused	All sessions
Director Steinke	Excused	All sessions
<u>University of Northern Iowa</u>		
President Koob	Excused	Excused at 2:13 p.m.
Provost Podolefsky	Excused	Excused at 2:13 p.m.
Vice President Romano	Excused	Excused at 2:13 p.m.
Vice President Schellhardt	Excused	Excused at 2:13 p.m.
Assistant Vice President Gaston	Excused	Excused at 2:13 p.m.
Special Assistant to the President Gadelmann	Excused	Excused at 2:13 p.m.
<u>Iowa School for the Deaf</u>		
Superintendent Johnson	Excused	Excused at 1:48 p.m.
Director Heuer	Excused	Excused at 1:48 p.m.
Interpreter Reese	Excused	Excused at 1:48 p.m.
Interpreter Chicoine	Excused	Excused at 1:48 p.m.
<u>Iowa Braille and Sight Saving School</u>		
Superintendent Thurman	Excused	Excused at 1:48 p.m.
Director Woodward	Excused	Excused at 1:48 p.m.

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

www.state.ia.us/educate/regents

COPIES OF THESE MEMORANDA CAN ALSO BE
OBTAINED FROM THE BOARD OFFICE
BY CALLING 515/281-3934.

GENERAL

The following business pertaining to general or miscellaneous business was transacted on Wednesday and Thursday, June 19 and 20, 2002.

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

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

MOTION CARRIED.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 1:32 p.m. on June 19, 2002, and adjourned therefrom at 5:02 p.m. on that same date.

The morning of June 20, 2002, at 9:38 a.m., President Newlin welcomed everyone to the June meeting of the Board of Regents, State of Iowa. He noted that Regent Ahrens was present via telephone. He then stated that several introductions were to be made, and recognized President Koob.

President Koob introduced Tom Schellhardt, the new Vice President for Administration and Finance at the University of Northern Iowa. He said Vice President Schellhardt will fit in well at the Regent enterprise because he has experience in the Big 10 and the Big 12. He comes from a collaborative university culture. President Koob expressed delight to have Mr. Schellhardt at the University of Northern Iowa.

Vice President Schellhardt said it was a pleasure to join the University of Northern Iowa team and the Regent system. He looked forward to meeting all of the Board members

and the Board staff. He noted that two words used here that are also being used at the other institutions where he worked are "budget reductions".

President Newlin welcomed Vice President Schellhardt. He then recognized President Geoffroy.

President Geoffroy introduced Dr. Benjamin Allen who will be serving as Interim Provost at Iowa State University. He noted that many of the Board members know Dr. Allen because he served as Dean of the College of Business. This past year, he also served as Interim Vice President of External Affairs.

Professor Allen stated that he has been at Iowa State University for 23 years. He looked forward to serving the University in a different capacity this year.

President Newlin welcomed Dr. Allen in his new capacity.

APPROVAL OF MINUTES OF BOARD MEETING OF MAY 15-16, 2002.

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

ACTION: President Newlin stated the Board approved the minutes of the May 15-16, 2002, meeting, as written, by general consent.

CONSENT ITEMS.

Approve the institutional and Board Office personnel transactions, as presented;

Receive the affiliated organization reports of the Committee for Agricultural Development (associated with ISU) and the Iowa School for the Deaf Foundation;

Approve the addition of Aurora Bioscience-Vertex to the University of Iowa's list of approved vendors with a potential conflict of interest;

Approve the Board meetings schedule;

Approve the proposed revisions to the Sign Communication Proficiency Interview Levels at the Iowa School for the Deaf;

Refer the University of Iowa's proposed course changes to the Board Office and the Interinstitutional Committee on Educational Coordination (ICEC) for review and recommendation;

Approve Iowa State University's proposal for a new undergraduate minor in Chinese Studies in the College of Liberal Arts and Sciences;

Approve Iowa State University's proposal for a new interdepartmental undergraduate minor in Food Safety; and

Approve Iowa State University's proposal to merge the Departments of Animal Ecology and Forestry into the Department of Natural Resource Ecology and Management.

MOTION: Regent Arbisser moved to approve the consent docket, as presented. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

INTERINSTITUTIONAL COMMITTEE ON EDUCATIONAL COORDINATION.

(a) Post-Audit Report of the Bachelor of Science in Environmental Science Major, ISU.

Provost Whitmore presented the recommendation of the Interinstitutional Committee on Educational Coordination.

Regent Fisher asked for the most significant benefit of the program to the students. Interim Provost Allen responded that, in his review of the program, the most important benefit of the program is its integrated nature. Students from a variety of sciences participate in the program. The Lakeside Laboratory program is a very special component, also.

MOTION: Regent Becker moved to (1) receive the post-audit report of the Bachelor of Science in Environmental Science Major at Iowa State University and (2) approve continuation of the program. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) New Program: Master's in Nursing and Healthcare Practice, SUI.

Provost Podolefsky presented the recommendation of the Interinstitutional Committee on Educational Coordination.

President Newlin asked what strategies will be used to recruit students. Nursing Professor Mary Donahue responded that, with very little advertising, over 100 people have indicated a desire to apply for the program. Only 16 students will be admitted for the January cohort. She said she did not foresee any difficulty in recruiting students.

President Newlin said that was excellent. He then asked for the budget implications of the new program. Professor Donahue responded that the program is set up to be self supporting. College of Nursing officials are considering adjusting the tuition of the students of the new program.

MOTION: Regent Fisher moved to approve the University of Iowa's proposal to establish a Master's in Nursing and Healthcare Practice in the College of Nursing. Regent Arbisser seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

REPORT ON LEGISLATIVE SESSION.

Executive Director Nichols presented highlights of the second extraordinary legislative session of May 28. Over the last 10 days, Governor Vilsack has completed his action on the bills passed in that session. Two of the three bills passed impact directly on the Regents. The first bill related to the current FY 2002 state budget. While the general operating funds of the universities at the end of the fiscal year were not further reduced, there was a deappropriation of funds for the Engineering Teaching and Research Facility, Phase II project at Iowa State University. He stated that, after a great deal of effort by the Board's legislative liaisons, the legislature passed authorization to use bonding proceeds so the project would not have to come to a halt. The cash funding was removed and the ability for the University to bond to cover projects costs was authorized by the legislature and signed by the Governor.

The second bill that was passed related to the FY 2003 budget. Executive Director Nichols said the legislation was recently signed, with select item vetoes. This legislation is the basis for the numbers being used to construct the FY 2003 budgets which the Board will be asked to act upon in July. He stated that economic development line item appropriations at the universities were reduced significantly. The bill also includes a provision to provide a reduction in funding for state executive branch agencies, including the Board of Regents, to be accomplished by furloughs or other methods. The resulting reduction to the Regent enterprise is approximately \$15 million. Reductions were also made in specific programs, such as the University of Northern Iowa's 21st Century Learning Initiative in the amount of \$800,000, and \$1 million of fee transfers targeted for research through the Leopold Center for Sustainable Agriculture at Iowa State University. He said the legislation restricts the refunding of outstanding debt

service that is scheduled to be paid from tobacco bond proceeds. The legislation also creates an entity called the Program Elimination Commission which will look, presumably in the fall of this year, at all programs funded with state or local government revenues.

Executive Director Nichols concluded his remarks by stating that the most significant dollar items were the \$15 million identified by the Department of Management to be deappropriated from the Regent enterprise according to "furlough" legislation, and the base economic development appropriations reductions of 56 percent to 59 percent.

Regent Fisher referred to the restriction on refunding of outstanding debt service that is repaid by tobacco funds. He asked if that language prohibits refinancing if a better interest rate is found. Executive Director Nichols responded affirmatively. He said there was a concern expressed by the tax counsel who represents the state's tobacco settlement authority regarding certain debt service appropriations made to the Board of Regents that are being paid by tobacco proceeds. There are restrictions through IRS regulations on the use of those proceeds. Therefore, there has to be a process of pre-approval before refunding of any bonds that are to be repaid through tobacco bond proceeds. He noted that a refunding the Regents had already undertaken had brought this matter forth.

Regent Fisher stated that when the Board of Regents undertakes Academic Revenue Bond refundings, it is done to save the state a load of money. He hoped the Tobacco Settlement Authority officials would be open to refunding requests because it saves the taxpayers money.

President Newlin noted that the restriction on bond refundings is not just for the Regents.

Regent Neil asked if there is a list of the dollars that have been saved through bond refundings. Regent Fisher said that information should be gathered. In this year alone, several millions of dollars have been saved through bond refundings.

Regent Arbisser noted that this past year has been unpleasant for budgets. He asked if there was any anticipation of what will happen next fiscal year.

Executive Director Nichols responded that next year presents a challenge and a potential opportunity. The challenge is that the legislative budget for FY 2003 relies on one-time revenues to achieve balance. The FY 2004 outlook for state appropriations is still negative. The view at the Capitol is that 2004 appropriations, in general, will be lower than 2003 appropriations. On the other hand, the most recent information regarding state revenues suggests that the steady decline may be leveling out.

Regent Fisher said he thinks the revenues from tax collections have started to increase; that we have been “through the trough”.

ACTION: President Newlin stated the Board received the report on the second extraordinary legislative session of 2002, by general consent.

PRELIMINARY FY 2003 GENERAL FUND OPERATING BUDGETS.

Executive Director Nichols stated that, in light of the conversation just held regarding FY 2003 state appropriations recently being finalized, the Board Office would be discussing with the Board preliminary issues regarding FY 2003 budgets. At this meeting, the Board was presented with information on six general policy issues that will be raised in the budgets to be presented in July in order to give Board members an opportunity to ask questions, and to provide any comments or direction. He said the detailed budgets of the institutions would be presented in advance of the July Board meeting.

Executive Director Nichols stated that Director Elliott would assist in presenting the six issues. The first issue related to FY 2003 revenue estimates for the Regent enterprise upon which the budgets will be based.

Director Elliott stated that the Regent institutions received state appropriations budget cuts beginning in FY 2000. The meeting materials included a table which compared the expected revenues for FY 2003 with the revenues from FY 2000. With regard to combined state appropriations for the general university budgets for the three universities, she said FY 2000 state appropriations were \$527.6 million as compared to FY 2003 state appropriations of \$497.5 million. The overall appropriation reduction for FY 2003 is \$42.6 million.

In comparing state appropriations as a percent of the total budgets of the general universities, in FY 2000, state appropriations were 64.3 percent of the revenues of the general university budgets while the tuition and fees were approximately 30 percent. For FY 2003, that is expected to change, given the estimates for tuition and other revenues from the universities. State appropriations of \$497 million represent only 54.3 percent of the total, which is a 10 percent decline since FY 2000. Tuition and fees revenues for FY 2003 are 39 percent of the total revenues.

Director Elliott stated there were three separate budget cuts in FY 2002. Original budgets, with a 6 percent reduction, were brought to the Board in July of last year for approval. Budgets were brought back again in November because of a mid-year reduction. Then, budgets were brought back to the Board in May for the third reduction

(March) of the fiscal year. The budget reductions totaled \$81.9 million. She said that, because of the timing of the budget cuts, the universities had to make some immediate and, hopefully, one-time reductions. However, the \$81.9 million was not restored. In addition, the universities' budgets were cut another \$42.6 million for FY 2003.

Regent Fisher thanked the Board Office for the graphic illustration of the shift from state support to student support of the universities.

Regent Neil asked if the data indicated that, in three years' time, the universities received a \$30 million reduction in state appropriations with no increase in appropriations, even though the cost of living has increased. Director Elliott responded affirmatively. She stated that, over the past three years, full funding of salaries was not received from state appropriations. By law, the institutions are required to use funds from the state for salaries to increase salaries. The funds cannot be used as "backfill" for the budget cuts.

Regent Neil said the state was taking the "public" right out of "public education."

Regent Nieland asked, if the state appropriations reductions continue, could the percentage of the state's share of the cost of educating students decline to 50 percent? Director Elliott responded affirmatively. She said the state will be funding 54 percent of the cost of education for FY 2003. If there is another round of budget cuts in FY 2004 due to the expected state budget deficit, the percentage could even fall below 50 percent.

Regent Arbisser asked if it were correct that if the University of Iowa Hospitals and Clinics and the medical school were included, state support for Regent institutions is already below 50 percent. Director Elliott said that was correct.

Executive Director Nichols explained that one of the reasons for choosing the general university operations for comparison purposes was to try, to some extent, to isolate the "traditional" instruction. Doing so would exclude, among other things, the University of Iowa Hospitals and Clinics.

Regent Becker expressed concern about how much more of the cost of education the students are having to bear. She referred to the issues discussed last year regarding tuition and these public universities. If there have to be significant tuition increases again in the fall, the cost of tuition will be getting closer to that of private institutions. Student access to public education could be impaired.

President Newlin noted that student financial aid was also being dramatically increased.

Regent Fisher requested that, when the Board discusses tuition policy in the fall, the Board members be presented with information on the percentage of their education that students are paying compared with students at the peer institutions.

Regent Ahrens said she was going to request the information to which Regent Fisher just referred. The Board is presented with information about the universities' tuition being the lowest or near the lowest among their peer institutions, but how does that compare as a percentage of the educational cost?

President Newlin said the Board Office would attempt to get that information. He stated that, a year ago, one Regent university had data indicating that its students were already paying in excess of 40 percent of the cost of their education.

Executive Director Nichols stated that internal reallocations was a second and distinct issue that was relevant to building budgets for FY 2003.

Director Elliott stated that the Regent policies on reallocations and on tuition are two-fold: to maintain quality and to improve quality. She said one of the aspects of reallocating 2 percent of the budget on an annual basis was to produce efficiencies, to identify programs that were not functioning at the top level, and to devote internal resources to those programs that need it. The meeting materials indicated that, although the Regent enterprise received \$25 million for salary increases, the amount was \$8 million short of the estimated amount needed from the state. One of the large issues for which the institutions have to reallocate was the \$8 million deficit in state support for salaries as well as the \$42.6 million in operating budget cuts. The institutions are having to reallocate to maintain quality; therefore, it was unknown how much could be reallocated to improve quality.

Regent Fisher stated that the Organizational Audit Priority Study Group is discussing the reallocation policy. Several of the Board members have a different perception. All three universities have presented credible information on their reallocation efforts, but it is different than what some Board members had perceived. The Board members will have discussions with the university presidents in order to get a better understanding and to improve the process. He said the reallocation policies seemed to be working until the budget shortfalls.

Executive Director Nichols stated that the third issue in building the budgets is proposed salary policies. With salaries being the Board's top priority for a number of years, this is a particularly challenging issue in light of cuts in state appropriations. Although the Board would be presented, in the following two agenda items, with requests for approval of specific salary plans, the Board would, at this time, be presented with information on budget issues related to salaries. He noted that salaries are a key component in

constructing the budgets. Because of unique budget circumstances, each institution is working on a slightly different way to implement salary increases, with different approaches to layoffs and furloughs.

Director Elliott stated that, in the past, the Board of Regents has asked the institutions to be more in line with each other when salary policy is developed. Regent salary policy is determined after the state has implemented its salary policy. For FY 2003, the State has implemented a basic statewide policy of a 3 percent increase plus incremental steps which is an average 4 percent increase in salaries. She reminded the Board members that funding from the state to the Regents was \$8 million short of what was needed to fully fund the state salary policy. This year, because of the budget reductions and continued under-funding of salaries by the state, each of the institutions is working on different scenarios in their reallocations and budget processes. Therefore, the scenarios for implementing salary increases are going to be different at each of the institutions.

President Newlin asked Executive Director Nichols for the salary plans, including the average salary increase, at each institution. Executive Director Nichols said he would ask the institutions to speak to that issue. From the perspective of the Board Office, the plan for that organization does not contemplate layoffs or furloughs in FY 2003.

President Coleman stated that there was wide consultation on the University of Iowa campus. The deans and unit heads are extremely concerned about losing ground on competitive salary issues. It was felt that it would be prudent for the University to fund centrally an average 3 percent salary increase. It is understood that funding for increases above 3 percent would have to come from other revenue sources. Since many employees are paid from non-state funds, departments will be given flexibility to award total increases of 3-1/2 to 4 percent with the addition coming from other funds. With regard to the issue of furloughs and layoffs, she said University officials have been clear to tell the campus that this year is different from last year. Individual units may have to institute furloughs or layoffs in order to get to where they want salaries to be. She hoped to hear in the next 1-2 weeks what the final decisions would be with regard to salary policy.

President Newlin asked if the University of Iowa's salary increase policy for faculty and P&S staff was 3-1/2 to 4 percent. President Coleman responded that all that can be funded centrally is 3 percent.

Regent Fisher stated that the Board's investment advisor reported that the cost of living increase will be 1-1/2 to 2 percent next year. He said that needed to be factored into the deliberations on salary policies.

President Geoffroy stated that Iowa State University undertook a substantial budget reduction process this year to pare the budgets; \$15-1/2 million in reductions were experienced across campus. He said it would be challenging to ask the units to reduce their budgets further to bring in funds centrally to augment the salary pool of money. Therefore, University officials are using the money that is received from the state to cover all of the benefit costs and the merit collective bargaining contract. What is left is 2.6 percent of the salary base which will be allocated to units for faculty and staff salaries. The units are being permitted to augment salaries if there are other sources of funds. In the end, average salary increases may be close to 3 percent. He noted that at a meeting the previous week with Big 12 university presidents, it was reported that close to one-half of the universities are giving no salary increases for employees; the others are giving increases of 2-3 percent. Salary increases at Nebraska are a bit higher because it is in the midst of a multi-year salary enhancement plan.

Regent Fisher applauded President Geoffroy for providing salary increases of 2.6 percent. He was concerned that awarding increases much above that amount will require layoffs and reductions in student services.

President Koob stated that, at the University of Northern Iowa, there is a faculty bargaining unit whose salaries are set in negotiation, and merit employees whose salaries are bargained by AFSCME. The tradition at the University is to treat the other employees similarly to the organized employees. The salary increase requirement in the United Faculty contract is 5.6 percent. In the AFSCME contract, a matrix was created with a net salary increase effect of 6 percent. Salary costs in the University of Northern Iowa budget are roughly 50 percent for faculty, 20 percent for AFSCME contract employees, and 30 percent for non-organized employees. He said that, in order to meet the contract obligations and the tradition of treating all employees similarly in awarding salary increases, at the end of the regular legislative session, the University undertook significant reallocations. During the consultation period in the first round of budget cuts, a number of faculty members proposed to delay salary increases. As it has now turned out, all of the employees, with the exception of AFSCME, have agreed to delay salary increases for 4 months for a net annual salary increase of 3.7 percent in FY 2003. He said there are no alternatives for the AFSCME employees except layoffs, whether those are temporary (furloughs) or permanent. Each class of employee at the University will be treated the same. He expressed pride in the employees for stepping forward and helping in this time of budget difficulties. He said the University always puts students at the top of the priority list.

President Newlin, on behalf of the Board of Regents, thanked Provost Podolefsky and President Koob for their efforts in working with the faculty at the University of Northern Iowa. He said it was an extraordinary collaborative effort and achievement. He also

noted the United Faculty needed to be commended for their initiative and willingness to be a part of the solution.

Superintendent Johnson stated that Iowa School for the Deaf officials took steps last month with regard to reductions in staffing. He said most of the School's budget is staff and faculty costs, and most of the School's budget is provided by the state. He assumed the salary recommendations in the following agenda item would allow the School to go forward. School officials will present the final budget next month.

Superintendent Thurman stated that the amounts in the Iowa Braille and Sight Saving School budget are miniscule compared to those of the universities, but the impact of the budget cuts has been horrendous. He said the School needed \$173,000 for the state salary policy and an additional \$50,000 to fund workers compensation for a total need of \$223,000. The salary appropriation was \$131,000; however, the School's operating budget was reduced by \$108,000 which left a shortfall of \$200,000. The School's staff is 60 percent merit, 25 percent faculty, 10 percent P&S, and 2-3 percent institutional officials. The only discretionary aspect of the School's budget is in its summer program.

Five years ago, in the midst of its strategic planning process, Iowa Braille and Sight Saving School officials changed the School from a 9-month to a 12-month operation, within the School's existing resources. People were put in consulting positions based on what the area education agencies said was needed. An eight-week summer program was created, to which students from all over Iowa came to attend. Superintendent Thurman emphasized that the changes were made with no additional state appropriations. School officials have now taken apart everything that has been created in the past 5 years. Next year, Iowa Braille and Sight Saving School will be a nine-month school. The School will be closed in June and July. The number of consultants on the road has been reduced by 50 percent. If this trend continues, the School will have to face the issue of Free and Appropriate Public Education. School officials have no more discretion with regard to addressing budget cuts.

Regent Neil asked if the School is meeting acceptable quality standards in the outreach program. Superintendent Thurman responded that it was not. He stated that, at the beginning of every strategic plan, he performs an environmental assessment with the area education agencies. This year, six such environmental assessments have been accomplished. All have indicated their students are not getting enough technology training, independent living training, etc.

Regent Neil stated that Regent Fisher and he sat through a couple of nights on the Iowa Communications Network when downsizing was being done at the School and resources were being transferred to the outreach program. Parents were concerned

about whether their children would be properly educated. He said he assumed that the effort of School officials to focus on outreach services saved the state money.

Superintendent Thurman stated that School officials have had to dismantle everything that has been accomplished in the last 5 years.

Regent Neil asked if the School were given \$300,000, where would School officials use the money. Superintendent Thurman said the summer program would be restored. He noted that the June program for this year is in place. The second summer program and the sports camp have been cancelled. The areas that are being cut are areas that the public schools will never offer to their blind students, including independent living. If the School received \$300,000, School officials would go back up through the "cut" list and restore programs.

Superintendent Thurman asked to add one personal point to his remarks. He said he was very concerned that, in a state where services to blind children were being compromised, salary increases are being given.

Regent Becker said she shared Superintendent Thurman's concerns about the summer program. It is easier to provide in the local schools the academic programs and at the Iowa Braille and Sight Saving School the summer programs to meet the functional needs of students. She then stated that Free and Appropriate Public Education is a joint responsibility with the local school district and the area education agencies. She asked if any collaborative efforts are taking place.

Superintendent Thurman responded that one area education agency has cooperatively funded a staff member. School officials also asked a couple of other area education agencies, and were told "no". He said his concern about Free and Appropriate Public Education is in the area of staff, not the program. Iowa Braille and Sight Saving School's budget is 87 percent salaries. He said he was surprised that the area education agencies are not talking more about Free and Appropriate Public Education.

Regent Kelly referred to private fund raising and asked if Iowa Braille and Sight Saving School has a foundation. Superintendent Thurman responded that Iowa Braille and Sight Saving School has an endowment of approximately \$4 million. The restrictions on the funds are such that the School cannot get to the funds. Instead of raising private money, School officials have concentrated on developing funds through the Department of Education's vision grant which annually provides \$500,000.

Regent Kelly said he would prefer not to have privatization become an issue for the blind school but sometimes those efforts have to take place. Superintendent Thurman said he recognized the need to do more in the area of fund raising. There was a

danger, however, with private fund raising in a School like Iowa Braille and Sight Saving School. Blind people are not a charity case.

Executive Director Nichols stated that the next budget issue was one that the Board members have been following: building related budgets. He asked Director Elliott to discuss how those budgets have been altered in the current fiscal year and the plans for the institutions for next year.

Director Elliott stated that building repairs and opening new buildings were combined as one issue of discussion. The Board members were presented with a table which showed FY 2001 actual expenditures for the building repair line item and the FY 2002 estimated expenditures as were presented last month in final FY 2002 budgets. She noted that there was a dramatic decrease in some of the line item budgets. The Board Office did not want Board members to be surprised in July with final budgets are presented for approval. She said the University of Iowa intends to restore \$1.8 million to its building repair budget, which is equal to its building repair budget cut in FY 2002. Iowa School for the Deaf officials are planning to further reduce the School's building repair budget. Officials of Iowa State University, the University of Northern Iowa and Iowa Braille and Sight Saving School do not plan to restore any funds to those building repair budgets.

The amount of deferred maintenance and life and fire safety projects are expected to increase because of the dramatic decrease in building repair budgets. One of the norms across the country is for an operating budget for facilities of 1 percent of replacement cost. Director Elliott said the Regent institutions' budgets will be far from that. If building repairs are not addressed, it could cost more to make needed repairs in future years.

With regard to new buildings that are coming on line in FY 2003 or some that have come on-line mid-year during FY 2002, Director Elliott said there are expenditures related to opening those facilities. She noted that an area of Board discussion has been funding the operating costs of new buildings. In the meeting materials was an estimate of the incremental FY 2003 costs associated with opening those buildings. She noted that those were mandatory costs that the institutions have to incur to open the buildings.

Regent Fisher asked if there is any way to incorporate costs of opening buildings into the total project cost? Director Elliott responded that one issue is that the state will only provide capital appropriations to construct the buildings. The operating appropriations are from different state funding sources than the capital appropriations.

Regent Fisher asked what is included in opening new buildings costs. Vice President True responded that it would include utilities, custodial and operations and

maintenance. The cost varies depending on whether it is laboratory or classroom space. Utilities are the largest single component. In the case of the Medical Education and Biomedical Research Facility-A, the state has been asked to help pay for the operating costs related to education, but it has declined to do so.

Regent Fisher said he did not realize that opening new buildings costs were ongoing costs, not one time costs.

Vice President Madden stated that typical annual operating costs are \$5-10 per square foot per year. An endowment would need to be created that would yield that type of income.

President Newlin asked for a rough calculation of the amount of money needed annually to maintain a \$10 million building, other than a medical building, and how much of an endowment would be needed. Vice President Madden responded that, assuming the building cost \$200 square foot to construct, \$10 million to build the building would be a 50,000 square feet building. At \$10 per square foot, \$500,000 per year would be needed to operate the building. Over 20 years, the operating costs of \$10 million would equal the initial cost of construction.

Executive Director Nichols stated that the next issue was the effect of significant reductions in economic development appropriations to the Regent institutions and the institutions' plans for how to deal with the reductions in those programs.

Director Elliott reported that, for many years, the state has appropriated two separate line items for the University of Iowa, three for Iowa State University and two for the University of Northern Iowa for different economic development purposes. During this legislative session, the legislature provided one appropriation for each of the universities for economic development, while cutting the total appropriations by 56 to 59 percent. Each of these budget units basically supported their operations from state appropriations. The funds also were used to generate matching funds for federal dollars and other types of economic development initiatives. The Board Office included information in the docket materials from the institutions on what each of the centers does with the separate appropriations and what would be done to each of those economic development units.

Executive Director Nichols said there were two issues with regard to the economic development appropriations. First is the extent to which there is any desire on the part of institutional officials to try to reallocate funds to cover the loss of appropriations. Second, assuming the "pot" cannot be refilled for each program, what are the priorities among the existing programs to narrow the focus of the remaining dollars?

Regent Neil asked if, in effect, the legislature “block granted” the economic development funds to the universities and told the universities to decide how to utilize the funds they were given. Director Elliott responded affirmatively.

Regent Neil asked that next month the universities provide the Board members with a detailed scenario of the effects of mothballing economic development programs and the cost of bringing back those programs.

Vice President True referred to the Center for Advanced Drug Development and said discussions are taking place with the Dean of the College of Pharmacy about what can be done to sustain the benefits of the program. Discussions are also taking place with regard to whether Oakdale Research Park and the Technology Innovation Center are sustainable in their current forms. He said the Research Park has shown great success without incurring debt. He said University officials would be glad to report in greater detail in July.

President Geoffroy stated that Iowa State University received a 60 percent reduction in economic development funding. Consideration will have to be given to closing and consolidating a number of the centers of the Institute for Physical Research and Technology, which will result in reduced services. The Institute provides outreach for industries across the state. He said the Small Business Development Center lost one-third of its budget and will have to decrease its activities by one-third. In FY 2003, 1,200 Iowa businesses will not receive the services they received in FY 2002. The Center is designed to stimulate and grow the economy of Iowa.

Regent Becker asked if there are also federal matching funds for the Small Business Development Center, multiplying the impact of the loss. President Geoffroy responded affirmatively, noting that University officials were not sure how to deal with that issue.

President Geoffroy referred to Iowa State University’s Research Park, and said administrative changes have already taken place to create efficiencies. With regard to the Leopold Center, he said its main operating funds are being reduced by 6.3 percent. Where the Leopold Center is really getting hit is in the fee income it receives from the Groundwater Protection Act. Those funds are generated from taxes paid by farmers for agricultural chemicals. Those funds have been cut by 86 percent which means the Leopold Center will still have its operating budget for staff but will not have money for its programs.

Regent Nieland asked if the tax on the chemicals is still in place. President Geoffroy responded affirmatively, noting that the state decided to keep the funds to fund the state general fund.

Regent Ahrens said she finds it disheartening, coming from an agricultural background, that the farmers are still being taxed but the funds are not going to where they used to go. Also, the state had a huge push to increase its groundwater quality and now it seems to be taking another step backward.

President Newlin said Regent Ahrens was absolutely right in her comments.

President Koob stated that the two economic development units at the University of Northern Iowa are the Institute for Decision Making and the Metal Casting Center. The Institute for Decision Making aids governmental units in economic development and strategic planning. It has served over 400 communities in the state of Iowa and is credited for having created over 9,000 jobs, largely in rural Iowa. The Institute is a relatively small unit (nine staff members) which has had no turnover. Staff's expertise has grown with their experience. He stated that, in addition to services provided to rural Iowa for economic development and job development, in the last year experiential learning opportunities have been provided to over 100 students on campus. He found the appropriations cut to be mystifying. No other unit at the University has provided more direct service to Iowa communities that are struggling to survive. If the expertise is lost, there is no easy way to rebuild it. He said the Metal Casting Center is a much smaller operation. The Center is University of Northern Iowa's small contribution to the manufacturing sector in the state, serving largely the foundry industry. For those people who have made use of its services, it is highly valued.

Executive Director Nichols stated that the next policy issue for consideration was general fund support through the budget process for athletic programs.

Director Elliott stated that, next month, the Board members would be provided with detailed budgets on athletics. At this meeting, Board members were presented with anticipated institutional athletic budgets revenues for FY 2003, with percentage allocations from the funding sources. For example, at the University of Iowa, 42 percent of its revenue is generated through athletic events. She reminded the Board members that, during the tuition and mandatory fee discussion last fall, the Board approved increases to mandatory fees. In May, the Board approved increases in the allocation of designated tuition for athletics.

Regent Neil asked if general fund support of athletics was 16.2 percent at the University of Iowa. Director Elliott responded that the amount of increase of general fund support to athletics for FY 2003 was proposed at 16.2 percent. The increase of general fund support to athletics for FY 2003 was proposed at 2 percent at Iowa State University and 6.2 percent at the University of Northern Iowa.

President Geoffroy addressed the 2 percent increase in general fund support of Iowa State University's athletics budget. First, as part of the FY 2002 budget reduction process, general fund support of the athletics budget was cut about \$38,000. The athletics department also shared in the salary increase appropriations for its staff who are state employees. There are also a number of scholarships for women athletes and, as tuition increases, the amount of scholarship dollars must increase. Therefore, he said the 2 percent figure is a composite of a budget reduction, and increases through the salary and scholarship allocations.

President Coleman stated that, at the University of Iowa, the athletics department received differentially bigger budget cuts this year. Reasons for the increase in general fund support of athletics included the state salary policy and the necessity to fly student-athletes to game locations. She said the decisions to increase general fund support by 16.2 percent was based on very rational decisions. She believes it is totally appropriate for the University to support the athletics programs out of the general fund.

President Koob addressed the increase in general fund support of the University of Northern Iowa athletics budget. He stated that, in May, four sports were eliminated which resulted in a significant reduction in the overall athletics program. Two women's sports were eliminated which accounts for a reduction in diversity support because, under Title IX, women's athletics is a part of the University diversity effort. He said the decision regarding the two women's sports has been challenged. University officials expect to receive a report within the week from the assistant attorney general with regard to reinstating the women's sports.

With regard to the increases in the general fund support of athletics at the University of Northern Iowa, President Koob said the reasons were the same as those described for the other two universities. The personnel, to a large extent, are supported by the general fund and, therefore, participate in the same salary increases as the rest of the faculty and staff. Women's athletics scholarships increased nearly 20 percent.

Executive Director Nichols stated that the final budget policy issue for Board discussion related to revenues for the University of Iowa Hospitals and Clinics. He said the meeting materials provided a brief description of the anticipated rate increase of 8 percent, which would be presented as a formal proposal for approval in July.

Regent Neil referred to the justification provided for the increase, that hospital services costs had increased by 6.7 percent. He said it was his understanding that the cost of hospital services had increased 5.1 percent as of January 1. He asked why University of Iowa officials were requesting an increase which was larger than the medical portion of the Consumer Price Index (CPI).

Interim Director Rice addressed how the University of Iowa Hospitals and Clinics benchmarks. She said Rate Controls is a publication that surveys and monitors inflation in the health care profession. Hospital inflation is categorized separately from medical services, nursing homes, etc. The medical portion of the CPI is for the whole health care sector. The hospital piece of the medical increases has had the highest inflation rates because of the rapid growth in nursing and pharmacist salaries, and some of the surgical implants. The latest information is that the hospital number has increased by 6.7 percent. With regard to the proposed 8 percent rate increase, she said the UIHC will not receive a full 8 percent rate increase because of the payor mix. An 8 percent rate increase, combined with expected volumes and non-patient revenue sources, will yield only a 5.8 percent revenue increase.

Regent Neil asked if clinic charges would also be increased by 8 percent. Interim Director Rice responded that rates at each clinic are reviewed separately; however, the increase would be around 8 percent.

Regent Neil stated that one of the hospitals in the Des Moines area had experienced a rate increase of 4.8 percent. He urged University of Iowa officials to take another look at the proposed rate increase to make sure the University of Iowa Hospitals and Clinics is competitive.

Regent Kelly stated that the medical component of the CPI has always been much higher than the CPI itself. He cautioned that one cannot compare hospitals in Mason City to hospitals in Iowa City or hospitals in Des Moines to those in Iowa City.

Regent Neil agreed that the medical components is outstripping the cost of living; however, there was quite a difference between rate increases of 4.8 percent and 8 percent, which seemed to be "pushing the envelope".

Regent Kelly referred to the care given at the University of Iowa Hospitals and Clinics, and said the only competing nearby hospital is Mayo Clinics.

Regent Turner asked what other institutions the University of Iowa Hospitals and Clinics is compared to for the purpose of determining rate increases. She stated that one of the issues in determining rates is the payor mix. The University of Iowa Hospitals and Clinics' payor mix is entirely different because of the number indigent and Medicare patients.

Interim Director Rice stated that the competitiveness of rate increases of two separate hospitals for any one year is difficult to determine because the hospitals may not have been competitive to begin with. She said University of Iowa Hospitals and Clinics officials benchmark against the University Health Care Consortium, not against Iowa

hospitals, per se. In determining rate increases, UIHC officials are also cognizant of what the Iowa market can bear.

Executive Director Nichols stated that the final item to be addressed with regard to FY 2003 budgets was approval of the distribution of funds to the regional study centers. If there was anything relatively non-threatening in the budget presentation, he said this was it. The allocation was relatively similar for FY 2003 as for FY 2002.

MOTION: Regent Nieland moved to (1) consider policy issues related to constructing FY 2003 budgets; (2) consider annualized rate increases for the University of Iowa Hospitals and Clinics, Psychiatric Hospital, and Center for Disabilities and Development of 8 percent, effective August 1, 2002; and (3) approve distribution of the Regional Study Centers' FY 2003 appropriations as follows: Quad-Cities Graduate Study Center of \$161,173; Tri-State Graduate Center of \$79,940; and Southwest Iowa Regents Resource Center of \$108,673. Regent Arbisser seconded the motion.
MOTION CARRIED UNANIMOUSLY.

PROPOSED SALARY POLICIES FOR PROFESSIONAL AND SCIENTIFIC STAFF FOR FISCAL YEAR 2003.

Director Wright provided an overview of the proposed Professional & Scientific (P&S) salary policies. He stated that salaries for P&S staff are determined by performance based on annual evaluations. The following summarizes the individual institutional and Board Office salary policy proposals.

University of Iowa officials proposed to increase the P&S salary matrix by 5 percent on the minimum and 3 percent on the maximum. The matrix for SEIU-covered staff is being adjusted by the same percentages, pursuant to their collective bargaining agreement. The University of Iowa faces a dramatic overlap of the maximums of the Regent Merit System pay plan and the P&S pay scale. University officials report that the average salary increase will be about 3 percent.

Iowa State University officials proposed to increase its P&S salary matrix by 3 percent on both the minimums and the maximums. University officials report that these adjustments will allow the University to remain competitive in the marketplace. The University is seeing increasing wage compression between P&S positions and those in the Regent Merit System. University departments have been encouraged to address

the wage compression issue in making individual salary adjustments, especially for employees in pay grade 11 through 14. University officials report that the average salary increase will be approximately 3 percent.

University of Northern Iowa officials proposed to increase the minimums of the P&S salary matrix by 2 percent and the maximums by 5 percent. The average P&S salary increase will be 5.6 percent, which is consistent with the collective bargaining agreement with the United Faculty.

Director Wright referred to the announcement during President Koob's discussion of preliminary FY 2003 general fund operating budgets about the delay of four months in the salary increases for P&S employees and for faculty at the University of Northern Iowa. He said it was unclear whether there is a requirement that collective bargaining contract modifications be formally approved by the Board of Regents. Therefore, he asked that when the Board approves the Professional & Scientific salary policies, it also approve the change in the contract for the United Faculty.

The special schools share a P&S salary matrix, which was proposed to increase the minimums by 3 percent and the maximums by 4 percent. The average increase will be 3.5 percent. With the elimination of summer school, many P&S staff at Iowa Braille and Sight Saving School, while receiving the average increase, will be paid less during the entire year due to reductions in the time worked.

The Board Office Professional & Scientific staff salary grade structure has been in place since 1986 when it was first approved as a part of comparable worth implementation. It has been adjusted many times over the past 16 years and has gotten out of alignment. Alignment generally would provide for a fixed percentage between the midpoints of the salary grades and a fixed percentage in the difference between the minimum and maximum of each salary grade. The Regent universities, which also created new structures at the time of implementation of comparable worth in 1986, have all adjusted their structures in the past five years.

The current Board Office P&S structure has differences in midpoints between consecutive salary grades varying from 7 percent to 24 percent. The difference between the minimum and maximum of the salary grades varies from 73 percent in salary grade 5 to 39 percent in salary grade 8. The proposed salary grade structure has a consistent 18 percent between midpoints of consecutive salary grades and a constant 50 percent difference between the minimum and maximum of each salary grade. The pay plan for the Board Office is performance based. It will allow a base salary increase for satisfactory performance with an additional increment available to recognize outstanding performance and to make internal equity adjustments. On the new pay grade structure, all Board Office staff would be eligible for the satisfactory performance

component of the pay plan without being capped by the maximum of a salary range. Director Wright noted that four staff assigned to the Board Office are a part of the University of Iowa P&S staff and are governed by its pay plan.

Regent Fisher asked for clarification regarding increasing the University of Iowa P&S salary matrix by 5 percent on the minimum and 3 percent on the maximum. Director Wright responded that in the P&S system, a person can be hired at a salary anywhere between the minimum and the maximum of the position's pay range. Because the salary increases for Regent merit system staff, as negotiated by the state, have outpaced salary increases given to the University P&S employees for the past several

years, the minimums of the salary ranges are very close to those of similar positions in the Regent Merit System. He said this was especially true, for example, in the accounting profession. A Regent Merit System account specialist can earn more than accountants at the institutions who have degrees and are in the P&S system. In order to make up for this problem, University officials proposed to increase the minimums by 5 percent although that does not mean that anyone will be guaranteed a salary increase.

Vice President True noted that employees in this situation represented an extremely small factor in terms of cost in the budget.

MOTION: Regent Neil moved to approve the P&S salary schedules for the five institutions and the Board Office for FY 2003, as presented, and approve the change in the contract with the United Faculty to delay for four months the salary increases for faculty at the University of Northern Iowa. Regent Turner seconded the motion. MOTION CARRIED UNANIMOUSLY.

PROPOSED SALARY POLICIES FOR FACULTY AT THE SPECIAL SCHOOLS FOR FISCAL YEAR 2003.

Director Wright presented the Board members with a summary of the proposed salary policies for the special schools faculty. He said the pay matrix for faculty will be increased 2.25 percent with a cost of 3.48 percent at the Iowa School for the Deaf and 3.54 percent at Iowa Braille and Sight Saving School. Faculty not at the top step will receive step increases. Faculty attaining additional education may move horizontally on the matrix in addition to receiving step increases. The amount of compensation given for certifications at Iowa Braille and Sight Saving School (\$900) will not change. Compensation for provisional and permanent certifications by the Council of Educators for the Deaf will remain at \$600 for provisional and \$1,200 for permanent. Compensation for sign language certification (from \$200 to \$1,000) will not increase.

Iowa Braille and Sight Saving School officials proposed no change to its extra-curricular compensation scale. Iowa School for the Deaf officials proposed one change to its extra-curricular compensation scale. Over the years the school has not had a consistent cheerleading program, and the cheerleading coaches have changed frequently. Now the program has consistent leadership and the compensation scale has been adjusted accordingly.

Director Wright reported that the pay matrix for teachers at the special schools is typical of the pay schedules found in K-12 schools throughout the state. The Iowa Association

of School Boards reported that the average increase for K-12 school districts for 2002-03 is 2.88 percent. The starting salary for the Vinton-Shellsburg schools is \$24,305 (an average increase of 3.38 percent). The beginning salary for the Iowa School for the Deaf and the Iowa Braille and Sight Saving School is \$28,658. The settlements for the Lewis Central and Council Bluffs districts have not yet been reported.

MOTION: Regent Turner moved to (1) approve the faculty salary schedule for the Iowa School for the Deaf and the Iowa Braille and Sight Saving School for FY 2003 and (2) approve the proposed supplemental pay schedules for extracurricular activities at the special schools in FY 2003, as presented. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

PROPOSED PAY PLAN FOR REGENT MERIT SYSTEM.

Director Wright provided an overview of the Regent Merit System pay plan proposal. He stated that collective bargaining negotiations with AFSCME for the current agreement resulted in substantive changes in the pay matrices for employees in AFSCME bargaining units. These changes are to be effective in the second year of the agreement, which begins July 1, 2002. For many years, the Regent Merit System pay plan consisted of five separate matrices – four for organized staff and one for supervisory staff. The matrices for the organized staff consisted of 15 grades and ten steps. The matrix for the supervisory staff consisted of 18 grades with ten steps. During the union negotiations, the multiple matrices were combined into a single matrix with minimum and maximum rates and no intermediate steps and 15 grades. A similar matrix with 18 grades is proposed for supervisory staff.

In accordance with the AFSCME agreement, employees will be moved to the new matrix on July 1, 2002, and given an increase of 41 cents per hour (equivalent of an average increase of 3 percent). Employees below the minimum of their pay grades will be moved to the minimum. Supervisory employees will be treated in a similar fashion. In accordance with the collective bargaining agreement and the administrative rules of the Regent Merit System, employees will receive step increases on their eligibility dates. Since the new matrix does not include defined steps, the value of a step increase was negotiated at 4.5 percent. Eligible supervisory employees will receive the same value for step increases.

In accordance with the collective bargaining agreement, the maximums of each pay grade will be increased by 4.5 percent on February 1, 2003. Employees who had been

at the top step of their FY 2002 pay matrix for at least one year will receive a 4.5 percent increase. Supervisory employees will be treated in a similar fashion.

Pursuant to Iowa Administrative Code §681.3.37, a public hearing on the proposed pay plan was held on Wednesday, May 8, 2002, at Iowa State University. Approximately 20 individuals attended the hearing. No formal objections were filed. Questions focused on implementation of the structural changes in the pay plan.

Director Wright reported that three new classifications were proposed:

Utility Electrical and Instrumentation Technician I, pay grade 411
Utility Electrical and Instrumentation Technician II, pay grade 413
Utility Electrical and Instrumentation Technician III, pay grade 415

These classifications will be used in the power plants at the three universities. The classifications recognize the highly specialized nature of the work performed which existing classifications do not adequately describe. AFSCME has agreed to the classifications and pay grade assignments for these positions.

Regent Fisher questioned the need for Board of Regents approval of the Regent Merit System pay plan since it has all been negotiated in collective bargaining. Director Wright responded that state statute requires Board approval. Also, if there were any bargaining unit that de-certified, there would still be a process for paying those employees without having to go back through a different pay schedule.

Regent Fisher asked if the Board members were being asked to approve a 7.5 percent salary increase for Regent Merit System employees. Director Wright responded that the Board would be approving a 5.25 percent increase in pay which would result in rolling into the next year with an approximate 7.5 percent base. He pointed that, even if the Board did not approve the pay plan, it would go into place because it is governed by Chapter 20 of the collective bargaining law.

Regent Fisher stated that he would vote "no" to the pay plan because he could not approve a 7.5 percent salary increase for Regent Merit System employees because it will increase the budget problem and cause more layoffs.

Regent Kelly said he agreed with Regent Fisher. He asked if there were any legal implications if the Board were to vote "no" to the proposed pay plan. Director Wright responded that not approving the Regent Merit System pay plan would not impact the bargained contract but it would impact the non-represented employees. However, the legislature, in its action on May 28, provided that the Regents will treat the non-organized bargaining employees the same as the organized bargaining employees.

Regent Neil asked if the 7.5 percent increase is a roll up. Director Wright responded that it is a roll up on salaries.

Regent Neil asked if there is anything in the law that says the Regents have to bargain from that base next time. Director Wright responded that there is not.

Regent Neil said, in that case, the 7.5 percent is subject to negotiations as to whether to roll it up as a base for the new wage increases. Director Wright said that was correct.

Regent Neil said there was, then, no information that a 7.5 percent increase is going to be used next time. Director Wright said the simple answer is that Regent Neil was correct.

Regent Neil asked if the Iowa legislature ratified the collective bargaining agreement. Director Wright responded affirmatively. Regent Fisher said the legislature approved the agreement but it did not fund it.

MOTION:

Regent Becker moved to (1) approve the Regent Merit System pay schedule for FY 2003 for employees in the AFSCME Blue Collar, Security, Technical and Clerical Bargaining Units, (2) approve the Regent Merit System pay schedule for FY 2003 for supervisory employees, and (3) approve the addition of three new classifications to the Regent Merit System: Utility Electrical and Instrumentation Technician I, Utility Electrical and Instrumentation Technician II, Utility Electrical and Instrumentation Technician III, as presented. Regent Neil seconded the motion. MOTION CARRIED WITH REGENTS ARBISSER, FISHER, KELLY AND NIELAND VOTING "NO".

Regent Nieland asked how the law could be changed so the Board does not have to deal with something like this in the future. Director Wright responded that it could be part of the Board's legislative package for next year and a modification of its administrative rules.

FY 2003 CAPITAL IMPROVEMENT PLANS.

Associate Director Racki provided the Board members with an overview of the capital improvement plans for FY 2003 which, she said, institutional officials submit in June of

each year. The plans include an overview of anticipated capital improvement projects for all campus facilities and a status report on previously-approved projects with budgets exceeding \$1 million. She reported that, for FY 2003, the institutions anticipate requesting Board approval of projects with estimated total costs of \$403 million. All projects are subject to further review, availability of funding, and specific approval by the Board. Of the \$403 million, improvement funds and revenue bonds of self-supporting enterprises would finance more than \$116 million in project costs. Funding from UIHC building usage funds and revenue bonds would total more than \$103 million. Other major sources of funds include state appropriations (\$75 million) and gifts (\$71 million).

Regent Fisher said it would be good for the Board to be presented with an estimate of the increased overhead (operations and maintenance) costs on projects at the time a project is presented to the Board. Associate Director Racki said that information could be provided in the next report.

Regent Becker stated that when buildings are razed that were at one time operated, it represents a savings in overhead expense.

Regent Fisher asked that, when the Board is presented with an item to approve razing a building, the amount of overhead savings be included in the request. Associate Director Racki said that could certainly be done. She noted that when Eastlawn was torn down at the University of Iowa, some adjustments were made in figuring the costs of overhead.

ACTION:

President Newlin stated the Board, by general consent, (1) received the report on institutional FY 2003 anticipated capital improvement projects with the understanding that the proposed projects are subject to further review, availability of funding, and specific project approval by the Board, and (2) received the status report on previously approved projects with budgets exceeding \$1 million.

BIENNIAL UNIT COST STUDY.

Director Elliott stated that, last summer, the Board was presented with an interim report on unit cost. The report presented at this meeting included additional information that was requested last summer. She referred to the unit cost for professional degree programs listed in the table on page 6 of the memorandum for this agenda item, and said the figure was incorrect. The \$14,210 figure is the overall composite unit cost at the University of Iowa, and \$30,382 is the composite for the University of Iowa's professional degree programs.

President Newlin asked for the Regent composite unit cost for undergraduates. Director Elliott responded that it was \$8,698.

President Newlin questioned that figure because the University of Iowa's variable cost is \$7,726, Iowa State University's is \$6,151 and the University of Northern Iowa's is 6,690. Director Elliott responded that the composite is not an average of the three universities' costs. It is a composite of total expenditures at each of the institutions and total FTE students at each of the institutions. She said it is a function of how the numbers are calculated.

Regent Fisher asked how he should respond when someone asks how much it costs to educate a student at the Regent universities. Does the cost include all of the overhead and fixed costs? Director Elliott responded that the cost of instruction does not include capital expenditures, building repairs or outreach services. The unit cost of instruction is not the total cost that the universities incur within the general university budget. It includes only those costs that have been designated since 1969 as expenditures to be included for instruction. The cost of instruction for all levels of students would be \$11,395.

President Newlin stated that lower division (freshmen and sophomores) could be used to compare with community colleges. Many undergraduate programs are high cost; therefore, using the lower division figures may provide more comparable numbers.

President Newlin asked if this was the first time that the Regents have received the numbers separated by fixed and variable cost. Director Elliott responded affirmatively, noting that the level of detailed information had been requested by the Board last year.

Regent Nieland asked what costs were missing. Director Elliott responded that building repairs, capital costs, and outreach expenses were not included.

Regent Fisher said building costs should be included as a cost of instruction. Director Elliott stated that the Board Office has had some discussions with the institutions about including those types of costs in the unit cost of instruction. Regent Fisher said he thought that should be done.

Regent Turner asked what other institutions include in determining unit cost of instruction. Director Elliott responded that there is not one type of comparison among institutions. Given the variety of higher education institutions, there are no nationally-recognized cost per student calculations.

The current presentation represents the Regent unit of instruction calculation on a relatively consistent basis since 1969.

Regent Fisher said he believes the citizens of Iowa want to know what it costs to educate students. All of the costs that pertain to that education, including any costs that pertain to the buildings, should be part of the calculation. He said accounting in accordance with Generally Accepted Accounting Principles would include those costs.

Regent Fisher then suggested that the methodology for determining unit cost of instruction be reviewed, and that staff return to the Board with a methodology that makes sense to the Board members and to the taxpayers.

Regent Nieland asked why dental education is more expensive than other professional education. Provost Whitmore responded that there is a close faculty-student ratio in dental education. Dental students work on live patients; they do not go on to residency upon graduation. He noted that the average cost of dental education across the country is \$64,904, while at the University of Iowa it is \$48,427.

Upon reconvening from a luncheon recess, Director Elliott clarified the information from the earlier discussion regarding the Regent composite unit cost for undergraduates. She had indicated that the Regent composite for undergraduates was \$8,698 which is a total cost which includes fixed and variable costs. The composite variable cost is \$6,856.

Regent Turner stated that, during lunch, she had discussed this matter with President Koob. She asked that he share his comments to her with the other Board members.

President Koob stated that most of the emphasis has been on the cost when discussing unit cost per student. However, the denominator is how one defines "student". In Iowa, student is defined, within the Regent system, as a full-time equivalent. A full-time equivalent is a student who takes at least 15-1/2 semester hours per semester or 31 semester hours per year. He said that number is archaic because it was defined at a

time when 124 semester hours were required for graduation. The current requirement for graduation is 120 semester hours. He said it would be logical to change the definition of FTE from 31 to 30 semester hours per year. However, many states use 12 hours per semester (24 semester hours for the academic year) as the definition of a full-time equivalent because that is the number used to define full-time student for financial aid purposes. Some states use the actual average enrollment which, for Iowa's Regent universities, is typically 14 to 14-1/2 hours per semester. Many states report the cost of instruction on a per-headcount basis rather than a full-time equivalent basis.

President Koob suggested the following in order to establish an undergraduate lower division number which could be compared to community colleges. Per student should be defined the same, whether it is headcount or full-time equivalent. If it is defined as full-time equivalent, the multiplier must be the same. A determination must also be made as to whether one is comparing full costs or costs from a particular source. The number most commonly provided by community colleges is the number of dollars from the state per headcount, which is a very different number than total cost per full-time equivalent. He said he believed that the only way to determine an amount of cost to educate a student that made sense to the people of Iowa would be for the staffs of the Regents and the Department of Education to meet and agree on definitions.

President Newlin asked that the Board Office re-work the information and re-present it to the Board in calendar year 2002.

ACTION: President Newlin stated the Board received the unit cost study for FY 2001, by general consent.

REPORT ON MEETING OF THE IOWA COLLEGE STUDENT AID COMMISSION.

Executive Director Nichols reported on last month's meeting of the Iowa College Student Aid Commission which was held in the Quad-Cities area. He said there were three particular items relevant to the Regents. First, notice of intended action was approved for filing administrative rules to allow the Commission to prevent state licensure for individuals who are not in satisfactory repayment status on student loans that are guaranteed through the Commission. Second, there was discussion of legislative and budgetary action related to programs of the Iowa College Student Aid Commission, which received significant reductions in the legislative process. Those programs included the Iowa Grant program, which affects about 1,000 Regent students, and a program for osteopathic loan guarantees, which was reduced significantly. He said the third item of interest to the Regents was a report on the volume projections for

guaranteed student loans through the Commission. The projection was that at the end of FY 2002, overall level of loan guarantees through the Commission will be up about 10 percent, to \$265 million.

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

REVISIONS TO POLICY MANUAL.

Assistant Director Stratton provided the Board members with a summary of the process that is taking place to revise the Board's Policy Manual.

President Newlin referred to page 6 of the attachment of Chapter I, Board of Regents, and asked if there should be a capital "b" in front of the section entitled, "organizational structure." Assistant Director Stratton said she believed that it should.

Regent Becker brought up a concern regarding formatting of the Policy Manual. She said it was difficult to understand whether certain named committees presented in Chapter I were subcommittees of the Committee on Educational Coordination. Assistant Director Stratton responded that formatting of the Policy Manual will be correct when the entire document is finalized.

MOTION: Regent Neil moved to approve the proposed revised versions of §1.07(A)(2)(b)—"Inter-institutional Committees, Regent Committee on Educational Relations", §4.37—"Regent Employees Representing the Board of Regents and the Regent Enterprise", §4.38—"Regent Employees Serving on State Committees as Regent Employees", and Chapter VIII—"Charges and Fees". Regent Fisher seconded the motion. MOTION CARRIED UNANIMOUSLY.

REPORT OF THE BANKING COMMITTEE.

President Newlin recognized Ken Haynie, Ahlers law firm, and Barry Fick, Springsted, Inc.

Mr. Haynie stated that three bids were received for the sale of University of Iowa Facilities Corporation bonds. The best bid was submitted by Dain Rauscher for a true interest rate of 4.68 percent. The bid included two term bond options. The 2022 bond maturity will be rolled into the 2023 maturity. The same would occur for the 2020

maturity and the 2021 maturity. He said the interest rates track closely with the interest rates for AA rated bonds on the Delphis Hanover scale. The Dain Rauscher bid was in the range of what was anticipated. He noted that the bonds will be exempt from federal taxes but not from state income taxes. He concluded his remarks by stating that the executive committee of the University of Iowa Facilities Corporation will be meeting soon to act on the bids.

Mr. Fick provided the Board members with a list of co-managers for the syndicate led by Dain Rauscher. He said the bonds will predominantly be marketed to institutional investors.

MOTION:

Regent Fisher moved to adopt the following resolution: A Resolution Authorizing and Approving the Execution and Delivery of the Ground Lease and the Lease and 2002 Amendments thereto, the Indenture, the Second Supplemental Indenture, the Bond Purchase Agreement, the Tax Exemption Certificate and the Continuing Disclosure Certificate, and Authorizing and Providing for the Issuance of University of Iowa Facilities Corporation (Medical Education and Biomedical Research Facility Project) \$7,810,000 Revenue Bonds, Series 2002, and Providing for the Payment Thereof. Regent Neil seconded the motion, and upon the roll being called, the following voted:
AYE: Ahrens, Arbisser, Becker, Fisher, Kelly, Neil, Newlin, Nieland, Turner.
NAY: None.
ABSENT: None.

MOTION CARRIED.

Later in the meeting, Regent Fisher reported on the remaining items from the Banking Committee meeting. He said one item requiring Board action, as follows, was to set the date for sale of the Iowa State University project notes for the Engineering Teaching and Research project.

MOTION:

Regent Fisher moved to adopt a Resolution authorizing the Executive Director to fix the date or dates for the sale of \$7,000,000 Academic Building Revenue Project Notes, Series I.S.U.

2002. Regent Kelly seconded the motion, and upon the roll being called, the following voted:
AYE: Ahrens, Arbisser, Becker, Fisher, Kelly, Neil, Newlin, Turner.
NAY: None.
ABSENT: Nieland.

MOTION CARRIED.

Regent Fisher stated that the Banking Committee members discussed the Iowa State University School of Design program to lease laptop computers to students. He said the program has been very successful. Iowa State University officials are discussing the possibility of setting up a similar program in other areas within the university, which he encourages them to do. He noted that leasing of the computers can be included as a cost for student financial aid programs.

MOTION: Regent Fisher moved to approve a taxable loan of up to \$750,000 through US Bank for the purchase of up to 250 Dell and Apple laptop computers and program specific software, for the purpose of leasing computers to students in the College of Design at Iowa State University. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Fisher stated that the Banking Committee also received a report from the Iowa State University internal auditor of audits that are underway, a report on the cost of bond issuances, and the quarterly investment and cash management report.

ACTION: President Newlin stated the Board accepted the remainder of the report of the Banking Committee, by general consent.

INSTITUTIONAL AND BOARD OFFICE PERSONNEL TRANSACTIONS.

ACTION: The following personnel transactions at the Regent institutions were ratified on the consent docket: University of Iowa: Register of Personnel Changes for April 2002, appointment of Charlotte S. Westerhaus as Assistant to the President, Director of Affirmative Action at annual salary of \$110,000, effective June 1, 2002, appointment of

Susan C. Buckley as Associate Vice President and Director, Human Resources at an annual salary of \$122,500, effective June 1, 2002, appointment of Dr. Elizabeth Prine Pauls as Director of the Office of the State Archaeologist, with an adjunct faculty appointment in the College of Liberal Arts and Sciences Department of Anthropology, effective July 15, 2002, at a salary of \$65,000, and reappointments of Douglas True as Treasurer and Douglas Young as Secretary for the fiscal year beginning July 1, 2002, in accordance with the Iowa Code §262.9; Iowa State University: Register of Personnel Changes for May 2002, which included an additional promotion and tenure action, appointment of Tahira K. Hira, Professor of Human Development and Family Studies, as Assistant to the President for External Relations and Executive Administration beginning June 15, 2002, at an annual salary of \$150,000, and reappointments of Margaret Pickett as Secretary and Joan Thompson as Treasurer for the fiscal year beginning July 1, 2002, in accordance with the Iowa Code §262.9; University of Northern Iowa: Register of Personnel Changes for April 2002, appointment of Marilyn J. Mercado as Dean, Rod Library, effective July 1, 2002, at an annual salary of \$110,000, change in percent of appointment of Patricia Geadelmann from 10% to 75% during the summer of 2002 and to 50% during the 2002-03 academic year, and reappointment of Gary Shontz as Secretary and Treasurer for the fiscal year beginning July 1, 2002, in accordance with the Iowa Code §262.9; Iowa School for the Deaf: Register of Personnel Changes for May 2002, reappointment of James Heuer as Secretary and Treasurer for the fiscal year beginning July 1, 2002, in accordance with the Iowa Code §262.9, and appointments of John Cool as Level I child abuse investigator and Lori Green and Jeanette Watson alternates for the fiscal year beginning July 1, 2002; Iowa Braille and Sight Saving

School: Register of Personnel Changes for March 2002, reappointment of Luann Woodward as Secretary and Treasurer for the fiscal year beginning July 1, 2002, in accordance with the Iowa Code §262.9, appointments of Dianne Utsinger as Level I child abuse investigator and Barbara Roberts and Nick Fisher alternates for the fiscal year beginning July 1, 2002; Board Office: FY 2003 salary for Gregory S. Nichols, Executive Director, in the amount of \$122,987.30 plus the usual fringe benefits, effective July 1, 2002.

PROCEDURES FOR THE SELECTION OF A SUPERINTENDENT AT THE IOWA SCHOOL FOR THE DEAF.

President Newlin stated the procedures that will be followed for the selection of a superintendent at the Iowa School for the Deaf are similar to what was done in the past for the special schools. Next month, the Search and Screen Advisory Committee members will be presented for Board approval. He noted that the Board members were provided with a list of the constituencies from which the members of the Committee will be selected.

MOTION:

Regent Becker moved to approve recommended policies for the selection of the Superintendent of the Iowa School for the Deaf, as follows: (a) Create a search and screen advisory committee at the Iowa School for the Deaf to be known as the Superintendent Search and Screen Advisory Committee to aid in the Superintendent search, as set forth; (b) Request that the membership of the Superintendent Search and Screen Advisory Committee be presented to the Board for approval at the July Board meeting; (c) Authorize the Executive Director, with the approval of the President of the Board of Regents, to enter into a contract with an executive search firm; (d) Approve the duties of the Superintendent Search and Screen Advisory Committee and the executive search firm, as outlined, (e) Instruct the Superintendent Search and Screen Advisory Committee and the Board Office to develop criteria for the position of Superintendent of the Iowa

School for the Deaf and to report to the Board for consideration at its September Board meeting, (f) Direct the Iowa School for the Deaf to establish a fund to pay all the expenses of the superintendent search, and (g) Authorize the President of the Board to supervise the search process and to be the exclusive spokesperson for the Board regarding the search process. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

ACCREDITATION REPORT: COLLEGE OF MEDICINE, UNIVERSITY OF IOWA

Vice President Kelch stated that the Board Office had nicely summarized the reaccreditation process for the College of Medicine. He noted that, approximately twice a year, he serves as an accreditation team member, and this was one of the best accreditation reports that he had ever seen.

President Newlin congratulated the College of Medicine on the full reaccreditation. He said the College was given high marks.

Regent Neil said he echoed the comments of President Newlin. He then asked about the item in the accreditation report that indicated students were concerned about the availability of medical services.

Vice President Kelch responded that, in 1994, the institution did not mandate health insurance for professional students, including medical students. At that time, the College of Medicine was cited as being in violation of acceptable standards. Since then, the University had mandated health insurance for students, which is part of the tuition and fees regulatory power of the Board of Regents. The student health service has also become a part of the student fees. Additionally, UI Health Care provides coverage for students who have a medical exposure such as a needle stick but only after utilizing the student's insurance. He said that, although students now have access to employee health services and the student health services, student dissatisfaction remains because many would also like to have medical care for their dependents. Vice President Kelch stated that consideration is being given to providing the health profession students with an all-encompassing managed care product which would provide access to all of the medical staff. Health profession students work long hours in the hospital and the Student Health Service is only open certain hours. Therefore, accessibility is an issue.

Regent Kelly asked who pays for the students' health insurance and how much it costs. Vice President Kelch responded that each student is required to have proof of health

insurance. Students must carry a minimal policy plus they are charged a fee for access to the Student Health Service.

Regent Turner congratulated University officials on receiving the 7-year full accreditation of the College of Medicine. She then asked about the concern regarding resident physicians needing to be informed of their roles as teachers and evaluators. She acknowledged the written response that three departments in the College of Medicine now have formal training, and asked if the College, as a whole, was considering how to make better educators of house staff.

Vice President Kelch responded affirmatively. He said the University of Iowa Hospitals is the lead partner in the Graduate Medical Education training program. It is administratively responsible for all residencies, internships and fellowships. As part of the review of that process, there has been a separate institutional review by the American Council on Graduate Medical Education. Every department is being reviewed to ensure they are keeping pace with the escalating standards as well as the standards of work hours, time off, etc.

President Newlin asked that Vice President Kelch address the remaining four challenges as identified in the accreditation report.

With regard to the heavy use of lecture method and multiple-choice examinations, Vice President Kelch said he believed that tremendous progress was being made. The College of Medicine has switched to more of a problem-based curriculum. The College has now developed a performance skills assessment competency plan. With the opening of the new College of Medicine building, instructors have the ability to monitor students as they interview and exam patients and make a diagnosis. All students have to pass the exam at several stages throughout the medical school curriculum. With regard to the low number of patients in normal obstetrics and an insufficient variety of patient illnesses in psychiatry clerkships, he said the curriculum in psychiatry has changed to more of an ambulatory care emphasis. The in-patient care is not as reflective as it should be of the real-world care of psychiatric patients. A number of efforts are being undertaken to increase student exposure to delivery of babies. Outreach clinics support less-privileged communities which, in turn, are seeking the University's obstetrical services. Obstetrical volume is increasing slowly although it will be a continual challenge. He noted that the University of Iowa medical center is the only place in the state with residency programs for obstetrics and gynecology.

With regard to feedback from mid-clerkships being variable and often student initiated, Vice President Kelch stated that significant progress is being made. Mid-clerkship feedback is being required early on so there is time for remediation. He said that was mainly a problem in brief (two-week) clinical rotations; for the longer rotations it was not

really a problem. With regard to concerns about library access, he stated that University officials have worked hard to give the libraries preferential treatment during the budget cuts. He said the Hardin Library for the Health Sciences is in significant need of upgrade. With the opening of the new medical education building, students have around-the-clock access.

Regent Turner asked if it is possible for students to access the library resources through home computers or laptop computers. Vice President Kelch responded affirmatively, but noted that it is much more efficient for students to go to the library where there are faster connections. Also, while at the library, they can interact with other students.

President Newlin referred to the following statement contained in the accreditation report's award letter:

The database was well organized and thorough, with little updating or amplification needed prior to the site visit. The self-study summary report was comprehensive, candid, and lucid.

President Newlin stated that University and College of Medicine officials had done an excellent job. Vice President Kelch stated that the lead person was the late Dr. Richard Nelson, who did an excellent job.

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

AFFILIATED ORGANIZATION REPORTS.

ACTION: The reports were received on the consent docket.

APPROVAL OF VENDORS WITH A POTENTIAL CONFLICT OF INTEREST.

ACTION: This matter was approved on the consent docket.

BOARD MEETINGS SCHEDULE.

ACTION: The Board meetings schedule was approved on the consent docket.

President Newlin then asked if there were additional general or miscellaneous items for discussion. There were none.

STATE UNIVERSITY OF IOWA

The following business pertaining to the University of Iowa was transacted on Wednesday and Thursday, June 19 and 20, 2002.

COURSE CHANGES.

ACTION: This matter was referred on the consent docket.

THE INSTITUTE OF RISK AND INSURANCE.

Provost Whitmore presented the University of Iowa's request to establish The Institute of Risk and Insurance. He said the insurance industry is an important segment of the Iowa economy with total assets exceeding \$150 billion. In 1998, Iowa's insurance industry output as a percent of Gross State Product was 3.9 percent, ranking second highest in the United States. This offers a unique opportunity for a partnership among the Iowa insurance industry, the State of Iowa, and the University of Iowa to establish a program to augment the skills of insurance company employees. The Institute will provide innovative education and leadership in the field of risk and insurance, providing qualified employees through the graduates of its program, and by offering programs that help existing industry employees improve their professional skills.

MOTION: Regent Fisher moved to approve the University of Iowa's request to establish The Institute of Risk and Insurance. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

PROCEDURES FOR THE SELECTION OF A PRESIDENT AT THE UNIVERSITY OF IOWA.

President Newlin stated that Mary Sue Coleman had elected to make her next service at the University of Michigan. He said the Board members wished her the best and

thanked her for what she has done for the University of Iowa. It was now the Board's task to search for her successor. He anticipated that next month the Board would be provided with recommendations on membership for the search committee and for the executive search firm. He then asked for a motion to accept the resignation.

MOTION: Regent Fisher moved to accept, with regret, the resignation of Mary Sue Coleman as President of the University of Iowa effective August 1, 2002. Regent Turner seconded the motion. MOTION CARRIED UNANIMOUSLY.

MOTION: Regent Neil moved to appoint Willard L. Boyd as Interim President, at the current salary of President Coleman, effective August 1, 2002, to serve until a new President's term takes effect. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin asked Professor Boyd if he would please comment on the appointment. Interim President-designate Boyd stated that it was a great honor and privilege to serve the people of the state of Iowa, once again, in the capacity of President of the University of Iowa. For 17 years, he had the good fortune of working with the Board and the other Regent institutions, from which he learned a great deal about collaboration. He said David Dancer was the Executive Secretary of the Board when he first came to the University of Iowa as the Academic Vice President. Stanley Redeker was President of the Board of Regents at the time he was appointed President of the University, which he said was a very controversial appointment. He acknowledged several people from the "old days" who were in attendance: Dean Borg from the University of Iowa, Warren Madden from Iowa State University, Bob Barak from the Board Office, Tom Walsh from the Iowa City Gazette, who was with the Daily Iowan at that time, and Max Wortman who is now Faculty Senate President at Iowa State University.

Interim President-designate Boyd stated that he had a tough act to follow the last time the Board appointed him as President of the University of Iowa; he has an even tougher act to follow this time. He believes that President Coleman has been a superb leader for the University in every instance and in every way. He then said he believes strongly in the Board's strategic planning process and the notion of evaluation and outcome. He asked that the Board judge him on the basis of his students, one of whom was a member of the Board of Regents: David Fisher.

President Newlin expressed the Board's appreciation to Professor Boyd for his willingness to serve as Interim President of the University of Iowa. He then asked President Coleman to comment on her new responsibilities.

President Coleman commended the Board for calling on Professor Boyd to serve as President of the University of Iowa. The selection has had a wonderfully calming effect on the campus. She informed the Board members that she has appreciated working with them. She said the structure in Michigan is different than in Iowa. Michigan has its own Board of Regents who are elected state-wide. The Board of Regents has constitutional authority equivalent to the Governor and the state legislature. She will have to learn a new system but she has had the privilege of serving under many different kinds of governance structures in higher education, and they all seem to work in their own states. The structure works beautifully in Iowa and she hopes it works well in Michigan. She said the University of Michigan is about twice as large as the University of Iowa in terms of its students. It has three campuses, the largest of which is in Ann Arbor. Its budget is more than twice as large as the University of Iowa budget. She hopes she can live up to the challenges.

President Coleman concluded her remarks by stating that Michigan had to come to Iowa to find a President.

MOTION:

Regent Fisher moved to approve the following recommended policies for the selection of the President of the University of Iowa: (a) Create a committee at the University of Iowa to be known as the Presidential Search and Screen Advisory Committee to aid in the presidential search, as set forth; (b) Approve Jonathan C. Carlson at the University of Iowa as Chair of the Presidential Search and Screen Advisory Committee; (c) The Chair of the Presidential Search and Screen Advisory Committee and the President of the Faculty Senate shall jointly nominate members of the Presidential Search and Screen Advisory Committee, in consultation with the Board President, to the Board of Regents for approval; (d) Authorize the Executive Director, with the approval of the President of the Board of Regents, to contract with an executive search firm; (e) Approve the duties of the committee and the firm, as outlined; (f) Instruct the University Presidential Search and Screen Advisory Committee and the

Board Office to develop criteria and to prepare a description of the position for the Presidency of the University of Iowa and to report to the Board for its consideration at its September Board meeting; (g) Direct the University of Iowa to establish a fund to pay all expenses of the presidential search; and (h) Authorize the President of the Board to supervise the search process and to be the spokesperson for the Board regarding the search. Regent Turner seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Fisher asked if Professor Carlson would be available to visit with Board members at the next Regents meeting. President Newlin responded that such a request would be made of Professor Carlson.

NAMING THE NEW ATHLETIC LEARNING CENTER THE RUSSELL A. AND ANN GERDIN ATHLETIC LEARNING CENTER.

President Coleman presented the University of Iowa's request to name the new Athletic Learning Center in honor of Russell and Ann Gerdin. The Gerdins provided a gift commitment in the amount of \$4 million toward the project. Russell and Ann Gerdin have been supporters of the University's athletic program since 1981. Mr. Gerdin has also been a generous annual supporter of the Iowa Scholarship Fund and has served as guest speaker in the Executive MBA program. She said the University enjoys wonderfully-high (close to 80 percent) graduation rates for its student-athletes, while making many demands on its student-athletes.

MOTION: Regent Fisher moved to approve the University of Iowa's request to name the new Athletic Learning Center as the Russell A. and Ann Gerdin Athletic Learning Center. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

APPOINTMENT OF CEO OF THE UNIVERSITY OF IOWA HOSPITALS AND CLINICS.

President Coleman asked that Vice President Kelch address this agenda item.

Vice President Kelch reported that the search process continues; unfortunately, he did not have a recommendation at this time. He was cautiously optimistic that there will be a recommendation in the very near future. University officials will keep the Board members informed.

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

REGISTER OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

Vice President True stated that there were two projects on the capital register that would be moving forward. The Bowen Science Building—Replace Air Handling Units project is the first phase of a multi-phased project to upgrade the building's heating, ventilating, and air conditioning systems. The Plaza Centre One—Renovate Second Floor project would renovate the University's leased space in the Plaza Centre One building in downtown Iowa City to house the University Departments of Purchasing, Accounts Payable, and Travel.

President Newlin asked what percentage of Plaza Center One is leased by the University. Vice President True responded that the University of Iowa Facilities Corporation owns the space on the 2nd and 3rd floors, which is 50 percent of the total space.

Regent Arbisser asked for clarification regarding the University having a travel office. Vice President True responded that staff of the travel office are part of the accounts payable department.

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

APPROVAL OF LEASES AND AGREEMENTS.

Associate Director Racki stated that the leases and agreements were reviewed by the Attorney General's Office and were recommended for approval.

MOTION: Regent Fisher moved to approve a lease amendment with U.S. Bank National Association for the University's use in downtown Iowa City of an additional 261 square feet of office space (18,331 square feet total), for transitional space for functions from the Health Sciences Campus., and a lease agreement with MVL Properties, LLC, for the Department of Pediatrics' use of office space in Iowa City for a substance abuse treatment study. Regent Turner seconded the motion, and upon the roll being called, the following voted: AYE: Ahrens, Arbisser, Becker, Fisher, Kelly, Neil, Newlin, Nieland, Turner.

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NAY: None.
ABSENT: None.

MOTION CARRIED.

President Newlin then asked Board members and institutional officials if there were additional items for discussion pertaining to the University of Iowa. There were none.

IOWA STATE UNIVERSITY

The following business pertaining to Iowa State University was transacted on Wednesday and Thursday, June 19 and 20, 2002.

PROPOSAL FOR A NEW UNDERGRADUATE MINOR IN CHINESE STUDIES IN THE COLLEGE OF LIBERAL ARTS AND SCIENCES.

ACTION: The proposal was approved on the consent docket.

PROPOSAL FOR A NEW INTERDEPARTMENTAL UNDERGRADUATE MINOR IN FOOD SAFETY.

ACTION: The proposal was approved on the consent docket.

PROPOSAL TO MERGE THE DEPARTMENTS OF ANIMAL ECOLOGY AND FORESTRY INTO THE DEPARTMENT OF NATURAL RESOURCE ECOLOGY AND MANAGEMENT.

ACTION: The proposal was approved on the consent docket.

REGISTER OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

Vice President Madden stated that the first item on the University's capital register was an architectural presentation on the renovation of Buchanan Hall. He introduced Michael Lewis and Kevin Eipperle of The Durrant Group to provide the design presentation.

Mr. Lewis stated that Buchanan Hall is a 93,739 square foot high-rise residential facility constructed in 1964 and located south of the main campus near Lincoln Way and Ash

Avenue. He said the project would remodel the existing facility and construct new space to provide student interaction areas consistent with the University's mission to support undergraduate living-learning environments in the residence halls. The project would relocate support areas into the building core to increase the occupancy of the residence hall by 23 beds. The project would construct new kitchenette areas and reconstruct the bathroom areas in each student room with new toilet and shower facilities. The project would also construct new accessible entrance additions, correct deferred maintenance items, and improve the aesthetics of the building.

Mr. Eipperle presented drawings of the site plan and floor plans.

Regent Becker asked for identification of the circles on the floor plans. Mr. Eipperle responded that those represented small patio spaces.

Mr. Eipperle stated that window bays and air conditioning units would be added to each room. Regent Fisher asked if the air conditioning units would protrude from the windows. Mr. Eipperle responded that they would not. He said each of the bays is a window seat. The air conditioning units would be located under the new window bay seating areas.

Mr. Eipperle described the typical floor plans for each type of room.

President Newlin asked if the loading dock would be relocated to the west side of the building. Mr. Eipperle responded affirmatively, stating that the loading dock access would be from Ash Avenue.

Regent Turner asked about the apartment that was identified on the floor plan for the first floor. Mr. Eipperle said that was the building manager's two bedroom apartment, which would be the only apartment in the building.

Regent Turner asked about wiring of the building for computer laboratories. Mr. Eipperle responded that the building currently is not wired but it will become wired through this project. Technology will be provided to every room.

Regent Turner asked what student population is currently served in Buchanan Hall. Director Alexander responded that Buchanan Hall serves the 21 years of age and older population. University officials would like to maintain that age student population after renovation.

Regent Becker asked about accommodating wireless technology in the common areas of the facility. Mr. Eipperle responded that the technology engineering staff have

discussed that possibility, but the matter has not been discussed with students. Regent Becker said it would be a good idea to talk about with students.

Regent Ahrens stated that, in the past, Buchanan Hall has been a good low-cost housing option. She asked what the building renovation will do to the student population it currently serves, assuming the price will increase. Director Alexander responded that a large percentage of international underclassmen are housed in Buchanan Hall as well as students 21 years of age and over, both of whom are generally more studious. He said the intention is to retain the same population. The building is not being filled currently. It is a lower cost housing option but not that much lower than other housing available on campus.

Regent Neil asked for the amount of increase in student housing cost for Buchanan Hall occupants on a yearly basis. Director Alexander responded that the cost would probably be similar to the cost of the new suite building, although probably not quite that high. He said the cost increase over current rates would probably be higher than 7 percent.

Regent Ahrens asked if the current population of Buchanan Hall would be able to pay that amount of increase. Director Alexander responded that University officials believe so. Buchanan Hall will still be a less-expensive option than some of the other options on campus.

Regent Neil asked for the square footage cost to build the new suite building. Director Alexander responded that the square footage cost was approximately \$200.

MOTION: Regent Becker moved to approve the schematic design and revised budget for the Buchanan Hall Renovation project. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President Madden stated that other projects in the University's capital register were the construction of a single-level parking deck over an existing parking lot located near the site of the Gerdin Business Building, a renovation in the Durham Center to upgrade computer laboratories to provide more interactive learning environments, and a program statement for the proposed Indoor Multi-purpose Use and Training Facility, the schematic design for which will be brought to the Board in July.

Regent Fisher asked about air conditioning in the Indoor Multi-purpose Use and Training Facility. Vice President Madden responded that the facility would not be air conditioned. It will be designed so that air conditioning can be added at future date. Some of the multi-purpose uses will require a hard surface flooring over the field which

will cost roughly \$750,000. The Athletic Director is optimistic that fund-raising efforts will be successful to provide these for the facility.

Regent Fisher asked if there was a possibility for a naming contributor for the facility. Vice President Madden said there was a high probability that will occur.

President Newlin asked about the necessity for outdoor portable toilet facilities. Vice President Madden responded that a limited number of inside toilets are being provided; however, the building is not being designed for indoor rest room facilities that would accommodate large crowds. It is primarily a practice-type facility. Athletes will use the existing locker rooms in the athletics complex. If there is a large crowd event, there will be a need for portable facilities or the use of toilet facilities in the stadium complex. He said that if the number of indoor events grows, there will be a point where more rest rooms could be added.

Regent Kelly asked about tornado safety for people in the facility. Vice President Madden responded that question could be asked of the architects next month when the schematic design is presented.

Regent Kelly asked who at the University is responsible for safety issues. Vice President Madden said that would be the Environmental Health and Safety Department.

President Newlin asked if the Indoor Multi-purpose Use and Training Facility would have rigid walls and a fixed roof. Vice President Madden responded affirmatively, noting that it would be a permanent structure.

MOTION: Regent Arbisser moved to approve the remaining items on the University's capital register. Regent Turner seconded the motion. MOTION CARRIED UNANIMOUSLY.

APPROVAL OF LEASES, EASEMENTS AND AGREEMENTS.

Associate Director Racki stated that the leases and easements were reviewed by the Attorney General's Office and were recommended for approval.

MOTION: Regent Fisher moved to approve a lease agreement with Ensoft Corporation for its use of business incubator space at the ISU Research

Park, Memorial Union Memorandums of Agreement for FY 2003 with the University Book Store, Printing Services Document Center, and International Education Services Department, easement agreements with the Xenia Rural Water District for the installation of water pipeline on four University farms, amendment to the agreement with the Muscatine Island Research Farm Association which extends the agreement on a year-to-year basis, incorporates an additional 66 acres of land, and reflects the new name of the Association, and amendment to the agreement with the Northwest Iowa Experimental Association which incorporates an additional 120 acres of land acquired by the Association. Regent Turner seconded the motion, and upon the roll being called, the following voted:
AYE: Ahrens, Arbisser, Becker, Fisher, Kelly, Neil, Newlin, Nieland, Turner.
NAY: None.
ABSENT: None.

MOTION CARRIED.

REVISIONS TO PROFESSIONAL AND SCIENTIFIC CLASSIFICATION SYSTEM.

Vice President Madden stated that the Board Office had done a good job of summarizing the University's request.

MOTION: Regent Turner moved to approve the revisions to the Professional and Scientific Classification System, as presented. Regent Fisher seconded the motion. MOTION CARRIED UNANIMOUSLY.

NAMING OF THE NEW TRANSIT STATION LOCATED IN THE IOWA STATE CENTER PARKING LOT AS THE ANN CAMPBELL TRANSIT STATION.

President Geoffroy presented Iowa State University's request to name the new Transit Station located in the Iowa State Center parking lot in honor of Ann Campbell, who was instrumental in developing the CyRide system. She actively sought out student opinion in Transit Board decisions. She often worked closely with the two student representatives on the Board to make them feel comfortable with the other members of

the Board as well as the important decisions that students make regarding bus service. Her commitment to active student participation helped many Transit Board student representatives formulate important policies. She assisted them in determining appropriate funding levels as well as proportionate ratios of funding between the Government of the Student Body, the City of Ames, and Iowa State University Administration.

President Geoffroy stated that the naming request was a student-initiated request which was endorsed by the University's Advisory Committee on the Naming of Buildings and Streets.

MOTION: Regent Kelly moved to approve Iowa State University's request to name the new Transit Station in the Iowa State Center parking lot the Ann Campbell Transit Station. Regent Ahrens seconded the motion. MOTION CARRIED UNANIMOUSLY.

DEMOLITION OF VETERINARY SURGERY BARN.

Vice President Madden presented the University's request to demolish the Veterinary Surgery Barn, located north of the Industrial Education 2 building and northwest of the intersection of Stange Road and Pammel Drive.

MOTION: Regent Kelly moved to approve the demolition of the Veterinary Surgery Barn. Regent Arbisser seconded the motion, and upon the roll being called, the following voted:
AYE: Ahrens, Arbisser, Fisher, Kelly, Neil, Newlin, Turner.
NAY: None.
ABSENT: Becker, Nieland.

MOTION CARRIED.

President Newlin then asked Board members and institutional officials if there were additional items for discussion pertaining to Iowa State University. There were none.

UNIVERSITY OF NORTHERN IOWA

The following business pertaining to the University of Northern Iowa was transacted on Wednesday and Thursday, June 19 and 20, 2002.

REGISTER OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

Vice President Schellhardt introduced Vice President Romano to begin the presentation on the Towers Center improvements.

Vice President Romano stated that renovation of the Towers Center has been part of the University's long-term strategic plan for residence system dining. She said the newly-remodeled Redeker Center dining area has been so successful that University officials are moving forward with the Towers Center project with quite a bit of confidence. Towers Center dining, which is a major dining facility used by students residing in Bender, Dancer, and Campbell Residence Halls, will not just be a duplication of Redeker Center dining. She then introduced the members of the design team: Robert Hartman, Mona Milius and Morris Mikkelsen from the University of Northern Iowa, and Dave Dulaney and Scott Sankey of RDG Bussard Dikis Architects.

Mr. Dulaney stated that the goal of the project is to enhance the quality of student life. The project will replace the current line style food service dining facilities with a contemporary "market place" concept within the existing building. A "Grab and Go" concept will also be developed on the second level along with enhanced study, computer lab and lounge spaces. He presented an overview of the schematic design, noting that the architecture looked much like that of the Scheman Building, in which this meeting was being held. He discussed the existing facility and its conditions, and the development of the new dining concept with various dining venues. An important part of the plan is access. The focus of the entire dining facility will be a large (8 feet wide by 4 feet tall) fireplace with seating near it. It is believed that the fireplace will set a new mood for dining in the Towers facility. He said a majority of the cooking will be done at the food venues, resulting in a smaller kitchen area. There will be natural lighting into

the north and south sides of the dining hall through the addition of skylights. It is anticipated that large amounts of wood will be utilized in the dining areas.

Following Mr. Dulaney's statement that there will be improvements in the toilet facilities, President Newlin said he assumed that the ratio of women's to men's toilets will be the Regents preferred ratio of 2-1/2 to 1. Mr. Dulaney responded affirmatively.

Mr. Dulaney stated that the HVAC in the entire building is being replaced. Sprinklers will be added to the entire building. The electrical transformers are being moved from the roof to the ground level. He reviewed the project schedule, as follows: In March 2003 the project will be put out to bid. Construction will begin in summer 2003 with occupancy anticipated for summer 2004. He said the project is within budget.

Regent Arbisser asked how many meals per day are served in the facility and if the remodeling will alter the staffing requirements. Associate Director Milius responded that 2,400 meals are served each day. She said there are many variables with regard to staffing. At this time, it is anticipated that staffing will be about the same.

Regent Kelly asked if the University receives many requests for special diets such as Kosher food or Islamic food. Associate Director Milius responded that most special requests are for vegetarian meals. There are very few requests for Kosher food.

Regent Turner asked if part of the roof will be replaced. Mr. Dulaney responded that one-half of the roof will be replaced. The major changes in the roof equipment that are included in the budget (removal and relocation of electrical equipment) will require some re-roofing.

Regent Turner asked if the roof is flat. Mr. Dulaney said it would depend on how one defines "flat".

Regent Neil asked if the mechanical units are being removed from the roof. Mr. Dulaney responded that the electrical transformers are being moved from the roof. Some interior electrical equipment will be placed in a room at the northwest corner of the second level. He said there will be no mechanicals on the roof.

Regent Ahrens referred to the 2,400 meals per day that are served at the Towers Center dining facility, and asked where those students will be serviced during the year of construction. Associate Director Milius responded that plans are being developed to reopen a dining center that was closed several years ago.

Regent Ahrens stated that she was excited to see the change for the better in the dining options for students. She was pleased that University officials are working on this change which will be a great benefit for students.

MOTION: Regent Arbisser moved to approve the schematic design and project description and budget for the Towers Center Improvements project. Regent Ahrens seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President Schellhardt stated that the capital register for the University of Northern Iowa was in order.

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

President Newlin then asked Board members and institutional officials if there were additional items for discussion pertaining to the University of Northern Iowa. There were none.

IOWA SCHOOL FOR THE DEAF

The following business pertaining to the Iowa School for the Deaf was transacted on Wednesday and Thursday, June 19 and 20, 2002.

PROPOSED CHANGES IN SIGN COMMUNICATION PROFICIENCY INTERVIEW (SCPI) LEVELS.

ACTION: This matter was approved on the consent docket.

REGISTER OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

Superintendent Johnson stated that the School's capital register was in order.

MOTION: Regent Fisher moved to approve the capital register, as presented. Regent Becker seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

AGREEMENTS WITH NEBRASKA DEPARTMENT OF EDUCATION.

Superintendent Johnson presented for the Board's approval the renewal of agreements with the Nebraska Department of Education.

President Newlin said it was great that the Iowa School for the Deaf has been able to work out this arrangement with Nebraska for the past five years.

Regent Ahrens asked if the number of Nebraska students being served by the Iowa School for the Deaf is increasing, decreasing or steady. Superintendent Johnson responded that the number of Nebraska students was down from the first year of the agreement.

Regent Ahrens asked if the flow of income will continue or whether it will continue to decrease.

Superintendent Johnson said he assumed the income will decline for the next couple of years, and then stabilize and begin to increase.

MOTION: Regent Arbisser moved to (1) approve renewal of the education services agreement (the academic year agreement) with the Nebraska Department of Education for FY 2003 at a tuition rate of \$62,759 per Nebraska student (\$39,252 for educational and related program services and \$23,507 for residential services); (2) approve renewal of the Nebraska Summer School Agreement for the summer school program of 2002 with a tuition rate of \$472 per Nebraska student, per week (\$240 for educational and related program services and \$232 for residential services); and (3) approve notification of the Board's intent to renew each agreement with the Nebraska Department of Education for FY 2004, pursuant to the provisions of the agreement. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin then asked Board members and institutional officials if there were additional items for discussion pertaining to the Iowa School for the Deaf. There were none.

IOWA BRAILLE AND SIGHT SAVING SCHOOL

The following business pertaining to the Iowa Braille and Sight Saving School was transacted on Wednesday and Thursday, June 19 and 20, 2002.

REGISTER OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

Superintendent Thurman stated that there were two items on the School's capital register. The first project was conversion of the barn at the back of the campus into a bus storage facility. The second project was another layer of sprinklers in Old Main underneath the new metal roof.

Regent Becker asked if School officials had considered utilizing a metal storage facility. Superintendent Thurman responded that School officials briefly considered such a facility but did not think it was the kind of building they wished to put on the campus. The cost of converting the barn is about what the School would pay for a Quonset hut-type facility.

MOTION: Regent Fisher moved to approve the School's Register of Capital Improvement Business Transactions, as presented. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin then asked Board members and institutional officials if there were any additional items pertaining to the Iowa Braille and Sight Saving School. There were none.

ADJOURNMENT.

Before adjourning, President Newlin asked to make some additional comments. He thanked Lisa Ahrens for her tenure on the Board of Regents. Last month, a dinner and program was held in her honor, at which the Board members and institutional officials expressed their appreciation to and affection for Regent Ahrens. He said he also appreciated that Regent Ahrens made her time available to consult with Neala Arnold, the newly-appointed member of the Board of Regents, who will complete Regent Ahrens' term.

Regent Ahrens stated that it had truly been a pleasure the last five years that she has served on the Board of Regents. She expected to finish out the sixth year but life has taken her in a different direction. She thanked everyone for the hard work put into the system, saying it was truly a pleasure to work with a group of individuals who are dedicated to the success of students, first and foremost, and to the enterprise as a whole. She has enjoyed the friendships that she has made and she looked forward to continuing those friendships. She said she will be watching over the Regent system in the future.

President Newlin stated that Lisa Ahrens had been an exemplary Regent. He wished her the best in her upcoming marriage.

The meeting of the Board of Regents, State of Iowa, adjourned at 3:05 p.m. on Thursday, June 20, 2002.



Gregory S. Nichols
Executive Director