

The Board of Regents, State of Iowa, met on Wednesday and Thursday, June 18 and 19, 2003, at the Iowa School for the Deaf, Council Bluffs. The following were in attendance:

	<u>June 18</u>	<u>June 19</u>
<u>Members of the Board of Regents, State of Iowa</u>		
Dr. Newlin, President	All sessions	All sessions
Dr. Arbisser	All sessions	All sessions
Ms. Arnold	All sessions	Excused at 12:15 p.m.
Dr. Becker	Excused	By phone from 9:50 until 10:00 a.m.
Mr. Downer	All sessions	All sessions
Mr. Forsyth	All sessions	All sessions
Mr. Neil	All sessions	All sessions
Ms. Nieland	All sessions	All sessions
Dr. Turner	Excused	By phone from 10:50 a.m. until 12:15 p.m.
<u>Office of the Board of Regents, State of Iowa</u>		
Executive Director Nichols	All sessions	All sessions
Director Barak	Excused	All sessions
Director Elliott	All sessions	All sessions
Director Wright	All sessions	All sessions
Assistant Director Anania	Excused	All sessions
Assistant Director Doyle	Excused	All sessions
Associate Director Hendrickson	All sessions	All sessions
Associate Director Racki	All sessions	All sessions
Communications Specialist Boose	All sessions	All sessions
Administrative Assistant Tuttle	All sessions	All sessions
Minutes Secretary Briggle	All sessions	All sessions
<u>State University of Iowa</u>		
President Skorton	All sessions	All sessions
Provost Whitmore	All sessions	All sessions
Vice President Jones	All sessions	All sessions
Vice President True	All sessions	All sessions
Director Katen-Bahensky	Excused	All sessions
Director Parrott	Excused	All sessions
Associate Director Braun	Excused	All sessions
<u>Iowa State University</u>		
President Geoffroy	All sessions	All sessions
Interim Provost Allen	Excused	All sessions
Vice President Hill	Excused	All sessions
Vice President Madden	Excused	All sessions
Executive Assistant to President Dobbs	Excused	All sessions
Assistant to President Chidister	Excused	All sessions
Director McCarroll	Excused	All sessions
Associate Director Baumert	Excused	All sessions
<u>University of Northern Iowa</u>		
President Koob	All sessions	All sessions
Provost Podolefsky	Excused	All sessions
Vice President Romano	Excused	All sessions
Vice President Schellhardt	Excused	All sessions
Special Assistant to the President Geadelmann	Excused	All sessions
<u>Iowa School for the Deaf</u>		
Dr. Johnson	All sessions	All sessions
Superintendent Prickett	All sessions	All sessions
Director Heuer	All sessions	All sessions
Interpreter Cool	Excused	All sessions
Interpreter Elker	Excused	All sessions
Outreach Coordinator Angeroth	Excused	All sessions
<u>Iowa Braille and Sight Saving School</u>		
Superintendent Thurman	All sessions	All sessions
Director Utsinger	All sessions	All sessions

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

www.state.ia.us/educate/regents

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

BOARD OF REGENTS, STATE OF IOWA

The following business was transacted on Wednesday, June 18, 2003, beginning at 10:50 a.m.

President Newlin welcomed everyone to the June meeting of the Board of Regents, State of Iowa. He noted that the meeting was being held in the Lied Multipurpose Complex on the campus of the Iowa School for the Deaf, which was a very nice facility.

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

MOTION CARRIED.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 10:55 a.m. on June 18, 2003, and adjourned therefrom at 6:24 p.m. on that same date.

The following business was transacted on Thursday, June 19, 2003, beginning at 9:55 a.m.

President Newlin thanked Superintendent Prickett and her staff for hosting the meeting.

APPROVAL OF MINUTES OF BOARD MEETING OF MAY 21-22, 2003.

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 21-22, 2003, meeting, as written, by general consent.

BOARD MEETINGS SCHEDULE.

ACTION: President Newlin stated the Board approved the Board meetings schedule, by general consent.

CONSENT ITEMS. (a) Affiliated Organization Reports. Receipt of the following affiliated organization reports was requested: Committee for Agricultural Development (associated with ISU) and Iowa School for the Deaf Foundation.

(b) Institutional and Board Office Personnel Transactions. Ratification of the following personnel transactions was requested. *University of Iowa:* Reappointments of Douglas True as Treasurer and Douglas Young as Secretary for the fiscal year beginning July 1, 2003, in accordance with Iowa Code §262.9. *Iowa State University:* Register of Personnel Changes for May 2003; reappointments of Margaret Pickett as Secretary and Joan Thompson as Treasurer for the fiscal year beginning July 1, 2003, in accordance with Iowa Code §262.9; appointment of Pamela J. White, Professor of Food Science and Human Nutrition and University Professor as Interim Dean of the College of Family and Consumer Sciences effective July 1, 2003. *University of Northern Iowa:* reappointment of Gary Shontz as Secretary and Treasurer for the fiscal year beginning July 1, 2003, in accordance with Iowa Code §262.9; appointment of Dr. Jeffrey W. Cornett as Dean of the College of Education, effective July 1, 2003, at an annual budgeted salary of \$134,000. *Iowa School for the Deaf:* Register of Personnel Changes for May 2003; reappointment of James Heuer as Secretary and Treasurer for the fiscal year beginning July 1, 2003, in accordance with Iowa Code §262.9; appointments of John Cool as Level I child abuse investigator and Lori Green and Jeanette Watson alternates for the fiscal year beginning July 1, 2003. *Iowa Braille and Sight Saving School:* Register of Personnel Changes for April 2003; reappointment of Luann Woodward as Secretary and Treasurer for the fiscal year beginning July 1, 2003, in accordance with 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, 2003. There were no transactions presented this month for the Board Office.

(c) Vendors with a Potential Conflict of Interest. Approval was requested of the following additions to the respective institution's list of approved vendors with a potential conflict of interest: University of Iowa—Geonetric LLC, Lone Tree Biostatistics L.L.C.,

Scholars For Educational Excellence & Diversity, Inc.; Iowa State University—Chris Martin Furniture.

(d) Establish a M.S. Degree in Athletic Training, University of Northern Iowa. Referral was requested of the University of Northern Iowa's request to establish a Master of Science degree in Athletic Training to the Board Office and the Interinstitutional Committee on Educational Coordination for review and recommendation.

(e) Proposed Pay Plan for Regent Merit System. Approval was requested of the following: Regent Merit System pay schedule for FY 2004 for employees in the AFSCME Blue Collar, Security, Technical and Clerical Bargaining Units; Regent Merit System pay schedule for FY 2004 for supervisory employees; and, the addition of one new classification to the Regent Merit System – Crime Prevention Specialist.

(f) School Calendar 2003-04, Iowa Braille and Sight Saving School. Approval was requested of the 2003-04 School calendar for the Iowa Braille and Sight Saving School.

(g) P&S Classification Revisions. Approval was requested of revisions to the Professional and Scientific Classification Systems at the University of Iowa, Iowa State University and Iowa Braille and Sight Saving School.

(h) Master of Arts in Teaching – Science (M.A.T.), Iowa State University. Referral was requested of Iowa State University's proposal to establish a Master of Arts in Teaching – Science to the Interinstitutional Committee on Educational Coordination and the Board Office for review and recommendation.

(i) Interdepartmental Graduate Program in Human Computer Interaction, Iowa State University. Referral was requested of Iowa State University's proposal to establish an Interdepartmental Graduate Program in Human Computer Interaction with M.S. and Ph.D. degrees to the Interinstitutional Committee on Educational Coordination and the Board Office for review and recommendation.

(j) Course Changes, University of Iowa. Referral was requested of the University of Iowa's proposed course changes to the Board Office and the Interinstitutional Committee on Educational Coordination for review and recommendation.

(k) Appointment to Banking Committee. Ratification was requested of the additional appointment of Regent John Forsyth to the Banking Committee, effective immediately.

Regent Forsyth asked to remove the following items from consideration on the consent docket: (d) Establish a M.S. Degree in Athletic Training, University of Northern Iowa

and (i) Interdepartmental Graduate Program in Human Computer Interaction, Iowa State University.

ACTION: President Newlin stated the Board approved the consent docket, with the exception of items (d) and (i) as noted above, by general consent.

Regent Forsyth asked if there were any space or staff implications in the request for an M.S. Degree in Athletic Training at the University of Northern Iowa. President Koob responded that staff were in place and no additional staff would be required. He said there were no direct space implications although the program is connected to the Human Performance Center project. The program can operate without the use of the Human Performance Center; however, use of that space would provide additional quality to the program.

MOTION: Regent Forsyth moved to refer University of Northern Iowa's request to establish a Master of Science degree in Athletic Training to the Board Office and the Interinstitutional Committee on Educational Coordination for review and recommendation. Regent Downer seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

Regent Forsyth asked if there were any space implications in the request for an Interdepartmental Graduate Program in Human Computer Interaction at Iowa State University. He then offered a commendation to President Geoffroy for reallocating funds from the President's office to help fund this initiative.

President Geoffroy responded that this program request was tied to one of the strongest research programs at Iowa State University: virtual reality. The virtual reality program has wonderful space in Howe Hall; therefore, there are no additional space needs.

MOTION: Regent Forsyth moved to refer Iowa State University's proposal to establish an Interdepartmental Graduate Program in Human Computer Interaction with M.S. and Ph.D. degrees to the Interinstitutional Committee on Educational Coordination and the Board Office for review and recommendation. Regent Downer seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

**PROPOSED SALARY POLICIES FOR PROFESSIONAL AND SCIENTIFIC STAFF
FOR FISCAL YEAR 2004.**

Director Wright stated that, on the consent docket, the Board had approved the pay policies and matrices for Regent merit system employees. The Regent merit system pay plan was developed through collective bargaining and provided for an approximate 8 percent salary increase for those employees. In this agenda item, the Board was asked to consider proposed pay ranges and policies for the 8,100 P&S employees, as follows:

University of Iowa—increase pay ranges for non-represented P&S staff for FY 2004 by 4 percent at the minimum and 2 percent at the maximum of each pay range. Departments were asked to strive for an average increase between 1.5 percent and 2.25 percent with all salary increases based on meritorious performance.

Iowa State University—increase pay ranges for P&S staff for FY 2004 and establish a pay policy that would provide an average increase of 2 percent with one-third of the increase provided for satisfactory performance and the remainder based on meritorious performance.

University of Northern Iowa—increase pay ranges for P&S staff for FY 2004 by 2.0 percent at the minimum and 3.5 percent at the maximum of each range. Departments were asked to provide an average increase of 3.5 percent with one-half of the increase provided for satisfactory performance and one-half for meritorious performance.

Special schools—increase pay ranges for P&S staff for FY 2004 by 3.5 percent at the minimum and 3.5 percent at the maximum of each range and establish a pay policy that would provide an average increase of 4.0 percent with all salary increases based on meritorious performance.

Board Office—average salary increase of 1.7 percent and increase pay ranges for P&S staff for FY 2004 by 1.5 percent at the minimum and at the maximum of each range. The schedule would also be modified to include a new pay range nine so the Executive Director would be on the same salary structure as the rest of the Board Office staff on the State payroll. Salary increases will be provided as flat dollar amounts and will average 1.7 percent with all salary increases based on meritorious performance. (Two adjustments totaling 0.3 percent are planned based on assigned duties and restoration of lost pay.)

President Skorton stated that the University of Iowa has 5,300 P&S staff, over 2,000 of whom are in the tertiary health care unit at the University of Iowa Hospitals and Clinics and whose salaries are paid in accordance with the collective bargaining process. He stressed the importance of P&S staff to the operation of the University. He said the salary recommendations were the result of an extensive process of consultation with elected leadership of the P&S staff and with human resources professionals.

Regent Arnold asked why the minimum pay grade at the University of Iowa was so much lower than that of the other two universities. President Skorton responded that he conjectured the reason was the wider breadth of activities of the University of Iowa. However, he said it was a good question and that he would look into the matter further.

President Geoffroy stated that Iowa State University's P&S pay plan was developed in consultation with the University's P&S Staff Council. He added that he wished there were more funds available with which to provide larger salary increases.

President Koob stated that most of the University of Northern Iowa's salary policies are covered by collective bargaining. For the last three years, the faculty contract has yielded a lesser increase than the average increase provided in the AFSCME contract for merit employees. He said the University's P&S staff have generously agreed to abide by the United Faculty settlement as opposed to the AFSCME settlement for their salary increases. He pointed out that, because of the regularly larger increases in salaries bargaining with AFSCME, an overlap is being experienced between the upper ends of the AFSCME staff pay grades and the lower pay grades of P&S staff.

Superintendent Prickett expressed support for the comments of her colleagues on all of the issues.

Superintendent Thurman stated, for the benefit of new Board members, that the P&S category has grown at the Iowa Braille and Sight Saving School over the last 15 years because of the increased professionalism of the School's staff.

Executive Director Nichols stated there was only one significant change to the salary grades of the Board Office, and that was the addition of grade 9. All P&S employees except the Executive Director have been included within a specific salary range and grade. Rather than the Executive Director position being undefined, a pay grade was created. With regard to salaries for Board Office staff, he said the net projected increase for all staff was 2 percent. Eighty-five percent of that amount will be used to provide increases based, in part, on performance evaluation and an additional 15 percent of the total would be provided selectively based on changes in duties and responsibilities.

MOTION: Regent Neil moved to (1) approve the proposed fiscal year 2004 Professional and Scientific salary schedules for the five Regent institutions and the Board Office, as presented; and (2) approve the proposed pay policies for fiscal year 2004 for Professional and Scientific staff at the five Regent institutions and the Board Office. Regent Forsyth seconded the motion. MOTION CARRIED UNANIMOUSLY.

PROPOSED SALARY POLICIES FOR FACULTY AT THE SPECIAL SCHOOLS FOR FISCAL YEAR 2004.

Director Wright stated that, approximately a decade ago, the Board undertook a plan to increase salaries of the special schools faculty. For FY 2004, institutional officials proposed that pay matrices be increased 2.5 percent at each cell. The increase between cells for years of service is 2 percent. He said the average percentage increase for current faculty is 3.9 percent at the Iowa School for the Deaf and 4.0 percent at the Iowa Braille and Sight Saving School with all changes to the salary structure included in the calculation. Iowa School for the Deaf officials proposed to increase the payment for head coaches by increasing the maximum of the structure by 5.0 percent, for assistant coaches by increasing the maximum by 2.0 percent, and for other extra-curricular activities by increasing the maximum by 5.0 percent to 12.3 percent, depending on the activity. Iowa Braille and Sight Saving School officials proposed to leave its pay structure for all forms of extra-curricular activities the same as for fiscal year 2003.

Superintendent Johnson pointed out that compensation for participation in extracurricular activities, in which many of the faculty are involved, has not been increased for several years. He referred to CED (Council of Education for the Deaf) certification, and stated that the target is for 90 percent of the Iowa School for the Deaf faculty to have received that national certification. He said the certification, which makes faculty better teachers, requires attendance at classes and workshops. School officials proposed that stipends be increased to \$750 for provisional certification and to \$1,200 for permanent certification.

Superintendent Thurman reminded Board members that officials of the University of Northern Iowa had created a program to train teachers of the visually impaired. A very strong candidate will be interviewed in the near future and, hopefully, the position will be filled. He thanked University of Northern Iowa officials for their support and assistance in this endeavor. He stated that the national shortage of teachers of the hearing- and visually-impaired is critical. For example, some public school systems are providing

teachers with \$10,000 to \$15,000 signing bonuses. A county in Maryland is advertising for a teacher at a starting salary of approximately \$60,000 (with a master's degree) and a \$10,000 signing bonus. Although that particular teaching position was the result of a court case, he said the national demand is critical. Salaries and support systems for teachers in Iowa must remain high.

Regent Neil asked for the nature of the court case to which Superintendent Thurman referred. Superintendent Thurman responded that the case was brought because of the absence of a certified teacher of the visually impaired in a classroom, which is considered "denial of Free and Appropriate Public Education."

President Newlin asked what year the law was passed. Superintendent Thurman responded that the original legislation, effective in 1977, was called the Education of the Handicapped Act. The legislation currently being reauthorized by Congress is called the Individuals with Disabilities Education Act.

MOTION:

Regent Arnold moved to (1) approve the faculty salary schedule for the Iowa School for the Deaf and the Iowa Braille and Sight Saving School for fiscal year 2004 and (2) approve the proposed supplemental pay schedules for extra-curricular activities at Iowa School for the Deaf and the Iowa Braille and Sight Saving School for Fiscal Year 2004. Regent Downer seconded the motion.
MOTION CARRIED UNANIMOUSLY.

**PRELIMINARY FY 2004 BUDGETS AND FY 2003 BUDGET CEILING
ADJUSTMENTS.**

Associate Director Hendrickson presented an overview of the preliminary FY 2004 budgets as well as budget ceiling adjustments for FY 2003. She stated that budgets are presented to the Board at various times prior to the Board's final approval. In May, the Board considered key budgetary issues to provide guidance in the development of institutional budgets. This month, the Board received preliminary budget details. In July, the Board will receive the final FY 2004 general and restricted fund budgets for approval.

BOARD OF REGENTS MEETING
June 18-19, 2003

The preliminary composite FY 2004 institutional general fund operating budgets, including operations of the University of Iowa Hospitals and Clinics, total \$1.7 billion:

University of Iowa	\$1,123,348,710
Iowa State University	426,278,344
University of Northern Iowa	139,287,339
Iowa School for the Deaf	8,855,862
Iowa Braille and Sight Saving School	4,980,037

Associate Director Hendrickson stated that, for the past several years, the Regent institutions have faced significant budget challenges with declining state appropriations. The Board and institutions have taken various actions to increase revenues and control expenditures which resulted in a shifting of resources. She said the universities plan to use some of the new tuition revenues and reallocations to address the shortfall in state appropriations, salary increases, and other non-discretionary operating cost increases. She noted that, during the tuition discussion in November 2002, the Board directed the universities to distribute at least 15 percent of gross tuition revenue for student financial aid, with an emphasis on need-based aid. She stated that all three universities had exceeded the 15 percent minimum, and referred Board members to the location of the information in the meeting materials.

Associate Director Hendrickson said the Board would be asked to act on the following at this meeting:

Budget ceiling adjustments at Iowa State University and Iowa Braille and Sight Saving School;

University of Iowa Hospitals and Clinics proposed rate increase of 9.5 percent; and

Distribution of FY 2004 appropriations to the Regional Study Centers.

MOTION:

Regent Arbisser moved to approve the distribution of the Regional Study Centers' FY 2004 appropriations as follows: Quad-Cities Graduate Study Center \$161,173; Tri-State Graduate Center \$79,940; and Southwest Iowa Regents Resource Center \$108,673. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

(a) University of Iowa.

President Skorton stated that the University of Iowa budget presentation was divided into two parts: 1) general University budget with an emphasis on the impact of the budget cuts of the last four years and 2) a detailed review of the University of Iowa Hospitals and Clinics proposed budget, presented by Director Katen-Bahensky. He provided a PowerPoint presentation which began with a description of the following principles underlying the budget process:

- The framework addressed the University's core values and strategic planning goals.
- Expenditure reduction strategies must protect recruitment and retention of a high-quality and diverse student body.
- Expenditure reduction strategies must protect recruitment and retention of excellent and diverse faculty and staff.
- Maintenance of a robust research, scholarly and creative enterprise.
- Continuing consultation with faculty, staff and student elected leadership.
- Average faculty and professional & scientific staff increases in the range of 1.5 to 2.25 percent.
- Enrollment growth of 500 students.
- \$2.1 million budget shortfall. (President Skorton said efforts will be made throughout the year to capture incremental revenue or to find further expenditure reductions to address the budget deficit.)

BOARD OF REGENTS MEETING
June 18-19, 2003

President Skorton presented highlights of the following University of Iowa FY 2004 budgets:

General Education Fund	\$467,620,000
University Hospitals	608,646,800
Psychiatric Hospital	18,805,800
Center for Disabilities and Development	8,870,900
Oakdale Campus	3,131,472
Hygienic Laboratory	6,809,643
Family Practice	2,157,177
Specialized Child Health Services	5,074,600
Primary Health Care	779,359
State Center Registry	183,322
Substance Abuse	66,534
Biocatalysis	903,984
Iowa Birth Defect Registry	45,781
Advanced Drug Development	113,172
Oakdale Research Park	95,345
Technology Innovation Center	44,821

Additional budgets presented to the Board include:

Athletics	42,099,546
Residence Halls	37,898,146

President Skorton addressed the budgets for the Oakdale Campus, Oakdale Research Park and the Technology Innovation Center. He said the University is experiencing serious problems in sustaining the quality of the Oakdale Campus (within which are a majority of the University's economic development initiatives) with the current budget. He projected this would be an area of concern for the foreseeable future. Economic development appropriations for the three preceding years have been reduced for the Oakdale Research Park and the Technology Innovation Center by over 60 percent. At the same time, the University is being asked to assist the state in economic growth. He emphasized that the University is expected to increase its economic development activities at the same time that state funding of economic development units is being dramatically reduced.

The next area addressed by President Skorton was the history of general education fund revenue. He presented graphs which illustrated the reduction in state appropriations and the increase in tuition funding by dollar amount and by percentage. He stated that, for the first time ever, the University's general education fund budget is

less than 50 percent from state appropriations and over 40 percent from tuition. He next presented a table of general education fund budgeted revenue for FY 2003 and FY 2004, and noted that state appropriations for FY 2004 were \$6,846,340 less than for FY 2003. Increased tuition revenue to the general fund for FY 2004 was projected at \$27,623,965. The following uses of new tuition revenue, many of which are non-discretionary, were proposed:

- Salary and Fringe Benefit Costs
- Student Aid Set Aside
- Earmarked Collegiate Surcharges (Net)
- Utility Inflation
- Property Insurance Premium Increases
- Opening New Buildings—Blank Honor Center
- Library Acquisitions
- Liberal Arts and Sciences Initiative/Faculty and Start-up
- Classroom Support and Enrollment Growth
- Graduate College
- State Agency Assessments
- Base Appropriation Reduction

President Skorton presented the following proposed uses of other new revenue:

- Salary and Fringe Benefit Cost
- Utility Inflation
- Property Insurance Premium Increases
- Opening New Buildings—Oakdale College of Medicine Facility
- Library Acquisitions
- Liberal Arts and Sciences Initiative/Faculty and Start-up
- Internal Medicine Faculty and Start-up
- State Cancer Registry
- Research Infrastructure and Regulatory Compliance
- Research Incentive Program
- Research Space Leases

President Skorton next addressed salary requirements. He stated that a portion of incremental revenue will help fund salary increase requirements. The units were asked to reallocate to meet the remaining salary requirements which amounted to 1.2 percent for the academic units and 1.81 percent for the administrative units. In an effort to protect the academic core of the University, for the fourth year in a row, University officials have disproportionately protected the academic units from the reductions in state appropriations.

Regent Neil asked about President Skorton's comment that this was the first time in history that state appropriations comprised less than 50 percent of the University of Iowa's general fund budget revenues. President Skorton responded that this was the first occurrence since 1970 and, therefore, was probably the first time in history.

Regent Nieland commended President Skorton for continuing to protect library acquisitions. She noted that the University of Iowa library ranks very well against those of its peers. President Skorton stated that all of the credit for the emphasis on library acquisitions goes to former President Coleman and Provost Whitmore. He said he was merely following their "path".

Regent Arnold expressed her appreciation for the emphasis on library acquisitions as well as on student aid set aside.

Regent Downer noted the 3 percent reduction in state funding for the Center for Biocatalysis and Bioprocessing, and stated that the Center has been one of the principal economic development activities of the University over the last decade.

President Skorton said he had promised the Board when he became President of the University of Iowa that he would spend a minimum of time complaining about the budget cuts, and he will continue to honor that pledge. He then stated that, in areas where the University has an ability to raise money on its own, University officials have had no choice but to reduce the University's support in those areas. Faculty and staff have risen to the challenge by being even more assertive about obtaining grants and contracts, including faculty in the Center for Biocatalysis and Bioprocessing. He said there may come a time when basic research infrastructure and basic funding for faculty and Professional & Scientific salaries will need to be protected. He noted that the Center for Biocatalysis and Bioprocessing is the largest faculty-directed center of its type in the country.

Director Katen-Bahensky presented the University of Iowa Hospitals and Clinics' (UIHC) proposed budget for FY 2004. She said her intent has been to provide the Board with detailed information and to rely on the Board to help her effectively lead the operation. She stated that patient care activity increased during FY 2003. The UIHC has maintained costs below benchmarks. Even though the FY 2003 operating margin had increased as compared to FY 2002, the operating margin will not meet the budgeted target of 3 percent. She projected that activities and costs would both increase in FY 2004. She presented a table with a five-year summary of operations and stated that, in the future, she will present, as well, a five-year projection. She said admissions are up, average length of stay is currently at 7.06 days compared to 7.34 days in FY 2002. Net

patient revenue is up. The acute case mix index is 1.63 for all patients and 1.83 for Medicare patients.

Regent Arbisser asked if revenues increase as the severity of the case mix index increases. Director Katen-Bahensky responded that Medicare revenues increase as the case mix index increases; however, the increased revenues are not equivalent to the increased cost.

Director Katen-Bahensky presented graphs which illustrated operating costs per adjusted discharge by service unit. She said the cost per adjusted discharge for the last four years is above the benchmark due to the adjusted discharge length of stay. Several ways in which Hospital officials are working on the length of stay include the new patient navigator program and the new Continuum of Care Department which is responsible for all patient discharge planning. In a meeting the previous day with officials of the Pottawattamie County relief office (a county from which a large number of state papers patients are referred), she received accolades for the UIHC's continuing care program. The program facilitates the receipt of care at UIHC for patients from the western side of the state. She pointed out that patients who are transferred to the UIHC from other facilities have a higher length of stay. Hospital officials will continue to work on transfer agreements in which referring hospitals agree that a patient will return to the referring hospital after having completed specialty care at the UIHC.

Director Katen-Bahensky stated that operating costs are impacted by: 1) length of patient stay and 2) day-to-day productivity and efficiency. She said there remain opportunities for reducing the cost of stay. Supply chain management is an area in which opportunities for additional efficiency exist. The purchasing office will work on reducing inventories. She stated that agency staff usage was an area in which many Board members were interested. The level of agency staff usage continues to decline. There are goals in all units to reduce agency staff levels between 30 percent and 50 percent.

Director Katen-Bahensky next addressed the operating margin. She said approximately 40 percent of teaching hospitals have a negative margin while the other 60 percent are achieving margins between 3 percent and 6 percent. Last year, the UIHC ended the year with a 1.9 percent operating margin while the average Iowa hospital had a 3 percent operating margin. She presented a table illustrating the bond rating financial ratio comparisons. She stated that, last fall, the UIHC's strong Aa bond rating was affirmed by both Moody's and Standard & Poor's rating agencies. The table of bond rating financial ratio comparisons illustrated that the days of cash on hand has not increased above the 1998 figure. According to Moody's Investors Service Publication, "Not for Profit Healthcare: 2002 Outlook and Medians", the median is 226 days of cash on hand. The University of Iowa Hospitals and Clinics' operating margin last year was

below the median. Currently, the UIHC's operating margin is at 2.3 percent to 2.5 percent which is also the projected end-of-year operating margin. The debt to capitalization percentage is low by comparison with the Moody's median. She said the UIHC will take advantage in the next few years of the \$100 million bond financing authorized by the 2002 General Assembly. The average age of the UIHC's plant is somewhat above the Moody's median (8.9 years versus 8.3 years). Director Katen-Bahensky said \$105 million is budgeted for FY 2004 for capital expenditures which includes equipment and facilities. She noted that, in the past, the UIHC's five-year capital plan has not included equipment. She will recommend including equipment in the five-year capital plan because the Hospital's activities are equipment intensive. Approximately \$26 million of reserve funds and future bond proceeds will be used for planning capital expenditures.

Director Katen-Bahensky pointed out that the FY 2004 budget was her first budget process as Director of the University of Iowa Hospitals and Clinics. She said it had been an effective process but there was room for improvement. She presented the following factors that influenced revenue and cost in development of the FY 2004 operating budget:

Revenues

Volume changes
Anticipated severity changes
Commercial payor mix
Further state appropriation reductions
Medicare/Medicaid changes

Costs

Salary and fringe benefit increases
Unfunded regulatory mandates (patient safety and emergency preparedness)
Severity increases
Recruitment and retention of quality patient care staff and clinical leadership
Inflationary increases in drug and medical supplies/implants

Anticipated changes in services in FY 2004 include a 5.6 percent increase in acute admissions, a 2.6 percent increase in clinic visits, a 1.3 percent increase in patient days, and a 6.8 percent reduction in length of stay. Director Katen-Bahensky said expanded services in FY 2004 include adult intensive care capacity, neonatal and pediatric intensive care capacity, emergency treatment center for chest pain, and radiology capacity.

Director Katen-Bahensky presented information on combined sources and uses of the FY 2004 budget. Staffing costs account for 60.9 percent of the budget and supplies and

services account for 33.5 percent. With regard to the University of Iowa Hospitals and Clinics cost structure, she said salaries and benefits costs continue to grow; the majority of funds spent are for staff covered by bargaining units. She presented a graph which illustrated fringe benefit costs as a percent of the salary dollar and stated that the ability to recruit and retain staff will be the number one deterrent to maintaining the operating margin in the future. She reported that members of the UIHC's senior leadership team will not accept a merit increase in salary next year because the operating margin goal was not achieved this year. The lack of funding for fringe benefit costs will have to be made up through rate increases and operating efficiencies.

Director Katen-Bahensky presented a graph which illustrated state appropriations to the combined Hospital units, which are declining. She stated that 87 percent of the current payors will not be impacted by the proposed rate increase. She next discussed a graph which illustrated the Hospital's gross charges payor mix by type and percentage.

Regent Forsyth noted that Wellmark's status as a payor creates no conflict of interest for him, since Wellmark has an established flat rate like Medicaid and Medicare. Director Katen-Bahensky confirmed Regent Forsyth's comment and then stated that commercial payors are somewhat different in that they pay a percentage of the Hospital's rates – representing approximately 20 percent of gross charges – rather than the full rates.

Director Katen-Bahensky presented a graph of the Hospital's incremental sources and uses of revenues for FY 2004. She said state appropriations will be reduced by \$1.3 million, new services and volume increases will generate \$38.7 million and the rate increase will generate \$25 million. Therefore, total incremental revenues are \$62 million. Uses of revenue include utilities, overhead and services. In addition to the rate increase, there will be a reduction in positions in order to achieve the operating margin. Approximately 56 vacant positions will be eliminated effective July 1. Additional efforts include reducing the supply chain by \$16.5 million. Uses of revenue include medical inflation (\$9 million), expanded services (\$37.5 million) and salary and benefit increases (\$27 million). She noted that the revenues generated by the rate increase will not even cover the increased cost of salary and benefits for next year.

The next area addressed by Director Katen-Bahensky was strengthening patient focus and maintaining financial health. She said a new strategic plan for the Hospital is being developed and will be presented to the Board in the fall. With regard to the initiative to recruit and retain world-class staff, she said the nursing magnet initiative application would be mailed on June 20, 2003. Board members will be informed of the proposed date of the site visit, which would hopefully take place later in the fall. The Hospital will be embarking on an aggressive nursing recruitment campaign, called 100 nurses in 100 days, which has been very effective nationally.

President Newlin asked for additional comment about the nursing magnet quality enhancement program. Director Katen-Bahensky responded that the American Nurses Credentialing Center of the American Nurses Association designates magnet hospitals which are nationally recognized as institutions that attract nurses because of the nursing practice environment. She noted there are less than 100 such designated hospitals in the U.S.

President Newlin asked how many of the 125 university hospitals have received the magnet hospital designation. Director Katen-Bahensky responded that less than 20 university hospitals are so designated and no hospitals in Iowa have received the designation.

Director Katen-Bahensky provided the following concluding remarks:

- Patient care activity is projected to increase significantly in FY 2004.
- Additional costs are expected to increase with the majority of these incremental costs in salary, benefits, supplies and implants.
- Despite budgeted improvements in productivity and reduced personnel and supply costs, UIHC will be unable to meet budgeted targets without a rate increase.
- UIHC has
- proposed 9.5 percent rate increase and requested Board approval at this meeting.

Regent Arbisser asked about the relationship of the residents cost of the cost structure and the professional fees revenue. Director Katen-Bahensky stated that the residents do not generate direct revenue to the Hospital because residents cannot bill. The practice plan physicians can bill for their supervisory work with residents. She noted that the Hospital receives some funding from Medicare for direct and indirect medical education.

Regent Neil asked if the physicians' billings are done through the Hospital. Director Katen-Bahensky responded that the Hospital performs the billing and collection on behalf of the physicians, and is paid a fee for that service.

Regent Neil noted that Wellmark also pays for medical education.

President Newlin referred to the graph which illustrated financing of planned capital equipment and facilities. He asked how much of the \$105 million planned expenditure in FY 2004 is for equipment. Director Katen-Bahensky responded that approximately one-half of that number would be for equipment. She said that in the past the Hospital's 5-year capital plan has never included capital equipment.

Regent Nieland asked what is included in medical inflation. Director Katen-Bahensky responded that medical inflation relates to the cost the Hospital has to pay for drugs, medical supplies, etc.

Regent Neil asked for the medical Consumer Price Index. Financial Analyst Sherry Cogswell responded that it was at 5 percent.

Regent Turner thanked Director Katen-Bahensky for a good presentation on the budget. She then asked if the projections were conservative or optimistic. Director Katen-Bahensky responded that the productivity and cost reduction projections were conservative and would be reduced even further.

Regent Turner referred to the nursing recruitment initiative and asked if nurses would be recruited from within the state or outside of the state. Director Katen-Bahensky responded that nurses would be recruited from within the state and outside of the state. The addition of 100 nurses cannot be accomplished from only within the state. Individuals who have worked at the Hospital previously and who want to move back to Iowa City will be recruited. Contact will also be made with Kirkwood Community College health science students in Cedar Rapids.

Regent Turner referred to the chart which illustrated the amount of state appropriations to the Hospital. She asked if the funds provided by the state for indigent care cover the cost of care. Director Katen-Bahensky responded that the appropriation does not cover the cost of providing care. Last year, the state provided UIHC with \$30 million for indigent care while \$77 million of care was provided. The amount of state appropriations to the UIHC does not drive the quota of the state papers program. The number of state papers patients is determined by a county's population. She said the UIHC cares for those patients regardless of the cost as long as the county stays within its quota and the patient is eligible for the program.

Regent Forsyth stated that he wished to make some observations. He commended Director Katen-Bahensky for an outstanding budget presentation with a great deal of data. He said the presentation illustrated that Iowa has an outstanding resource in the University of Iowa Hospitals and Clinics. The UIHC is serving the sickest of the sick; those who are sicker than the national average. At the same time, the length of stay is being reduced, which is even more impressive. There is good management of scarce

resources. With regard to the need to focus on the high cost per day, he said that was an area in which the Board would be interested in the UIHC's progress. He then pointed out that the UIHC is probably the only component of the Regents that funds depreciation. He commended Director Katen-Bahensky for including equipment in the capital expenditures category, and said it was very helpful to see the whole "picture".

Regent Forsyth noted that state appropriations to the University of Iowa Hospitals and Clinics have declined 14.8 percent over the last four years, a time when volume and acuity have increased. He said it was important to be able to illustrate that the UIHC is losing more money on each of those patients over time. Difficult decisions are having to be made. A strategic question which he believes the Board members need to think about is the level of UIHC support for academic programs. In the UIHC 2002 financial audits received last month, the net number was \$60 million.

Director Katen-Bahensky stated that the \$60 million related to all of the UIHC's transfers to the University including the College of Medicine and the College of Dentistry.

Regent Forsyth referred to the information presented on employee benefits. He said the UIHC's benefits are more than competitive in the labor market. With regard to Medicare reimbursement, he stated that assistance at the federal level to increase reimbursement to Iowa is critical. He said the operating margin of 2-1/2 to 3 percent is reasonable by every measure. With regard to payors and reimbursement rates, he said few payors pay the full rate and approximately 20 percent pay a discount. He noted that he viewed the FY 2004 budget as a transition year budget.

MOTION:

Regent Forsyth moved to (1) consider the preliminary FY 2004 general fund operating budget for the University of Iowa, including the operations of the University of Iowa Hospitals and Clinics, in the amount of \$1,123,348,710; and, (2) approve a 9.5% rate increase, effective July 1, 2003, for the University of Iowa Hospitals and Clinics, Psychiatric Hospital, and the Center for Disabilities and Development. Regent Arbisser seconded the motion.

President Skorton stated that it was very important that the interaction of academic and health care units be evaluated, which would be done. He referred to Regent Forsyth's reference to the \$60 million number and stated that about one-half of that amount is for services from the University, such as utility payments. He said that while the \$60 million includes some transfers, it also includes purchases of services from the University.

Regent Neil referred to the comment about the UIHC having sicker patients than any of its comparable institutions. He asked if that was a function of the state papers program. Director Katen-Bahensky responded that she believes it is a function of the tertiary nature of the UIHC's services, regardless of payor, and the state papers program. Patients on the state papers program tend to have multiple diagnoses and other psycho-social issues.

Regent Neil pointed out this was another incident of the state not meeting its obligation. The state is behaving like Medicare and not paying the full cost of care. He said many of the counties triage the state papers patients and send the University of Iowa Hospitals and Clinics the sickest of the sick.

Director Katen-Bahensky said she appreciated that the UIHC receives those patients. Regent Neil responded that the counties appreciate that the UIHC accepts the high-cost cases.

Regent Downer expressed appreciation for the detailed analysis by Regent Forsyth and said it had reaffirmed his sense that a fine job is being done by senior management at University of Iowa Hospitals and Clinics. He said he also commended Director Katen-Bahensky and her senior staff for foregoing merit salary increases, noting that doing so adds considerable credibility to the budget presentation.

VOTE ON THE MOTION: Motion carried unanimously.

(b) Iowa State University.

President Geoffroy provided an overview of Iowa State University's proposed FY 2004 budget. He described the general components of the overall budget and the sources of funding for each. The University's general fund budget is \$426 million, which is approximately one-half of the University's total budget. The remaining budget is funded from grants and contracts, restricted funds, and self-supporting activities. He said the general university component accounts for 84 percent of the general fund budget. The general university component comprises the core operation of the University—the eight academic colleges, the library, academic affairs, student affairs, physical plant, maintenance, and central administration. General university funding is provided from the education appropriations bill, tuition and fee income, indirect cost recovery, and from interest and other income.

President Geoffroy said the next largest component in the general fund budget includes the Agriculture Experiment Station and the Cooperative Extension Service. Those two components comprise 15 percent (\$65 million) of the general fund budget and are

BOARD OF REGENTS MEETING
June 18-19, 2003

funded separately in the education appropriations bill, through federal funds, and from interest and other income.

President Geoffroy stated that \$700,000 of the general fund revenue is for the Leopold Center and the Livestock Disease Research Center, which are funded separately in the education appropriations bill. He said three of the University's units are funded by \$2.5 million in economic development appropriations—Small Business Development Center, Iowa State University Research Park, and Institute for Physical Research and Technology.

President Geoffroy next addressed the factors that shaped development of the FY 2004 budget. There was a \$7 million reduction in state appropriations. The University received no state funding for salary increases. There was level funding in the University's economic development appropriation. He stated that the average salary increase to faculty and Professional & Scientific staff will be 2 percent. When coupled with the required merit increase package, the total compensation increase is \$10 million. He said new revenues from tuition and fee increases will total \$24 million and \$3 million will come from increased indirect cost recovery.

President Geoffroy said the \$7 million appropriations reductions were as follows:

- \$5,500,000 for the general university
- \$900,000 for the Experiment Station
- \$571,000 for the Cooperative Extension Service
- \$13,000 for the Leopold Center
- \$6,000 for Livestock Research

President Geoffroy presented the following overall summary of the FY 2004 budget of Iowa State University. In addition to the appropriation reduction totaling \$7 million, compensation increases will cost \$10 million, and unavoidable cost increases are projected at \$11 million. He said \$10 million of new revenues and reallocations will be targeted to strategic initiatives. The bottom line was that the budget will be balanced.

President Geoffroy itemized the following unavoidable cost increases for FY 2004:

- Student financial aid
- Memorial Union operations
- Opening new buildings
- Home security and Student Exchange Visitor Information System
- Property insurance
- Campus safety
- Americans with Disabilities Act and Health Insurance Portability and Accountability Act compliance
- Rent increase
- Campus childcare

- Lakeside Laboratory
- State Attorney General fee

President Geoffroy identified important strategic initiatives that are priorities for Iowa State University. There will be seven new faculty positions in focused academic initiatives. Eight new faculty positions will be funded through the reallocation process. Funds will be set aside for special faculty recruitment and retention. The library materials budget was adjusted for the cost of inflation. Critical information technology needs will be addressed. Research incentives and support will also be funded.

President Geoffroy presented a four-year budget summary which illustrated the impact of the \$72 million (\$57 million in state appropriations and \$15 million in under-funding of salary increases) decline in state funding to the University. During the same period, the University experienced unavoidable cost increases of \$32 million. He said that, over the last four years, the University has collected new tuition revenues of \$70 million, leaving \$34 million of reductions and cost increases that were not covered by the new tuition revenues. He pointed out that state appropriations have declined at the same time that enrollments have increased. Iowa State University received 17 percent less state appropriations per student in FY 2003 compared to FY 2001.

President Geoffroy presented graphs which illustrated the impact of budget cuts on student-to-faculty ratio and course size.

President Newlin asked President Geoffroy what class size would maintain the quality of instruction. President Geoffroy responded that he was unable to provide an absolute number. For example, close faculty-student contact is necessary in a foreign language or English composition course. Other courses can be taught in 300-student classes. He said the appropriate class size would also depend on the teaching quality of the instructor.

President Geoffroy addressed the continual decline in ranking of Iowa State University faculty salaries in comparison with those of its peers, noting the decline was due to the budget reductions. He presented a graph which illustrated the index of faculty salaries compared to peer land grant universities and a table of average 2002-2003 salaries compared to peer institutions. He said he was concerned because Iowa State University ranks next to last in average salaries among its peer institutions, which indicated how difficult it is to compete against peer institutions for quality faculty.

In summary, President Geoffroy stated that Iowa State University officials had assembled a balanced budget for FY 2004 based on the parameters that he had described. He said the overall budget cuts of the last several years have clearly had an impact, but those reductions have been managed well. The top priority is to maintain

high-quality education for students, an area in which he believed the University had been successful.

Regent Downer asked over what period of time the University experienced the 17 percent per student reduction in state appropriations. President Geoffroy responded that the reduction occurred from fall 2000 to fall 2003.

Regent Forsyth commended Iowa State University officials for dedicating over \$10 million in FY 2004 to strategic initiatives, for reallocating from the offices of the president and of the vice presidents, and for the reallocation to graduate student support. He then referred to the issue of faculty salaries and stated that it is a strategic issue for the University.

President Newlin referred to a table on the impact of the reduction in state funding. He said it illustrated the under-funding of salaries, a fact which is apparently not understood by the legislature.

MOTION: Regent Forsyth moved to (1) approve the FY 2003 budget ceiling increase of \$2.0 million for a revised general fund operating budget of \$411,721,602 and (2) consider the preliminary FY 2004 general fund operating budget for Iowa State University in the amount of \$426,278,344. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) University of Northern Iowa.

President Koob stated that the details of the proposed FY 2004 budget for the University of Northern Iowa were presented in the meeting materials. He said the FY 2004 budget includes a \$10.3 million problem for the University, \$2.4 million of which is a direct cut in appropriations. He said the state also did not provide funding for the \$3.7 million in mandated salary increases or the \$1.2 million in annualization of salaries from last year. Another \$3 million obligation is for cost increases over which the University has no control, such as utilities, and for unfunded needs from the previous year. He stated that the proposed FY 2004 budget included reallocated funds plus tuition to meet the revenue gap, and a series of reallocations within divisions to meet strategic goals of the University. He noted that, when University officials present the performance indicators in November, Board members will be provided with information on the impact of the budget on student-faculty and tenure-track faculty ratios.

Regent Forsyth said he was pleased that the budget includes reallocation for building repairs.

Regent Downer noted the proposed tripling of funds dedicated to building repairs and asked if there was a specific factor that required the increase in funds. President Koob responded that, in recent years, the traditional building repair budget was at least \$2 million per year. Last fiscal year, University officials were forced to use unexpended building repair funds to cover the reduction in state appropriations. At that time, University officials pledged to the Board that the building repair budget would be rebuilt.

Regent Arnold noted that the tuition set aside was proposed to decrease from 19 percent in FY 2003 to 18 percent in FY 2004. She asked if the dollar amount of the two years would be similar. President Koob responded that the amount of funds set aside would be significantly more in FY 2004 than in FY 2003. He said University officials determined that, although the University budgeted for 18 percent set aside, more than that amount was actually being spent. Therefore, the decrease from 19 percent to 18 percent was more a change in accounting procedure than anything else.

ACTION: President Newlin stated the Board considered the preliminary FY 2004 general fund operating budget for the University of Northern Iowa in the amount of \$139,287,339, by general consent.

(e) Iowa Braille and Sight Saving School.

Superintendent Thurman stated that Iowa School for the Deaf officials had allowed him to make his budget presentation prior to the Iowa School for the Deaf presentation. He was departing in approximately one hour to provide some much-needed insight to Congress as it deliberates reauthorization of the Individuals with Disabilities Education Act.

With regard to the School's proposed FY 2004 budget, he said the budget was the culmination of three years of very tight economic times for the School. He "painted" the following environmental "picture". Last year, Superintendent Thurman informed Board members that there would be serious cutbacks to the area education agencies. Five of the area education agencies have now combined into two. Discussion is underway about combining other area education agencies in the near future. There is also concern that funding for the area education agencies will become increasingly tight and focused. The effect of these changes will impact on services for children with visual impairment. He said the mission of Iowa Braille and Sight Saving School is to provide services to children whether they are on the School's campus or off campus. The four initiatives in the School's strategic plan each have a dimension related to on-campus

and off-campus activities. Therefore, the Iowa Braille and Sight Saving School will attempt to fill some of the gaps that will be caused by the cutbacks to the area education agencies.

Superintendent Thurman thanked the Board for its efforts on the School's behalf which had resulted in a 2-1/2 percent increase in the FY 2004 operating budget. He expressed concern about what is happening to salaries, noting that the cost of salaries and benefits at the School is approaching \$200,000. He referred to the correlation between the School's strategic plan and the lines within its budget. He said the School is fulfilling its mission, resources are being pooled to provide services to children wherever they may be, and the strategic planning process is being followed.

President Newlin encouraged Superintendent Thurman to do a good job of lobbying Congress.

MOTION: Regent Arbisser moved to (1) approve the FY 2003 budget ceiling increase of \$57,347 for a revised general fund operating budget of \$4,833,772 and (2) consider the preliminary FY 2004 general fund operating budget for the Iowa Braille and Sight Saving School in the amount of \$4,980,037 and the restricted fund budget of \$2,041,181, for budgets totaling \$7,021,218. Regent Nieland seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

President Newlin asked that the Board consider the FY 2004 capital improvement plans at this point in the meeting because several Board members would be unavailable later in the day.

FY 2004 CAPITAL IMPROVEMENT PLANS.

Regent Becker made the following comments prior to the Board's consideration of this agenda item, and then was excused from the meeting due to technical difficulty with the telephone connection. She stated that the Board Office and institutions had done a very good job of addressing the Board's concerns that were raised at last month's meeting. She voiced her support for the proposed policies for capital improvements as outlined in the meeting materials.

Executive Director Nichols stated that the Board Office presented proposed policy recommendations for Board consideration. The policies related to enhanced criteria for approval of capital projects as well as clarification about when a capital project is

considered to have received final Board approval. Details of proposed FY 2004 institutional capital plans, including anticipated new projects and ongoing major projects, were also provided for Board consideration. He stated that nothing in the proposed policy would prohibit the Board from taking action at any time on any project; rather, the policy establishes a higher standard, through the set of criteria, for the various initial approvals. With regard to the definition of final approval and the definition of major capital projects, he said six projects were identified as having received final Board approval to proceed with construction in accordance with the proposed definition.

Regent Turner stated that recommendation 1.a. was vague in the wording "about \$1 million": Major capital projects are defined as any new construction projects and any new renovation projects with estimated project budgets of about \$1 million or more. Director Elliott responded that, when the institutions first bring a proposed project to the Board for permission to proceed, which is required for all projects for which the project budget is anticipated to be \$1 million or more, it may be unknown whether the project will cost \$1 million or more. The intent is to ensure that, if an institution estimates a project to cost close to \$1 million, institutional officials follow all of the criteria.

Regent Forsyth stated that he believed the recommendation was a major step in the direction he suggested last month, for which he thanked Board Office staff, and may well be an appropriate step at this time. However, there was no early focus on an institution's prioritization. He said it was important that, if the Board moves forward in adopting the Board Office proposal versus his recommendation for a freeze on capital projects, Board members understand the prioritization of projects.

Regent Forsyth referred to the timing of Board approvals, as follows, and questioned whether the steps were in the right order:

Institutions must currently receive Board review and approval of new construction and major renovation projects in five critical steps prior to construction.

- Permission to proceed with project planning
- Architect/engineer agreement
- Program statement
- Schematic design
- Project description and budget

Regent Forsyth next addressed fund raising and philanthropy, noting that sometimes philanthropy takes place prior to the Board's approval to pursue a project. Therefore, he asked that the policy be very crisp in addressing when the institutions can pursue donors.

Regent Forsyth referred to the proposed language regarding final project approval, and suggested the following change:

The Board will have full discretion to halt or delay a project at any stage of the process ~~prior to final project approval.~~

Regent Forsyth stated that it would be very unusual for the Board to halt a project during construction, but cautioned that the proposed policy, as written, would invalidate the Board's prerogative of governance.

Regent Forsyth provided the following suggested revision to the section on fund raising:

Periodic updates on solicitations will be provided to the Board ~~members.~~

Regent Forsyth expressed his belief that the Board as a whole and not as individuals should receive the updates on solicitations. He said he concurred with proceeding with the six identified projects that have already been authorized.

Executive Director Nichols referred to Regent Forsyth's suggested changes to the proposed policies. He agreed that information should be provided to "the Board" rather than to "Board members". With regard to the timing of presentation of the schematic design, project description and budget, he said the intent was for those elements to be more closely aligned. In the past, the order in which the elements have been presented to the Board has not been consistent.

President Newlin asked Executive Director Nichols to comment on Regent Forsyth's suggestions regarding prioritization and the timing of fund raising. Executive Director Nichols responded that he agreed with the comment about solicitation of donors. With regard to prioritization, he said he agreed that, in general terms, prioritization was not addressed. As an interim step, he suggested utilizing the five-year capital plan to be presented this fall.

Regent Forsyth stated that, prior to the Board acting on the Board Office recommendation, he wanted to have a better understanding of the issues on prioritization and fund raising. His desire was that the policies to be adopted by the Board be very crisp and that there be an understanding that the projects that may come forward this year may well have a higher hurdle. He stated the Board has had ongoing discussions regarding the need for faculty salaries funding and the need to keep the rate of tuition increase in the single digits. The Banking Committee members have discussed the expectation that the economy in the next several years will be more like the last several years than like eight or nine years ago. He said there must be a re-thinking about capital expenditures in the current economic environment.

Regent Downer stated the Board Office proposal was very well done, for which he commended Executive Director Nichols and staff. He said he was interested in hearing comments from institutional heads with respect to the proposed policy.

President Skorton expressed his agreement with Regent Forsyth's comments about the need to 1) prioritize capital projects and 2) establish a crisp milestone before which certain kinds of fund raising can be initiated. He expressed support for a higher standard for capital project approvals. With regard to the issue of prioritization, he offered to assist in developing a system that would recognize that an institution may have more than a single "highest" priority. He stated that comprehensive universities have multiple types of buildings—academic, research, dormitories—with a variety of sources of funding. He asked that institutional heads be allowed to try to convince the Board that prioritization can be done in a constructive and systematic way.

With regard to the issue of fund raising, he asked to broaden the discussion beyond philanthropic fund raising. President Skorton stated that universities that are research intensive—especially Iowa State University and the University of Iowa—bring in overhead that helps to retire debt on research buildings. He said there are circumstances, when responding to a federal grant or other solicitation, when a university has to make a commitment to supply the needed infrastructure to carry out the research. Those are speculative actions to be included within grant applications. If the grant application is funded, the University must move forward with its commitment. Therefore, he asked that a procedure be developed for responding to that type of fast-moving grant opportunity and that the institutions not be limited by the month-to-month Board meetings.

With the caveats about the prioritization of different types of activities and the ability to be responsive to grant opportunities, he said the University of Iowa would be very willing to work with the proposed system.

President Geoffroy stated that Iowa State University has a very good internal capital prioritization process and could work with the proposal in that regard. He then addressed the challenge of juggling a large number of projects over a prolonged time period. He referred to the Student Athlete Academic Services building, anticipated to cost \$6 million, that was included in the University's itemization of anticipated new capital projects for FY 2004. Although it would probably be five to seven years before the project groundbreaking would take place, he said University officials have to begin project planning. Preliminary questions include the site location on campus, what will be in the building, and assessing the feasibility of raising money for the project which requires contacting donors to determine whether there would be interest in supporting the project. He stated that, at any one time, the University may have five to ten projects

in that stage of development. An effective planning process must begin very early. He said University officials need to have flexibility to request permission to proceed with the planning on a variety of projects.

Regent Neil asked at what point in the proposed policy university officials would come to the Board to discuss the need for a new facility. President Geoffroy responded that University officials would come to the Board at the very beginning. With regard to the Student Athlete Academic Services building, he said he would like to bring the project to the Board in the next couple of months, following the new procedure. He anticipated there would be many projects for which University officials would come forward over the next several months to request permission to proceed with the planning process.

President Koob addressed the following Board Office recommendation:

An institution must notify the Executive Director prior to solicitation of private and/or federal funds for major capital projects by an affiliated organization or the institution. Upon notification, the Executive Director may determine the necessity of Board action prior to the institutions proceeding with solicitation. Periodic updates on solicitations will be provided to Board members.

President Koob stated the policy assumes that some indication of the concerns that might be passed forward to the Board would be forthcoming to the institutions.

President Koob then referred to the concerns expressed by his colleagues about the prioritization of capital projects. He stated that, while projects are prioritized on campus, the universities do not necessarily have control over the priorities of those who supply the funds. For many years, University of Northern Iowa officials have desired new facilities for the University Museum. The Museum is a significant element of the instructional program and supports many departments in many of the colleges. However, identification of donors who have an interest in funding the Museum has not been forthcoming. Donors' priorities are not necessarily the same as the University's priorities. He said the same was true with respect to federal funding. University officials work to find the match between the University's priority for the campus and the priority of those supplying the funds.

Regent Forsyth stated that, although he did not disagree with the comments of the three presidents, he believes the comments were said in a "rear view mirror" perspective as opposed to a prospective perspective. He said it is not going to be "business as usual". The resources the institutions have historically received will no longer be received. Each new building costs money not only to build but to maintain. Adequate funds are not being provided for maintenance of existing facilities nor for faculty salaries. From his perspective, the rate of tuition increases, and faculty retention and recruitment are

more important than new buildings. Therefore, he asked that the university presidents think differently about the future because it will be very different than the long-term past.

President Newlin asked if Regent Forsyth was comfortable with revising the wording relating to project approval, about which he expressed concern, as follows:

The Board will have full discretion to halt or delay a project at any stage of the process.

Executive Director Nichols stated that the proposed revision would make the distinction about when the institutions had received final approval to move forward with construction of a project. The revision would also preserve the Board's prerogative to delay or halt a project at any stage for special circumstances.

Regent Forsyth agreed to the revision as presented by President Newlin.

President Newlin asked if Regent Forsyth was comfortable with revising the section on fund raising, about which he expressed concern, as follows:

Periodic updates on solicitations will be provided to the Board.

Regent Forsyth agreed to the revision as presented by President Newlin.

President Newlin asked Regent Forsyth if he would be satisfied with adopting the Board Office recommendations, as revised above, with the understanding that further crispness would be provided with regard to fund-raising and to prioritization. Regent Forsyth responded that he would be satisfied.

MOTION:

Regent Forsyth moved, with the understanding regarding fund raising and prioritization, to (1) Create a higher standard for approvals, adopt the following as additional, new Board policies for major capital projects, effective July 1, 2003: (a) The Board directs its institutions to minimize the need for increased operating funds related to new construction and renovations while, at the same time, continuing to emphasize funding needed for on-going maintenance and repairs. (b) Major capital projects are defined as any new construction projects and any new renovation projects with estimated project budgets of about \$1 million or more. (c) Institutional submissions

BOARD OF REGENTS MEETING
June 18-19, 2003

for Board action on major capital projects will also be evaluated based on the new criteria, as presented. (d) Institutional requests for Board approval of a "project description and budget" (including funding sources) are to be presented no later than the time at which the "schematic design" is presented. (e) Board approvals of both the "schematic design" and "project description and budget" (including funding sources) will constitute Regents final project approval for construction of a capital project. (f) An institution must notify the Executive Director prior to solicitation of private and/or federal funds for major capital projects by an affiliated organization or the institution. Upon notification, the Executive Director may determine the necessity of Board action prior to the institutions proceeding with solicitation. Periodic updates on solicitations will be provided to the Board. (2) Acknowledge that the six identified major capital projects have already received final project approval for construction. (3) Receive the FY 2004 capital plan. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Skorton asked if the motion included approval to move forward with the six identified projects. President Newlin responded affirmatively.

President Skorton stated, for the record and on behalf of his two fellow presidents, that the Board had engendered a very serious reconsideration of capital projects. He said none of the comments that were made should be interpreted as suggesting it will be business as usual. The presidents and the vice presidents of finance have met and discussed how to make changes in the direction described by the Board. He stated that institutional officials need to, and intend to, prove to the Board by their future actions.

President Newlin said he wished to comment on the recent announcement of a change in the organizational oversight of the health care delivery functions at the University of Iowa. He stated that President Skorton had recently informed the Board that Vice President for Health Affairs Robert Kelch is leaving the University of Iowa for a position at the University of Michigan. He expressed the Board's appreciation to Dr. Kelch for his vision and for the major, positive contributions that he has made to the Carver College of Medicine, the University of Iowa Hospitals and Clinics, and to the University of

Iowa. He also thanked Dr. Kelch for his successful efforts to strengthen the academic medical center at the University of Iowa.

President Newlin expressed the Board's support of President Skorton's decision to assume direct oversight responsibility for the clinical partnership of the University of Iowa Hospitals and Clinics and the Carver College of Medicine. He stated that the Board has complete confidence in President Skorton; in Donna Katen-Bahensky, Director and CEO of the University of Iowa Hospitals and Clinics; in Dr. Jean Robillard, Dean of the Carver College of Medicine; and, in the members of their senior management teams. He said Board members know they will all work closely with the Board to guide the critical activities of the University's clinical units. In this way, the continued excellence of patient care delivery at the University of Iowa will be insured.

MOTION: Regent Neil moved to support President Skorton's organizational plans. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Skorton expressed appreciation for the Board's vote of confidence in the team. He said Robert Kelch will be missed. Dr. Kelch has made enormous contributions to the University of Iowa and University officials will continue to move forward in a positive and constructive manner. On behalf of Jean Robillard and Donna Katen-Bahensky, and their staff, President Skorton thanked the Board.

(d) Iowa School for the Deaf.

Dr. Johnson stated that School officials presented a "flat" budget. He said he was pleased that the salary increases had been made permanent within the budget. The 2 percent increase in appropriations for FY 2004 helped tremendously in addressing salary needs of the School. The proposed budget will maintain the School's current programming and allow Superintendent Prickett an opportunity to review the School's needs.

Superintendent Prickett thanked Dr. Johnson for facilitating the budget process. She noted that she had just become an Iowan on the previous Saturday.

ACTION: President Newlin stated the Board, by general consent, (1) approved the FY 2003 budget ceiling increase of \$57,347 for a revised general fund operating budget of \$4,833,772 and (2) considered the preliminary FY 2004 general fund operating budget for the Iowa Braille and Sight Saving School in the amount of \$4,980,037

and the restricted fund budget of \$2,041,181, for budgets totaling \$7,021,218.

(f) Board Office.

Executive Director Nichols stated that the preliminary Board Office budget had undergone refinement since the meeting materials were printed. A revised budget will be presented to the Board for approval in July. The following changes would be made to the preliminary budget presented at this meeting:

- Institutional reimbursements will be decreased to a level identical to FY 2003.
- There will be a reduction in total revenue of \$60,000.
- Expenditures will be a few hundred dollars less than the FY 2003 budgeted amount.
- The \$35,000 identified as unspecified for economic development purposes will be removed from consideration because it was deemed to be premature.

Executive Director Nichols said the budget would be revised to a level of \$2,489,077. He noted that, included within the Board Office recommendation, was a request to implement on July 1 the staff salary changes for the Board Office, consistent with the budget parameters.

MOTION:

Regent Neil moved to (1) consider the preliminary FY 2004 operating budget of the Board Office in the amount of \$2,548,588 from all funds; (2) authorize the Executive Director to proceed to implement salary changes for current Board Office staff, effective July 1, at an aggregate level of 1.7 percent merit increase budgeted for existing staff and 0.3 percent for other pay adjustments; and (3) direct the institutions to include projected Board Office reimbursement at levels identical to FY 2003 in institutional FY 2004 final budgets for approval in July. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin asked to digress, and stated that the Board had a nice dinner program the previous evening in honor of Superintendent Johnson. He said Superintendent Johnson's contributions to the Iowa School for the Deaf over the past 16 years were

many, and included academic strengthening, facility improvements, and the planting of 1,501 trees. He then asked that Superintendent Johnson provide a few remarks.

Superintendent Johnson stated that the Iowa School for the Deaf is very important to him personally because he has had a family member in attendance or working at the School since 1868. His family has benefited tremendously from the School. He said he hoped he had done what the Board had expected of him and that he had accomplished many of the targeted goals. He expressed appreciation for the Board's support, and the support of former Regents and the Board Office, as well as the opportunity to be a part of the Regent enterprise.

President Newlin welcomed Superintendent Jeanne Prickett on behalf of the Board of Regents, and said they looked forward to working with her.

(g) Athletics.

Executive Director Nichols stated that the Board reviews athletics budgets independently from institutional budgets. He said intercollegiate athletics at the three universities are significant revenue-generating activities, although not necessarily in excess of expenditures. Support from the university varies depending on the needs and priorities within each institution. In the aggregate, he said the preliminary athletic budgets total \$78 million across the enterprise. An issue raised by the Board Office for Board consideration was what are the appropriate levels for student fee support and general university support for athletics. He noted that the circumstances at each institution are different and need to be reviewed independently from one another.

President Skorton stated that intercollegiate athletics is an important part of the University of Iowa. Athletics should be nearly a self-supporting operation. A small contribution from the general university is directed toward athletics, including the funds for gender equity in athletics. He said University officials welcomed the exercise suggested by the Board Office for discipline in the expenditure of general university funds.

Regent Forsyth said he assumed that, historically, the Athletic Department was a stand-alone revenue stream that broke even and actually had a positive balance. He assumed athletics was assigned responsibility for the revenue streams of the campus recreational facilities. He asked if the broader campus recreational buildings should be removed from athletics since there would be less general fund support to intercollegiate athletics than the way it was presented in the meeting materials.

Vice President True observed that the student building fees were not 100 percent dedicated to athletics, although it may appear that way in the meeting materials. For

instance, when the bonds were sold for the Carver Hawkeye Arena, the proceeds supported both the Fieldhouse renovation and the new Arena. The Fieldhouse is used predominantly for recreation. Similarly, the Board authorized a bond sale two to three years ago for a number of activities that serve both intercollegiate athletics and recreation. He referred to the Board Office recommendation for discussion about standards and protocol in the use of the general fund. He said that discussion may stimulate other ideas to present to the Board about how that can be structured. He said some of the activities within intercollegiate athletics support recreation which serves all students, not just intercollegiate athletes.

Regent Forsyth suggested that the information would be "crisper" if one could segment those elements. Vice President True said he agreed that University officials could do a better job of providing that information.

Regent Forsyth asked how the increase in overhead assigned to athletics is determined. Vice President True responded that the University charges an overhead cost for basic services that are provided centrally, such as payroll and purchasing. The units reimburse the general fund for their share of that cost. The amount of the overhead charge is based on the number of personnel within a unit and on the unit's budget. He said the administrative charges to Athletics are increasing next year as a direct result of athletics' growth relative to the rest of the University.

Regent Forsyth asked if the practice of charging overhead was a cost shift to the units. Vice President True responded that the charge is based on cost and is a fair allocation system.

President Geoffroy reported that Iowa State University's athletics budget is the lowest within the Big 12 Conference. Maintenance of the athletics budget requires that the general university contribute 11 percent of the total athletic budget and student fees, which are also approved by the students, contribute 4 percent.

Regent Forsyth asked that President Geoffroy address the earlier question about the percentages for recreation facilities. President Geoffroy responded that there are conflicting issues with Hilton Coliseum because it is used for various activities. He said it is difficult to partition the costs and expenses among the various functions from year to year. For FY 2004, a university-wide services fee is being instituted. Fees have been inconsistently applied in the past. Athletics did not pay the fee in the past.

Regent Forsyth asked why the Iowa State University sports operations budget does not include scholarships or coaches' salaries. President Geoffroy responded that the general fund budget provided to athletics does cover some of the coaches' salaries and

some scholarships for women athletes. The other coaches' salaries and scholarships for other students come from self-generated athletics revenues.

Regent Downer referred to the "other" expense category of the Iowa State University athletics summary budget which indicated there was a reduction from \$4.1 million to \$2.2 million (a 47.2 percent decrease). He asked if it was realistic in any budget category to have such large decreases.

President Geoffroy responded that the category of "other" encompasses many different items including movement of funds in and out of reserves, contributions from the national Cyclone Club, bowl games, and projected television appearances. In 2003, for example, included in the "other" category was \$1 million in revenue from playing a pre-season game in Kansas City.

Executive Director Nichols clarified that the comparison information to which Regent Downer referred was to the University's projection of actual FY 2003 revenues and expenditures.

Regent Neil asked if the operating expenses of Hilton Coliseum are included in the athletics budget. President Geoffroy responded that the Iowa State Center is managed by the Director of the Center. The Athletics Department rents Hilton Coliseum, when needed.

Regent Neil asked if the general university budget would be impacted if Hilton Coliseum were to lose money. Vice President Madden responded that Iowa State Center is established as an enterprise operation. It is obligated to cover its costs. If it loses money, Vice President Madden will have to address the budget problem, but the general fund is not necessarily the only solution. Ultimately, rental rates and user rates would be adjusted, and athletics is a major user of the Iowa State Center. He said the university general fund does provide some support to Hilton, but the general fund would not cover the deficit, per se.

Regent Neil asked if the University pays rent when a graduation ceremony is held at Hilton Coliseum. Vice President Madden responded that the Registrar's Office is charged rent for commencement.

Regent Neil asked if the University of Iowa is charged for non-athletics events held in its athletics facilities, and whether a separate entity operates the stadium at the University of Iowa. Vice President True responded that the University of Iowa has a bonded athletic enterprise, which includes the arena. Revenues that are generated are first dedicated to debt service on the bonds and then to operational costs. With regard to

the question about whether the Registrar's Office is billed for holding commencement in the arena, he said he did not think it was charged for usage.

Regent Forsyth commended Iowa State University officials for the one-page budget presentation, noting that the footnotes were very helpful.

President Koob stated that, at the University of Northern Iowa, the Athletics Department is treated as an academic unit. University officials try to limit the amount of general funds to athletics to 50 percent of its budget. He stated that student fees for athletics are directly negotiated between the Athletics Department and the Student Fee Committee.

Regent Forsyth noted that student activity fees and general fund support of the University of Northern Iowa's Athletics Department is increasing significantly. President Koob responded that there is an anomaly in this year's budget. Last year, the budget reflected the cancellation of four sports. The reinstatement of two of those sports is included in this budget. He said there will be a budget reduction, as mentioned during the University's budget presentation, which will be incorporated into the athletics budget.

Regent Forsyth clarified that he was referring to the year-end projection and not to last year's budget. The projection to the preliminary budget was up \$500,000. He said he was questioning the magnitude of the increase in general fund and student support.

President Koob stated that the general university support is because of the reinstatement of the two sports, plus salary increases. The student fee support is because of negotiation on the Panther Pass.

In answer to the question about user fees for facilities, President Koob stated that the Dome Enterprise at the University of Northern Iowa receives rent from athletics for the use of facilities.

MOTION:

Regent Arbisser moved to (1) receive the report on the FY 2004 preliminary athletic budgets for the University of Iowa, Iowa State University and the University of Northern Iowa and (2) direct the Board Office and the universities to evaluate, prior to the establishment of tuition and fees for the 2004-2005 academic year, the following funding sources for athletics: (a) Student fees used for athletics and propose, for Board consideration, a policy setting an appropriate maximum amount to

be devoted to intercollegiate athletics at each institution. (b) Institutional educational (general university) funds used for athletics and propose, for Board consideration, a policy setting a proportional maximum amount of general university funds to be devoted to intercollegiate athletics at each institution. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

(h) Lakeside Laboratory.

Associate Director Racki presented a summary of the preliminary FY 2004 operating general fund budget of \$371,424 for the Iowa Lakeside Laboratory, funding of which is to be distributed among the three Regent universities. She said the budget was developed by Dr. Arnold van der Valk, Director of the Laboratory, and approved by the Lakeside Laboratory Coordinating Committee. The preliminary budget provides for an increase of 4.4 percent as compared to the FY 2003 budget, to be used for utility services and library acquisitions. She noted that no state appropriations were provided for salary increases to implement the state's salary policy; and non-salary expenditures were adjusted by the percentage increase in tuition according to a previously-approved formula.

Regent Arbisser asked if there were any non-state sources of revenue, such as fund raising. Director Barak responded that the Friends of Lakeside Laboratory is a group of citizens who have an interest in the Lakeside Laboratory. Friends has raised funds for the new water quality laboratory and is in the process of raising funds for an endowment to support staffing of the facility.

President Newlin asked how much money was raised for the water quality laboratory. Director Barak responded that \$1.4 million was raised for the facility. Another \$600,000 has been raised for staffing, with a goal of \$1 million. Additionally, Friends has performed a number of extra projects on the Lakeside Laboratory campus.

Associate Director Racki stated that the room and board budget for Lakeside Laboratory would be presented to the Board next month.

Regent Nieland stated that she looked forward to her colleagues on the Board of Regents visiting the Lakeside Laboratory facility next year. She then referred to the Lakeside Laboratory Consortium Membership Agreement for non-Regent institutions, and noted that Drake University has joined the Laboratory. She asked if there are plans to recruit other institutions.

Director Barak responded affirmatively. He stated that several other private institutions had planned to join. However, since the economy took a downturn, those plans have been put on hold.

ACTION: President Newlin stated the Board, by general consent, considered the FY 2004 preliminary general fund operating budget of \$371,424 for the Iowa Lakeside Laboratory, as approved by the Lakeside Laboratory Coordinating Committee, with the distribution by institution, as presented.

INTERINSTITUTIONAL COMMITTEE ON EDUCATIONAL COORDINATION. (a) Post-audit Reports, University of Iowa–B.S. Program in Environmental Science and Ph.D. Program in Physical Therapy.

Provost Allen presented the recommendation of the Interinstitutional Committee on Educational Coordination to approve the post-audit reports and continuation of the B.S. Program in Environmental Science and Ph.D. Program in Physical Therapy

President Newlin asked for the most significant benefits to students of the two programs. Provost Whitmore responded that the environmental science program is valuable in that it combines a series of environmental courses from different departments into an interdisciplinary degree. With regard to the physical therapy program, he said the advantage is that it is a growing field and graduates have been placed well.

MOTION: Regent Forsyth moved to (1) receive the post-audit reports from the University of Iowa and (2) approve continuation of the programs. Regent Downer seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

Director Barak noted that post-audits provide an opportunity to review whether or not a program has been successful. Approximately six programs have been terminated as a result of the post-audit process.

REPORT ON ORGANIZATIONAL REVIEW PHASE II AND III PROJECTS.

Director Barak presented the final report on the remaining organizational review projects, noting that, while these were final recommendations, the actions are continuing. He said five projects were completed. An alternative strategy was

recommended for the project related to the Board's governance reports; one that would take into consideration the Board's strategic planning and re-engineering efforts. A summary of the projects and Dr. Barak's remarks follows:

Phase II-3 – Streamline Instructional Program Delivery

The Regent universities, in consultation with the Board Office, should conduct a detailed examination in the areas/courses that have been identified as potentially duplicative by MGT – mathematics, history, statistics, engineering, English, writing, economics, and information systems and management. Analysis should include comparisons of enrollments, time of day that each course is offered, and course syllabi. The goal of the examination is to identify courses for elimination.

Each "potentially duplicative" course was reviewed by the Regent university offering such courses. In every instance, university officials feel there was not unnecessary course duplication.

The Regent universities should determine whether alternative strategies to reduce undergraduate class sizes can be achieved in light of current economic conditions.

Each institution examined alternate strategies to reduce class size in light of current economic conditions. While increasingly challenging, each institution is implementing a number of strategies aimed at this objective.

Each university is encouraged to schedule more classes during non-traditional and non-popular hours (i.e., weekends, Fridays, evenings, and early mornings) to make more efficient use of classroom resources. In particular, the University of Iowa should reassess its classroom assignment policies to make more efficient use of available class facilities.

Each institution reviewed this recommendation and made modifications, where necessary. In particular, the University of Iowa reviewed its classroom assignment policies. In conclusion, all feel that current practices are adequate.

The University of Northern Iowa should evaluate its general education requirements.

Consistent with its strategic plan, the University of Northern Iowa appointed a "Coordinator of the Liberal Arts" and offered special faculty development programs in this area. Double counting of courses has been eliminated and implementation of a

waiver of the general education writing requirement has been advantageous to students in reducing the length of the program. A committee is reviewing options and soliciting recommendations to reduce the length of the core program for all students and two of its recommendations for change will be considered by the Faculty Senate in the Fall.

The Regent Committee on Educational Relations (RCER) should examine four-year graduation rate data and advising strategies, presenting recommendations to the Board by May 2003.

Based on a review of institutional reports on length of time-to-degree data, four-year graduation rates, and four-year graduation plan advising strategies, the Regent Committee on Educational Relations recommended:

A consistent and coordinated effort to address academic and non-academic factors that affect retention and graduation rates should continue to be a high priority for the Regent universities.

Regent universities should continue to review academic program requirements in light of graduation rate data, with the goal of enhancing enrollment planning while maintaining program quality.

The Board of Regents' annual governance report on graduation and retention rates should be expanded to include time-to-degree data as a measure of the goals of the four-year graduation plan.

Because the Board of Regents regards improvement of articulation agreements a high priority, the Board Office will work with RCER, LACTS, and the 2+2 Council to enhance and increase both basic and program to program articulation agreements.

The Regent Committee on Educational Relations sponsored an articulation roundtable on April 28, 2003. The participants included members of RCER, 2 + 2 Council, and the Liaison Advisory Committee on Transfer Students. Using the results of the roundtable discussion, the 2 + 2 Council adopted the following action steps:

Investigate establishing a common website for advising and articulation. The starting point will be the Bachelor of Liberal Studies website developed by the University of Iowa at the request of the community colleges consortium. The Council will evaluate this website and suggest appropriate enhancements, such as FAQs, links to other website, and an opportunity for users to submit questions.

One evaluative criterion will be the ease with which users (students, parents, public) can access the information they need.

Investigate the development of a Bachelor of "Applied Science" at the Regent universities. The models for this type of program would be the Bachelor of Liberal Studies program offered by the three Regent universities and the Technology Management Program offered by the University of Northern Iowa. The purpose of this program would be to meet the needs of A.A.S. graduates from Iowa community colleges who need to further their education for promotion and enhanced work opportunities.

The following should be considered by each of the Regent universities:

Make greater use of summer school as an integral component of enrollment management plans.

Offer classes during the summer, and in "inter-sessions" that might include all courses that are part of the general education graduation requirements.

Offer discipline-specific courses required for graduation during summer school and inter-sessions.

Evaluate alternative methods of distributing summer school revenues so that colleges/department have incentives to offer courses and programs that are consistent with each university's strategic plan and goals.

Each university has undertaken an analysis of summer school offerings that included each of the areas recommended. In general, summer enrollments have increased and key aspects of summer enrollments have been reviewed. Modifications have been made to address issues related to recent budget revisions (offering courses in alternate years). In addition, Iowa State University is considering changes in its academic calendar that may lead to fuller use of summer and inter-sessions.

Each university should develop integrated enrollment management and marketing plans that tie specifically to goals in their strategic plans and which are consistent with the Board of Regents strategic plan.

Each of the universities indicates that it has an integrated enrollment management and marketing plan or effective alternative approaches.

MGT Recommendation II-4: Review Revenue Enhancement Opportunities

Encourage the universities to focus revenue-generating efforts on:

Activities consistent with their missions and programs and the provisions of Iowa Code Chapter 23A regarding competition with private enterprise.

Recurring and maintainable sources rather than one-time assets.

In conjunction with recommendation 6 of Item II-3, direct the universities to evaluate alternative methods to increase, account for, and distribute continuing education, summer school, and seminar revenues.

Request the universities to consult with peer institutions to identify best practices that might assist the universities in revenue generation.

The universities jointly considered revenue-generating opportunities, reviewed the activities of peer institutions, and investigated the feasibility of all potential new opportunities as part of ongoing practices at the Regent institutions and are undertaking specific initiatives to achieve increased revenues.

MGT Recommendation II-11: Conduct Further Review of Governance Reports

Approve a modified version of MGT's four-step review process for the Board of Regents governance reports:

Step 1: Confirm or Amend the Short List of Reports. The Board of Regents should review the list and confirm that the identified reports are priorities for a more detailed review.

Step 2: Evaluate Specific Shortcomings of Each Selected Report. Once the short list of reports has been confirmed, the Board Office staff member who is currently designated as the coordinator for each identified report should be charged with undertaking a detailed review in consultation with appropriate institutional staff. In particular, the review should be structured to address the findings summarized in the report (e.g., high cost, low value, etc.).

Step 3: Propose Specific Changes to Each Selected Report. Based on a more in-depth analysis of the identified reports, specific changes should be recommended by the report coordinator. In particular, the proposed change should yield the highest feasible

payoff from the list of potential changes described above. That is, the first consideration should be given to report elimination, then to combination with other reports, etc.

Step 4: Adopt Recommended Changes. The Board of Regents should review the proposed specific changes and adopt the proposal for each report as it deems appropriate.

The Board Office reported that the selected list of governance reports developed by MGT is not the best way at this time to assess the governance reports, and recommended that the Board Office, with appropriate institutional consultation, should undertake a comprehensive assessment of all governance reports. This assessment would take into consideration the need for each report, the optimum frequency of reporting, opportunities for combining reporting in conjunction with the Board's strategic objectives and other considerations such as statutory requirements. The results of this assessment will be reported to the Board in late Fall 2003.

Phase III-5: Review Administrative Procedures at IBSSS

Accept the proposal to undertake an in-depth review of select administrative processes at Iowa Braille and Sight Saving School.

The Iowa Braille and Sight Saving School, with assistance from Iowa State University and the University of Northern Iowa, conducted a review of administrative processes and the roles and responsibilities of select administrative and support staff. The School is working to implement the following recommendations, which resulted from the review:

Networked computer software that integrates the financial and human resources modules could create synergies that are currently lacking or maintained through manual means.

The School should evaluate the increased benefits of Data Control Research's (DCR's) Administrative Interaction Management System applications and consider spending the necessary funds (\$6,000-\$10,000) to upgrade.

Consideration should be given to additional data base programs other than FileMakerPro and Access because they may not be able to meet the needs of the School.

Common files on the data server at the School should be established to facilitate the sharing of data between staff more easily.

General, regular training on desktop software applications could be offered at a common, consistent time, and made available to all staff.

An internal communication plan should be developed that provides information to employees at least semi-annually. The plan(s) should inform employees about job expectations, desired team outcomes, and organizational priorities.

Amend the job titles of the Director of Human Resources and the Director of Administrative Services to be more consistent with the duties they perform and communicate the change and the rationale across the organization.

All five administrators of the School would benefit from understanding strengths and differences in work styles and the value of differences in work styles and decision-making processes.

Organize an employee relations program for the School that would recognize and appreciate the School's valued employees.

President Newlin questioned whether there should be two categories of governance reports. Director Barak responded that the Board Office proposed that each governance report be reviewed, based on the following questions:

1. Is there a need for the report?
2. If the report is to continue, with what frequency should the report be made?
3. Can the report be combined with other reports?
4. Does the report need to be docketed or just "filed?"

President Geoffroy pointed out that there were two objectives in the review of governance reports: 1) simplify the Regents meetings and 2) simplify the reporting demands on the institutions. He stated that, although the Board may determine it does not need to receive certain reports at its meetings, the institutions may still be required to prepare and submit the information. If so, that would not address the objective to simplify reporting demands on the institutional units.

Director Barak stated there were governance issues involved in institutional reporting. He cautioned that, if the Board does not receive governance reports, someone else in state government may take over the responsibility for the reports. There are some areas of governance where the Board of Regents has independent responsibility while another state agency has the same type of governance responsibility for all other state agencies. The other state agency has indicated an interest in assuming responsibility for that area of Regents governance, as well. The only defense of the Board of Regents has been that it already performs that particular governance function, and does it quite well, as part of the Board's governance process. He provided the following example:

The Department of Management has authority to perform program reviews. If the Board of Regents did not perform program reviews, and require that of the institutions, there could well be a suggestion that the Department of Management ought to perform those governance responsibilities for the Regents.

Regent Nieland thanked institutional officials for their huge effort in responding to the organizational review of the Board Office. She said she found their responses to be very interesting.

Regent Forsyth asked what was learned from this experience. Director Barak said there are often questions asked about the way things are done, such as course duplication. In analyzing the data, it became apparent that there are good reasons for having some of the same courses at each university. The courses all have a critical mass of students. Students are being served in ways that are discipline related. For example, a statistics course might be different for medical students than for engineers. In retrospect, he said the organizational audit may not have achieved everything the Board might have wanted to achieve, but it did force a review of the issues.

President Geoffroy said it was important to remember that a conclusion in the formal report was that the Regent institutions manage their resources effectively and are efficiently operated.

President Newlin noted one of the reasons that the institutions are efficient and effective may be because this was the Board of Regents' third organizational audit.

Director Barak said there have been a series of reviews, with each one following up on the previous one. There has been a sequence of valuable oversight projects.

Executive Director Nichols stated that the Board received external validation that, comparatively speaking, the institutions are being run well. Some areas were identified, such as governance report re-engineering and course duplication, where the Board could independently work with and follow up with the institutions. In some cases, the consultant firm did not have appropriate processes for reviewing the identified issues and, for those issues, there are better ways in which the Board can follow up.

Regent Forsyth expressed his support for President Geoffroy's comments. He said the Board needs to look at what information it receives and how the information is received. Doing so can assist in effective governance and take some of the burden off of the institutions.

MOTION: Regent Arbisser moved to (1) receive the report on final results of five Organizational Review –

Phase II and Phase III projects; and (2) approve a project to re-engineer the governance reports, as noted. Regent Neil seconded the motion.
MOTION CARRIED UNANIMOUSLY.

President Newlin thanked Director Barak and his staff for their diligent work on the organizational audit.

REPORT ON LEGISLATIVE SESSIONS.

Executive Director Nichols reported that the Governor had recently taken action on the two bills that emerged from the extraordinary session of the legislature. He said the Governor approved the Iowa Values Fund as passed by the legislature as it related to creation of the fund and the funding stream. The legislation includes \$27 million for university life sciences infrastructure. The Governor exercised his authority to item veto the following from the two bills: (1) language that created technology advisors in the Governor's office to oversee technology transfer at the Regent universities, (2) the state income tax rate cuts and constitutional amendment process, and (3) provisions of the regulatory reform. He said the Governor left in place the experimental pilot program on property tax reform. An Iowa Values Fund board is expected to be created. There will need to be further discussion about the structuring of reporting requirements and oversight of technology transfer. He said the Board of Regents can begin its planning for economic development activities around that framework.

Regent Neil stated it was a positive outcome that the Governor had vetoed the income tax rate cuts. Considering the impact of state appropriations cuts to the Regent institutions, a \$300 million tax cut was not in the best interest of the institutions.

ACTION: President Newlin stated the Board received the final report on the 2003 regular legislative session and a preliminary report on the 2003 special legislative session, by general consent.

REPORT ON MEETING OF THE IOWA COLLEGE STUDENT AID COMMISSION.

Executive Director Nichols presented a brief summary of the May 20, 2003, meeting of the Iowa College Student Aid Commission. He said the Commission members were provided with updated information on student loan volume and on appropriations. There is an ongoing effort to create a student loan servicing center in Iowa.

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

REPORT OF THE BANKING COMMITTEE.

Regent Arbisser reported on the June 19, 2003, meeting of the Banking Committee. He said the Banking Committee approved a resolution for use of University of Northern Iowa bond proceeds and approved a resolution for the sale of University of Northern Iowa refunding bonds. The Banking Committee received a presentation from the State Auditor and had a spirited conversation with the Board's investment advisor on the impact of potential asset allocation policy changes. The Banking Committee also received the quarterly investment report, annual master lease report and internal audit reports.

MOTION:

Regent Arbisser moved to adopt A Resolution authorizing the expenditure of bond proceeds from the issuance of \$4,890,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2002, dated May 1, 2002. Regent Downer seconded the motion, and upon the roll being called, the following voted:

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

NAY: None.

ABSENT: Arnold, Becker, Turner.

MOTION CARRIED.

MOTION:

Regent Arbisser moved to adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$4,400,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 2003A. Regent Downer seconded the motion, and upon the roll being called, the following voted:

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

NAY: None.

ABSENT: Arnold, Becker, Turner.

MOTION CARRIED.

ACTION:

President Newlin stated the Board approved the report of the Banking Committee, by general consent.

PROPOSED 2004-09 STRATEGIC PLAN COMPONENTS.

Executive Director Nichols stated that, at its meeting last month, the Board discussed the draft culture statement and draft priorities, which were revised and presented for action at this meeting. In conjunction with this month's Board meeting, the Priority Issues Study Group on Strategic Planning met and took two actions, which will require subsequent Board approval. In July, the Board will be asked to review and approve the strategic plan's objectives, a draft of which he distributed to Board members. The Priority Issues Study Group members and the Board Office will then work with the institutions to identify and refine strategies and performance indicators. The priorities that the Board was asked to approve at this meeting were:

1. Ensuring high-quality educational opportunities for all our students.
2. Discovering new knowledge through research, scholarship, and creative activities.
3. Providing needed service and promoting economic growth.
4. Demonstrating public accountability and effective stewardship of resources.

MOTION: Regent Neil moved to approve the proposed culture statement and priorities of the Board's 2004-09 strategic plan. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Newlin thanked Executive Director Nichols and his staff for expediting the strategic planning process.

INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS.

Associate Director Racki requested that the Board approve the agreements, leases and easements subject to receipt of the necessary review by the Attorney General's office.

MOTION: Regent Downer moved to approve: University of Northern Iowa—Lease renewals with Tau Kappa Epsilon Fraternity and Gamma Phi Beta Sorority for their use of residences on the University of Northern Iowa campus, and tenant property rental rates for FY 2004 for the University's remaining residences, reflecting proposed rate increases ranging from 6.2 percent to 6.7 percent for these rental units. Regent Arbisser seconded the

motion, and upon the roll being called, the following voted:
AYE: Arbisser, Downer, Forsyth, Neil, Newlin, Nieland.
NAY: None.
ABSENT: Arnold, Becker, Turner.

MOTION CARRIED.

INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS. (a) University of Iowa.

Vice President True presented highlights of four projects that were included in the University of Iowa's capital register this month. The first such project was permission to proceed with project planning and an architectural agreement with HDR, Architects, Des Moines, for the University Hospitals and Clinics—Magnetic Resonance Imaging (MRI) Systems Installation. He said this project would replace one of three existing MRI units and develop a fourth MRI procedure suite to meet the current and future demand for MRI services.

Regent Neil asked if the University of Iowa Hospitals and Clinics currently has four MRIs on site. Senior Associate Director Staley responded that, with the Board's approval of this project, the University of Iowa Hospitals and Clinics (UIHC) would have four MRIs.

Regent Neil asked why it is necessary for an architect to determine where the MRI unit will be placed. Senior Associate Director Staley responded that this is complicated technology. He stated that a study was conducted to determine how many MRIs could be installed in the UIHC's MRI suite. He said venting of the gas that is within the MRI system requires engineering and architectural expertise to determine how to vent the gas through six floors and out into the open air.

Vice President True stated that a second large project included in the University's capital register was a program statement and schematic design for the West Campus Chilled Water Plant Development/Expansion. He said the project would construct an addition to the existing plant to increase its chilled water capacity to serve the expanding needs of the west campus. He said some units of the west campus chilled water system are beyond their useful lives. In the meeting materials, University officials had indicated a desire to include a parking deck on the top level of the facility that would accommodate approximately 100 vehicles. The chilled water plant addition would be constructed as an extension of and would align with the second level of Hospital Parking Ramp #3. He said University officials will return to the Board after reviewing the

economic feasibility of the parking deck and will advise the Board as to whether or not this option should be pursued.

Regent Forsyth stated that he would abstain from voting on this project because the CEO of Stanley Consultants is on the Wellmark board of directors.

Vice President True stated that the third item he wished to bring to the Board's attention was a project description and budget for the Trowbridge Hall—Renovate Room B40 project which would provide a clean room research laboratory for the Department of Geological Sciences. He said the project, for a newly-recruited geosciences faculty member, is relatively small (approximately \$600,000) but is very important. The faculty member's research is supported by National Science Foundation (NSF) grants and the expectation is that a major NSF grant will support equipping the facility. The facility will support, in part, the study of the metal content of lava rock.

Vice President True pointed out that Trowbridge Hall has been mentioned as a possible location for expanded parking. Whether or not that site will be used for that purpose remains to be seen. With regard to whether the University will receive value for its money over the next five years, he said the answer was absolutely "yes". The project is critical to the faculty member and will produce support to the University through grants and indirect cost recovery funds. He stated he was satisfied that this was a good investment.

Regent Forsyth referred to the \$630,000 cost for 500 square feet of space, and the potential that Trowbridge Hall might not be in existence in 5 or 10 years. He asked if there was any other location on campus that would accommodate this project.

Vice President True said he suspected this facility has a life that is closer to 5 years than 10 years. The Chemistry Building is an optional location. However, University officials are loathe to use that site because major changes in that facility are anticipated to occur soon. Additionally, it is important for the facility to be reasonably close to the participating faculty and students. He said he was sure there was another location on the campus that would accommodate this project but not one that would meet the specific needs of the faculty and students. In discussing this project with the Associate Dean of the College of Liberal Arts and Sciences, Vice President True became convinced that no other options would be practical in this circumstance.

Regent Forsyth referred to the current financial constraints, and questioned the advisability of spending the proposed amount of money on the proposed number of square feet in a building that has a life expectancy of no more than five years. He said he preferred that University officials redouble their efforts to find another way to address this project.

Vice President True stated that the life expectancy of Trowbridge Hall could be five years or thirty-five years. He acknowledged that Trowbridge Hall has been part of the discussion about parking needs. He said University officials would be pleased to focus on this project more intensely and return to the Board in July with specific answers to the questions that Board members had posed.

Regent Forsyth asked if delaying Board consideration of this project for one month would cause difficulty for the University or for the faculty member. Vice President True responded that he knew of no reason that consideration of the project could not be delayed for one month.

Director Hollins stated that the majority of equipment included in the Trowbridge Hall project is fume hoods and casework. If changes are to be made in that building, or if the building is to be demolished in the future, the equipment could be moved to another facility. Regent Forsyth said it would be helpful for the Board to be provided with those details, including the cost implications of moving the equipment after a period of time.

Vice President True stated that University of Iowa officials would be pleased to provide additional information for the July Board meeting.

Vice President True stated that the fourth project on the University's capital register this month, which he wished to bring to the Board's attention, was the Kinnick Stadium Renovation which would address the most critical deficiencies with the stadium. University officials selected Neumann Monson Architects of Iowa City to provide design services.

Regent Neil asked how the Board's review of this project related to the Board's new process for review of capital projects. Vice President True said he believed this project would fully fit within the capital processes described earlier in the meeting. He noted that, approximately three months ago, University officials presented the general outline of the problems with the stadium. The expectation is that Neumann Monson and a sports architectural firm will develop ideas about costs and solutions. University officials intend to return to the Board in the fall to discuss this project in earnest. He stated that, without question, the Board's criteria on capital projects will be adhered to with this project.

Regent Downer referred to the enormous sum of money anticipated to be spent on this project, and asked if it would be economically feasible to relocate the stadium. Vice President True responded that the cost to build a new stadium was \$300 million to \$500 million, which did not include the cost of land. There would also be an emotional appeal from a large number of people to retain the current stadium.

Regent Forsyth referred to the magnitude of the Kinnick Stadium project (estimated to cost between \$70 million and \$80 million). He asked if the cost to renovate the current stadium had been compared to the cost of building a new stadium. Vice President True responded affirmatively, noting that the \$70 million to \$80 million figure presented by University officials was only speculation. After working with the professionals, University officials will return to the Board with a more refined budget as well as solutions to some of the problems previously identified by Athletic Director Bowsby.

President Newlin asked if there is any University-owned land on the west campus that might be suitable for building a new stadium. Vice President True responded that, in his judgment, any such University land would not be large enough. To build a new stadium would, most likely, require the acquisition of land.

President Newlin asked for motions on the University of Iowa capital register

MOTION: Regent Forsyth moved to approve the Register of Capital Improvement Business Transactions for the University of Iowa, with the exception of the West Campus Chilled Water Plant Development/Expansion and the Trowbridge Hall—Renovate Room B40 projects. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

MOTION: Regent Neil moved to approve the University of Iowa's proposal with regard to the West Campus Chilled Water Plant Development/Expansion. Regent Arbisser seconded the motion. MOTION CARRIED WITH REGENT FORSYTH ABSTAINING.

(b) Iowa State University.

Vice President Madden stated that the Iowa State University capital register included a request for approval to demolish the existing LeBaron Hall Auditorium, the schematic design for the new Auditorium, and the demolition of the English Office Building.

MOTION: Regent Neil moved to approve the demolition of the existing LeBaron Hall Auditorium, and the schematic design for the new Auditorium, and the demolition of the English Office Building. Regent

Forsyth seconded the motion, and upon the roll being called, the following voted:

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

NAY: None.

ABSENT: Arnold, Becker, Turner.

MOTION CARRIED.

Vice President Madden stated that University officials also presented permission to proceed with project planning for the Storms Hall and Knapp Hall Demolition project which would raze the deteriorating residence halls which suffer from significant deferred maintenance and have exceeded their life expectancies. He said several renovation and repair projects were also included in the capital register.

Regent Neil asked if all of the remaining projects on the University's capital register fit within the purview of the Board of Regents new capital project review policy. Vice President Madden responded affirmatively, stating that all of the projects were renovations.

Regent Downer asked if there were any problems with bond covenants in connection with demolition of the residence hall structures. Vice President Madden responded that the University had met all of the coverage requirements of the bond covenants. When the financial materials were presented to the Board with the residence hall capital planning earlier in the year, the matter of bond covenants was reviewed.

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

(c) University of Northern Iowa.

Vice President Schellhardt presented the University of Northern Iowa's capital register. He noted two specific projects that were included this month. First was the program statement, schematic design, and project description and budget for the Integrated Student Services Center—Phase 1 (Gilchrist Hall) project, which would renovate space in Gilchrist Hall to consolidate in one location the various academic, administrative, and financial services for students, and encapsulate the asbestos fireproofing not previously encapsulated in the building. Secondly, he reminded Board members that, at the May

Board meeting, they were presented with the schematic design for the Innovative Teaching and Technology Center (East Gym Renovation) project which would convert the East Gym to a modern instructional facility with classroom and laboratory areas to meet the University's need for additional academic space. At this meeting, University officials requested approval of the project description and budget.

MOTION: Regent Neil moved to approve the Register of Capital Improvement Business Transactions for the University of Northern Iowa, as presented. Regent Forsyth seconded the motion. MOTION CARRIED UNANIMOUSLY.

RETIREMENT OF SUPERINTENDENT JOHNSON, IOWA SCHOOL FOR THE DEAF.

President Newlin stated that the Board of Regents was presented with a request to approve Superintendent Johnson's retirement arrangement, and to approve his title as "Superintendent Emeritus".

MOTION: Regent Neil moved (stating that it was an honor to do so) to (1) approve the change in title for Superintendent William Johnson to Superintendent Emeritus, effective June 16, 2003; (2) approve Superintendent Johnson's participation in the Board of Regents, State of Iowa, Early Retirement Program, effective September 1, 2003; and (3) approve the appointment of Dr. William Johnson as Consultant to the Superintendent for the period commencing September 1, 2003 and concluding on March 1, 2004, to be compensated at the rate of his current rate of pay. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

NEBRASKA CONTRACT, IOWA SCHOOL FOR THE DEAF.

Superintendent Prickett stated that the Iowa School for the Deaf has had a multi-year agreement with the Nebraska Department of Education which has been renewed annually. She noted that Nebraska has no school for the deaf. She said the agreement, which covers the expenses of educating the Nebraska students, was included in the meeting materials.

Dr. Johnson stated that the School's summer school program was made available to Nebraska students, and some students asked to participate this year.

MOTION: Regent Forsyth moved to (1) Academic Year Agreement – Approve the renewal of the education services agreement with the Nebraska Department of Education for FY 2004 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) Summer School Agreement – Approve the renewal of the Nebraska Summer School Agreement for the summer school program of 2003 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) Both Agreements – Approve the notification of the Board's intent to renew each agreement with the Nebraska Department of Education for FY 2005, pursuant to the provisions of the agreements. Regent Nieland seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

POLICY ON THE LEAVE OF THE ARRIVAL OF CHILDREN, IOWA STATE UNIVERSITY.

President Newlin recognized President Geoffroy.

MOTION: Regent Forsyth moved to table consideration of Iowa State University's request for approval of a policy on leave for the arrival of children. Regent Neil seconded the motion.

Regent Neil stated that he supported tabling this item until such time as the ramifications of a recently-filed lawsuit against the University of Iowa are determined.

VOTE ON THE MOTION: **MOTION CARRIED UNANIMOUSLY.**

Regent Neil stated that he was not opposed to considering the proposed leave program for Iowa State University. He noted that, when the Board recently met in Ames, there was much discussion about the proposal, and Board members were advised of how such a program would affect the University's recruitment and retention.

President Geoffroy stated that University officials regard the proposed program as an important benefit for faculty and staff. The proposal is strongly supported by faculty and Professional & Scientific staff. He said the program would greatly aid in the retention and recruitment of great employees, which was particularly important in light of the salary comparisons that he had presented earlier in the meeting.

Regent Nieland asked if it would be helpful to University officials if the Board were to institute a time limit on how long it will wait to act on the University's proposal. President Geoffroy responded that it would be helpful for the University to be able to move as quickly as possible.

Regent Neil asked that staff provide a status report on this matter next month.

Regent Downer stated that it should be noted for the record that Board members learned of the lawsuit only after arriving at the Iowa School for the Deaf for this meeting.

NEW CENTER TO BE CALLED THE INSTITUTE OF SCIENCE AND SOCIETY, IOWA STATE UNIVERSITY.

Provost Allen introduced Peter Rabideau, Dean of the College of Liberal Arts and Sciences, to present the University's request.

Dean Rabideau stated that the proposal for a new center to be called the Institute of Science and Society was commensurate with the land grant mission of Iowa State University. The Institute will bring together a significant group of social science faculty and connects with the science and technology mission of the University. He said there are already 90 faculty who are affiliated with these activities.

Regent Forsyth commended Provost Allen and President Geoffroy for the reallocation of funds for the Institute.

MOTION: Regent Forsyth moved to approve Iowa State University's proposal to establish a new Institute of Science and Society. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

REPORT ON UNIVERSITY APARTMENTS, UNIVERSITY OF IOWA.

Vice President Jones stated that Board members had been provided with the report on University housing. He said University officials had met with the University Apartments

Residents' Action Committee and agreed to provide answers to their questions. The information presented to the Board this month will also be shared with those students.

Regent Neil stated that, although the apartments are not in the best shape, there appeared to be high expectations from some of the renters. Vice President Jones said University officials concur that the buildings have reached a point of diminishing return. For some time, University officials have sought alternatives for developing student apartments. The effort is very important for the University because over 50 percent of the apartments' population are students from other countries, many of whom are in graduate research or teaching assistant positions. Those students have limited income and often experience difficulty in getting housing; therefore, University officials believe that housing is an important service to provide the students. The difficulty is in replacing the apartments at a cost the students could afford.

Vice President Jones suggested that, if Board members were interested, University officials would come up with some creative ideas to bring back to the Board for addressing the situation. Regent Neil said that was a good idea. Vice President Jones stated that University officials would do so.

ACTION: President Newlin stated the Board received the report on University apartments at the University of Iowa, by general consent, with Regent Downer abstaining.

ADJOURNMENT.

The meeting of the Board of Regents, State of Iowa, adjourned at 3:30 p.m. on Thursday, June 19, 2003.



Gregory S. Nichols
Executive Director