

The Board of Regents, State of Iowa, met on Tuesday and Wednesday, May 18 and 19, 2004, at the Iowa School for the Deaf, Council Bluffs. The following were in attendance:

	<u>May 18</u>	<u>May 19</u>
<u>Members of the Board of Regents, State of Iowa</u>		
Mr. Forsyth, President	All sessions	All sessions
Dr. Arbisser	All sessions	All sessions
Dr. Becker	Arrived at 9:30 a.m.	All sessions
Mr. Downer	All sessions	All sessions
Mr. Neil	All sessions	All sessions
Dr. Newlin	All sessions	All sessions
Ms. Nieland	All sessions	All sessions
Ms. Rokes	All sessions	All sessions
Dr. Turner	Excused	Excused
<u>Representing the Office of the Board of Regents at the Board Table</u>		
Executive Director Nichols	All sessions	All sessions
Director Barak	All session	All sessions
Director Elliott	All sessions	All sessions
Director Evans	All sessions	All sessions
Minutes Secretary Briggie	All sessions	All sessions
<u>Representing the State University of Iowa at the Board Table</u>		
President Skorton	All sessions	All sessions
Interim Provost Cain	All sessions	All sessions
Vice President True	All sessions	All sessions
<u>Representing Iowa State University at the Board Table</u>		
President Geoffroy	All sessions	All sessions
Provost Allen	All sessions	All sessions
Vice President Madden	All sessions	All sessions
<u>Representing the University of Northern Iowa at the Board Table</u>		
President Koob	All sessions	All sessions
Associate Provost Koch	All sessions	All sessions
Vice President Schellhardt	All sessions	All sessions
<u>Representing the Iowa School for the Deaf at the Board Table</u>		
Superintendent Prickett	All sessions	All sessions
Director Heuer	All sessions	All sessions
<u>Representing the Iowa Braille and Sight Saving School at the Board Table</u>		
Director Hooley	All sessions	All sessions
Director Utsinger	All sessions	All sessions
Director Woodward	All sessions	All sessions

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

www.state.ia.us/educate/regents

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

BOARD OF REGENTS, STATE OF IOWA

The following business was transacted on Tuesday, May 18, 2004, beginning at 9:17 a.m.

President Forsyth thanked Superintendent Prickett for the hospitality shown to the Regents by the Iowa School for the Deaf. He then turned over the microphone to Governor Thomas J. Vilsack.

Governor Vilsack presented remarks in recognition of Owen J. Newlin's tenure as President of the Board of Regents, State of Iowa. He read a document which proclaimed May 18, 2004, as Owen Newlin Appreciation Day in Iowa. Following his remarks regarding Owen Newlin's contributions to the state of Iowa, Governor Vilsack commented on the status of Regent issues. (The Governor's remarks are included as Attachment A.)

MINUTES OF THE BOARD MEETING AND BANKING COMMITTEE MEETING OF APRIL 21, 2004.

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

MOTION: Regent Neil moved to approve the minutes of the April 21, 2004, Board of Regents and Banking Committee meetings, as written. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

BOARD MEETINGS SCHEDULE FOR 2004-2005.

MOTION: Regent Becker moved to approve the Board meetings schedule, as presented. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

RECOMMENDED COMMITTEE STRUCTURE POLICY MANUAL CHANGES. (a)
Creation of New Committees by Policy Manual Additions.

President Forsyth presented his recommendation to create six new committees in an effort to increase the Board's focus on issues and to decrease redundancy.

Executive Director Nichols noted an error in the proposed revision of Policy Manual §1.06, which he said would be corrected.

Regent Arbisser asked if the committee meetings would be open to the public and press. President Forsyth responded affirmatively.

Regent Neil expressed support for creation of the new committees, noting that the committee structure would bring new responsibilities to many of the Board members.

MOTION: Regent Downer moved to (1) approve the recommendation of the President of the Board of Regents to revise the Board's committee structure; (2) approve immediate revision of the Policy Manual to implement the new structure; and (3) approve membership revision of the interinstitutional committee on Economic Development and Technology Transfer to correspond to changes in Regents standing committees. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) Coordinating Amendments to Existing Policy Manual.

MOTION: Regent Neil moved to give final approval immediately to editorial corrections to the Board of Regents Policy Manual so that existing policies conform to the revised committee structure of the Board. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

RECOMMENDED TASK FORCES AND AD HOC COMMITTEES FOR 2004-2005.

President Forsyth presented his recommendation to establish a Public Policy Task Force to examine the Board's structure, policy, and procedures, as well as government relations, public outreach and related matters. The Task Force will also consider initiatives for the Board to pursue with state and federal officials in the coming year.

The Task Force will make recommendations to the Board no later than September 2004.

MOTION: Regent Arbisser moved to approve the recommendation of the President of the Board of Regents to create a Public Policy Task Force. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

BOARD COMMITTEE AND TASK FORCE ASSIGNMENTS.

President Forsyth presented his recommendations for committee and task force assignments.

Executive Director Nichols noted that the list of assignments was not all-encompassing. He said President Forsyth will likely recommend additional appointments in the month of June.

MOTION: Regent Arbisser moved to ratify the appointments to Regent committees and a Regent task force, and to other Boards representing the Regents, as recommended by the President. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL, UNRELATED TO COMMITTEE CHANGES.

Regent Becker pointed out there was an error in the meeting materials, noting the revision to §4.40 was being presented for immediate approval rather than first reading.

MOTION: Regent Becker moved to (1) Provide final approval for revisions to the following sections of the Board of Regents Policy Manual: §6.29: Revised definition of "distance education"; §7.08B5: Reference to audit report activity revised to coincide with the revised Board meeting schedule; (2) Waive first reading of the following sections of the Policy Manual and approve them for immediate publication: §1.01C Orientation of Board members; §4.40 Conflict of Interest Policy – Duty of Loyalty; and (3) Accept, as a first reading,

revisions to the following sections of the Policy Manual: 6.01 Admission Requirements (application fees); §6.20 Admission Requirements (Iowa Braille and Sight Saving School); §7.05B.12 Definition of Movable Equipment. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

IOWA ADMINISTRATIVE RULE REVISIONS. (a) Final Action on Items Previously Reviewed Regarding Admission Fees.

MOTION: Regent Downer moved to (1) adopt amendments to Iowa Administrative Code §681, Chapters 1 and 2 and (2) authorize the Executive Director to file the adopted rule in the appropriate format. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) Notice of Intended Action Updating Regents Chapter 681(11).

MOTION: Regent Neil moved to (1) approve proposed revisions to Chapter 681 (11) of the Iowa Administrative Code pertaining to operation of the Board of Regents administrative rules so they accurately reflect current practices; and (2) authorize the Executive Director to file the proposed revisions in the proper format. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

INSTITUTIONAL AND BOARD OFFICE PERSONNEL TRANSACTIONS.

Director Evans reviewed with Board members the personnel transactions that were presented for Board approval.

Regent Neil referred to the University of Northern Iowa's request to change Morris Mikkelsen's position from Director of Facilities Planning at an annual salary of \$116,808 to Associate Vice President for Facilities Management at an annual salary of \$128,400. Regent Neil said he had spoken with University officials and was informed that the proposal was part of a reorganization of facilities planning, for which he applauded University officials.

MOTION:

Regent Neil moved to approve personnel transactions, as follows: University of Iowa: Register of Personnel Changes for March 2004 which included the appointment of Twila Fisher Reighley as Assistant Vice President and Director of Sponsored Programs effective August 1, 2004, at an annual salary of \$120,000. Iowa State University: Register of Personnel Changes for April 2004. University of Northern Iowa: Register of Personnel Changes for April 2004 which included the following change: Morris Mikkelsen from Director of Facilities Planning at an annual salary of \$116,808 to Associate Vice President for Facilities Management at an annual salary of \$128,400. Iowa School for the Deaf: Register of Personnel Changes for April 2004. Iowa Braille and Sight Saving School: Register of Personnel Changes March 2004. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

REPORT ON LEGISLATIVE SESSION.

Executive Director Nichols summarized the outcomes of the 2004 legislative session that related to the Board of Regents. On May 17, the Governor took action on the Omnibus Budget Bill, in which appropriations for the various aspects of the Regent system were approved. The Board Office corresponded with the Governor to request item vetoes of specific provisions related to requirements attached to the spending bills, most of which were subsequently item vetoed by the Governor.

Executive Director Nichols stated the Governor approved the creation of a Medical Assistance Crisis Intervention Team, on which President Skorton will have a prominent role, to work on the state's Medicaid issues. The Governor also item vetoed a change in the language of acceptable conditions for termination of pregnancy under the Indigent Patient Care Program.

Regent Rokes asked for clarification of the nullification of the state's work-study program. Executive Director Nichols explained that, several years ago, a one-year stoppage of the program was approved as part of the state's budget cuts. The Iowa Code states that the work-study program will be funded on an ongoing basis. However, in FY 2001, legislative language was passed that the program would receive no funding. In each subsequent year, similar language has been adopted to not fund the program. Funding of the program will be before the legislature again next year.

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Regent Downer asked for the amount of funding of the federal work-study program. Mary Shipman of the Fiscal Service Division of the Legislative Services Agency said her understanding was that annual funding of the federal work-study program for Iowa was approximately \$10 million to \$12 million.

Regent Downer noted that state funding of the work-study program was approximately 20 percent of total funding.

ACTION: President Forsyth stated the Board received the monthly report on 2004 legislative session, by general consent.

The Board of Regents recessed at 10:10 a.m. to allow its committees (Audit & Compliance; Economic Development; and University of Iowa Hospitals and Clinics Executive Board) to meet. The Board reconvened at 3:35 p.m.

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

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

MOTION CARRIED UNANIMOUSLY.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 3:36 p.m. on May 18, 2004, and adjourned therefrom at 6:26 p.m. on that same date.

President Forsyth reconvened the meeting at 9:06 a.m. on May 19, 2004.

President Forsyth recognized University of Northern Iowa officials for introduction of student government leaders.

Vice President Romano introduced Brendon Moe, President, Joseph Murphy, Vice President, and Tarek Fahmy, Director of Administration, Northern Iowa Student Government.

ALLOCATION OF FEES.

Associate Director Hendrickson summarized the Board Office recommendation on allocation of fees. She noted there was a change in the total at the University of Iowa by way of a reduction in the summer session student activity fee. University officials were originally planning a \$2.50 summer fee for the readership program which is not available in the summer. Therefore, the students will not be assessed the fee as originally planned.

MOTION:

Regent Neil moved to (1) approve the allocation of the Regent universities mandatory student fees for the 2004-05 academic year, including the summer 2004 session and (2) approve a \$2.50 per student reduction in the summer session mandatory student activities fees at the University of Iowa. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

TUITION AND FINANCIAL AID POLICY REVIEW – PART 2.

President Forsyth noted that Board members had no involvement in the development of recommendations from staff. The purpose of this agenda item is to provide an opportunity for full discussion on all of the issues. The Board members will then reflect on the discussion and take action in the future.

Executive Director Nichols reviewed the history of the Board's activities to date in reviewing tuition and financial aid policy. One issue before the Board at this meeting related to the basis for charging tuition. Issues considered by the Board Office were differentiation of tuition by university, by upper and lower division classification, by academic program, by number of credit hours per semester, by graduate and professional programs, and by specific professional programs. He stated the Board Office did not recommend that the Board pursue changes to differentiate tuition by undergraduate tuition based on upper versus lower division status, by programs or college enrollment status, or on a straight per credit hour basis. The Board Office did recommend the Board consider (1) allowing the Board Office to propose differential tuition rates for resident undergraduate students by institution; (2) authorizing the Board Office to recommend a per credit hour rate for students taking over 18 credit hours per

semester; and (3) directing the University of Iowa to bring the Executive MBA tuition and fees to the Board for review at the same time as other scheduled tuition discussions.

Executive Director Nichols stated there was consensus between the Board Office and institutional heads on the second and third recommendations. There may be different perspectives, however, on the recommendation regarding differential tuition by institution.

President Geoffroy urged Board members to keep open for discussion the concept of differential tuition by program. Differential tuition by program may be a viable option at some time in the future. He noted that national data illustrate that chemical engineering education costs three times as much to deliver than does sociology.

President Skorton expressed agreement with President Geoffroy's point about keeping alive the option for differential tuition by program. He would like to consider differential tuition for upper level versus lower level undergraduate students.

President Koob stated the University of Northern Iowa was not in favor of differential tuition by institution. There is currently a very strong perception that students can receive a comparable education at the three Regent universities. He was fearful that differentiating in terms of price will lead to the perception of a difference in quality.

President Geoffroy expressed support for the points made by President Koob. He said it makes sense to keep undergraduate tuition for Iowa residents the same. There is a potential for tuition differentiation for out-of-state students. He believes a price differentiation will create a perception of difference.

President Skorton agreed with President Koob about the problem of perception if tuition is different among the institutions. However, there are data to suggest that the cost effects on the institutions are not the same. He recommended that the three presidents be charged with talking among themselves about the three options.

Regent Neil expressed support for charging the same base tuition and then an additional charge for the higher-cost program offerings, such as chemical engineering. He stated the lack of public funding for the Regent institutions was what was driving this discussion. The proposals were merely additional ways to shift more of the cost to students.

Executive Director Nichols reminded Board members that the charge to the Board Office was to assume cost neutrality for purposes of analysis. He said the Board Office recommendations were the best recommendations based on the data, although there

was not consensus among the institutions with regard to the Board Office recommendations.

Regent Becker said she was concerned about the impact of differentiation of tuition by program on students who may not know yet what they want to study. Those students may have a tendency not to explore areas that are more expensive.

President Geoffroy said it was for that reason that he preferred to institute tuition differential in the upper division.

Regent Downer asked President Geoffroy if he was aware of any data that show the effects of differential tuition by program on enrollment in those programs. He said he did not want to discourage young people from pursuing those more expensive disciplines.

President Geoffroy responded that Pennsylvania State University has a tuition surcharge for upper division students in engineering, science and applied science colleges. There is no evidence that the surcharge has caused a decrease in enrollment in those colleges.

President Skorton stated that the disciplines for which there would be differential tuition charged are also areas where there are jobs. He noted that his observations were anecdotal; financial aid availability has to be considered as does changes in the national economy.

Regent Arbisser expressed support for a base tuition and surcharges for the more expensive programs.

Regent Rokes expressed her belief that many students would not choose to study in areas that cost more. The additional cost might discourage students from going into those fields; therefore, she did not support charging differential tuition by program.

Regent Nieland expressed support for the Board Office recommendation. She said "one size fits all" is not working. She supports providing flexibility for the presidents to keep their options open for differential tuition by program.

Regent Becker stated the Board Office recommendation was a good beginning. She questioned how the Board could address issues of salary and peer groups rankings without addressing differential tuition by institution.

Regent Newlin suggested that another option would be to not charge differential tuition for lower division students by university but to charge increased tuition for upper division

students by university. Another option would be to have differential by program, which is being done in the professional programs.

President Forsyth said there was a question of how those charges are packaged. He said he would prefer to keep the focus on tuition differential. He said Regent Newlin had a very good idea about having a standard tuition for all three Regent universities for the first two years of a student's education and then increasing the cost for upper division students, which is already being done in the professional schools. He stated that the Board of Regents already has differential tuition, in a convoluted way, which is being charged in the form of fees.

President Forsyth suggested the Board follow President Skorton's recommendation to allow the three presidents to discuss among themselves the thoughts expressed by the Regents at this meeting, and then to return to the Board following their discussion. He said the presidents may not necessarily develop a uniform answer. The Board could then focus on the areas where there is not unanimity among the presidents, and not have to spend as much time on the areas in which the presidents agree.

President Koob urged the Board to pay close attention to where the differences in cost arise, and to ask themselves whether the student ought to be the one who pays for the cost differentials.

Regent Newlin suggested that a representative of the Board Office attend the meetings of the three presidents as they address these issues.

The three university presidents will inform the Board before its next meeting of the timeframe in which to expect a report from the presidents. President Forsyth directed that the matter be placed on the August Board meeting agenda.

Executive Director Nichols stated that the second set of issues before the Board had to do with internal budgeting issues regarding tuition and fees income. The Board Office recommended that a collaborative study be conducted between now and March 2005 to evaluate accounting of tuition and fee revenue and determine if there is a way to have a consistent methodology across the enterprise.

Board members expressed support for the Board Office recommendation.

President Forsyth directed the Board Office to go forward with the recommended study.

Executive Director Nichols stated the next issue the Board Office was asked to study was fees related to athletics. Issues included setting an appropriate maximum amount of student fees to be devoted to intercollegiate athletics at each institution and setting a

proportional maximum amount of general university funds to be devoted to intercollegiate athletics at each institution. He said that, because of the differences in the institutions, the Board Office recommended a study be undertaken to explore whether it is feasible have a system or enterprise-wide recommendation in either of those two areas. The Board Office proposed that the Board be provided with a status report on this issue prior to setting tuition for 2005-06.

Regent Becker asked if the Board's Athletics Study Group had any discussion about fees related to athletics. She said it will likely take a large amount of time to study the issues. There are many differences among the institutions; therefore, she questioned how one recommendation could be adopted across the board.

Regent Neil stated the Athletics Study Group did not deal with these particular issues. He said he would like to see the study go forward. There is concern about the funds that flow from the university general fund to athletics.

Regent Rokes asked if the study related to athletics would result in a recommendation and whether there could be individual recommendations for each school? President Forsyth said he assumed that could be an outcome of the study.

Regent Downer stated the proposed study of athletics seemed to be a virtually impossible assignment and the study would require usage of thin resources.

Regent Nieland expressed agreement with Regent Neil. She was not sure that just because something is difficult and time intensive that it should not be done.

Regent Newlin said the topic of athletics is going to be with the Board forever; therefore, studying athletics is probably a good idea.

President Skorton expressed concern that the second part of the recommendation -- "determine an appropriate allocation of general university support and appropriate levels of funding from mandatory student fees" -- might be more difficult to achieve. He suggested that perhaps the study could include information from peers, which the universities could help the Board Office to gather. Perhaps a determination could be made as to the best principles that might go forward, and then turn it back to the institutions to return to the Board with ideas about the levels of support.

President Skorton stated that, in looking at peer institutions, it will be important to compare Iowa with other states that do not have major league professional sports teams.

Regent Neil said he would like to have more data about athletics, if for no other reason than to defend the athletics programs.

Regent Becker expressed support for proceeding with the study in line with President Skorton's suggestion.

Regent Rokes said she agreed with Regent Neil's comment about having the data with which to defend the athletics programs.

President Forsyth summarized the Board's discussion on the recommendation regarding athletics. The study should go forward and should be at the policy level. The Board should have all of the necessary detail with which to make policy. There is a question of priority because there are many studies going on at the Board level and at the institutional level, including those related to financial aid and public policy issues. He asked that the Board allow time for staff in conjunction with the institutional heads to develop a timeframe within which to complete the various proposed studies.

Executive Director Nichols stated the next issue was related to Lakeside Laboratory. The Board Office recommended that the Regent universities continue to operate programs at Lakeside Laboratory, and that Director Barak and the universities work with Friends of Lakeside Laboratory and Laboratory management to develop a long-term financing plan.

Director Barak said it was obvious that something needs to be done with Lakeside Laboratory's financial situation. The first step was to establish a climate for change. He said completion of the following studies will also be helpful: business plan, organizational plan, fundraising plan and administrative plan. In six months the results of the various studies should be completed, which will be helpful in the Board's decision-making process.

Executive Director Nichols said the last topic relates to student financial aid. He stated that in February the Board discussed several aspects of student financial aid policies. One outstanding issue was the ability to generate data regarding unmet financial needs of students. The Board Office recommendation was that the Board direct the Board Office to conduct a survey to focus on the following variables and to report the initial findings by year end:

- Free Application for Federal Student Aid (FAFSA) Filers – Undergraduates, Dependent Students, Iowa Residents
- Family Income (Adjusted Gross Income)
- Cost of Attendance

- Expected Family Contribution
- Total Need
- Total Financial Aid Accepted
- Unmet Financial Need

Regent Becker expressed support for the Board Office recommendation. She asked that the total financial aid accepted be shown by type of aid.

Regent Downer asked why the Regents were not selected to participate in the national post-secondary student aid study. Director Barak responded that the national study is conducted through a random sample. He said it is possible, however, to subsidize the study by adding institutions at a cost. The advantage of doing so would be to have comparative information.

Regent Downer asked if the Regent institutions have participated in the study in the past. Assistant Director Gonzalez responded affirmatively.

Regent Downer expressed interest in knowing the cost of future participation in the study to evaluate whether or not participation would be a worthwhile expenditure.

Director Barak said the current study is underway. The national study is conducted every five years. The per institution cost for the last study was approximately \$20,000.

President Forsyth said his sense was that the Board was supportive of investigating participation in the next national study.

ACTION: President Forsyth stated the Board, by general consent, discussed the identified issues and provided direction to the Board Office and institutions relative to the recommendations presented.

UNIT COST OF INSTRUCTION REPORT.

Assistant Director Anania presented highlights of the biennial report on unit cost of instruction.

Regent Becker questioned the significant differences in cost of instruction between the institutions, particularly the cost of master's-level instruction (\$11,712 at Iowa State University, \$16,000 at the University of Iowa, and \$14,000 at the University of Northern Iowa).

Vice President Madden responded that, simplistically, the formulas take the general fund cost of education and divide it by the number of credit hours. Sponsored funding is not included; therefore, one needs to be careful with interinstitutional comparisons.

President Forsyth expressed a desire to have the most effective reports on which to make management judgments. He questioned whether it was time to develop another report that might provide more meaningful data.

Vice President Madden cautioned that changing formulas will have some impact on how state aid funds are allocated to private institutions.

Regent Arbisser asked about the reliability of the data for undergraduates. Vice President Madden responded that the aggregate numbers were more reliable. He noted that it would be a major undertaking to redo the formulas that have been in place for decades.

President Forsyth asked Vice President Madden whether, in his judgment, it would be a worthwhile endeavor. Vice President Madden referred to the Board's earlier discussion about tuition rates, and said that if costs are one of the factors to be considered, then the unit cost of instruction formula should probably be redone.

President Forsyth asked for Board members' feelings about whether it would be appropriate to ask Executive Director Nichols and the institutional heads to review the issue and return to the Board with a recommendation.

Regent Becker pointed out that this matter would need to be considered in light of the Board's and institutions' other priorities.

President Forsyth suggested that the tuition policies study could proceed apart from a study on the unit cost of instruction. However, if a determination is made to make tuition cost-based in certain areas, there must be reliable cost data on which to make those judgments.

Director Barak pointed out that Congress is considering requiring institutions to report on cost information as part of the re-authorized Higher Education Act. He said another set of costs information will be coming out in three or four years which will be distributed nationally.

Executive Director Nichols stated that a review of unit cost of instruction would provide a collaborative opportunity to work with the Board's colleagues at the Iowa College Student Aid Commission, which administers the tuition grant program.

With regard to the data before the Board in the biennial report on unit cost of instruction, Vice President True said the data on undergraduate level and upper and lower class divisions have a great deal more meaning to the universities than do the rest of the data. He suggested the Board Office and institutional officials review those basic assumptions. If they are going to take another look at the formula, he would want to focus on undergraduate education because it is simpler to address.

ACTION: President Forsyth stated the Board received the unit cost of instruction report for FY 2003, by general consent.

STATUS REPORT ON BOARD-REQUESTED ADMINISTRATIVE SERVICES STUDY.

Director Elliott reviewed the information provided in the meeting materials regarding studies in six areas of administrative services.

President Forsyth commended Director Elliott and the institutional financial officers for their efforts related to the administrative services study. He then suggested that the Regents charge the three presidents to come forward with three areas for improving efficiencies and outcomes for implementation in 2005 and three such areas for implementation in 2006. The areas would not have to be confined to business operations. His recommendation would not preclude the institutions from moving forward with other areas of recommendation but would require that the institutions have at least three definitive areas for implementation in 2005 and at least three definitive areas for implementation in 2006.

President Skorton pointed out that fiscal year 2005 starts in six weeks. He asked if President Forsyth's directive meant the institutions would make the decision on the three areas within FY 2005 for full implementation the following July. Regent Forsyth responded affirmatively, adding that if one could implement six months into the year, one would implement six months into the year. He then clarified that the Board did not expect any of the areas to be academic programs.

MOTION: Regent Neil moved to (1) receive the status report on steps taken to date on enterprise-wide collaboration for non-academic administrative services; (2) approve recommendations in areas for identified projects; and (3) provide guidance on

areas for further study. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

SALE AND AWARD OF PARKING SYSTEM REVENUE BONDS, SERIES SU.I. 2004.

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

Mark LeMay of Springsted, Inc., the Board's financial advisor, recommended that the bonds be awarded to a syndicate led by UBS Financial Services, Inc, the only bidder. The true interest cost for the bonds was 4.88 percent, which he said was favorable. The bonds were rated AA2 by Moody's and A by Standard & Poor's. The interest rates equaled or were better than the interest rates on bonds with comparable ratings. He noted that the receipt of only one bid is typical. Usually 8 to 12 firms will combine to submit a bid.

Regent Arbisser asked for a comparison of the interest rate with interest rates received for last month's bond sale. Mr. LeMay responded that last month the University of Iowa's yield was 3.75 percent. He said interest rates have risen about 90 basis points since March.

MOTION:

Regent Arbisser moved to adopt the following resolutions: (1) A Resolution providing for the sale and award of \$18,250,000 Parking System Revenue Bonds, Series S.U.I. 2004, and approving and authorizing the agreement of such sale and award. (2) A Resolution authorizing and providing for the issuance and securing the payment of \$18,250,000 Parking System Revenue Bonds, Series S.U.I. 2004, for the purpose of financing all or a part of the costs of constructing, extending, equipping and improving University parking facilities on the campus of The State University of Iowa, funding a debt service reserve fund, and paying the costs of issuing the Bonds. Regent Neil seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.

NAY: None.
ABSENT: Turner.

MOTION CARRIED UNANIMOUSLY.

**PRELIMINARY RESOLUTION FOR CENTER FOR UNIVERSITY ADVANCEMENT
REVENUE REFUNDING BONDS, SERIES S.U.I. 2004.**

Vice President True presented the University of Iowa's request to advance refund the bonds issued in 1995 to partially finance construction of the Levitt Center for University Advancement, as requested by the University of Iowa Foundation's Executive Committee. There were two purposes for advance refunding the bonds. The first purpose was to gain a limited amount of savings because the interest rates of the 1995 bonds are higher than current interest rates. The second purpose for advance refunding the bonds was to extend the maturity of the issue, consistent with the life of the asset. He said the original bonds were issued with a shorter-than-normal maturity with the expectation that the designated gifts and other revenues would help to ease the cash flow burden. The Foundation now prefers to use the cash flow savings from the advanced refunding and restructuring to help finance an aggressive series of activities to raise private funds for the University and for scholarships for University students.

MOTION: Regent Nieland moved to Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$10,000,000 Center for University Advancement Revenue Refunding Bonds, Series S.U.I. 2004. Regent Becker seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.
NAY: None.
ABSENT: Turner.

MOTION CARRIED UNANIMOUSLY.

KINNICK STADIUM RENOVATION PROJECT, UNIVERSITY OF IOWA. (a) Report on Sales of New Seating Areas in Planned Renovations.

Vice President True referred Board members to the University's report. He said sales of seating are ahead of schedule. Major grass roots efforts to sell seating will be made during gatherings such as I-Club meetings.

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President Forsyth said it would be helpful to know the targets so the Board can monitor the University's progress in selling seats compared to the targets. Vice President True responded that University officials will provide that information in their next report. He stated that 58 percent of the premium seating was sold in less than 60 days after approval by the Board to proceed.

Regent Downer asked at what point in the process the letters of intent for purchase of the suites will be translated into firm contracts. Vice President True responded that those contracts should be signed by the end of May to early June.

Regent Becker referred to previous discussion about shifting the number of indoor club seating and suites. She asked if the numbers before the Board at this meeting were the final figures for each type of seating. Director Lehnertz responded that the intent in shifting the numbers of the types of seating was to maximize revenue generation. He said there would be only small changes from the numbers presented at this meeting if the numbers change at all.

Regent Neil asked if the "drop dead" date to have all the seating sold is still September.

Vice President True responded that was not correct. He said University officials will respond to President Forsyth's request to provide targets. He would like to have the 80 percent targets met by this fall.

President Forsyth said it was his understanding that before the Board authorizes the sale of the first series of bonds, at least 80 percent of the total revenue must be accounted for and that the rest would be received over the ensuing three to six months.

Vice President True stated that his calculation of 58 percent of the premium seating being sold was based upon discounting (the 80 percent level).

Regent Downer asked if the increase in the University of Iowa Foundation's fund-raising campaign goal from \$850 million to \$1 billion included a substantially larger (perhaps double) component for Kinnick Stadium. Vice President True responded affirmatively, and explained the accounting of the Kinnick Stadium funds within the fund-raising campaign. The capital gift target is \$15 million, which does not include premium seating. There is a gift component to the premium seats which counts toward the capital campaign and which would come in over the next few years (approximately \$35 million).

ACTION: President Forsyth stated the Board received the report on the sales of new seating areas included

in the planned Kinnick Stadium Renovation, by
general consent.

(b) Reimbursement Resolution.

Vice President True presented the University of Iowa's request that the Board adopt a resolution which would permit the University's Athletic Facilities System to be reimbursed from a future Athletic Facilities bond issue for expenditures associated with the Kinnick Stadium Renovation project.

Regent Arbisser referred to the increase in interest rates and asked if there was any reason to reconsider the Board's bond issuance calendar. Mr. Bittle said it may be advisable to review the taxable bond portion of the Kinnick Stadium financing in light of the increase in interest rates. He said bond counsel will be reviewing the issue with University officials.

MOTION:

Regent Arbisser moved to adopt A Resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the University of Iowa Athletic Facilities System for certain original expenditures paid in connection with the Kinnick Stadium project. Regent Downer seconded the motion, and upon the roll being called, the following voted:

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

NAY: None.

ABSENT: Turner.

MOTION CARRIED UNANIMOUSLY.

REPORT ON SAVINGS FROM BOND REFUNDINGS.

ACTION:

President Forsyth stated the Board received the report on savings from the issuance of refunding bonds, by general consent.

President Forsyth recognized State Representative Doug Struyk.

Representative Struyk thanked President Forsyth for the opportunity to address the Board. He welcomed the Board of Regents to Council Bluffs and to the wonderful

facility in which they were meeting (Lied Multipurpose Complex), which he said was an asset to the community.

Regent Newlin asked Representative Struyk about his feelings on support for public higher education in Iowa and particularly for the Regent enterprise.

Representative Struyk stated the Regent enterprise cannot continue to be treated as it has been. He said the legislature has taken hits to its budget as the Regents have taken hits to their budget. The budget numbers are looking better for next year and he assumes the legislature will be able to take better care of the Regents than in the past. Education -- K-12, community colleges and the Regents -- has been his priority and he believes education is a priority of the legislature. With each passing year, Iowa gets ever closer to a precipice where we will not be able to pull ourselves back. He referred to a recent discussion with the Board of Regents liaisons in which the liaisons reiterated the message that there will be major losses to the Board of Regents institutions and the state of Iowa if the legislature does not take proactive steps to provide more funds to the Regents. He stated the legislature needs to give the Regents the tools with which to move forward. We need to make sure that our youth stay in Iowa, are educated in Iowa, and are employed in Iowa.

COMMITTEE REPORT – AUDIT & COMPLIANCE.

Regent Newlin presented a summary of the Audit & Compliance Committee meeting of May 18. He said the Committee received and discussed its responsibilities as proposed and recommended the following changes:

1. Facilitating an open avenue of communication among the independent auditors, state auditors, financial and senior management, internal auditors, the Committee and the Board of Regents.
2. Reviewing a summary of claims and/or pending lawsuits filed against the Regents and/or a Regent institution.

There was also a recommendation to refine the following general responsibility of all Board committees:

1. Preparing an annual Committee plan that defines the scope of the Committee work, establishes benchmarks, and identifies performance indicators of Committee progress.

Regent Newlin stated the Audit & Compliance Committee discussed its work plan and the importance of retaining flexibility in scheduling. The Committee added the biennial

review of claims and pending litigation to its work plan. With regard to the proposed new audit policies, the Committee supported the voluntary adoption of key provisions associated with the Sarbanes-Oxley Act and recommended those to the Board. The Committee also directed that Group 2 of the internal working groups which are developing proposals for implementing the Sarbanes-Oxley Act consider strengthening reporting on internal control evaluations.

Regent Newlin said the Committee received an audit report from KPMG, LLP and discussed the University of Iowa Hospitals and Clinics audit report. The Committee also received reports from the universities' internal auditors and requested a revision to the presentation on the status of internal audits to better highlight progress on the completion of follow-up reviews.

MOTION: Regent Newlin moved that the Board adopt the policy changes recommended by the Committee and accept the remainder of the Committee report. Regent Becker seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

COMMITTEE REPORT – ECONOMIC DEVELOPMENT.

Regent Downer reported on the Economic Development Committee meeting of May 18. He said the Committee members did not modify the Committee's work plan or responsibilities. The Committee received an overview of the Battelle report on the state's bioscience industry and discussed the universities' roles in advancing the state's bioscience industry. The Battelle staff will be invited to the Committee's August meeting to provide an in-depth presentation on the report's findings.

Regent Downer said the Committee members discussed the importance of inviting key economic development leaders from across the state to its August meeting to interact with committee members, other Regents, and institutional personnel. The Committee will hold a telephonic meeting on Thursday, May 27, at 4 p.m. to discuss financing for the two University of Iowa projects approved for Grow Iowa Values Fund resources.

ACTION: President Forsyth stated the Board received the report and considered recommendations of the Economic Development Committee, by general consent.

COMMITTEE REPORT – UIHC EXECUTIVE BOARD.

Regent Arbisser reported on the UIHC Executive Board meeting of May 18. The Committee recommended the following change to its responsibilities:

Review information regarding UIHC interactions with related parties, such as those with the University of Iowa and the SUI College of Medicine.

The Committee members accepted its work plan without change, received the director's report, received an update on the Hospitals' operations for the quarter ended March 31, 2004, and recommended that the Board approve a 9.5 percent rate increase, effective July 1, 2004.

MOTION:

Regent Arbisser moved to receive the report and adopt the additional policy recommendation of the UIHC Executive Board. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Arbisser moved to approve the proposed rate increase of 9.5 percent for the University of Iowa Hospitals and Clinics, Psychiatric Hospital, and the Center for Disabilities and Development. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

ANNUAL REPORT ON FACULTY ACTIVITIES.

Assistant Director Gonzalez presented highlights of the following items from the annual report on faculty activities:

- The data in the report are obtained from a random survey of eligible faculty at each Regent university.
- The average number of hours worked by faculty at the Regent universities (57.2) has had only minor fluctuations during the past 14 years.
- The weighted average of the three Regent university averages exceeds the average number of hours per week worked by faculty reported in a national survey (55.8).

- The major faculty effort, for all ranks and faculty status, is teaching.
- Institutional missions are reflected in the workload assignments described in the faculty portfolios.
- The report contains three measures of faculty productivity, including levels of sponsored funding; number of degrees awarded; and outreach/extension services provided by faculty.

President Forsyth asked the Board Office to work with the institutions to determine whether more crisp and more focused reporting measures of faculty activity might be developed.

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

INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS.

MOTION: Regent Neil moved to approve leases for the benefit of the institutions as summarized below: University of Iowa— Lease agreements with InnoMatix, LLC; Digital Artefacts, LLC; Sebesta Blomberg and Associates; and Maverick Information Systems, Inc., for their use of business incubator space in the Technology Innovation Center at the Oakdale Campus. Iowa State University— Lease renewal with AmerUs Group Company for the University's continued use of space in downtown Des Moines for its evening MBA program. University of Northern Iowa— Tenant property rental rates for FY 2005 for the University's residences reflecting proposed rate increases ranging from 4.2 percent to 5.0 percent. Iowa School for the Deaf— Lease renewals with Children's Choice Country, the University of Iowa, Southwest Iowa Resource Center, and West Pottawattamie County Extension District for their continued use of space on the Iowa School for the Deaf campus; Tenant property rental rates for FY 2005 for the School's residences and apartments, reflecting proposed rate increases ranging from 2.9 percent to 3.4 percent. Regent Becker

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

MOTION CARRIED UNANIMOUSLY.

INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

(a) University of Iowa.

Vice President True introduced the following University officials to present a brief overview of the schematic design for the Chemistry Building Renovation project: David Wiemer, Chair of the Chemistry Department; and George Hollins, Director of Design and Construction.

Professor Weimer presented data on the Chemistry Department which included the number of faculty (24 tenured and tenure-track) and students (113 graduate students), and discussed the need for additional space.

Director Hollins reviewed information contained within the design booklet including the schematic design drawings and floor plans. He noted the core of the existing building, which was originally designed to be expanded, will be replaced with a new structure that will provide better pedestrian access. Most student activities will occur in the new space.

Vice President True noted that the façade of the new space will look much like the original building façade. He said two components of the project will be underway this summer.

Regent Becker commended the Chemistry Department and University officials for moving forward with an economically feasible project.

MOTION: Regent Becker moved to approve the schematic design, project description and budget, and architectural agreement with Brooks Borg Skiles, Des Moines, Iowa, with the understanding that this approval will constitute final Board approval and

authorization to proceed with construction.
Regent Neil seconded the motion.

Regent Downer stated that he had a class in the Chemistry Building when he was a student at the University of Iowa. He expressed his strong support for the project.

Regent Newlin expressed appreciation for adhering to the preferred ratio of 2-1/2 to 1 women's to men's rest room fixtures.

Executive Director Nichols stated the state authorization for academic building bonding for this project was approved just two days earlier. University officials are moving forward expeditiously with this project.

VOTE ON THE MOTION: Motion carried unanimously.

President Skorton thanked Board members for their support of this project, and stated that it would have a major impact on the University.

Vice President True addressed the remaining items on the University's capital register which included an agreement with Mortenson for construction management services for the Kinnick Stadium Renovation project. He said the agreement with Mortenson as construction manager and agent on behalf of the University was a critical element in achieving the best possible results in a constrained time period and to get as many Iowa firms as possible involved in the construction.

President Forsyth asked for comment on the following statement in the meeting materials for the Kinnick Stadium Renovation project: "The reimbursable expenses do not include general conditions work which may be performed by Mortenson to facilitate the overall construction effort; the University would negotiate an amendment to the agreement if these additional services are needed."

Director Hollins stated that when a shared item, such as fencing, toilet facilities or a crane is needed, it is more efficient for the University to acquire those items through its own agent.

Regent Neil asked about the expectation for participation by Iowa contractors through the use of Mortenson as construction manager. Director Hollins stated that a meeting was held at the Master Builders' office approximately a month ago. Everyone in attendance was in agreement that utilizing the services of Mortenson was the best approach for making bidding on the Kinnick Stadium Renovation project accessible to as many Iowa contractors as possible.

Vice President True stated there are 25 to 30 bid packages of a size that will encourage competition among the many firms that do projects for the University. The construction manager is expected to familiarize contractors with the project and with the bid packages.

Regent Nieland asked if Mortenson carries errors and omissions insurance. Director Hollins responded that errors and omissions insurance is part of Mortenson's contract.

MOTION: Regent Neil moved to approve the remaining items on the University of Iowa's capital register, as presented. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) Iowa State University.

President Forsyth referred to the revised project budget for the Larch and Willow Halls—Install Automatic Closing Devices project. He asked how the budget can be off by \$244,000 in six months. Vice President Madden responded that the original project budget was not done as it should have been. University officials are addressing the issue.

MOTION: Regent Arbisser moved to approve Iowa State University's capital register, as presented. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) University of Northern Iowa.

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

INTERINSTITUTIONAL COMMITTEE ON EDUCATIONAL COORDINATION. (a) Iowa State University – Ph.D. in Applied Linguistics and Technology.

MOTION: Regent Becker moved to approve Iowa State University's proposal to establish a Doctor of Philosophy in Applied Linguistics and Technology. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Forsyth thanked Interim Provost Cain, on behalf of the Board of Regents, for her yeoman's duty for almost a year as Provost of the University of Iowa. He stated she had done a great deal for the University.

(b) University of Iowa – B.S. in Anthropology.

MOTION: Regent Newlin moved to approve the University of Iowa's proposal to establish a new Bachelor of Science Degree in Anthropology. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) University of Iowa – Post-Audit Report: Institute for International Business.

MOTION: Regent Becker moved to (1) receive the post-audit report from the University of Iowa for the Institute for International Business and (2) approve continuation of the Institute for International Business. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

(d) University of Iowa – Post-Audit Report: B.S. in Applied Physics.

Provost Allen reviewed the history of the Board's recent action on the University of Iowa's B.S. in Applied Physics. The University was directed to return to the Board with a definition of success. The University responded to the Board's request for measures of success with the following points:

- The program will be a major success if the number of majors increases to 10 or more in the next three years.
- The program is worth maintaining if there are at least five majors because the necessary courses will be taught regardless, the cost is minimal, and the benefit to the student of having a degree in Applied Physics outweighs the minimal costs.

Regent Neil expressed his feeling that the program should cease. President Forsyth reminded Regent Neil that at last month's meeting the Board of Regents made a commitment to continue the program for three years. The University was directed to return to the Board with a definition of success so that the Board would not have the same discussion in three years as it had last month.

President Forsyth asked if University officials would be comfortable with having a threshold of 10 majors. He said that if the program has 10 majors, it continues; if it has 9 or less majors, it is doubtful that it will continue but it will be re-examined. Interim Provost Cain responded affirmatively. She noted that, following last month's Board of Regents meeting, she met with the Chair of the Department and the Associate Dean of the College. Neither of them understood why anyone ever suggested there would be 40 majors in the program. She said the reason to have the program in Applied Physics is to better "sell" the students' qualifications to industry.

Provost Allen stated that Iowa State University established a task force to address issues related to low-enrollment courses and programs. The task force has created guidelines for consideration. Any course or program that has less than 20 students will be scrutinized. There might be good reason to continue with less than 20 students but the burden of proof is on the departments. University officials are in the process of developing policy from the task force's report.

Regent Downer asked if similar studies are underway at the other two universities.

Interim Provost Cain responded that the Provost's office at the University of Iowa has collected data on class size throughout the colleges. The data have been shared with the deans who have been asked to review the small enrollment classes.

Regent Becker asked Provost Allen if he would be willing to share Iowa State University's process with the University of Iowa and the University of Northern Iowa. Provost Allen responded that the task force's report should be on the Iowa State University Provost's web site.

President Koob stated that the University of Northern Iowa determines cost structure by the number of students who are being instructed by a given professor. Because of the extraordinary budget pressures, last year the University of Northern Iowa adopted a minimum class size at the undergraduate level of 15.

Regent Neil asked that, in the future, the Board be provided in advance with information on review efforts that have been undertaken for low-enrollment courses.

MOTION:

Regent Neil moved to (1) receive the Bachelor of Science in Applied Physics Post-Audit Report from the University of Iowa and (2) approve continuation of the Bachelor of Science in Applied Physics Program. Continue to monitor the program's measures of success; direct the University to submit a report in three years.

Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

MISCELLANEOUS INSTITUTIONAL AGENDA SUBMISSIONS. (a) University of Iowa, University Calendar.

President Skorton presented the University of Iowa's calendars which included a request to discontinue the summer commencement ceremonies after 2004.

Regent Becker asked if the summer graduates would attend the spring or fall commencement ceremonies. President Skorton responded it was his understanding that the summer graduates would attend the spring commencement.

MOTION: Regent Nieland moved to (1) approve the University of Iowa academic year and summer session calendars for 2008-2009 and (2) approve the discontinuation of summer commencement ceremonies after 2004. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) University of Northern Iowa, Holiday Calendar FY 2006.

MOTION: Regent Becker moved to approve University calendar holidays for 2006. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) Iowa State University, Dormitory Closing.

President Geoffroy provided a PowerPoint presentation of the University's plans related to Helser Hall. He said the University has adjusted downward its enrollment projections for the fall 2004 semester by more than 300 students. As part of an effort to reduce expenses, the University plans to close Helser Hall for the 2004-2005 academic year for an estimated savings of \$640,000. The building is scheduled to be decommissioned in 2008. The 160 students who were planning to reside in Helser Hall this fall will be moved to other locations in the residence system. He stated that Helser Hall might reopen the following year (fall 2005) if occupancy dictates that it should. Otherwise, University officials will determine the best time to demolish the building.

President Forsyth said he assumed that University officials will make plans for the building so that it is not sitting empty between now and 2008. President Geoffroy

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responded affirmatively. He said University officials do not want to close the building right away because they are optimistic that the building will be needed.

ACTION: President Forsyth stated the Board, by general consent, received the report on the closing of Helser Residence Hall for the 2004-2005 academic year, and other cost saving measures planned by the Department of Residence.

ADJOURNMENT.

President Forsyth thanked Executive Director Nichols and Board Office staff for doing a tremendous job of responding in a short period of time to Board meeting format changes requested by the Board's new leadership.

The meeting of the Board of Regents, State of Iowa, adjourned at 1:42 p.m. on Wednesday, May 19, 2004.



Gregory S. Nichols
Executive Director

COMMENTS OF GOVERNOR VILSACK

May 18, 2004

I appreciate the opportunity for the Regents to give me a few minutes to talk about a good friend and someone who has been a good friend to the universities for a number of years. I'm here today specifically to acknowledge the work of Owen Newlin as the President of the Board of Regents, State of Iowa.

Owen, you and I have something in common. We served during difficult fiscal times. I would say that you probably survived better than I have during these tough times. I want to acknowledge your service to the state of Iowa and to the university system in this state.

First and foremost, you were a significant proponent of strategic planning; the necessity of the universities in this state to have a direction and understanding of where it needed to go in order to improve. Your work in terms of strategic planning not only had an impact on the Regents university system but also on the state of Iowa. As a result of your advocacy for strategic planning, we in the state have a strategic plan which we are in the process of following.

Secondly, the students in the universities owe you a debt. Because of the strategic planning and despite the difficult economic times, tuitions at the universities are still quite competitive and certainly competitive when you consider the quality of education that young people receive at our universities. Part of that is a result of your leadership.

You have also encouraged the universities to reach beyond the traditional forms of support. You've encouraged greater expansion of research, a greater connection of the universities to economic development efforts. You have suggested the necessity of these universities being involved intricately in transforming the Iowa economy and leading that transformation effort. The result of your advocacy is, in part, reflected in the Values Fund and the research that will take place. The expansion of research facilities and incubator facilities at the universities is the direct result of your advocacy. That is going to have an impact on this state for many, many years; I would say decades to come. It's already creating new opportunities. It's already creating scientific breakthroughs that are significant; that are going to effect our state and our nation and, I would argue, the world.

So, I'm here today to thank you for the work that you've done, for the leadership that you've provided. I'm also here today simply to sign a proclamation acknowledging some of that work. It is difficult to summarize in a short period of time in a proclamation

or in words the impact and the effect of your long tenure as President of the Board of Regents, State of Iowa. So this is really a small token of our appreciation and acknowledgement of your service. I know that the members of the Board have appreciated your service. I know that there is a substantial amount of work yet to be done and you'll be intricately involved in that, as well. But I wanted to make sure today that I came to Council Bluffs as you all were meeting to make sure you understand that I personally appreciate, as the Governor of this state on behalf of the people of this state, we appreciate your service.

The proclamation we've prepared reads as follows:

WHEREAS, Owen Newlin has strong connections to higher education with Bachelors and Master's degrees from Iowa State University, a Ph.D. from the University of Minnesota, and as a graduate of Harvard University's Advanced Management Program; and

WHEREAS, Owen Newlin was appointed to the Iowa Board of Regents in 1993, serving as President of the Board from 1996 to 2004, becoming one of the longest-serving Presidents in Board history; and

WHEREAS, during his tenure as Board President enrollment at the three universities grew from 65,777 in the fall of 1996 to 70,556 in the fall of 2003, and research funding from federal foundations and private sources grew to \$600 million, a record; and

WHEREAS, Owen Newlin has provided steady leadership in the face of financial challenges posed by state budget shortfalls and has led the Board to direct the state universities to set aside 15 percent of gross tuition revenues for student financial aid; and

WHEREAS, under his stewardship tuition and fees at Iowa's state universities remained below or comparable to the prices at university peer institutions nationwide; and

WHEREAS, Owen Newlin has contributed greatly to Iowa's standing as a national leader in education.

NOW, THEREFORE, I Thomas J. Vilsack, Governor of the State of Iowa, do hereby proclaim May 18, 2004, as Owen Newlin Appreciation Day in Iowa, in recognition of Owen Newlin's many contributions to our state.

John suggested that I provide for a couple of minutes the status of Regents issues relative to the state. As you all know, yesterday we signed the budget. It was not a budget that I was particularly pleased with. I would have preferred that we would have invested more resources into education at every level. I just finished reading a study

that was commissioned by the National Education Association which suggests that investment in education actually is good, positive economic development from the standpoint of a net increase in the number of jobs generated by investments in education. We will manage within the budget that the legislature has provided.

So that you understand and appreciate the full magnitude of this, this is a budget that is \$419 million less than it was four years ago. It is, in fact, a budget that is less than my first full year as Governor. I don't know of another Governor in another state where there has been no growth in general fund revenue in a five-year period. I know that the Presidents of the universities are dealing with the same set of issues. We will be working with a budget that will require us to take a look at our workforce. We anticipate that there will be, at least in state government, additional layoffs and additional reductions. We have an early-out program in an effort to try to create a soft landing for folks. But there will be some adjustments in workload and workforce.

Notwithstanding that, there is a lot of positive news. The high school graduation rates for our state are increasing. Test scores are improving. We've expanded access to health care to over 83,000 children in the last five years notwithstanding the difficulties budget-wise. We're excited about a continued expansion of cultural and recreational opportunities in creating a more creative class of workers. You might be interested to know that the workforce in Iowa is transforming. In the last three years there are close to 59,000 more college-educated workers in the workforce in our state. That's an extraordinary achievement in a relatively short period of time. I think it speaks to the work that we've all been engaged in, in trying to create the kind of Iowa that is intriguing and interesting and challenging to those who you are educating. I think folks see the beginning of a transformed economy. Clearly the bio-economy, the necessity of additional research in this area, is really capturing people's attention. A lot of the work that is going on at the university campuses is really exciting. We've gone from 60 companies interested in the state of Iowa 12 months ago to over 300 companies interested in the state of Iowa. That doesn't include the 50-some companies that have already received grants from the Values Fund and from the Economic Development Department. So long term things look much more promising.

The revenue picture for this state is interesting. We had just the other day one of the largest days in history in terms of collections. But that's tempered by the fact that with gas prices being as high as they are, a lot of the disposable income that would otherwise generate sales that would in turn generate sales tax are being diverted into paying for gas to put in the tank to get people to and from work. So that's a troublesome aspect of the economy.

I think you'll probably see unemployment go down in our state by perhaps a point or two, which will be announced in a couple of hours. So that's good, positive news.

Revenues are a little bit stronger than anticipated by the Revenue Estimating Conference for this year. But we're still a little concerned about the corporate side. To

give you a sense of how challenging it is, we actually generate more revenue from gaming in this state than we do from all the C corporations that pay tax in the state of Iowa, which is pretty amazing. I mean, there are only like ten or 11 gaming enterprises in the state. They pay more tax than all of the C corporations that pay income tax.

We are seeing very significant personal income growth. The state of Iowa in the last two years is ranked in the top four or five states in the country in terms of percentage income of personal income. That is translating into more revenue on the withholding and income tax side; however, we've not seen a corresponding increase in sales tax revenues. That is, in part, because our sales tax system is not aligned to the economy. We're not taxing that portion of the economy that is growing. We continue to tax that portion of the economy that's declining; therefore, the revenues are stagnant. We also have yet to crack the nut of internet sales which is increasing dramatically and people are avoiding the payment of taxes as the result of using the internet. So the sales tax system really needs to be modernized.

In terms of next year, the budget anticipates a 2 percent growth of revenue. We are pretty confident we'll be able to meet that. Our hope is that we're not going to be faced with any additional across-the-board cuts. There is some consideration to the possibility of looking at the end of this year whether or not revenues were a bit stronger which would allow us to sort of restructure the across-the-board cut that was announced in November to return some of those resources. It won't be all that significant but it might make a small difference to education, in particular, if we're able to do that. We won't know whether we're able to do that until probably the middle part of June.

We are continuing to advocate for funding of the Values Fund. I think the progress of that fund is going to create a very difficult situation for legislators not to fund it. We will by the end of this month have over 10,000 jobs generated from that fund. Those jobs are paying an average of \$39,100, which is well above the state average by tens of thousands of dollars. It will generate about a billion dollars of additional construction in the near term and, based on a return-on-investment model, somewhere between 195 and 200 million additional dollars in state and local taxes on an annual basis just from those jobs. We just need to get those jobs in the pipeline. There's going to be ground breaking on a number of these projects. Wells Fargo, I think, is breaking ground on their project next month. That's going to be a very big opportunity for this state.

I think that, in the long term, things are looking up for the state. We have moved from 16th in the country to 27th in terms of the portion of taxes that people pay. The cost of state government is now at its lowest point as a percentage of people's income in 33 years. I anticipate and expect that the legislature next year will have to take a look at the revenue side. People talk about the fact that the reserve account has been used but really what the reserve account has been used for is to fund tax cuts. Because our spending obviously hasn't gone up; it's actually gone down. But our revenue has gone down and it's gone down because we've made conscious decisions to reduce it. Most of the surplus has actually been used to backfill those tax cuts. I think the legislature

made a mistake in not addressing the cigarette tax this year. Over 73 percent of Iowans thought that was a good idea. We had to take about \$180 million from the Senior Living Trust to fund Medicaid. Dr. Skorton, good luck with your task force. We've looked at ways to reduce Medicaid spending and to try to be more efficient with that. I don't know if there's \$180 million of efficiencies left to be uncovered. I think we're at a point where we're going to have to look at whether we cut beneficiaries of that program. I've been proud of the fact that we're one of the few states in this very tough fiscal time that has not cut benefits and not basically cut people off of Medicaid. We've, in fact, increased it, as I said earlier, with children. I think they're going to have to look at the cigarette tax. I think the sales tax has to be modernized. I think the income tax has to be simplified. And I think we still have very serious concerns about the structure of the property tax system. So you can anticipate a debate next year about the taxing structure in this state.

I think you can anticipate some additional discussions about whether or not we need to look at the revenue side. I think most of us are much more efficient than we were five years ago. Greater efficiencies are going to be very, very hard to come by in significant amounts in the future.

President Geoffroy: Governor, I want to thank you for another thing that you have done to help advance Iowa State University. That was the phone call that you made to the individual that we're trying to recruit to be Dean of our College of Veterinary Medicine. That had a huge impact on that individual. We're still in the process of those negotiations, but it's been a very strong signal about the value that you place on higher education in Iowa and also on the College of Veterinary Medicine. We really, very, very much appreciate that.

Governor Vilsack: I'm happy to do that any time for any of the universities if it will be of help. I know we're working with a couple of companies that have interest in Iowa State University. Bob, if there's anything I can do for University of Northern Iowa I'm happy to do it, other than give you more money, which I don't have. I'm really proud of higher education in this state. We really do have a quality product here. I know that it has been very challenging to maintain that quality with very difficult financial circumstances. But you have continued to do it and you are to be congratulated, and those who work at the universities are to be congratulated for doing that. The youngsters who go to the schools are really receiving a bargain. They may not fully appreciate that fact because they're looking at their bottom line. I understand that they are troubled by rising tuition costs. But if you look at it relative to other universities and colleges and the quality, it's still a great, great bargain. I think you are going to continue to see more young people who want access to higher education. We've got a program that we're trying to focus to eliminate the achievement gap. We're very concerned about minorities in this state in terms of their achievement. Waterloo and Sioux City are involved in a pilot project to try to see what we can do specifically about minority students. We're expanding our drop-out prevention program, the Iowa Jobs for America Graduates program. This is a program that has been very effective at helping close to 2,000 youngsters who would

otherwise probably have dropped out of high school to stay in high school and graduate, and many of them are going on to higher education. We're going to continue to expand that program. We were able to secure additional resources from the legislature for that this year, and we're thankful for it.

I tell people that things that are happening in Iowa are unique. You all need to understand that. You need to look beyond the state of Iowa and see what's happening in other states. There are not other states where new energy facilities are being built. There are not other states where cultural and recreational projects are being expanded. There are not states where test scores are going up. There are not states where access to health care is being expanded. There are not states that have half a billion dollars' commitment to economic development in tough economic times generating a transformed economy. There are not states that are making the kind of commitment that we are now making to a bio-economy. We have substantially increased ethanol production. We have substantially increased soy diesel production. We can be the energy producers of this country, and we should be. I will tell you, as I've said to many in this state, this is not only important for our state but it is also important for our country and our nation.

Iowa has the unique opportunity and responsibility with this bio-economy. We're dealing with issues of terror and the war on terror. Our country's response has been predominantly a military response. But the greatness of America is not in our military might; it is in our humanitarian spirit. That is where the heart and soul of America is. The ability to help those who are hungry be fed. Those who are sick, get well. Those who are in poverty, have a better life. Iowa has the ability with the bio-economy to create more nutritious food and more of it; to create renewable fuels that sever our reliance on Middle Eastern oil and put us in a position where we can bargain more effectively for peace in that area. And to create cures for illnesses and diseases that can be grown in unlimited quantities in our state and then taken to countries and continents that are ravaged by epidemics. We can cure and save millions of lives. That is where we are headed. It is a great calling that we are engaged in. It is consistent with the humanitarian history of our state. Hoover, Wallace, Borlaug and others.

I'm excited about the future of this state. I think that Iowans need to take pride in what has taken place and is taking place in our state. We have a tendency to be way too humble about what's going on here. I, for one, am going to start talking more about some of the positive aspects of what's going on so people can take pride. It really starts and intersects at these university systems. It really does. This is where the ideas are coming from. This is where the new business opportunities are being generated. This is where the research that is creating these new products and new ways of using what we grow are being discovered. There have been some enormous and important discoveries recently at these universities. We're going to continue to try to develop a stronger partnership.

Thank you for your time.