

The Board of Regents, State of Iowa, met on Tuesday and Wednesday, November 11 and 12, 2003, at the University of Northern Iowa, Cedar Falls. The following were in attendance:

	<u>November 11</u>	<u>November 12</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	Excused	All sessions
Dr. Becker	All sessions	All sessions
Mr. Downer	All sessions	All sessions
Mr. Forsyth	All sessions	All sessions
Mr. Neil	All sessions	Excused at 12:00 p.m.
Ms. Nieland	All sessions	Excused at 2:14 p.m.
Dr. Turner	Excused	Excused at 2:35 p.m.
<u>Representing the Office of the Board of Regents at the Board Table</u>		
Executive Director Nichols	All sessions	All sessions
Director Barak	All sessions	All sessions
Director Elliott	All sessions	All sessions
Director Wright	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	Excused	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
Provost Podolefsky	Excused	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>		
Superintendent Thurman	Excused	All sessions
Director Woodward	Excused	Excused

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 Tuesday, November 11, 2003, beginning at 1:38 p.m.

EXECUTIVE SESSION. President Newlin requested that the Board meet in closed session pursuant to Iowa Code §21.5(1)(c) to discuss a matter with counsel which is either in litigation or where litigation is imminent; and, pursuant to Iowa Code §20.17(3) to conduct a strategy meeting of a public employer for collective bargaining.

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

MOTION CARRIED.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 1:41 p.m. on November 11, 2003, and adjourned therefrom at 4:05 p.m. on that same date.

The following business was transacted on Wednesday, November 12, 2003, beginning at 9:25 a.m.

President Newlin reconvened the meeting and welcomed everyone to the November meeting of the Board of Regents. He stated that Board members had met for breakfast with institutional heads and local legislators, and had a good discussion.

APPROVAL OF MINUTES OF BOARD MEETING OF OCTOBER 15-16, 2003.

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

BOARD OF REGENTS MEETING
November 11-12, 2003

ACTION: President Newlin stated the Board approved the minutes of the October 15-16, 2003, meeting, as written, by general consent.

CONSENT ITEMS. (a) Board Meetings Schedule. Approval of the Board meetings schedule was requested.

(b) Institutional and Board Office Personnel Transactions. Ratification of the following personnel transactions was requested. *University of Iowa:* Register of Personnel Changes for September 2003. *Iowa State University:* Register of Personnel Changes for October 2003 which included the retirement of James L. Melsa, Dean of the College of Engineering, effective June 30, 2004. *University of Northern Iowa:* The Register of Personnel Changes was not received in the Board Office and, therefore, would be reported next month. *Iowa School for the Deaf:* Register of Personnel Changes for October 2003. *Iowa Braille and Sight Saving School:* Register of Personnel Changes for September 2003. *Board Office:* Appointment of Marilee Mitchell, Administrative Assistant, Business and Finance Unit, effective October 29, 2003, at an annual salary of \$36,500 plus the usual fringe benefits.

(c) Approval of 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:* Sarah R. Barrick dba Sites By Sarah, Jered Sprecher, and Susan Chrysler White.

(d) Register of Capital Improvement Business Transactions, ISU. Approval of Iowa State University's capital register was requested.

(e) P&S Classification Revisions, SUI. Approval was requested of the Professional and Scientific Classification System revisions at the University of Iowa.

(f) Reorganization of Centers/Programs within the Institute for Physical Research and Technology—Company Assistance, ISU. Receipt of the reorganization plan was requested.

Regent Forsyth commended the leadership of Iowa State University for merging three centers within the Institute for Physical Research and Technology into one. He stated that type of activity was necessary in light of the budget crisis.

(g) Department of Residence System Fund Transfer, UNI. Approval of the transfer of \$2.5 million from the residence system (dormitory) surplus fund to the improvement fund was requested.

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

FY 2004 BUDGET REDUCTIONS.

Executive Director Nichols stated that Board members were presented with initial information about the institutional plans to address the reductions due to the state's across-the-board cut in appropriations of 2.5 percent, which was announced in October. The Board would be reviewing the subject matter twice. At this meeting, the Board was presented with the general thrust of the plans. Some time after the beginning of 2004, the Board will be asked to give final approval to specific revised budget allocations.

Information presented at this meeting included the amount of reductions necessary to respond to the state's across-the-board cuts for each institution, the regional study centers and the Board Office. University presidents and special schools superintendents would present their plans for addressing the reductions. For some of the institutions, there are additional budgetary shortfalls that will also have to be addressed.

Executive Director Nichols emphasized the importance of the Board supporting the institutional heads as they address the funding shortfalls.

President Skorton stated that the University of Iowa has become one of the nation's most prominent research universities, largely because of its history of stable and generous state support. Even with the budget cut, he believes the \$200 million in state appropriations is a substantial sum of money. Because of the cumulative effect of the budget cuts, however, University officials are reaching the end of their ability to cope with cuts in the manner utilized in the past.

President Skorton provided a PowerPoint presentation of the University of Iowa's response to the most-recent state budget reductions. He said the guiding principle was to maintain excellence by protecting:

- High-quality educational programs
- Recruitment and retention of a diverse community of students, faculty and staff
- Student financial aid
- Library acquisitions
- Vital research programs, research support and compliance

President Skorton presented a history of state appropriations reductions for FY 2001 through FY 2004 which totaled \$104.4 million, including unfunded salaries. He said the net increase in tuition revenue for the same time period was \$61.6 million. Mid-year FY 2004 budget reductions total \$9.9 million. He stated that the University of Iowa remains one of the nation's top 20 public research universities despite the series of budget reductions by maintaining budgets of the core units of the University. Budgets of administrative units have been disproportionately cut in favor of curricular unit budgets, particularly for the undergraduate colleges. However, he said this strategy can only carry the University so far. For example, the overall level of faculty compensation at the University has fallen substantially compared to that of peer institutions.

President Skorton presented information on mid-year FY 2004 budget reductions for academic units and for administrative units. He said the academic unit budgets were cut 25 percent less than were those of administrative units. Approximately \$720,000 were reallocated from administrative units to undergraduate education. Mid-year FY 2004 budget reductions for health care units total \$1.13 million.

President Skorton stated that University of Iowa officials intend to preserve the University as an institution the state can be proud of, both educationally and in its research and service missions. University officials are counting on the Board's partnership to continue to do so.

Regent Neil referred to the cuts to the health care units and, specifically, the indigent care program. He asked how cuts can be made to that program.

President Skorton responded that, through extensive consultation with officials of the University of Iowa Hospitals and Clinics and the College of Medicine, agreement has been reached not to reduce the number of patients served. University officials are determining ways to serve the same number of patients yet cut the budget.

Associate Director Rice stated that the formulary for those patients will be reviewed to better manage medications and prosthetics. By more tightly managing patient care, redundancy can be reduced. Activities will also facilitate admission and discharge as quickly as possible. University of Iowa Hospitals and Clinics officials intend to maintain the same level of care for each patient admitted to the Hospital while utilizing resources as effectively as possible. She noted that many of the indigent patients have been long-term patients and know the physicians well. Efforts will be made to improve communications to minimize the duplication of tasks.

President Skorton stressed that there are not two standards of care at the Hospital. There has been no difference in how patients are treated and that will continue.

President Newlin asked about the intercollegiate athletics budget cut under the president's office budget.

President Skorton responded that approximately five percent of the intercollegiate athletics budget comes from general university funds. The general fund portion of the athletics budget is being cut by seven percent, which is three times the cut experienced by other units. He noted that University officials had received enormous support and assistance from the leadership of the Athletic Department.

President Newlin thanked President Skorton and his staff for their efforts in a very difficult task. He said the Board is supportive of what University officials are doing.

President Geoffroy said the "story" at Iowa State University is similar to that of the University of Iowa. Over the last four years, the University has had to absorb more than \$100 million in budget cuts and cost increases. Current state appropriations are at their 1996 level while the University is educating 2,500 more students than in 1996. He stated that the tuition increases during those years have fallen far short of making up for the loss of state revenues.

President Geoffroy stated that through these four years of budget cuts, Iowa State University officials long ago cut through any fat that might have been in place, and were now forced to cut into the University's "bone". He said the budget cuts had nearly created a crisis situation. This round of budget cuts totals \$8.3 million for Iowa State University.

In addressing the budget reduction, Iowa State University officials will protect student financial aid, enrollment services, and the fuel and utilities budget. President Geoffroy said the 2.5 percent reversion will be applied to all of the appropriations units in the University's appropriations bills. In the education appropriations bill, the 2.5 percent reduction was applied to the Agricultural Experiment Station, Cooperative Extension, the Leopold Center, Healthy Livestock Research, and to the general University budget. He said the 2.5 percent budget reduction was applied to the three units in the economic development appropriation – Institute for Physical Research and Technology, the Small Business Development Center and the Research Park. The general University will also have to deal with shortfalls in tuition revenue and indirect cost recoveries totaling \$6.9 million. Those reductions have been distributed across the four divisions of the University – the President's office and the three vice presidents' offices -- but in a highly differential manner. The greatest cuts were made to the budget of the office of the President, nearly a 10 percent reduction. The next largest reduction was made to the budget of the Business and Finance office, followed by Student Affairs. The smallest percentage budget reduction was made to that of the Academic Affairs unit. He stated

that each of the vice presidents is handling the cuts in their units in very different manners.

President Geoffroy stated that Iowa State University officials are undertaking a review of the University's academic organizational structure, to be completed by mid-January. Vice President Madden is also undertaking several significant reorganizations and reductions in services within the Business and Finance division to accommodate the budget reduction. He said the effect of the reorganizations will be a reduction in the workforce. The number of positions to be reduced was unknown at this time because the vice presidents and deans are working through the budget details.

President Geoffroy stated that the budget cuts are reducing the opportunity for Iowans to access Iowa State University's programs and services. University officials' top priority is to maintain the quality of the University's educational programs.

Regent Nieland said she applauded President Geoffroy's set of priorities which demonstrated that he had gone beyond the point of just "hunkering down". She said she hoped that everyone would benefit from President Geoffroy's lead.

Regent Forsyth asked about the \$1 million shortfall of indirect cost recovery. President Geoffroy responded that, each year when budgets are built, forecasts are made of the anticipated indirect costs. Several assumptions probably were not correct, including the balance of funding from different agencies.

Regent Neil commended President Geoffroy for maintaining the focus of Iowa State University. He said he had read with interest that morning's newspaper article about the new soybeans that have been developed by Iowa State University. He questioned how many more budget cuts the University can withstand before those types of accomplishments are no longer possible.

President Geoffroy responded that, as he indicated at the beginning of his remarks, the fabric of the University is beginning to be cut away.

Regent Neil asked if there was a danger of the federal government losing faith in making investments in Iowa State University because of the lack of employees to continue its work.

President Geoffroy responded that Iowa State University officials are trying hard to not let that happen. He said that, in applying for federal grants, the University often has to provide matching funds or demonstrate adequate facilities or equipment to carry out the research project. Being able to provide those assurances is becoming more challenging.

Regent Downer stated that President Geoffroy has shown fine leadership in the area of economic development. There are some outstanding activities taking place at the Research Park which will provide great benefits to lowans. However, the reduction in economic development appropriations will result in reduced opportunities for lowans.

President Geoffroy stated that Iowa State University's Research Park is one of the most successful research parks in the country. At the time the Research Park was created, the state of Iowa was visionary enough to invest in the Research Park, which has truly paid off. Over the years, state funding for the Research Park has dwindled to a very low level. Fortunately, a solid base has been built for the Research Park and he believes the Research Park will continue to do extremely well.

President Newlin acknowledged the very difficult task of making budget cuts, and stated that the Board members are very supportive of President Geoffroy's efforts.

President Koob stated that the University of Northern Iowa is a relatively single-focused university, with students being the focus. Basic support of the University is through appropriations and tuition. Since the beginning of FY 2002, the University has experienced a \$12 million reduction in its operating budget, net of tuition increases. In accordance with the commonly-used cost per student formula, he said the reduction in funds represents 1,200 students who can no longer be served by the University of Northern Iowa. Without those students, the tuition revenue will also decline. He said the University's only option for dealing with the budget cuts is to reduce opportunities for lowans by reducing enrollment.

At the time of the first budget cut, President Koob provided the Board with the target that would have to be reached to accommodate the budget reduction. He stated that target was reached this year. He said the University will accommodate the additional 2.5 percent budget reduction, as follows: (1) \$700,000 in one-time expenditures from available cash and (2) \$1.3 million in permanent reductions. According to President Koob, the University has always had a highly-efficient operation. He stated that the value lowans receive from the University of Northern Iowa is extraordinary.

President Newlin expressed the Board's appreciation to President Koob for his work on addressing the difficult task of budget reductions.

Superintendent Thurman stated that Iowa Braille and Sight Saving School officials had undergone a four-step process of identifying areas to address the School's budget cuts: (1) health and safety, (2) Individual Education Plan compliance, (3) Board of Regents strategic planning process, and (4) other educational areas. He pointed out three activities of those listed in the meeting materials that will be undertaken. (1) An early

childhood consultant position, for which the School has been advertising for a year, will not be filled. (2) The School will not contract with a blind person who has a long history of teaching independent living skills. (3) Summer school funds will be lost. He proposed that the summer school activities be funded entirely from the School's endowment.

Although the future is uncertain, Superintendent Thurman said the School's priorities will be maintained. The School will continue to be an active participant in providing services to students with disabilities.

President Newlin thanked Superintendent Thurman for his efforts in addressing the state budget cuts.

Superintendent Prickett stated the Iowa School for the Deaf is entirely funded through state appropriations and federal funding. The approximate reduction in funding for the School is \$206,000. Several vacant positions will be eliminated and workloads will be shifted. For example, one teacher will be required to obtain additional credentials. Houseparents in the dormitories will experience increased workloads. She said School officials are doing their best to maintain the quality of education.

Superintendent Prickett stated that funding of the summer program will have to be reduced. Outreach to other districts will also be reduced. The vehicle replacement budget will be reduced which will effect the School's home going program.

President Newlin thanked Superintendent Prickett for her efforts in addressing the budget cuts.

Regent Forsyth commended all five institutional leaders, noting that Iowa was fortunate to have such outstanding leaders. He referred to the staff awards ceremony of the previous evening, and said it was clear that morale is still good at the institutions. He heard from representatives of all five institutions that communication is taking place within their institutions. He acknowledged that the focus of the budget cuts is on protecting the academic integrity of the institutions. He heard in the presidents' voices that there comes a point where they cannot continue to disproportionately cut the administrative budgets. He acknowledged that it was difficult to cut the athletic budgets at the University of Iowa and Iowa State University. He referred to an analogy expressed by President Koob that morning during a breakfast gathering with local legislators. President Koob's comments illustrated that if the institutional heads had known in 2001 the additional budget cuts of future years, the institutional heads would have taken a different tact in approaching the budget cuts.

BOARD OF REGENTS MEETING
November 11-12, 2003

Regent Forsyth expressed his belief that, in planning for the future, excellence has to win out over accessibility. He said Regent Downer emphasized that point at last month's Board meeting when he stated the value of his University of Iowa law degree has increased through the years due to the increased excellence of the University.

Regent Forsyth asked that the importance of excellence versus accessibility be considered as plans are made for the future. He said he suspects there will be additional cuts in appropriations with the anticipated report from the Revenue Estimating Conference.

Regent Forsyth stated that at the previous day's Banking Committee meeting, the members were informed of discussions taking place among the institutions about how to share overhead functions to attain greater economies of scale. He believes the next activity, which will be difficult and for which the Board will have to serve a significant role, is the issue of academic programs. To maintain excellence, he said there will have to be a review of the number of academic programs at the universities. He said the university leaders are now thinking about actions that were unthinkable two or three years ago.

Regent Becker referred to the issue of quality and access. She said that if there is no quality, access does not have much meaning. However, if there is high quality and "your" child is the one who cannot attend and benefit from the quality, that is equally disastrous. She said it would also be short-sighted in terms of the state. Over time, the state's economy is based on individuals receiving a good education and, subsequently, good employment. Another way of addressing the budget concerns may be to maintain access and high quality, but look at whether everyone receives the whole spectrum of choices for courses at each university.

Regent Downer commended the presidents and superintendents for their efforts. He said Regents Forsyth and Becker had made outstanding points with respect to the issues of quality and accessibility. He stated one issue that will become increasingly important is the level of cooperation and interaction among the institutions to a degree that has not occurred previously. He said they were all committed to high quality institutions that are accessible. New initiatives need to be developed to encourage all of the institutions to work together.

President Newlin asked for a motion to commend and support the institutional heads for their proposed budget cuts and for the reports that had been provided.

MOTION: Regent Downer moved to commend and support the institutional heads for their proposed budget cuts and for the reports that had been provided.

Regent Turner seconded the motion. MOTION
CARRIED UNANIMOUSLY.

Regent Neil referred to a statement by a state senator indicating that, with the shortfall in state revenues, the legislature may not fund K-12 education to be able to give the Regents more funds. Regent Neil said the Regents need to reach out to the rest of the educational community, K-14 and the private institutions, to present a complete picture to legislators, and indicate that the state cannot continue to cut funding of education.

Executive Director Nichols informed Board members that the Board Office is taking two actions to reduce costs: (1) \$30,000 to meet the state's 2.5 percent reduction for Board Office operations and (2) elimination of the previous requirement that the university budgets provide \$50,000 support to the Iowa Research Council. He said the net result will be to meet the state's target of reducing the Board Office budget by 2.5 percent and will also reduce a burden on the institutions' budgets for the remainder of the fiscal year.

President Newlin thanked Executive Director Nichols for his work in reducing the Board Office budget and expressed the Board's support for his actions.

REGENT LEGISLATIVE PROGRAM.

Executive Director Nichols presented the Board's proposed legislative program for the 2004 session which will convene in January 2004. He stated that many activities are taking place, including the breakfast gathering that morning, to increase interactions with elected leaders. He said the guideline by which the legislative priorities are drawn is the Board of Regents 2004-09 strategic plan priorities which were adopted earlier in the year. Included as a priority is improved educational opportunities for lowans, which is addressed through items previously approved by the Board. Such items include attracting and retaining quality faculty and staff through salary support from the state; incremental operating funds for the institutions that will provide for additional faculty and staff in areas where needed to meet educational demand; support of state efforts to provide student aid; and, capital construction of academic facilities, particularly in the life sciences.

Executive Director Nichols stated that the second priority in the Board's strategic plan, that of quality research and scholarship, is also supported by previous actions of the Board. The same is true for the third priority – public service and promoting economic growth activities. He said the Board's fourth strategic priority was that of public accountability. Resources were needed for attracting and retaining faculty and staff; operating appropriations; education, research, scholarship and public service; and, capitals.

Also presented for Board approval were initiatives to provide regulatory relief to reduce costs and workloads at the institutions, to allow greater management flexibility, and to eliminate unnecessary and outdated requirements. Executive Director Nichols stated that substantive areas currently being explored included investments, compensation and benefits, and tuition timing. Reporting requirements being explored for elimination from state law include economic development (which is unworkable) and telemedicine (which is outdated). He provided the example of the report on savings gained from use of the Iowa Communications Network as opposed to using satellites, which is no longer a truly meaningful comparison.

With the Board's concurrence, the Board Office will continue to explore opportunities for addressing substantive and redundant or unworkable reporting requirements.

Executive Director Nichols stated that one other topic in the recommended actions was to explore with the legislature alternative methods of financing to help achieve other priorities, such as capitals.

Regent Forsyth referred to the issue of requesting relief on the timing of tuition increases. He said the Board should try to do that right at the front of the legislative session. Executive Director Nichols responded that the Board Office is trying to figure out the timing, although he agreed it has to be front ended. He said the issue will be at the front of the list.

MOTION:

Regent Becker moved, in addition to the Board-approved appropriations requests for FY 2005 operations, incremental salaries, tuition replacement and capitals, to authorize the Board Office and legislative liaisons to (1) actively pursue regulatory relief of burdensome, costly, and/or obsolete statutory requirements and (2) explore opportunities for alternative financing methods and additional funding through other legislative means and other state agencies. Regent Nieland seconded the motion. **MOTION CARRIED UNANIMOUSLY.**

APPROVAL OF TUITION AND FEES.

Executive Director Nichols requested that the University presidents and students be given an opportunity to make further comments prior to the Board's determination of tuition and fees. He reminded Board members that the current state law requires that action on tuition and fees for next year be taken at this meeting. He referred to the

projected FY 2005 Higher Education Price Index increase of between 2.1 percent and 3.7 percent, and said the proposed tuition increase would provide a 4.6 percent to 6.2 percent increase in tuition revenue for strategic initiatives.

President Skorton stated that University of Iowa officials continue to support the Board Office recommendation. He said tuition increases have been vigorous the last few years and University officials support the Board's decision to moderate those increases. He reminded Board members that the increased tuition revenue had not made up for the cuts in state appropriations or for increases in costs, which the legislature needs to understand. The University must receive sufficient support to maintain quality and accessibility.

President Geoffroy stated that, given all of the circumstances, Iowa State University officials also support the Board Office recommendation. He pointed out that, when considering the shortfalls in state appropriations and the mandatory cost increases, the tuition increases of the past few years have not made up for the appropriations reductions in those years.

President Koob stated that University of Northern Iowa officials support the approach taken on tuition increases. He noted that the intended use of the additional revenues was contingent on full funding of salaries.

Angela Groh, Iowa State University Government of the Student Body representative, thanked the Board for its efforts to keep tuition at the lowest level possible. She encouraged Board members not to pass any further tuition increases on to students because tuition needs to remain affordable. She stated that enrollment is declining and tuition and enrollment are tied together closely.

Ms. Groh addressed the proposal by State Representative Christopher Rants entitled The Tuition Stability Act, which would set tuition for an incoming freshman for four years. She stated the plan would have far-reaching negative effects. While the proposal would have some benefits related to predictability, the benefits would be far outweighed by the negative aspects.

Ms. Groh thanked the Board for its time and encouraged its members to continue to support efforts to educate the legislature about the importance of higher education to the state of Iowa. She requested the Board's support in approaching the state legislature about making education the #1 priority in Iowa.

Nate Green, President of the University of Iowa Student Government, thanked Board members for being accessible and for answering students' questions. He stated that tuition has skyrocketed and urged Board member not to raise tuition greater than the

proposed 8.3 percent. He acknowledged the lack of funding for higher education and said there was nothing left to cut at the University, which he hoped the state legislature would recognize.

Mr. Green commented on Representative Rants' tuition stability proposal. He stated that, while Mr. Rants' intentions were good, the proposal would place a tremendous burden on entering freshmen. He said predictability is important but not by compromising access. The Board of Regents needs to be allowed full discretion to set tuition rates.

Mr. Green referred to a handout entitled, "Collegiate Readership Program Survey Results". He stated that the University of Iowa Student Government implemented a campus-wide newspaper readership pilot program to get feedback from students on support for a permanent program that would require a \$5 per semester increase in student fees. He discussed the results of the students' survey, and that of an independent news service survey of students. The independent survey confirmed the student survey results that a majority of students supported the proposal. Students believe the \$5 increase in fees is a great trade off and students are excited about the program.

Regent Arbisser pointed out that the newspaper experiment occurred last month in Iowa City. At that time, he heard comments that students were delighted with the program.

Mr. Green said the 90 percent return of approval by students was heartening.

Regent Neil asked how recycling of the newspapers would be addressed. Mr. Green responded that was one of a number of issues that came up. Upon the students' request, Gannett News Service placed recycling bins next to each distribution point. Gannett has also agreed to place recycling bins in the high usage areas for students.

Mr. Green stated that another concern was that of the public having access to the newspapers. For the pilot program, there were open air displays of the newspapers. For the permanent program, there will be closed displays that will require a student identification card swipe. Also in the permanent program, twice as many newspapers will be offered than in the pilot program.

Emiliano Lerda, President of the University of Northern Iowa Student Government, thanked Board members for their hard work and dedication, and for providing students with the opportunity to be part of the tuition conversation. He provided a PowerPoint presentation which illustrated a 4-year summary of Regent funding, and stated that students continue to pay more for less. He said the Board should not have to choose

between access and quality. The changes on campus are the result of short-term budget solutions and are not sustainable.

Mr. Lerda next addressed the effect of the budget cuts on the University of Northern Iowa's student enrollment. He stated that in 2001, the University experienced record enrollment. The current declining enrollment means fewer opportunities for Iowa students to obtain a four-year degree at a public university.

Mr. Lerda pointed out that state appropriations represent less than 50 percent of the University's educational expenditures. He questioned how much longer the Regent universities can be considered public institutions. He stated that the need for student financial aid is increasing. There is greater unmet need which requires borrowing more money to pay for education. He cautioned that the numbers will increase significantly. For example, his fiancé will be leaving the University in December with student loan indebtedness of \$50,000. He stated that students are working more hours on campus as well as off campus.

Mr. Lerda stated that the students are Iowa's future. The majority of Iowa's workforce consists of graduates of Regent institutions. He said 70 percent of University of Northern Iowa graduates take their first jobs in Iowa. He pointed out that the number of Iowa residents with bachelor's degrees is lower than that of any of the surrounding states. Iowa's college graduates earn more money out of state.

Mr. Lerda said the problem is not one of money but, rather, is one of priorities. The 8.3 percent increase in tuition is a great sacrifice for University of Northern Iowa students. He acknowledged that the situation faced by the Regents was about quality. However, students cannot continue to pay more to privatize higher education in Iowa. Students do support the proposed 8.3 percent increase in tuition, and appreciate that the tuition increase is in the single digits.

Mr. Lerda referred to the proposal for fees at the University of Northern Iowa. He stated that students support the increases in the health and computer fees. However, students oppose the \$88 increase in the proposed student services fee, which students consider a tuition increase.

Regent Nieland thanked Mr. Lerda for reinforcing the point about short-term solutions, which seem to be occurring on a regular basis.

Regent Neil asked if Mr. Lerda had University of Northern Iowa students' opinion on the proposal by Representative Rants on predictability of tuition. Mr. Lerda said he agreed with his colleagues that it is important to have predictability of tuition, but that it has to be done in a very responsible manner. He expressed appreciation for Mr. Rants'

proposal but said the proposal must be studied carefully to ensure that access and quality are not sacrificed in the process.

Regent Downer referred to the newspaper proposal at the University of Iowa. He stated that his law firm represents one of the newspapers; therefore, he requested that the mandatory fees portion of the Board Office recommendation be considered separately.

MOTION:

Regent Nieland moved to approve the following proposals for the 2004-05 academic year tuition and fees, effective with the summer session 2004:

- (1) Tuition (a) A base annual tuition increase of \$360 for resident undergraduate students and \$720 for nonresident undergraduate students. (b) A base annual tuition increase of \$450 for resident graduate students and \$900 for nonresident graduate students. (c) A differential tuition increase requested by the University of Iowa for students in the College of Medicine MD and physical therapy programs and in the College of Pharmacy PharmD program for both resident and nonresident students at the resident graduate student rate increase of \$450.
- (2) Maintenance of the minimum 15 percent student financial aid set-aside of gross tuition revenues, with an emphasis on need-based aid.
- (3) In addition to the proposed base tuition increase, changes to mandatory fees that include: (a) Final transition of all designated tuition allocations. (UNI only; SU1 and ISU previously completed transition.) (b) Proposals for increased mandatory fees at Iowa State University and the University of Northern Iowa. (c) Deferral of the athletics fee discussion to include it with the tuition policy discussion in February of 2004.
- (4) In addition to the proposed base tuition increases, the graduate and professional program surcharges proposed by the University of Iowa.
- (5) Tuition-related miscellaneous charges with specific changes requested by the University of Iowa.
- (6) Per semester credit hour tuition and mandatory fees.

Regent Forsyth seconded the motion.
MOTION CARRIED UNANIMOUSLY.

MOTION: Regent Neil moved to approve the mandatory fees at the University of Iowa. Regent Nieland seconded the motion. MOTION CARRIED WITH REGENT DOWNER ABSTAINING.

Regent Turner stated that the issue of public education in Iowa and in our country is very serious. She encouraged engagement with other educational sectors in Iowa and across the country. She said that, in the past, when talking about quality of education, the discussion was about quality assurance. Today, quality assurance is not the issue but, rather, quality improvement. By maintaining quality, one stands still. She said that simply maintaining quality at the Regent institutions is unsatisfactory.

Regent Turner stated that education in America is about choice. Public education gives people the opportunity to have choices. For example, when she is asked what is the best medical school, she responds that the best school is the one where one can achieve what one wants to achieve and to be successful. She said that, as the "belts" are tightened and the look of the universities changes, they must keep in mind that students must have choices. For example, a student may fail on one campus yet achieve on another campus.

Regent Turner stated there must be discussion about renewing the concept of education as a commodity in Iowa. People move to Iowa to receive an education. People stay in Iowa for education, and they pay for it. She said education is a valuable commodity in our state and, unless Iowa continues to invest in education, the commodity will be lost. Education is a tangible commodity that Iowa offers not only to its own citizens but to the country and to the world.

Regent Turner stated that the previous month she had attended a seminar presented by a law professor at Georgetown University. The topic of the seminar was problems in public education in the U.S. Regent Turner said the problems being faced across this country in public education are phenomenal and include the lack of support that is being experienced in Iowa. She stated that a long term view must be taken, and those in the educational field must engage in conversations with others around the country.

President Newlin thanked Dr. Turner for her comments.

GOVERNANCE REPORT ON STUDENT RETENTION AND GRADUATION RATES.

Assistant Director Gonzalez provided Board members with a PowerPoint presentation of the student retention and graduate rates annual report. She stated that retention is the rates at which members of an entering class return to that same institution in

successive years until they complete their degree. She said there are many factors that affect retention, including ACT scores and high school rank.

Assistant Director Gonzalez stated that, recently, a student's first-year experience has also received significant emphasis as a factor that affects retention. At Iowa State University, the one-year retention rate increased by almost one percent for the entering class of 2002. At the University of Northern Iowa, the one-year retention rates decreased. At the University of Iowa, the one-year retention rate remained the same. She said that, when analyzing the one-year retention rates by high school class rank or Act score of entering freshmen, the one-year retention rates are consistently higher for the upper ranges and lower for the lower ranges.

The University of Iowa and Iowa State University experienced increases in their six-year graduation rates for the entering class of 1997, with Iowa State University's being an all-time high. The University of Northern Iowa experienced a slight decrease in its six-year graduation rate for the entering class of 1997.

Assistant Director Gonzalez stated that, in looking at six-year graduation rates by gender or ethnicity, significant differences are also seen. At all three universities, the six-year graduation rates for women are significantly higher than for men. She said there is a significant difference between the six-year graduation rates by race/ethnicity and the six-year graduation rate for the majority. She noted that, in some cases, the number of students in a subgroup may be small and may vary from year to year.

Last year, the Board Office began separating the four-year graduation rates for transferring students from Iowa community colleges by completion or non-completion of AA degree. Transfer students with an AA degree have much higher four-year graduation rates than transfer students without an AA degree. Assistant Director Gonzalez presented information on six-year graduation rates of transfer students by transfer grade point average. She said there is a significant difference in completion between the upper ranges and the lower ranges.

Regent Arbisser asked for comment about the data which indicated there was a marked difference in one-year retention rates by ACT score at Iowa State University. President Geoffroy responded that the high level of retention was likely because of the University's emphasis on learning communities. He stated that learning communities are remarkably effective at increasing student retention.

Regent Arbisser commended President Geoffroy for the student retention efforts at Iowa State University.

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Regent Turner asked for comment about the disparity between graduation rates of the minority and majority groups. She noted there has been some improvement; for example, at the University of Northern Iowa those figures have almost doubled.

Assistant Director Gonzalez responded that, in some cases, the size of the subgroup is very small. There is variation from year to year based on the small size.

Interim Provost Cain stated that the University of Iowa graduation rates have been fairly constant in terms of minority graduation. She said University officials are conducting a comment survey that will look at the condition of student needs in the minority classification. She noted that the law school has a very good program that encourages minority law students to succeed.

Associate Provost Lopes stated that University of Iowa officials have also been working on retention programs for all students, and minority students are participating in some of those programs.

Regent Turner asked that, in the future, University officials report back to the Board on the findings of their retention activities.

President Geoffroy responded that, for Iowa State University, there is no simple answer for the disparity between graduation rates of the minority and majority groups. It was an issue about which all University officials are very concerned. He said the good news was that the six-year graduation rates for all ethnic groups has been rising steadily over the last decade. Disappointing was that those numbers are still below the majority rate. The one- and two-year retention rates are nearly the same for all groups. However, something happens after the second year, part of which may be finances.

Provost Podolefsky stated that one of the difficulties for the University of Northern Iowa is that, because of the small sample, the numbers fluctuate greatly. For example, the University's Native American population can be affected by one or two students. Campus-wide retention efforts are coordinated. He noted that the data do not take into account the University's transfer students. Many of the University of Northern Iowa's Hispanic American students are transfer students and do very well at the University.

Regent Turner referred to the graduation rates data and asked about the students who leave for whatever reason. It is unknown if those students transfer to another university and graduate or drop out of school completely. She encouraged University officials to make the data as "clean" as possible so the information is meaningful for future quality improvement.

President Newlin expressed appreciation to Assistant Director Gonzalez and commended her for her work over the years on this report. He also thanked her colleagues at the universities and stated it is very important to understand what is happening with regard to retention and graduation.

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

REVISIONS TO POLICY MANUAL.

Director Wright presented the proposed Policy Manual revisions and noted corrections to the identification of attachments 2 and 3 of the meeting materials. The revisions presented this month were:

Final reading and publication of §3.03S: Responsibilities of the Executive Director and Board Office – emeritus status for Board Office staff.

Editorial changes to §6.37: Statewide Plan for Public Radio (two sections).

Deletion of §6.25E, a subsection of the interinstitutional cooperation policy (unnecessary language regarding economic development activities).

Regent Downer referred to paragraph b.2. of the statewide plan for public radio. He asked that consideration be given to striking the word “regional” in the first sentence to broaden the reference to programming generally.

Management of the stations should explore joint ventures in news, public affairs, live events, and other ~~regional~~ programming. Cooperative efforts in fund raising, promotion, engineering services, personnel, and personnel training should be considered and employed where it can be effective.

Regent Downer stated that, with the shortage of resources being faced at the universities, cooperation and uniformity among the stations would be one way to maintain quality while reducing expenses.

Director Wright stated the Board Office planned to return to the Board next month with additional editorial changes to the Policy Manual. He suggested that Regent Downer’s suggested revision could be provided at that time.

MOTION: Regent Downer moved to approve (1) for final reading and publication in the Board of Regents Policy Manual §3.03S: Responsibilities of the

Executive Director and Board Office – emeritus status for Board Office staff; (2) editorial changes to Board of Regents Policy Manual §6.37: Statewide Plan for Public Radio (Attachment 2); and, (3) deletion of Board of Regents Policy Manual §6.25E, a subsection of the interinstitutional cooperation policy. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Turner asked to depart from the agenda. She stated that Board members had just received a Legislative Services Agency issue review paper regarding the Board of Regents tuition growth. Within the budget impact section of the paper, there appeared to be an incomplete analysis. She asked that the institutional heads respond to the Legislative Services Agency's numbers.

President Skorton stated that the data provided by the Legislative Services Agency suggests that the tuition increase revenue was \$100 million more than the appropriation reduction from FY 2001 to FY 2004. He said the university presidents were concerned about the Legislative Services Agency's analysis because it is a partial analysis. Two very important factors need to be added: (1) mandated salary increases and (2) 15 percent minimum student aid set aside. The university presidents will supply further information to the Board Office within 24 hours.

President Newlin stated that the 15 percent set aside and the mandated salaries represent large sums of money. Their absence from the calculations of the Legislative Services Agency was a very important issue.

REPORT OF THE BANKING COMMITTEE.

Regent Arbisser reported on the November 11, 2003, meeting of the Banking Committee. He said the Banking Committee approved resolutions relating to bonds, received a report on financing of the University of Northern Iowa's proposed Arena, approved the bond issuance schedule for calendar year 2004, and received reports on audits.

Regent Arbisser asked for a report from the Board's financial advisor and bond counsel on the sale of telecommunications bonds for the University of Iowa.

Barry Fick of Springsted, Inc., the Board's financial advisor, reported on the bids that were received that morning for the sale of \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003. He said the sale included the refunding of

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outstanding bonds as well as new “money” for the purchase of equipment. The winning bid was submitted by a group led by RBC Dain Rauscher for a true interest rate of 3.124 percent. He noted that the rate was equal to a AA1 or AAA rate on the nationally-recognized Delphis scale, which reflected the outstanding credit rating of the institution. Moody’s rated the bonds AA2 with a stable outlook. Standard & Poor’s rated the bonds AA- with a positive outlook, which means the agency anticipates a continuation of the rating predicated on a stable financial condition with a possible upgrade of the rating in the future. He said the rating also resulted in the very favorable interest rates received. The savings on the refunding component of the sale is \$485,000 on a present value basis.

Regent Arbisser asked who receives the benefit of the \$485,000 in savings. Mr. Fick responded that, for the telecommunications bonds, the savings means reduced expenses for the University of Iowa telecommunications system.

Ed Bittle of the Ahlers law firm, the Board’s bond counsel, stated that the Board was presented with two resolutions for adoption.

MOTION:

Regent Arbisser moved to adopt (1) A Resolution providing for the sale and award of \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003, 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 \$14,060,000 Telecommunications Facilities Revenue Bonds, Series S.U.I. 2003, for the purpose of refunding outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I. 1995, and defraying the costs of equipping telecommunications facilities for The State University of Iowa, paying the costs of issuance, and funding a reserve fund. Regent Becker seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Arnold, Becker, Downer, Forsyth, Newlin, Nieland, Turner.
NAY: None.
ABSENT: Neil.

MOTION CARRIED.

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Mr. Fick stated that a second bond sale was conducted that morning which was for utility system revenue bonds for Iowa State University. He said the winning bid was submitted by the same group (led by RBC Dain Rauscher) as for the previous sale. The bonds were rated by Moody's, only, at AA3, which reflects the outstanding credit rating of the University. The true interest rate bid on the bonds was 4.40 percent, which represents a rate that would be received for AA- and AAA-rated bonds. The rate was more favorable than would be indicated by the rating of the University.

Mr. Bittle stated the bonds were issued pursuant to a 1985 indenture of trust. Revisions were made to the bond documents which will be more advantageous to the Board in the future and will eliminate the need for a trustee for the last 10 years of the bonds.

MOTION: Regent Arbisser moved to adopt (1) A Resolution providing for the sale and award of \$13,280,000 Utility System Revenue Bonds, Series I.S.U. 2003, and approving and authorizing the agreement of such sale and award. (2) A Resolution authorizing and providing for the issuance of \$13,280,000 Utility System Revenue Bonds, Series I.S.U. 2003, and approving the Fourth Supplemental Indenture securing the payment thereof. Regent Turner seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Arnold, Becker, Downer, Forsyth, Newlin, Nieland, Turner.
NAY: None.
ABSENT: Neil.

MOTION CARRIED.

Regent Arbisser presented the Banking Committee recommendation that the Board adopt the proposed bond issuance schedule for calendar year 2004.

MOTION: Regent Arbisser moved to approve the schedule for the issuance of bonds for calendar year 2004. Regent Downer seconded the motion. MOTION CARRIED WITH REGENT FORSYTH ABSTAINING.

Regent Arbisser stated that the financing plan for the University of Northern Iowa Arena, which was discussed at the Banking Committee meeting, would be presented in a subsequent docket item.

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

INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

University of Northern Iowa.

Regent Arbisser stated that the Banking Committee received the report from the University of Northern Iowa on the proposed business and financing plans for the Event Complex. The Banking Committee materials included two business and financing plan Options (A and B). At the meeting, University officials presented an Option C, which was the University's preferred option. It was explained that Option C was Option B "with a twist". In Option C, additional borrowing of approximately \$1.7 million would replace the use of Field House Surplus Funds, as had been proposed in Option B. University officials indicated that under Option C, 5,000 square feet of "shell" space for the kitchen could be bid as an add alternate to the construction contract, and if the alternate were accepted the space could be finished when additional funds become available.

Regent Arbisser reported that, following extensive discussion, the Banking Committee voted to recommend to the Board Option C as the proposed business and financing plan for the Event Complex. He noted the design was to be presented with the University's capital register.

Vice President Schellhardt presented a summary of the most recent reviews of the McLeod Center project. He stated that, in April 2003, the architects presented the schematic design for construction of a \$19.5 million facility. At the July Banking Committee meeting, University officials were directed to seek an outside consultant to review the business and finance plan. C. H. Johnson Consulting, selected through an RFP process, conducted a feasibility study in September. At the October Banking Committee meeting, C. H. Johnson representatives made a presentation which confirmed that the University's business plan is appropriate. The firm also recommended some options to enhance revenues from events in the facility.

Vice President Schellhardt stated that Rod Kruse of Herbert Lewis Kruse Blunck Architects would present the schematic design of Options A and B. He said Option A, with an approximate cost of \$22 million, included a kitchen, catwalk and rigging, retractable seats, as well as finishing of the Alumni Suite. Option B did not include the kitchen or finishing of the Alumni Suite, but did include the catwalk and rigging and retractable seats. He said the differences between Option B and Option C are: (1) a

change in funding and (2) the kitchen shell space would be an add alternate. The use of surplus revenue funds would be removed and there would be an increase in borrowing to be repaid from enterprise revenue funds.

Mr. Kruse provided a PowerPoint presentation of Options A and B of the University of Northern Iowa's McLeod Center. He stated the McLeod Center will be a 6,100 seat multi-purpose facility for University sporting events, other performance events and community activities. He reviewed the differences between Options A and B. The building design is centered around an "in the round" seating bowl. The redesign includes an increase in seating in the bowl area through the use of retractable seating, which increases the revenue potential.

Mr. Kruse presented the building design as viewed from several directions. He described the building's exterior and systems.

President Newlin thanked Mr. Kruse for the presentation.

MOTION: Regent Arbisser moved, based on consideration of (a) the capital evaluation criteria for the McLeod Center project, (b) the Banking Committee recommendations relative to the business and financing plan for the Event Complex, and (c) the revised schematic design Options A, B and C and associated project budgets, to approve the Option C revised schematic design and associated project description and budget (\$20,183,199), with the understanding this will constitute final Board approval and authorization to proceed with construction; and approve the architectural amendments with Herbert Lewis Kruse Blunck of Des Moines totaling up to \$306,445. Regent Downer seconded the motion.

Regent Forsyth made the following comments: He stated the vote on the Arena project at the Banking Committee was not unanimous; Regent Neil and he voted "no". It was unfortunate that Regent Neil was not in attendance for this discussion because he feels strongly about the issue.

Regent Forsyth stated the University of Northern Iowa is an outstanding institution, is well-ranked among its peers, and has done a great job of educating students. President Koob and his team have provided outstanding leadership and live the University's mantra of "students first". Through all of the budget cuts, University officials have done

an outstanding job of protecting the core academic mission and faculty salaries. He said President Koob agrees with him that the University cannot sustain any more dramatic increases in undergraduate in-state tuition. President Koob has been directed to seek more out-of-state students to increase revenues. President Koob has also been given the capacity to increase grants and contracts, and he has been successful in that regard.

Regent Forsyth next addressed the future of the budgets and the continued risk in terms of funding levels. He referred to the Legislative Services Agency document which was addressed earlier by Regent Turner and President Skorton, and said it was not an accident that the document was issued today or that the document gives an incomplete picture of the facts. He said those factors indicate the kind of "sledding" that will be experienced in terms of the Regents' legislative agenda and the ability to achieve funding to make up for the recently-announced 2.5 percent cut and to achieve full funding of salaries.

Regent Forsyth expressed concern about the margin for error. He said there is residual if mistakes are made on the margins. The university presidents reported at this meeting that they are cutting into the "bone" of their respective universities. Every incremental decision to apply resources is important. He stated that Board of Regents members are fiduciaries for five institutions. What occurs at one institution impacts all of the institutions and it does so relative to perceptions in the legislature.

With regard to state support of university budgets, Regent Forsyth stated that information had been presented which indicated the support is now less than 50 percent of the general education budgets. There has been steady decline with no end in sight. State funding peaked as recently as 2001. The Regents received over \$103 million less in state funding in 2004 than was received in 2001. State funding is nearly at 1997 levels.

Regent Forsyth said he abstained on the bond issuance schedule vote because capital expenditures and bonding total another \$122 million in costs. The anticipated capital expenditures were not developed in the last year or two but, rather, were concepts of the mid-1990s.

Regent Forsyth stated the key to continued success is excellence and the key to continued excellence is people, not buildings. In his judgment, while it is an important building, the Arena is not key to the University of Northern Iowa's success. He said the project started in the 1990s as a 4,500 seat \$14 million project with an estimated \$2 million coming from the City of Cedar Falls. It has evolved into a 6,100 seat \$21-22 million project with about \$500,000 in support from the City of Cedar Falls. If discussions were taking place about reducing the size of the project because of the tight

times, he said he might find a way to support it; however, that was not happening. He acknowledged that the building is good for the University and for the City of Cedar Falls. There is an economic multiplier. However, it is not core to the academic mission. He acknowledged that the University has been successful with philanthropy; it has commitments for over \$16 million of which \$8 million were in hand. The philanthropy is part of the Students First campaign.

Regent Forsyth said he has struggled because he wants to support the project. He stated that it is easy to go along to get along. However, going along is not always the right thing to do, and it is not good governance. He respects his colleagues who have a different view; however, he thinks this is wrong. It is an unnatural act to return money that has been received. He stated that if representatives of a university to which he had donated offered his money back because priorities had changed, he would not be turned off by that. Part of the reason given for proceeding with the project was that a number of Cedar Falls residents have given money to the project. The money could be returned to those individuals who could return the money to the University for another purpose.

Regent Forsyth next addressed the risk-reward ratio. He believes the reward is limited. Even if the pro formas are correct, it is a marginally profitable project. He referred to the report prepared for the project and highlighted a paragraph about the accuracy of the projections. The indication was that one must bear in mind that the "profitability" of the project is made under a clear set of assumptions with regard to the macro economy, management policies and practices, building program, hotel development assumptions, and political considerations. Should any of these assumptions change over time, actual results are affected. Regent Forsyth said one could "drive a truck through" the underlying opinion.

Regent Forsyth stated that, although it is a good project, the risk is not worth the reward. If this project were before the Board for the first time, rather than having first begun five years ago, he believes the Board would vote unanimously not to move forward. Some of the best decisions that he has made in his professional life have been decisions not to do something. He said he believes the Board is making a mistake if it approves the project at this time. He would vote "no" and he urged his colleagues to reconsider.

Regent Downer expressed appreciation for the views Regent Forsyth had articulated. He said he agreed with nearly all of the facts that Regent Forsyth had recited but the conclusion he reaches is different. With regard to the risk-reward analysis, he said that while it might be correct that if this project were being initiated at this time there would be great reluctance to move forward, that is not the case. In excess of \$16 million have been committed for this project and an additional \$1 million are being provided by the

University of Northern Iowa Foundation. He said it would not be well advised to return the money. This project is an important element for the mission of the University. The project is not as important as full funding of salaries; however, those have different sources of funding so it was not fair to compare them. His observation was that the UNI-Dome has been a great asset for student recruitment and for attracting others to the campus.

Regent Downer stated that reports have noted that the University of Northern Iowa is the only school in its conference without a dedicated basketball arena. That alone would not be enough to justify the project. However, many of the University's other athletic programs will use the facility, including the volleyball program. All of these elements taken together are important for the overall life and quality of the institution. As Regent Forsyth indicated, there has been approval by the Board to recruit additional non-resident students for a variety of reasons, and this project will help. While \$17 million represents a significant sum of money, it was not the most significant element in the fund-raising drive of which the Arena is part. The largest element is scholarship funds. This has been articulated as being a well-rounded total fund-raising project. Rejection of the project would have a negative effect on future fund-raising efforts.

The Board's bond consultant, Mr. Fick, has reported on the current very favorable interest rate environment which he expects to continue for some time. There is also a favorable construction environment. There are signs that the national economy is turning around.

Regent Downer stated that, for those and other reasons, he urged his colleagues to vote for the project.

Regent Nieland stated it was unfortunate that Regent Neil was not in attendance to address his reasons for not supporting the project, as he has stated in the Banking Committee meetings. One of the points Regent Neil makes speaks to the core mission of the University. She said this was a philosophical issue which, in difficult times, needed to be addressed. The Board of Regents is a citizen board with different levels of expertise, which is both a blessing and a curse. She was not sure that anyone but Regent Forsyth is speaking with expertise in the business community. She believes that President Koob's leadership is outstanding.

Regent Nieland stated the Board has had to react to unprecedented budget cuts. She said Regent Forsyth had convinced her of her responsibility as a fiduciary as it relates to this project. She said she was comfortable with being an unpopular "no" voter on this project, as a matter of conscience.

Regent Becker stated this was a very tough issue. There are different views among the Board members. She agreed with Regent Downer that there are some real pluses for the community. The project will enhance the culture at the University of Northern Iowa and provide another strong bond between the University and the community. She stated that denial of the project will not relieve the difficulty with regard to funding for academic programs. She said it was her conclusion that this is a good project for the University of Northern Iowa. She does not believe there will be harm in terms of academic support.

Regent Turner said there are good points on both sides but she comes down on the positive side. She spent some time discussing the project with University of Northern Iowa students. She believes the positives outweigh the negatives.

Regent Forsyth expressed hope that the majority of the Board members are right and he is wrong. The question is whether the project will cash flow over time. To the extent that it cash flows and will not impact the University negatively, it will be a wonderful addition. If it does not cash flow successfully, state appropriations or students are the alternate sources of funds. He stressed that it was not worth the risk. It was the point in time at which the Board is being asked to approve the project that causes him concern. Sometimes one has to take a step back and make changes because of the environment, even if money has been collected. He said the Board is not changing with nor leading during these difficult economic times.

VOTE ON THE MOTION: Motion carried with Regents Arnold, Forsyth and Nieland voting "no".

At this point in the meeting, President Newlin recognized State Representative Duane Alons and asked that he provide some comments.

Representative Alons stated that he was on campus in response to an invitation of President Koob for a visit and short tour. He was pleased to be on campus on this significant day and to see the wonderful things going on at the University of Northern Iowa. He wished the Board the best with the Arena project. He noted that he will be working with the Board during the upcoming legislative session to keep the Regent institutions the very best.

President Newlin expressed appreciation for Representative Alons visiting with the Regents. He said the Board would like to achieve some revenue enhancement. Anything that Representative Alons can do on that would be appreciated. Representative Alons responded that he would take that under advisement.

President Newlin recognized Vice President Schellhardt.

Vice President Schellhardt introduced Brad Lane of OPN Architects to present the schematic design of the Student Health Center project. He noted that the Board members had toured the current Student Health Center facility the previous day.

Mr. Lane provided a PowerPoint presentation of the schematic design for the Student Health Center. He stated that the existing building has not undergone major renovation since it was built in 1961. Students have been involved in project planning from the beginning. Development of the schematic design addressed all concerns that had been expressed including privacy and confidentiality. The current two-story building does not have an elevator and is not ADA accessible. The Counseling Center and Disability Services will join the Student Health Clinic in the new facility. He described how the design of the existing facility was continued in the new facility. He said the roof portion over the existing building will be replaced as it is near the end of its useful life.

In response to discussion about the restroom ratio adhering to the 2.5 women's to 1 men's fixture counts, Vice President Schellhardt stated that the University's intent is to meet that ratio. President Newlin indicated that he expected Vice President Schellhardt to assure him that the Board's desired ratio is met.

MOTION: Regent Forsyth moved to approve the remaining items on the University of Northern Iowa's capital register. Regent Downer seconded the motion.
MOTION CARRIED UNANIMOUSLY.

University of Iowa.

Vice President True presented an overview of the University of Iowa capital register. He said one item was the proposed razing of a small storage building near the golf course. There were several projects related to the University of Iowa Hospitals and Clinics including the Emergency Treatment Center Expansion and Renovation and the Patient and Visitor Services Center. University projects included Medical Laboratories — Research Laboratories Renovation and Multi-Tenant Facility—Fitout Pod E, which is a College of Medicine project on the Oakdale Campus. The medical laboratory renovation, estimated to cost \$5.3 million, would be funded in part by a grant from the National Institutes of Health.

Regent Forsyth referred to the indication in the meeting materials about a bank loan by the University of Iowa Facilities Corporation for the multi-tenant facility project. Vice President True responded that the current loan is through Wells Fargo. Next year, that loan can be prepaid and refinanced. Interim funding is needed as a bridge for the project until the Facilities Corporation secures the bank loan.

President Newlin noted that included within the University's capital register are two research efforts related to the biology of inflammation. He questioned whether those two research efforts should be housed together.

President Skorton responded that the multi-disciplinary inflammation research group includes fields such as infectious disease and microbiology. The group studies the different agents that can cause inflammation. Many of the research areas may overlap and they do work on many aspects together. He said some of the support services and some of the basic activities performed are not dissimilar. He offered to provide President Newlin with additional information at a later time. President Newlin responded that his question had been answered.

President Newlin asked for a motion to approve the University's capital register with the exception of the Finkbine storage facility.

MOTION: Regent Forsyth moved to approve the University of Iowa capital register, with the exception of the Finkbine storage facility. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Downer asked if a pre-engineered steel building could be used for the Finkbine storage facility to reduce the cost. Vice President True responded that the intent is to purchase a pre-engineered building. He said the building will house items such as equipment and fertilizers.

MOTION: Regent Turner moved to approve the Finkbine storage facility project. Regent Becker seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Arnold, Becker, Downer, Forsyth, Newlin, Turner.
NAY: None.
ABSENT: Neil, Nieland.

MOTION CARRIED.

INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS.

Associate Director Racki requested that the Board approve the agreements, leases and easements.

MOTION:

Regent Becker moved to approve: University of Iowa— Sub-lease renewal with Bonebreak L.L.C. for the University's use of winter storage space to house research trailers in Coralville. Lease renewal with Pleasant Valley L.P. for the University's use of space in Iowa City for functions of the Department of Business Services and the University Book Store. Iowa State University— New lease with Lincolnshire Partners for the University's use of space in Sioux City for the Northwest Iowa Area Extension Office/Outreach Center. New lease with Sprint Spectrum L.P. for its use of rooftop space on Wilson Hall for a cellular communication antennae network. Lease addendum with HMG Parking Co. L.L.C. for the University's use of reduced space for the ISU Downtown Des Moines Learning Center. Regent Forsyth seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Arnold, Becker, Downer, Forsyth, Newlin, Turner.
NAY: None.
ABSENT: Neil, Nieland.

MOTION CARRIED.

GOVERNANCE REPORT ON PURCHASING.

Assistant Director Anania provided a PowerPoint presentation of the annual report on purchasing. Information was provided on the following topics: central purchasing, cooperative purchasing, Iowa-based businesses, targeted small businesses, Iowa Prison Industries, and conflict of interest vendors.

Regent Downer stated it appeared that purchases through central processing by the Iowa Braille and Sight Saving School had decreased significantly over the last five years. He asked Superintendent Thurman for comment.

Superintendent Thurman responded that the decrease in purchases over the past five years was a reflection of the School's budget cuts. Also, it costs \$75,000 to \$100,000 to purchase a bus which can cause a dramatic fluctuation in the numbers.

ACTION: President Newlin stated the Board received the annual governance report on purchasing activity at the Regent institutions for FY 2003, by general consent.

GOVERNANCE REPORT ON FRINGE BENEFITS.

Director Wright provided Board members with a summary of the FY 2003 fringe benefits report. He said the report shows the Regents paid \$324.5 million for all employees for insurance and retirement last year. This number represents a 5 percent increase over the previous year and 27 percent of non-student payroll. He stated the AAUP indicates that for peer institutions the range is 20-35 percent. The average sick leave taken by employees was 6.1 days per year, at a value of \$24.5 million. The sick leave taken declined from 6.7 days the previous year, which is a normal fluctuation. Vacation leave taken averaged 16.5 days at a value of \$69 million.

Director Wright stated this was the last year the Board would be provided with a report of this type. The Board Office expects to recast the report into a total compensation report that will allow the Board to look at all employee compensation and by institution.

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

PROPERTY ACQUISITION (229 MELROSE COURT), SUI.

Vice President True presented the University of Iowa's request to purchase residential property located at 229 Melrose Court, Iowa City, at the purchase price of \$189,000. This price is consistent with Board policy for the purchase of property. University officials propose to utilize Income from Treasurer's Temporary Investments for the property purchase and plan to use the property to house visiting faculty and staff.

President Newlin expressed appreciation for the site map.

MOTION: Regent Forsyth moved to approve the purchase of property located at 229 Melrose Court, Iowa City, Iowa, from B. Douglas Trevor, at the purchase price of \$189,000, subject to approval of the Executive Council of Iowa. Regent Downer seconded the motion, and upon the roll being called, the following voted:
AYE: Arbisser, Arnold, Becker, Downer, Forsyth, Newlin.

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NAY: None.

ABSENT: Neil, Nieland, Turner.

MOTION CARRIED.

ESTABLISHMENT OF CLINICAL TRACK FACULTY, UNI.

ACTION: President Newlin stated this item had been withdrawn from consideration at this meeting.

ADJOURNMENT.

President Newlin expressed appreciation to President Koob and his staff for the hospitality.

The meeting of the Board of Regents, State of Iowa, adjourned at 2:49 p.m. on Wednesday, November 12, 2003.



Gregory S. Nichols
Executive Director