

The Board of Regents, State of Iowa, met on Tuesday and Wednesday, September 14 and 15, 2004, at the University of Iowa, Iowa City. The following were in attendance:

	<u>September 14</u>	<u>September 15</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	All sessions	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
<u>Representing the <i>Office of the Board of Regents</i> 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 Evans	All sessions	All sessions
Minutes Secretary Briggie	All sessions	All sessions
<u>Representing the <i>State University of Iowa</i> at the Board Table</u>		
President Skorton	All sessions	All sessions
Provost Hogan	All sessions	All sessions
Vice President True	All sessions	All sessions
<u>Representing <i>Iowa State University</i> 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 <i>University of Northern Iowa</i> at the Board Table</u>		
President Koob	All sessions	All sessions
Provost Podolefsky	All sessions	All sessions
Vice President Schellhardt	All sessions	All sessions
<u>Representing the <i>Iowa School for the Deaf</i> at the Board Table</u>		
Superintendent Prickett	All sessions	All sessions
Director Heuer	All sessions	All sessions
<u>Representing the <i>Iowa Braille and Sight Saving School</i> at the Board Table</u>		
Superintendent Thurman	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

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

BOARD OF REGENTS, STATE OF IOWA

On Tuesday, September 14, 2004, the following Board Committees met: Investment, Education and Student Affairs, and Human Resources. The reports of the Committee meetings are contained within these minutes, beginning on page 66.

The following business was transacted on Wednesday, September 15, 2004, beginning at 9:14 a.m.

President Forsyth recognized Governor Thomas Vilsack.

Governor Vilsack said he was pleased to announce the appointment of Rose Vasquez to the Board of Regents to serve the unexpired term of Dr. Deborah Turner. He provided a summary of Ms. Vasquez's background. The Governor next discussed the role that education plays in the future of the state of Iowa and, specifically, the report and recommendations of the Iowa Learns Council. The full text of the Governor's remarks is attached to these minutes (Attachment A).

MINUTES OF BOARD MEETINGS OF AUGUST 3-4 AND AUGUST 24, 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 August 3-4 and August 24, 2004, Board of Regents meetings, as written. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

INSTITUTIONAL AND BOARD OFFICE PERSONNEL TRANSACTIONS.

MOTION: Regent Nieland moved to approve personnel transactions, as follows: University of Iowa: Register of Personnel Changes for July 2004. The register included an additional faculty tenure

action. Iowa State University: Register of Personnel Changes for July 2004. University of Northern Iowa: Register of Personnel Changes for July 2004. Iowa School for the Deaf: Register of Personnel Changes for August 2004. Iowa Braille and Sight Saving School: Register of Personnel Changes for July 2004. Board Office: Designate Carol Bradley as Acting Director, Academic Affairs and Research, effective October 1, 2004. Designate Charles R. Kniker as Associate Director Emeritus, Academic Affairs and Research, effective September 16, 2004. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

Executive Director Nichols introduced Dr. Carol Bradley and provided a brief summary of her background.

REPORT FROM PUBLIC POLICY TASK FORCE.

The following is a summary of the Public Policy Task Force report and recommendations, as presented by President Forsyth.

At the August 24, 2004, telephonic Board of Regents meeting, the first of the Public Policy Task Force recommendations – those related to public affairs and state relations – were adopted. The next phase of recommendations included a proposed Regent 2005 public policy agenda, and communications and outreach efforts, as follows:

1. A four-year plan for institutional transformation, educational excellence, and moderating student tuition increases at the universities. This plan would have three key elements, consistent with the Board's proposed policy changes on tuition.
 - a. A request of the state for a Regent program of matching funds at a rate of \$2 state matched to \$1 university reallocation to a maximum state incremental investment of \$40 million annually with a \$20 million reallocation maximum. The purpose of these funds is to begin public reinvestment in the operations budgets to enhance quality of the public higher education enterprise and to provide incentive for university reprioritization and reallocation to areas of most strategic importance. Adoption of clear and consistent definitions by the Board in policy of reallocation for this purpose and acceptance by the state of those definitions would be a part of this proposal as well.

- b. An understanding with state officials that if the program is adopted and appropriations are funded at the requested level, there would be no intention to adopt supplemental tuition requests beyond base inflationary factor increases for resident undergraduates during the years of program operation.
 - c. While the special schools, with their smaller budgets and specialized functions, would not participate in the “transformational” program, the Board would continue to ask that their educational excellence needs be met through state funding growth at a level comparable to that provided local K-12 schools through the foundation formula in the coming year.
2. A five-year plan to address the most significant deferred maintenance and fire safety needs of facilities on the campuses that impact the quality of the education and research activities and the safety of participants. This program would require a \$15 million annual state commitment for five years and a match of at least \$7.5 million annually from institutional operating funds for building repair and deferred maintenance in order to meet the most critical needs in this area. This would be the only state capitals funding request anticipated from the Regents in the upcoming legislative session for FY 2006.
 3. A non-appropriations request for relief from numerous statutory and administrative state mandates that impede the Regents flexibility in governance, require unnecessary extra staff work or reporting that results in inefficiencies, and which are obsolete or currently serve no critical strategic purpose. Such items hamper the ability of the Regents and the institutions to take actions deemed advisable to focus on key priorities.

Additionally, Task Force members agreed that beyond the three initiatives recommended above, the Board had a strategic interest in supporting three other anticipated proposals that will originate from other agencies. The first is the recommendation from the Iowa Department of Economic Development to fund the Battelle recommendations related to the biosciences. The others are recommendations from the Iowa College Student Aid Commission to fund the state College Work Study program and the Iowa Grant program.

The Task Force directed staff to detail and refine these priorities and present them as appropriate to the Board for action.

Relative to the issue of improving the overall external communications of the Regent enterprise, the Task Force determined the management of the multiple communications activities on the campuses was a complex area and one that the institution heads

should be encouraged by the Board to look at aggressively in terms of potential process improvements in the coming year.

The Task Force also believes that Board leadership and key staff, and the institution heads should give more attention to refinement of a clear and simple Regent enterprise-wide message to be reinforced in existing communications opportunities.

Relative to questions about “outreach” programs conducted by the institutions, the Task Force determined that some positive steps have been taken in recent years but the level of activity, participation, and coordination still fell short of expectations. The Board, through the new Director of Public Affairs, should continue to work with institutional officials on improvements consistent with those goals in the coming year.

Regent Downer said the consensus of the Task Force members was that the Director of Public Affairs would provide the one unified voice for the institutions with the legislature and with the Governor’s Office. With respect to economic development and the Battelle report, he said a biosciences steering committee has been established, membership on which includes representatives of the three universities and he, as Chair of the Board’s Economic Development Committee. He emphasized that the absence of a Task Force recommendation seeking additional funds for economic development be part of the Regent legislative askings should not be construed as a lack of commitment or as a disagreement with the Battelle report. The Battelle report was commissioned under the auspices of the Department of Economic Development, which should also make the funding requests to the legislature. He said the work of the universities is the cornerstone of the Battelle report in moving Iowa forward in the 21st century bioeconomy. The Task Force has a very strong commitment to the Battelle recommendations and encourages forward movement on a parallel track to implement those recommendations.

Regent Neil noted that he had raised concern at a recent Board of Regents meeting about the issue of differential tuition. He expressed confidence that the Task Force had created a workable solution to that issue which places the responsibility where it belongs: at the legislature’s doorstep.

Regent Neil said there is a very decentralized communications system within the universities. There will be discussions in the future about how best to address the communications activities. He then complimented the Board’s two leaders – President Forsyth and President Pro Tem Downer – for crafting the legislative agenda and working out the nuances with all interested parties.

Executive Director Nichols stated the Public Policy Task Force was to present its final report in September, which it had just done. However, there will be other, more-detailed

activities, such as the legislative program and specific budgetary and policy requests, which will be brought to the Board this fall.

Regent Nieland expressed appreciation for the work of the Public Policy Task Force, especially for simplifying and focusing what the Board needs to communicate.

Regent Newlin asked for clarification regarding capital needs for the College of Public Health at the University of Iowa and the Agricultural and Biosystems Engineering Building at Iowa State University.

President Forsyth responded that those two capital programs are included in year three of the Board's capital request. He said the first two years of the capital program will be singularly focused on deferred maintenance and fire safety. In year three, consideration would be given to presenting the legislature with requests relative to buildings. He stated that, if the Board is not successful in obtaining the \$40 million annual legislative operating appropriation for institutional transformation, the Board would not be foreclosed from looking at those two capital requests. However, the Board's top capital priority for the next two years is matching deferred maintenance and fire safety dollars. He noted that when the Dean of the College of Public Health was recruited, there was discussion about a timeframe for Board action on a building for the College.

President Skorton noted, for the benefit of the non-Task Force members of the Board, that the university presidents had been very much in consultation with the Task Force, and looked forward to working with the Board on these issues in the future.

President Forsyth stated that the university presidents had been deeply involved and - had spent many hours in discussion with members of the Task Force. He said it had been a collaborative effort between the governance body and the managers.

ACTION: President Forsyth stated the Board, by general consent, (1) received the report and accepted it as the final report of the Task Force, as outlined in the original Board charge to the group; (2) endorsed the recommended priorities for the Regents 2005 public policy agenda; and (3) endorsed the recommended approach to seeking further improvements in communications and outreach activities.

STATE APPROPRIATIONS REQUESTS FOR FY 2006.

Executive Director Nichols provided a summary of the FY 2006 state appropriations requests. He noted that budget requests are being submitted by state agencies in a different format this year. The total FY 2006 Regent appropriations operating requests were for \$672 million, divided into the following categories:

- Education – Universities (\$558.6 million)
- Education – Special Schools (\$13.8 million)
- Health (\$42.4 million)
- Environment (\$31.9 million)
- Economic Development (\$6.5 million)
- Safe Communities (\$3.8 million)
- Capitals (\$15 million)

Executive Director Nichols stated that the \$558.6 million for education at the universities was \$40 million greater than the level of appropriations for the current fiscal year which reflected the \$40 million increased asking for operating appropriations as was earlier described. He said the appropriations request for the special schools reflected a projected increase comparable to the projected increase in allowable growth for K-12 schools.

President Forsyth stated that the Public Policy Task Force discussed whether or not the special schools should participate in the matching program or whether the schools would be better served by being treated as K-12 schools. Since the special schools have been treated consistent with K-12 schools over the last couple of years, the Task Force members felt the special schools should be treated in the same manner in the future.

Executive Director Nichols stated that the appropriations subsets of health, environment, economic development and safe communities were essentially status quo requests. He said the capital request for FY 2006 was for \$15.0 million in one-time money to correct fire and environmental safety deficiencies and deferred maintenance. Those state funds would be annually matched by at least \$7.5 million of institutional general operating and building repair funds. FY 2006 is the first year of a five-year proposal.

The Board Office recommended the Regents participate in the following proposals for state appropriations submitted by other state agencies:

- IDED Bioscience Pathway for Development
- Iowa College Student Aid Commission's proposals on Iowa Work-Study Opportunities and Iowa Grants Program

President Forsyth referred to a statement in the meeting materials which indicated that in FY 2003 the Indigent Patient Care Program provided hospital services valued at \$65.2 million and physician services valued at \$26.4 million. He asked how those values were determined. Senior Associate Director Staley responded that the value is based on providing care to the patients on a charge-based system.

President Forsyth stated the University of Iowa Hospitals and Clinics Executive Board Committee members believe the Indigent Patient Care Program is very important. He said he assumed that if there were significant cuts to the Indigent Patient Care appropriation, there would have to be a reassessment of the level of indigent care provided by the institution.

President Skorton stated there have been cuts to the Indigent Patient Care Program appropriation over the last few years; however, the Hospital and the Carver College of Medicine have made good on their pledge to continue caring for the state's neediest patients. The University of Iowa Hospitals and Clinics and the Carver College of Medicine are the major providers of uncompensated care in the state. University officials are committed to continue to do the best they can for the neediest patients in the state. However, if the Indigent Patient Care appropriation were to be significantly cut, University officials would have to reassess the spectrum of services delivered to those patients, which would be a very difficult exercise.

Regent Downer asked if the amount of uncompensated care included care provided for persons in the state corrections system. Senior Assistant Director Cyphert responded that the uncompensated care numbers include services provided to the Department of Corrections. The numbers do not include the other charity care that is provided outside the scope of the Indigent Patient Care Program.

Regent Downer asked if a number had been attributed to the charity care that is provided outside the scope of the Indigent Patient Care Program. Senior Assistant Director Cyphert responded affirmatively, noting that the information would be provided later in the meeting (see Attachment B).

Regent Neil asked if the University of Iowa Hospitals and Clinics would be operating in the red if the \$27 million in state appropriations for the Indigent Patient Care Program were not received. President Forsyth stated the Hospital's margin is not \$27 million;

therefore, without any changes in indigent care, the bond covenants would be put in jeopardy.

President Skorton stated that the University of Iowa Hospitals and Clinics, the University and Board of Regents would have to reconsider the Hospital's budget if there were significant changes in appropriations. The appropriations request was based on the assumption of continued flat funding of the Indigent Patient Care Program.

MOTION:

Regent Becker moved to (1) Approve the Regent appropriations requests for FY 2006 totaling \$672 million:

- a. Education – Universities (\$558.6 million)
- b. Education – Special Schools (\$13.8 million)
- c. Health (\$42.4 million)
- d. Environment (\$31.9 million)
- e. Economic Development (\$6.5 million)
- f. Safe Communities (\$3.8 million)
- g. Capitals (\$15 million)

These include support for priorities associated with base operating appropriations for FY 2006, to fulfill state statutory requirements, as well as incremental funding requests.

(2) Authorize the Regents' participation in the following proposals for state appropriations submitted by other state agencies:

- a. IDED Bioscience Pathway for Development
- b. Iowa College Student Aid Commission's proposals on Iowa Work-Study Opportunities and Iowa Grants Program. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

FIVE-YEAR CAPITAL PROGRAM.

Executive Director Nichols presented the five-year capital improvement plan for the Board of Regents as recommended by the Board Office. He said the Board of Regents is required each year to submit to the state its five-year capital plan estimates. The first year of the plan is to be the official capital budget request for the upcoming fiscal year. He referred Board members to the location in the meeting materials of the specific requests, which included \$15 million for fire and environmental safety and deferred maintenance in each of the five years, and a number of other projects for state appropriations requests in fiscal years 2008, 2009 and 2010.

In the 2004 legislative session, approval was granted for the Regent bonding program for academic buildings at the universities. Activity related to those bonded projects will be occurring in 2006-2007.

Executive Director Nichols emphasized that approval of the five-year capital improvement plan does not preclude the Board's prerogative to review and approve the individual projects.

President Forsyth suggested that the capital plan of the University of Iowa Hospitals and Clinics be presented to the University of Iowa Hospitals and Clinics Executive Board Committee.

MOTION:

Regent Neil moved to (1) Approve the five-year state-funded capital program for FY 2006 – FY 2010 of \$218 million to be funded by capital appropriations or Academic Building Revenue Bonds, with the state-requested funds to be combined with \$47.2 million in gifts and earnings and at least \$37.5 million in general fund operating building repair funds. (2) Approve the five-year capital program (FY 2006 – FY 2010) of \$167.8 million for the University of Iowa Hospitals and Clinics to be funded by Hospital Building Usage Funds, Hospital Revenue Bonds, Information Technology Services operating funds, and gifts and grants. (3) Receive the report on FY 2006 – FY 2010 capital plans of \$275.1 million for the universities, special schools and Lakeside Laboratory to be funded by sources other than capital appropriations, Academic Building Revenue Bonds, or UIHC funds. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL. (d) Chapter 7 – Business Procedures.

President Forsyth stated that the Public Policy Task Force had recommended that the Board adopt a clear and consistent definition of reallocation. The proposed policy before the Board reflected the consensus of the Task Force.

Regent Neil stated that the proposed definition was more restrictive than in the past. It was what he would call “real reallocation”.

MOTION: Regent Downer moved to approve, as a first reading, revisions to Chapter 7 – Business Procedures of the Board of Regents Policy Manual. Regent Neil seconded the motion.
MOTION CARRIED UNANIMOUSLY.

Executive Director Nichols stated the policy would be brought back for final approval when the Board next meets.

ORAL REPORT ON UNIVERSITY ENROLLMENTS.

President Geoffroy stated that, at Iowa State University, enrollments are counted on the 10th day of classes, which was about a week ago. He reported there are 26,400 students at the University. Iowa State University continues to enroll more Iowa students than any other university in the state. He said total enrollment is down approximately 1,000 students, which is 3.7%, the reasons for which are complex. The University experienced some very large entering classes in 1999-2000. Those “bubbles” are now passing through the system as students graduate, causing the overall enrollment to decline. There is a continued decline in the number of Iowa high school graduates, especially in rural communities, from where the University traditionally has drawn a large number of its students. The decline in the number of high school graduates translates into fewer entering freshmen.

President Geoffroy stated that the very large tuition increases of the last several years have made the Regent universities less affordable for many families in Iowa. Those large tuition increases have been necessary because of the severe budget reductions. He referred to an article about college affordability in that day’s Des Moines Register which reported that Iowa colleges, including Regents, independents, and community colleges, received an “F” rating from a national study of tuition and fees. Iowa public universities’ tuition and fees have increased 71% in the past five years. According to the report, 28% of family incomes are now needed to pay for a public four-year education in Iowa. He said it is very important that the state begin its program of reinvestment in public education, as outlined in the Board’s public policy agenda.

President Geoffroy said the disturbances of VEISHEA will probably cost a decrease in enrollment of a couple hundred students because it occurred at a time when students were deciding which college to attend.

President Koob stated that the University of Northern Iowa fall enrollment census is now determined on the 10th day of class, the same as at the other two universities. This fall's enrollment was 12,824, which closely matched projections. University officials have computed that the enrollment level represents approximately 124 more students than the number of students for which the University receives state support. This fall's enrollment represents a decline of 617 students from last year's enrollment, partly due to the technical difference in the timing of the count. The real decline, when considering the timing issue, was approximately 527 students compared to last year's decline of 599 students. He said last year's enrollment decline was 75% due to a record graduating class and 25% due to a reduction in new students. This year's enrollment decline was 85% due to a record graduating class and 15% due to a decline in new students.

President Koob reported that the University of Northern Iowa fall enrollment includes 52 new out-of-state students, which is somewhat of a surprise. University officials announced an intent to increase the number of out-of-state students but had not worked toward that goal. Therefore, the University has met the goal set for next fall this fall, and will try to add 50 more out-of-state students by next fall.

At the University of Northern Iowa, new resident freshmen enrollment is down 85 and resident transfer student enrollment is down 17. President Koob said he was quite disturbed by the decline in the number of transfer students. Given the relatively sharp increase in community college enrollments two years ago, one would expect to see an increase in the number of transfer students. The other two Regent universities also had not experienced significant increases in the number of transfer students.

Last fall, the ACT scores of entering University of Northern Iowa students increased by a full point, which President Koob believes is a direct result of the declining enrollment and the rising tuition. He noted there is a strong correlation between ACT scores and income. He believes the data indicate that the rising tuition has differentially affected lower-income families' attendance at the University of Northern Iowa. While University officials appreciate the rise in the University's national standings, they are worried about the students who are unable to attend the University. He stated the University of Northern Iowa had experienced an enrollment growth rate of one to one-and-one-half percent for six years. The growth stalled when the legislature began to remove resources, which resulted in increased tuition rates. He said those factors have not only impacted enrollment but also the nature of the student who is allowed to access this so-called public education system.

Regent Becker stated that, coming from an area of the state where there is a high level of poverty, she agreed with the comments of President Koob. She said the comments also coincide with the Governor's remarks about the need for Iowans to be successful in higher education.

President Skorton stated the University of Iowa's student enrollment was 29,745, which was identical to last fall. Freshmen enrollment was 4,017, 36% of which are non-residents. Last year, freshmen enrollment was 4,083, 37% of which were non-residents. The year before, freshmen enrollment was 4,184, 38% of which were non-residents. Applications to the University, both resident and non-resident, continue to rise. There were about 800 more applicants this year than there were two years ago. He said he shared his colleagues' concern about the effect of tuition increases on students' decisions to attend the universities. He then referred to the newspaper article to which President Geoffroy referred, and said it gave our state a bit of a "black eye" regarding this issue.

President Skorton referred to the issue of transfer students, and said he had some data that supported the comments of President Koob. Undergraduate transfers to the University of Iowa were 2,832 this year but were over 2,880 two years ago.

President Geoffroy stated that, according to the limited analysis done at Iowa State University, it appears the lion's share of the increase in community college enrollment is occurring from the bottom one-half of the high school graduating class, which is not the one-half of the graduating class from which the universities typically draw.

Regent Becker stated that some students in the lower socio-economic status now believe that they need to go to college if they are going to have an economically successful life. However, unless they are preparing in high school, they will not be successful at the universities.

President Geoffroy said another factor in the enrollment decline that is affecting the nation as a whole is a very significant decline in international student enrollments. Iowa State University has experienced a 25% (approximately 400) decline in new entering international undergraduate students. There has been a significant decline in entering international graduate students. Iowa State University has traditionally enrolled a number of undergraduate and graduate students from abroad.

Regent Nieland said those international students are going to other countries. Other countries are benefiting, and will continue to benefit, from our loss.

President Geoffroy stated that other countries are becoming more competitive for international students. He said there is a changed perception of the United States worldwide that he believes is influencing students' decisions whether to come here or to another country to study.

Regent Becker said she has seen data indicating that other countries have increased their investments in the college education of their own students. The portion of the population of other countries that is continuing on to higher education is growing at a faster rate than that of the United States. Although in the past the United States was way ahead of other countries in the percentage of the population that went to college, we are losing that edge because other countries are increasing their investments at a much higher rate than is the United States.

Regent Newlin asked for the decline in international student enrollment at the University of Iowa. President Skorton said he would provide that number following the lunch break (see Attachment C).

Executive Director Nichols referred to the article in that morning's Des Moines Register to which President Geoffroy referred. He said he presumed the original source was the Measuring Up 2004 survey from the National Center for Public Policy in Higher Education, which was due to be released today. He stated that as soon as he had access to the report, perhaps in the next few days, he would provide it to Board members.

ACTION: President Forsyth stated the Board received the oral report on university enrollments, by general consent.

REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL. (e) Chapter 8 – Fees and Charges.

President Forsyth noted there was a revision to the proposal for Chapter 8 relating to the timing of potential supplemental tuition requests. The revision removes the requirement that the Board adopt supplemental tuition requests at the same time that base tuition is adopted. He said the proposed tuition policy was discussed at the August 3-4 Board of Regents meeting; however, because of the complexity of the policy, the proposal was brought back to the Board at this meeting for adoption.

President Forsyth asked the student leaders to provide their insights on the proposed tuition policy.

William Rock, Iowa State University student government leader, stated that numerous conversations had taken place with individuals and groups of students. Students support localizing much of the tuition decision. Students support tying tuition increases to the Higher Education Price Index. Of greatest concern to students is that to the greatest extent possible the tuition discussions and decisions take place at the university level, and that an official process for tuition policy discussions be adopted.

Lindsay Schutte, President of the University of Iowa Student Government, said she agreed with the comments of Mr. Rock. She said students had discussed the issues very thoroughly. One other concern of students was financial aid. Students would like the institutional policies on student financial aid to be aligned with one another. In discussing charging different tuitions at different times, students should be appraised of how that is to be determined, and it should all be aligned with the federal government's timeline for financial aid.

Brendon Moe, President of the Northern Iowa Student Government, expressed agreement with the comments of his colleagues. He said students were pleased about the predictability of tuition increases. Students agree that base tuition determinations should be made at the Board level, and that recommendations for supplemental increases be made at the institutional level.

President Forsyth said the students' points were well taken.

Regent Rokes expressed appreciation for the cooperation of students and the Board, and said she believed that a good relationship was being established.

Regent Neil asked if students have a preference whether differential tuition be charged across the board or by class. Mr. Moe responded that University of Northern Iowa students feel that differential tuition should be charged across the board. Ms. Schutte stated that University of Iowa students are in favor of differential tuition being charged across the board. Mr. Rock stated that Iowa State University students also feel that an across-the-board supplemental tuition would be the best way to charge. He said students are much more skeptical about differential tuition by class than by major. Students believe that charging differential tuition by class would contribute to the decline in the number of community college students who transfer to four-year universities.

President Forsyth suggested the Board could waive the first reading of the tuition policy, since it has been discussed at length, and finalize the policy at this meeting.

MOTION:

Regent Neil moved to (1) waive the first reading and approve the revisions to Chapter 8 – Fees and Charges the Board of Regents Policy Manual and (2) authorize the Board Office to proceed with implementing changes to 681 IAC 9.6(1) regarding the timing of setting tuition to be consistent with action taken by the 2004 General Assembly on Iowa Code 262.9.18. Regent Downer seconded the motion.

Regent Becker asked about the distinction between the classifications of graduate students and professional students in the wording of the meeting materials. Executive Director Nichols provided several examples, such as College of Medicine students as opposed to Graduate College students. He said the Board Office could indicate in the current matrix exactly which students are in which group. He noted that the distinctions are very well defined at each institution.

Regent Rokes expressed appreciation for the policy decision that there will not be extra charges for students taking overload credits. She said that policy was very important for students who are trying to complete their degree programs in four years. Next she addressed the policy regarding student fee committees at each university which are to be composed of five students and five university employees. She said this matter had been a concern of the student leaders.

VOTE ON THE MOTION: Motion carried unanimously.

QUARTERLY REVIEW OF VENDORS WITH A POTENTIAL CONFLICT OF INTEREST.

MOTION: Regent Downer moved to approve the following additions to the University of Iowa's list of approved vendors with a potential conflict of interest: Donald A. Baxter dba Donald Baxter Graphic Design and James Berg dba Focus Productions, Inc. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

MOTION: Regent Nieland moved to approve the following addition to the University of Iowa's list of approved vendors with a potential conflict of interest: Greg Easley dba Greg Easley Design. Regent Neil seconded the motion. MOTION CARRIED WITH REGENT DOWNER ABSTAINING.

Regent Downer noted that he had abstained on voting to approve the addition of Mr. Easley to the University of Iowa's list of approved vendors with a potential conflict of interest because Regent Downer has a conflict of interest.

REVISIONS TO THE BOARD OF REGENTS POLICY MANUAL. (a) Final Approval of §§1.03, 4.03A and 4.35.

MOTION: Regent Neil moved to give final approval to revisions to the following sections of the Board of Regents Policy Manual: §4.03A Professional and Scientific Classification System, §4.35 Phased and Early Retirement, §1.03 Governance. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

(b) Chapter 2 – Meetings.

Executive Director Nichols stated the proposed revisions to Chapter 2 of the Board of Regents Policy Manual were to conform with current practices and terminology.

Regent Nieland referred to the following proposed language for §2.04C:

Only urgent and compelling items shall be brought before the Board after the agenda is released.

Regent Nieland said she hoped the Board would not have to discuss what is meant by “urgent and compelling” but, rather, that decisions would be made in the spirit of the policy.

President Forsyth referred to the change in notification to state government officials of Board of Regents meetings from “11:00 a.m. on the Thursday prior to the Board meeting” to “at least 24 hours prior to the Board meeting”. He stated that it would be helpful to identify that the Board’s objective is to provide meeting materials well in advance of Board meetings. He asked that objective be added to the language.

MOTION: Regent Neil moved to approve, as first reading, revisions to Chapter II – Meetings of the Board of Regents Policy Manual. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

(c) Chapter 4 – Personnel.

Executive Director Nichols stated that one substantive change was the addition of the educational assistance program for Board Office employees. He said the program was modeled after existing policies elsewhere in the Regent system.

MOTION: Regent Becker moved to approve, as first reading, revisions to Chapter IV – Personnel of the Board of Regents Policy Manual. Regent Neil seconded the motion.

Regent Newlin referred to the educational assistance policy section on eligibility/criteria and suggested changing the term “permanent employee” to “regular employee”.

Regent Downer referred to proposed revisions to §4.04, and suggested that the reference to Iowa Code “§” 262 be corrected to read Iowa Code “Chapter” 262.

VOTE ON THE MOTION: Motion carried unanimously.

(f) Chapter 9 – Capital Procedures.

Executive Director Nichols stated that significant changes were proposed to the Board’s process relative to capital procedures, including streamlining of the Board’s review of capital projects. The Board will focus more on the process of plans and budget approvals and less on the actual contracts. He said increased authority would be granted to the institutions on projects with total budgets under \$1 million. There will be a devolution of certain Board authority to the Board Office to work with the institutions on contract awards and amendments. The Board will focus its attention on program, budget, design, and on additions approvals of large projects.

President Forsyth stated that proposed changes in capital procedures were being recommended in the spirit of continuous improvement.

Regent Neil asked for the threshold level at which bids are required to be taken. Associate Director Racki responded that Iowa Code §262.34 currently establishes the bid limit at \$25,000. In past legislative sessions, the Board of Regents has requested relief from that statutory requirement (an increase in the bid limit), but has yet to be successful in that endeavor.

Regent Neil asked if the proposal was for the Board Office to oversee capital projects with budgets between \$1 million and \$2 million and for the institutions to oversee projects with budgets under \$1 million, without Board prior approval.

Executive Director Nichols said it was anticipated that the Board would receive periodic reports about institutional actions on the smaller projects. He noted that if there was something unusual about a project with a budget of less than \$2 million – if the bids were irregular or a question was raised – the Board Office would bring the matter to the Board, similar to what is occasionally done currently.

President Forsyth stated the idea is for the Board to delegate authority and assume the institutions will act in good faith. If there are problems, the Board can revert back to a more restrictive process. He pointed out that in the Board's four-year plan, the Board Office would not receive any incremental resources. Therefore, one has to prioritize and determine where the existing resources can add the greatest value.

Regent Neil asked if the Board Office has oversight of contracts valued at less than \$1 million. Executive Director Nichols responded that the proposal provided for the Board Office to receive a report on a contract award. The Board Office would only review a contract if there was a question.

Regent Becker expressed her support for the proposal. She said there are strong staffs at the universities and the universities assist the special schools.

MOTION: Regent Becker moved to approve, as first reading, the revisions to Chapter 9 – Capital Procedures of the Board of Regents Policy Manual. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

EXECUTIVE SESSION.

Regent Downer stated that agenda item 13 (Employee Appeal) involved a personnel appeal. He said the Board Office made a recommendation but, because the Board's decision has the potential for being appealed into District Court, he asked that the Board have the opportunity to discuss the matter with counsel before acting upon the recommendation. Iowa Code §21.5(c) provides the Board with a basis for entering closed session to discuss this matter.

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, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

The Board having voted at least two-thirds majority resolved to meet in closed session beginning at 12:14 p.m. on September 15, 2004, and adjourned therefrom at 12:29 p.m. on that same date.

REVISIONS TO ADMINISTRATIVE RULES.

MOTION: Regent Newlin moved to (1) approve adoption of amendments to the Iowa Administrative Code §681, Chapters 3 and 11; (2) approve emergency filing of amendments to Chapters 1 and 2; and (3) authorize the Executive Director to file the appropriate documents. Regent Becker seconded the motion. MOTION CARRIED UNANIMOUSLY.

INSTITUTIONAL AGREEMENTS, LEASES AND EASEMENTS.

President Forsyth referred to Iowa State University's proposed lease with the Des Moines Higher Education Collaborative for the WOI Radio Group. He stated there is a study underway related to the public radio stations; therefore, he questioned whether it was prudent to enter into the lease before the study is completed.

Vice President Madden responded that, during the planning phase for the Pappajohn Center in Des Moines, Iowa State University officials committed to leasing space. Therefore, University officials believe it is appropriate to move ahead with the lease. Irregardless of the outcome of the radio stations study, the University will likely have an operation in Des Moines that would use the space.

MOTION: Regent Downer moved to approve the following leases for the benefit of the institutions: University of Iowa – VIDA Diagnostics for its use of business incubator space in the Technology Innovation Center at the Oakdale Campus. American Cancer Society, dba Hope Lodge ACS, for its use of undeveloped land to construct housing facilities for use by families of patients of the University of Iowa Hospitals and Clinics Holden Comprehensive Cancer Center. Des Moines Higher Education Collaborative for the University's use of space in the Pappajohn Higher Education Center in Des Moines, Iowa, for office and classroom space for educational programs offered by the University's School of Social Work. Venture One

LC for its use of space by the Department of Oral and Maxillofacial Surgery and the College of Dentistry for a community-based training facility for Oral and Maxillofacial Surgery residents. Iowa State University – Two new leases with the Des Moines Higher Education Collaborative for the University's use of space in the Pappajohn Higher Education Center in Des Moines, Iowa, for two radio studios and office space for the WOI Radio Group; and office space for the University's Central Iowa Area Extension. 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: None.

MOTION CARRIED UNANIMOUSLY.

COMMITTEE REPORT – INVESTMENT.

Regent Neil presented the report of the September 14, 2004, Investment Committee meeting, as follows:

The Committee received the investment report from Mark Brubaker of Wilshire Associates, the Board's investment advisor, who commented on general market returns and the quarterly performance of Regent endowment portfolios and the Board's fund managers. Seneca, the Board's fund manager with a mid-capitalization growth orientation, manages approximately \$32 million (8%) of the Regent endowment portfolio. Seneca has underperformed its benchmark for the last eight (8) consecutive quarters and ten (10) out of the last 13 quarters. Mr. Brubaker recommended that the Board consider replacing Seneca with a pure small capitalization growth fund manager. Committee members approved a recommendation to convene a fund manager search of small capitalization growth firms, identified by Wilshire, to replace Seneca. Selection of a new fund manager is expected to take place at the December Board meeting.

The Committee approved recommendations to: select Goldman Sachs Asset Management as the new large capitalization domestic equity fund manager with an enhanced index philosophy; select Lotsoff Capital Management as the large capitalization domestic equity fund manager with an active, fundamental, bottom-up philosophy; terminate the relationship with Vanguard, the Board's current large

capitalization index fund manager; and, approve Policy Manual changes relative to the manager allocations.

The Committee approved recommendations to accept the proposed changes in banking and broker relationships.

MOTION: Regent Neil moved to replace Seneca with a pure small capitalization fund manager. Regent Newlin seconded the motion. MOTION CARRIED UNANIMOUSLY.

MOTION: Regent Neil moved to: select Goldman Sachs Asset Management as the new large capitalization domestic equity fund manager with an enhanced index philosophy; select Lotsoff Capital Management as the large capitalization domestic equity fund manager with an active, fundamental, bottom-up philosophy; terminate the relationship with Vanguard, the Board's current large capitalization index fund manager; and, approve Policy Manual changes relative to the manager allocations. Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

MOTION: Regent Neil moved to accept the proposed changes in banking and broker relationships. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

COMMITTEE REPORT – EDUCATION & STUDENT AFFAIRS.

Regent Becker reported on the lengthy and productive meeting of the Education & Student Affairs Committee. The Committee discussed the final recommendations of the Iowa Learns Council, which included linkages between business and education; professional development for educators; articulation of learning expectations; early childhood learning experiences; and shared accountability for achieving education objectives.

The Committee approved the proposed work plan for the Iowa Braille and Sight Saving School study that will result in submission of a report to the Committee by March 2005; the Committee also approved the proposed task force membership, which included broad-based representation across the state.

MOTION: Regent Becker moved to approve the proposed work plan for Iowa Braille and Sight Saving School study that will result in submission of a report to the Committee by March 2005 and approve the proposed task force membership. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Forsyth commended Regent Becker for all of the work she had done to prepare for the Iowa Braille and Sight Saving School study, in conjunction with Board staff. Regent Becker expressed her belief that a very solid group of individuals had been selected to work on the Task Force.

Regent Becker discussed the Committee's consideration and approval of the Regent universities' work plan for a distance education strategic planning process that will result in submission of a plan to the Committee in March 2005.

MOTION: Regent Becker moved to approve the Regent universities' work plan for a distance education strategic planning process that will result in submission of a plan to the Committee in March 2005. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Becker presented the Committee's recommendations on items related to academic programs. The Committee approved the University of Iowa's proposed course changes which resulted in a net decrease of 27 courses.

President Forsyth stated that the universities perform comprehensive evaluations of academic programs, for which the staffs were to be commended. He then asked that one-year, three-year and five-year statistics be developed for each of the institutions that indicate the review of and changes to academic programs. Readily-accessible statistics would be helpful when criticisms are made that the institutions are not providing new offerings or are not deleting offerings, or that there is duplication.

Regent Becker stated that President Forsyth's suggestion would be considered at the December meeting of the Education & Student Affairs Committee.

Regent Becker continued presenting information on the Committee's actions related to academic programs. The Committee approved the University of Northern Iowa's request to establish a Master of Arts program in Philanthropy and Nonprofit

Development. The proposed program was reviewed by the Interinstitutional Committee on Educational Coordination (ICEC) and the Board Office; no concerns were raised by the Iowa Coordinating Council for Post-High School Education.

The Committee referred Iowa State University's proposal to establish new B.S. and M.S. programs in Diet and Exercise to the Board Office and the ICEC for review and recommendation. The Committee referred Iowa State University's proposal to establish a Master of Science degree in Enterprise Computing to the Board Office and the ICEC for review and recommendation.

MOTION:

Regent Becker moved to (1) Approve the University of Iowa's proposed course changes which resulted in a net decrease of 27 courses. (2) Approve the University of Northern Iowa's request to establish a Master of Arts program in Philanthropy and Nonprofit Development. The proposed program has been reviewed by the Interinstitutional Committee on Educational Coordination (ICEC) and the Board Office; no concerns were raised by the Iowa Coordinating Council for Post-High School Education. (3) Refer Iowa State University's proposal to establish new B.S. and M.S. programs in Diet and Exercise to the Board Office and the ICEC for review and recommendation. (4) Refer Iowa State University's proposal to establish a Master of Science degree in Enterprise Computing to the Board Office and the ICEC for review and recommendation. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

Regent Becker presented information on the Committee's consideration of athletic recruitment policies. The Committee received the athletic recruitment policies of each of the Regent universities and the National Collegiate Athletic Association Division I's August 5, 2004, emergency legislation on athletic recruitment. The Committee directed that the universities develop an over-arching statement on their objectives and common features of athletic recruitment to be reported by December 2004.

MOTION:

Regent Becker moved to receive the athletic recruitment policies of each of the Regent universities and the National Collegiate Athletic Association Division I's August 5, 2004 emergency

legislation on athletic recruitment. The Committee directed that the universities develop an overarching statement on their objectives and common features of athletic recruitment to be reported by December 2004. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

The Committee (1) received the audit report on academic program review and student outcomes assessment of existing programs; (2) approved the general and institution-specific recommendations for institutional process improvements; and (3) requested that a follow-up report be submitted in September 2005 with a focus on the changes that occurred as a result of the audit. The Committee also directed the Board Office staff to update the Board of Regents' policy (§6.05B) to clarify the desired focus and emphasis on academic program review and student outcomes assessment and present the proposed changes by December 2004.

The Committee discussed alternatives for collecting information on Faculty Activities and provided the Board Office and institutions with directions for future Faculty Activity reporting, including continued reporting of the faculty activities information in a shortened format. The Committee directed the Board Office staff to update the Faculty Activities policy to reflect needed changes and identify changes in the report by December 2004.

The Committee discussed approaches to data collection in studying student financial aid.

MOTION: Regent Becker moved to approve the two proposed approaches (Regent study and NPSAS) to data collection with regard to studying student financial aid. Regent Nieland seconded the motion. MOTION CARRIED UNANIMOUSLY.

The Committee received accreditation reports from the University of Iowa for the graduate programs in speech pathology and audiology and the doctoral program in clinical psychology.

The Committee received the post-audit reports from the University of Iowa for the Ph.D. in Second Language Acquisition, Master of Computer Science, and Graduate Program in Translational Biomedicine and referred the post-audit reports to the Board Office and the ICEC for review and recommendation.

Regent Becker stated the Committee members were presented with a report which indicated that the University of Iowa's new College of Public Health has exceeded the goals set out when it was established.

Regent Neil referred to earlier comments of President Forsyth regarding the facility needs of the College of Public Health and the limiting factor of space. He then expressed pleasure that the College has "come alive" as quickly as it has.

ACTION: President Forsyth stated the Board received the remaining items of the Education & Student Affairs Committee report, by general consent.

COMMITTEE REPORT – HUMAN RESOURCES.

Regent Nieland presented the report of the September 14, 2004, Human Resources Committee meeting, as follows:

The Committee discussed and accepted its work plan without change. The Committee received and discussed the annual governance report on the operation of the Regent Merit System. The Committee received and discussed the annual governance report on fringe benefits. The Committee requested information regarding the number of enrollees in each health plan offered by the institutions as well as a brief description of the plans. The Committee received and discussed the annual governance report on retirements and faculty resignations. The Committee also discussed the benefit and cost of the phased retirement program.

The Committee received and discussed the annual governance report on salaries. The Committee received and discussed information submitted by the institutions regarding faculty and staff salary comparisons and the need for a multi-year plan to attain competitive salaries.

In executive session, the Committee received and discussed bargaining proposals and their rationale, submitted by the institutions, for collective bargaining for 2005-2007 labor agreements with UNI-United Faculty; Campaign to Organize Graduate Students, UE Local 896/C.O.G.S., (COGS); UIHC Tertiary Health Care Unit/Service Employees International Union (SEIU); and American Federation of State, County and Municipal Employees Council 61 (AFSCME).

President Forsyth noted that Board members had not been provided with written materials relating to a cost-benefit analysis of the phased retirement program. He asked that the institutions provide an analytical review of the program. He noted that the institutions had come a long way in presenting the data on salaries, for which they

were to be commended. He said he assumed that a multi-year plan for salaries would be presented at the next meeting of the Human Resources Committee.

ACTION: President Forsyth stated the Board received the report of the Human Resources Committee, by general consent.

EMPLOYEE APPEAL.

MOTION: Regent Neil moved to deny the request of the employee for review of a final institutional decision. 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: None.

MOTION CARRIED UNANIMOUSLY.

SALE AND AWARD OF \$25,000,000 ACADEMIC BUILDING REVENUE BONDS, SERIES SUI 2004.

Vice President True stated the bonds would be sold to partially fund the Chemistry Building Renovation project and Phase II of the Art Building project, and to correct fire and environmental safety deficiencies at the University.

Barry Fick of Springsted, Inc., the Board's financial advisor, stated that bids were accepted that morning. Three very strong bids were received from the following firms: UBS Financial Services, Prager, Sealy & Co. LLC, and JP Morgan Securities, Inc. The winning bid was submitted by Prager, Sealy & Co. LLC for a true interest rate 4.16%, which was 20-30 basis points below the interest rate that was projected a couple of weeks ago. He stated that both bond rating agencies affirmed the ratings of the University. The interest rates received on the bonds were more favorable than the rates that other AA-rated bonds had received nationally.

Ed Bittle of the Ahlers law firm, the Board's bond counsel, stated that the two resolutions before the Board would be updated because the winning bidder had purchased municipal bond insurance with the Financial Guaranty Insurance Company.

Regent Downer said he was not familiar with the winning firm. He asked where the firm is located and if there were other members of the syndicate. Mr. Fick responded that

Prager, Sealy & Co. LLC is headquartered in San Francisco, California, and that there were no co-managers on the bid.

MOTION: Regent Arbisser moved to adopt the following resolutions: (1) A Resolution providing for the sale and award of \$25,000,000 Academic Building 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 \$25,000,000 Academic Building Revenue Bonds, Series S.U.I. 2004, to defray costs of building construction and improvement projects on the campus of The State University of Iowa. Regent Rokes seconded the motion, and upon the roll being called, the following voted: AYE: Arbisser, Becker, Downer, Forsyth, Neil, Newlin, Nieland, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

PRELIMINARY RESOLUTION FOR THE SALE OF UP TO \$15,500,000 MEMORIAL UNION REVENUE BONDS, SERIES ISU 2004 AND APPROVAL OF MEMORIAL UNION PARKING RAMP RATES.

Vice President Madden stated that debt service on the bonds would be paid with a student fee commitment and revenue associated with the University Bookstore and other space that is being constructed. Approval of the hourly parking rate increase of \$0.25 hour was also necessary in order to proceed.

MOTION: Regent Rokes moved to (1) Adopt A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$25,500,000 Memorial Union Revenue Bonds, Series I.S.U. 2004. (2) Approve an increase of \$.25 in the parking rate for the first hour for the Memorial Union parking ramp (from \$.75 per hour to \$1.00 per hour) and the other hourly rates. Regent Arbisser seconded the motion, and upon the roll being called, the following voted:

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

NAY: None.

ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

NAMING THE UNION DRIVE SUITE BUILDING #2, ISU.

President Geoffroy presented Iowa State University's request for approval to name the Union Drive Suite Building #2 in honor of Archie and Nancy Martin for their outstanding contributions to African American students and to Iowa State University.

MOTION: Regent Neil moved to approve the naming of the Union Drive Suite Building #2 as the Archie and Nancy Martin Hall. Regent Arbisser seconded the motion.

Regent Becker said it was wonderful to learn about the contributions of Archie and Nancy Martin.

President Geoffroy stated that the information presented in the meeting materials was an abbreviated version of the Martins' story. He said the Martins have had a huge impact on many students over a very long term. The Martins went far out of their way to take care of students who were discriminated against and denied appropriate housing opportunities.

Regent Downer said he hoped that this story would receive appropriate publicity throughout the state. He said it was most unfortunate that the state of Iowa has had non-discrimination statutes since 1880 yet it was not until after WWII that the Regent campuses in any formal sense opened their doors to African American students. Hopefully, those of the present generation will be attentive to evidence of discrimination of that type in present day society and ensure those mistakes do not repeat themselves.

VOTE ON THE MOTION: Motion carried unanimously.

28E AGREEMENT WITH CITY OF CEDAR FALLS, UNI.

Director Evans provided a summary of the proposal.

President Koob complimented Vice President Schellhardt for the extreme patience that he demonstrated in the very long, arduous negotiation to finalize the 28E Agreement.

He stated that University officials were pleased with the message the agreement sends of cooperation, collaboration and shared responsibility for the community facility.

MOTION: Regent Becker moved to authorize the Executive Director to execute two 28E Agreements between the City of Cedar Falls, Iowa, UNI and the Board of Regents. Regent Arbisser seconded the motion. MOTION CARRIED UNANIMOUSLY.

STUDENT LIFE FACILITIES: PROPOSED RECREATIONAL SERVICES AND IOWA MEMORIAL UNION FACILITY IMPROVEMENTS, SUI.

Vice President Jones presented the University's request for permission to proceed with project planning for the East Campus Recreation Center/Field House Renovation project. He said University officials also requested approval of the program statement and design documents for the West Campus Tennis-Recreation Center and Sports Activity Fields project.

Regent Becker commended the University and student body representatives who had taken a fresh look at the proposal following the comments of those who were not satisfied with the first proposal. Those involved in the rework had found a way to meet the needs of the University and the student body in a way in which the community can continue to provide support.

Regent Downer said he echoed the comments of Regent Becker and appreciated the work that had been done on this project. The proposal clearly and professionally addressed the concerns of the Board. He said the proposal shows where the University of Iowa intends to go in this area and how it intends to get there. The financing is phased in over a reasonable period of time. He stated that he particularly liked the shift from a pay-to-play to a student fee structure.

MOTION: Regent Becker moved to (1) Receive the report on the Master Plan for Student Services at the University of Iowa. (2) a. For the East Campus Recreation Center/Field House Renovation project, 1. Acknowledge receipt of the University's initial submission of information to address the Board's capital project evaluation criteria; and 2. Authorize permission to proceed with project planning, including the architectural selection process. b. For the West Campus Tennis-Recreation Center and Sports Activity Fields

project (formerly Hawkeye Recreation/Athletic Facilities Complex, Phase 2—Tennis, Recreation and Sports Activity Fields project), 1. Acknowledge receipt of the University's initial submission of information to address the Board's capital project evaluation criteria; and 2. Approve the program statement and architectural agreement with Neumann Monson Architects, Iowa City, Iowa (\$958,000). Regent Downer seconded the motion.

Regent Neil asked if the west campus project was involved in this proposal. Vice President Jones responded that University officials were requesting approval for project planning for the east campus project including architectural selection process, and approval of the program statement for the west campus project.

Executive Director Nichols clarified that the proposal was for permission to proceed with the east campus planning process, and approval of the program statement and architect agreement for the west campus project, for which a map was submitted.

Regent Rokes requested clarification of the student fees associated with the proposal. Vice President True responded that the proposed \$291 fee was the total building fee for all of the identified projects. In 5-6 years, an additional \$44 would be necessary to pay for the operation and maintenance of the East Campus Facility. The total building fee includes the Iowa Memorial Union Phases 1 and 2 as well as the East Campus Recreation Facility and renovation of the Field House projects.

Regent Neil asked if the \$291 fee would increase over the two years. Vice President Jones responded that the \$291 fee was the total building fee. The \$291 figure should not change unless there is an issue in terms of enrollment or other such situation that causes concern for the business office in terms of the bonds.

VOTE ON THE MOTION: Motion carried unanimously.

INSTITUTIONAL REGISTERS OF CAPITAL IMPROVEMENT BUSINESS TRANSACTIONS.

(a) University of Iowa.

Vice President True introduced Laurie Fajardo, Professor and Head of the Department of Radiology at the University of Iowa Hospitals and Clinics, and Senior Associate

Director Staley to address capital projects of the University of Iowa Hospitals and Clinics.

Senior Associate Director Staley addressed the University Hospitals and Clinics—Magnetic Resonance Imaging (MRI) Center Renovation and Systems Installation—Phase 2 project. He stated that University officials requested approval for permission to proceed with project planning. He said the first phase of the project had just been completed. The second phase of the project would address the remaining 9,000 gross square feet of space in the MRI Center and would renovate the existing MRI scanning areas to support the replacement of two MRI systems and the installation of a new MRI system.

President Skorton said he wished to take the opportunity to recognize Professor Fajardo who is a very prominent member of the international imaging community. He expressed confidence in her leadership in overseeing the project, as well as in all of the faculty members and all of the trainees who care for thousands of patients who visit the MRI suite.

President Forsyth recalled that Professor Fajardo had dazzled the Board members with a presentation some months ago.

MOTION:

Regent Newlin moved to (1) acknowledge receipt of the University's submission of information to address the Board's capital project evaluation criteria for the University Hospitals and Clinics—Magnetic Resonance Imaging (MRI) Center Renovation and Systems Installation—Phase 2 project; Accept the Board Office recommendation that the project meets the necessary criteria for Board consideration; and (2) authorize permission to proceed with project planning, including the architectural selection process. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

Senior Associate Director Staley next addressed the University Hospitals and Clinics—South Wing Heating, Ventilating and Air Conditioning (HVAC) Replacement project for which University officials requested approval of the project description and budget (\$470,000). He said the project would upgrade the air handling systems that serve patient areas and overnight guest facilities in the South Wing.

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MOTION: Regent Neil moved to approve the University Hospitals and Clinics—South Wing Heating, Ventilating and Air Conditioning (HVAC) Replacement project description and budget (\$470,000). Regent Downer seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President True noted that a request for the following project approval was included in the University's capital register: Medical Laboratories—Research Laboratories Renovation project schematic design and project description and budget (\$5,304,000).

MOTION: Regent Neil moved to (1) acknowledge receipt of the University's submission of information to address the Board's capital project evaluation criteria for the Medical Laboratories—Research Laboratories Renovation project; (2) accept the Board Office recommendation that the project meets the necessary criteria for Board consideration; and (3) approve the schematic design and project description and budget (\$5,304,000) with the understanding that this approval will constitute final Board approval and authorization to proceed with construction. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

Vice President True presented the University's request for a revised project budget (\$17,989,000) and Change Order #12 (not to exceed \$400,000) with Miron Construction Company for the Pomerantz Center project. The west side fourth floor exterior wall would be extended to increase the size of two Executive MBA classrooms. He pointed out the generous partnership on the part of the project architects who had agreed to contribute \$125,000 toward the budget increase; the remaining funds would be provided by the Tippie College of Business.

MOTION: Regent Becker moved to approve a revised project budget (\$17,989,000) and Change Order #12 (not to exceed \$400,000) with Miron Construction Company for the Pomerantz Center project. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

President Forsyth asked for a status report on the Kinnick Stadium Renovation project.

Vice President True said the total was over the \$5.1 million target to be achieved by September 1. There is approximately \$700,000 in additional verbal commitments toward both indoor and outdoor club seating. Suites are oversubscribed by two. When including verbal commitments, outdoor club seats are also oversubscribed.

Vice President True stated that representatives of the University of Iowa Foundation and the University Athletics Department have done a tremendous job. He thanked the Board for its support, most recently in approving to award the construction contract to begin work on the south stands, commencing on November 15, 2004.

Regent Neil referred to the handout of the Kinnick Stadium Renovation Project monthly status report. He said the bids for the south stands came in \$1.1 million over the estimate which, if that overage follows all the way through the \$87 million project, would put the budget \$10 million over the estimates. Vice President True responded that the consultants believed there was a greater risk of exceeding the budget in this element of the project than in other elements of the project. An enormous effort is going to take place to manage the costs within the \$87.6 million budget.

Regent Neil said it would be helpful for Board members to receive the monthly project status report ahead of the Board meeting. Vice President True stated that University officials would work with Associate Director Racki to meet the Board's needs.

Regent Neil asked if University officials anticipated selling all of the indoor club seating. Director Bowsby responded that 120 of the 132 indoor club seats have been subscribed, both orally and in writing. He was confident that between 90% and 100% of the indoor club seats would be subscribed. He expects those seats will go quickly once people who want a suite are unable to get a suite because of demand.

Regent Newlin asked that Director Bowsby address the outdoor seats. Director Bowsby responded that there are about 1,500 statements of intent for 1,150 available outdoor seats. A prioritization process will occur with regard to the outdoor club seats.

Regent Newlin asked about the \$10 million anticipated gift revenue. Director Bowsby said a \$5 million gift had been announced over the weekend. The University has received a commitment for a \$1 million gift, and has received three seven-figure proposals from potential contributors. He said University officials were confident that the \$10 million goal will be exceeded; hopefully, \$15-16 million will be raised.

Regent Arbisser expressed appreciation for the very impressive work by the University's team.

(b) Iowa State University.

Vice President Madden stated there were three projects on Iowa State University's capital register this month, which he highlighted: (1) program statement and schematic design for the Pearson Hall Remodeling—Phase 2 project; (2) selection of InVision Architecture, Waterloo, Iowa, in association with ED2 International, San Francisco, California, to provide design services for the College of Veterinary Medicine – Teaching Hospital and Diagnostic Laboratory project; and, (3) selection of OPN Architects, Cedar Rapids, Iowa, in association with Ellenzweig Associates, Cambridge, Massachusetts, to provide design services for the Coover Hall Addition and Renovation project.

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

Regent Downer asked for the status of the Morrill Hall project. President Geoffroy stated the University was very close to completing the fund raising for the Morrill Hall project. In the meantime, construction documents are being prepared.

Regent Neil commended President Geoffroy for the tremendous job of fund raising that he had done.

ORAL REPORT ON RECENT LEGISLATIVE SESSION.

President Forsyth welcomed Director Steinke in his first official capacity in his new position.

Director Steinke stated that the Iowa legislature met in extraordinary special session on September 7, 2004, in response to a Supreme Court ruling which effectively nullified the original Iowa Values Fund legislation. While the lawsuit against the Governor was being litigated in the courts, the Iowa Values Fund Board expended funds from its account for various economic development projects, \$10 million of which were expended for Regent institutions' projects.

Director Steinke reported that, in a compromise between the Governor and the legislature, two separate bills were agreed upon and passed by the legislature and signed by the Governor. One bill addressed worker's compensation issues that the Governor had item vetoed from the original bill. The other bill addressed the Iowa Values Fund. The Iowa Values Fund Board was made an advisory board to the Department of Economic Development, and a new fund, called the Federal Economic Stimulus and Jobs Holding Fund, was created. He stated that \$100 million were

appropriated to the new fund to cover expenditures which had been made by the former Iowa Values Fund Board. Of that \$100 million, \$10 million was appropriated to Regent-approved projects at the three universities: \$2 million for the Innovation Accelerator project at the University of Northern Iowa; \$4 million for the Multi-tenant Biologics and Incubator Facility at Iowa State University; and, \$4 million for the Center for Biocatalysis and Bioprocessing at the University of Iowa.

Regent Downer asked if his understanding was correct that the funding for the Regent projects that were previously approved by the Iowa Values Fund Board was now secure; that even if there is a challenge to other actions of the special session, it would not affect the appropriations.

Director Steinke responded that the concern about a challenge related to the worker's compensation issues contained in a separate bill from the appropriations.

Regent Neil asked if his understanding was correct that any projects that require additional funding were not guaranteed to receive that funding. Director Steinke responded affirmatively. He said the only funds appropriated by the legislature were for those projects that the former Iowa Values Fund Board had already approved. There is no additional money for new projects or for ongoing projects that have more than one phase.

President Forsyth said it was his understanding that the legislation would allow proceeding with the projects for the University of Northern Iowa, Iowa State University, and for one of the two initiatives at the University of Iowa. Director Steinke and the University of Iowa leadership had been asked to review the second project at the University to determine whether it was prudent to spend the \$1 million appropriated for the project while bonding for another \$3 million for the project, since additional appropriations were not assured. At the next meeting, Board members would be provided with an assessment of how to proceed on the second University of Iowa project.

Executive Director Nichols stated the specific project to be discussed further was the Bio-Tic facility at the University of Iowa. He said he had met the previous week with University officials and with representatives of the Department of Economic Development to begin discussions about how to proceed. In the meantime, activities will move forward as expeditiously as possible on all three campuses with regard to the other three projects. He anticipates the Board's Economic Development Committee will be provided with suggestions on the University of Iowa's Bio-Tic facility at its meeting in November.

BOARD OF REGENTS MEETING
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ACTION: President Forsyth stated the Board received the report, by general consent.

ADJOURNMENT.

President Forsyth thanked President Skorton and his staff for hosting the meeting.

The meeting of the Board of Regents, State of Iowa, adjourned at 2:52 p.m. on Wednesday, September 15, 2004.



Gregory S. Nichols
Executive Director

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REMARKS OF GOVERNOR THOMAS J. VILSACK
AT MEETING OF BOARD OF REGENTS, STATE OF IOWA
September 15, 2004

Governor Vilsack: I very much appreciate the opportunity to spend a few minutes with the Board today. I've got two missions. First of all, I recognize that, for some time, there's been an empty chair at the Board. Deb Turner served the Board and the state well in her capacity as a member of the Board of Regents, State of Iowa. She brought an interesting perspective to the Board. The perspective of a minority in Iowa. The perspective of a professional in Iowa. Recognizing that she is now challenging herself by trying to maintain a medical practice, continuing her studies at law school which is an extraordinary challenge, it was certainly understandable when she decided that it was time for her to move away from this responsibility. So we began the process of looking for someone that could help us fill the niche that Deb filled so well. We were looking obviously for a woman. We were looking for someone who would understand the challenges of the minority population in the state as it relates to higher education. Someone that had a professional background, recognizing that there was, I think, one lawyer and one doctor on the Board, we wanted to side with the lawyers! Understanding that the President was from the insurance world, we wanted someone that could relate to his world. So we looked for that one person in Iowa that fit that description and we, in fact, found her. Not only did we find her with all of those characteristics, but also someone who understands the workings in state government, having been a department director for a period of time.

Today we announce the selection of Rose Vasquez to serve the unexpired term of Deb Turner on the Board of Regents, State of Iowa. Rose is a lawyer. She worked in the Attorney General's Office. She worked as the Director of the Department of Human Rights during our administration and served admirably. She left that opportunity for a private sector opportunity offered to her by the Principal Financial Group, and she is currently on loan as an executive to a program in the greater Des Moines area working on diversity issues. John, I think, has had an opportunity to visit with Rose extensively about her willingness to make the time commitment that's necessary to throw herself into the important work of the Board of Regents, State of Iowa. And she is excited about joining all of you.

I think it's important for this Board to continue to reach out to the minority population in our state. Rose, of course, is of Hispanic background which I think is a relevant background to be represented on this Board. I think she'll understand the challenges of minority students, both in terms of access to higher education as well as being prepared for the challenges of higher education. Rose will join you soon and we're looking forward to her working with you. I'm excited about that announcement today and I wanted to make it personally here today.

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The second reason I'm here is to talk about the future of our state and the role that education plays in that future, and to share with you some comments about the Iowa Learns Council. To do that, let me create the framework for this discussion. We have been undergoing in the state of Iowa for the last five years or so a transformation of our economy. Recognizing that the traditional commodity production, low-end manufacturing economy that we had for so many years was not going to support the quality of life that Iowans are used to and deserve, we began the process of looking at a different Iowa, an Iowa that attracted advanced manufacturing, that required a very sophisticated workforce; an Iowa that continued to expand dramatically its financial services, information solutions, insurance, technology-oriented opportunities as it has over the last decade. And an Iowa that fully embraced and took full advantage of the bioeconomy and became not just a state leader but a national leader in moving forward in biotechnology.

We've taken many steps to begin that process. We recognized that that new economy would require more energy than we were producing. So we went through a process of creating incentives and a regulatory structure that would encourage new energy facilities being built in our state. Today, after several decades of no activity on that front, I'm proud to say that we've got six facilities being built, billions of dollars of construction opportunities but, more importantly, energy independence for the state. No longer will we, when these six facilities are on line, be required to purchase energy outside the state. We'll be able to be self sufficient which means that we can retain those dollars which we were otherwise spending for energy outside the state to grow our economy.

Listening to students at this university and the Regents universities and colleges and universities across the state, I recognize that, in order for us to embrace this new economy, we had to continue to make the case to create young people to be part of a new Iowa. Many of them expressed to me the desire for a broader range of cultural and recreational opportunities. That gave rise to the Community Attractions and Tourism program and the Vision Iowa program. A hundred and thirty communities now have been beneficiaries of that program. Six more years of those activities will take place. Again, several billion dollars of expanded opportunities and we've seen a transformation of many of our urban centers and some of our smaller communities as a result of the leveraging and the partnerships of Vision Iowa and Community Attractions and Tourism program have spawned. It is beginning to make a difference as we look at the demographics of our workforce. What we find is in the last three years we've increased the number of college-experienced workers in that workforce by as many as 50,000 people. So we are beginning to make the case.

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Recognizing that a transformed economy is going to require venture capital support for entrepreneurship, we attempted to address that issue several years ago by working with the insurance industry and having them put resources immediately on the table that allowed us to buy some time as we established the Fund of Funds in an effort to try to attract institutional investors within our state to create a resource that would be permanent, if you will, to spawn entrepreneurship. The pace of that work is not as quick or as effective as I would like it to be and we are going to continue to put pressure on those who are managing the Fund of Funds to begin to make that program a reality.

We'll continue to articulate the need for the state pension program to look at Iowa venture capital opportunities with equal force as they look at venture capital opportunities outside the state. We'll continue that effort.

The Values Fund was an important component part of our strategy, providing resources that would allow us to educate Iowans about the linkage between the Board of Regents universities, the research universities that we have that we are so proud of, and economic opportunity, being able to put resources into expanded lab and tech space. Making the case to professors to think not just simply about publishing but also about starting businesses and expanding opportunities. While we had a sort of fitful start with the Values Fund, we now are on the road to understanding the power of that idea. Close to 11,000 jobs either retained or created as a result of the Values Fund and the leverage that that created in some of our other programs. Jobs that pay much better than the jobs that were being created in the economy before. Jobs that are focused in those three areas that I alluded to earlier – advanced manufacturing, the financial services sector and the bioeconomy. Opportunities for new and exciting ideas that have been created and hatched, if you will, on the university campuses to begin painting a much brighter future for the state.

All of that is important. All of that is necessary. And we obviously need to have a permanent commitment to the Values Fund structure and funding for the Values Fund. It is not enough to simply get us by the next election. It is important and necessary that we have a permanent commitment. My hope is that legislators, both parties, return to the legislature in January with a commitment to get the job fully and completely done in that area.

But there is another extremely important element to this transformed Iowa, and that is a transformed education system in our state. Probably central to our ability to accomplish the goal of creating an Iowa that is the best place to live, work and raise a family is a world-class education program. So what we did is we put 37 people from a wide variety of backgrounds. From the pre-school, early childhood universe, from the K-12 universe, from community colleges, from the Regents universities universe, from the business sector, from the labor sector, and we put them in a room and we said, "What do we

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need to do? What steps do we need to take? What challenges do we have to accept to create a world-class education system?"

I want to visit with you today about three basic recommendations that were made. These may not specifically speak to the enormous responsibilities that you all have in managing and operating the universities and special schools. But the reality is that the students of tomorrow are being educated in the system of today. If you want bright young people and you want universities to continue to prosper and to continue to have the national reputation that we've built, it will be necessary for us to have brighter, more creative, more inspired young people in the future. To do that, we need to make significant changes to our system.

Three recommendations. First, we spend one-tenth of the amount of resource on youngsters zero to six that we spend on youngsters six to eighteen. We spend one-fourth the amount of resource on youngsters zero to six that spend on youngsters in higher education. But, yet, the brain research is fairly conclusive. More learning, more power is generated in the first six years than those next 12, 18, 20 years. Our state needs to make a more significant commitment to early learners and to young children. We need a comprehensive commitment, and it takes many, many different facets. Seventy-seven percent of the moms and dads of young children zero to six are in the workforce today. We rank second in the country in terms of the number of moms and dads working. That means that moms and dads are not home with their children which, in turn, means that they are looking for opportunities for child care. The majority of child care provided today is ranked average to poor in our state. There is no mechanism current and present in the state today that would allow a mom or a dad to know, to be comfortable and confident in the quality of child care. There's no system, there's no process, there's no set of information that's available for moms and dads to make a comparative analysis of child care being provided in this state. It is really a gamble. Some of us are fortunate. We find a child care provider that provides an innovative and stimulating environment. Some of us are really fortunate if that child care provider has college experience and college education. Most do not.

We need a system that essentially allows us to know what quality is. And we need a system that rewards quality financially. So part of the recommendations of this Learns Council is to create a quality rating system so that moms and dads can make informed decisions. And to make sure that as we provide support and subsidy for that system, that we reward quality. This is a very significant issue.

We also have to make sure that we provide that kind of professional development for early educators and early child care providers so that they, in turn, if they want to become quality providers know how and where and what they need to do to be so. So it's necessary and important for us to make this commitment. We also have to

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recognize that the cost is somewhere between \$4,300 and \$6,000 for quality child care in this state. A lot of parents cannot afford that. So the question is how do we make sure that those who cannot afford it have their youngsters have access to it. Major issue.

In addition to child care, there is the issue of health care. It is not enough for us to put resources into educating youngsters if we fail to recognize that there's a health component here. We have, for example, roughly 210,000 children who are involved in our Medicaid program. These youngsters are afforded a broad range of medical services which are great and the state is happy to provide those services. We rank among the best states in the country for providing health care opportunities for children and we are one of the healthiest states because of that. But there is a glaring problem with our system for early learners, and that is that we do not address an equally important need for dental care. Of the 210,000 youngsters who are in the Medicaid program, only 72,000 of those youngsters received any dental care. Any dental care. Of that 72,000 number, about half, about 36,000 to 37,000 actually received what any person in this room would consider comprehensive dental care.

Well, the research is fairly clear. There is a direct link between the quality of your dental health and your medical health. And when we fail to address basic needs in terms of dental care for children, we are relegating literally tens of thousands of youngsters to a health care system that is not as good as it needs to be. And then these youngsters will not learn as well and not be as ready to learn as well without that dental care. We made a proposal this year to the legislature to create mobile dental labs. It was a relatively inexpensive effort to try to reach out to make dental services available and convenient. Our legislature said, "Great idea. No money." You all have heard that before. We are pursuing a federal effort. I'm not sure it will be successful but I can guarantee you we will be back next year asking the legislature to address this very fundamental issue.

Third and final piece of the early learner process is to understand that there needs to be the same kind of commitment to universal preschool that we've had to all-day kindergarten. A decade ago, the state of Iowa understood the power of exposing youngsters to all-day kindergarten and giving them those learning opportunities. The reality is that over 90 percent of our youngsters now have access to all-day kindergarten. We need to make that same kind of commitment in terms of preschool. Today, less than 15 percent of our youngsters are attending a quality, certified preschool. We have a goal that 90 percent of our youngsters are going to be ready to learn. That means we're going to have to step up substantially our commitment to universal preschool. That will not be inexpensive. But the reality is that we pay one way or the other. We either pay for success and reap the benefits of it or we pay for failure. And it is much more expensive to pay for failure than it is to encourage success.

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Second major recommendation that perhaps has a greater, more direct bearing to the university system is the status of high schools in our state today. A higher education study recently took a look at ninth graders and tracked them to try to determine what happens to these youngsters who are entering high school. How well prepared are they to graduate from high school and then to go on? Here's the Iowa picture, and listen closely to this because we are one of the best states in the country. Of the 100 youngsters randomly selected who entered 9th grade a week or so ago in our state, if we track them for the next six to eight years, here's what we would find. Of the 100, only 83 would graduate from high school. That means 17 are dropping out. Now what happens to those 17 people? Well, I can take you down the road about 48 miles to a facility in Mt. Pleasant or we could go another 20 miles to a facility in Fort Madison. Or we can go 45 or 50 miles to a facility in Anamosa. Or we could travel down 80 to Mitchellville. Or we could go to Rockwell City. Or we could go to Clarinda. Or we could go anywhere where there is a prison and you would see generations of young people in our state who didn't graduate from high school. And who frankly didn't have early learning opportunities so they never really learned to read very well. The price of drop outs is prison costs. Today we have almost a record number of people in prison in Iowa. We pay a substantial amount of money to warehouse these individuals. It's not right. If we focused attention on those 17 youngsters while they were in high school and encouraged them and made sure they graduated, my belief is we would substantially reduce over a generation or so the cost that we're currently incurring in Corrections. Which means that we would have resources to do more things in education and health care and economic development. Prisons are not economic development. Some communities may believe they are but they're not. We've got to focus attention on those 17 youngsters.

Of the 83 youngsters who will graduate from high school, 54 will go on to a college the first year of some kind. Well, what happens to those other youngsters who do not? They have essentially relegated themselves to a life of limited opportunity. If you look at earning capacities of youngsters who have a high school diploma versus those who have college experience versus those who have a college degree, it is fairly clear that the opportunities for earning are substantially reduced if you stop at high school today. Ten years ago, twenty years ago, thirty years ago you could have done that and supported your family and cared for your community. But today you're not going to be able to do that. You are relegating yourself to a life of difficulty by making that decision to stop. So we've got to make sure that youngsters understand the power of higher education and the absolute necessity of it.

Now, of the 54 that go on to college the first year, only 38 will be in college the second year. Why? Well, one reason is probably the cost. You all have been dealing with that. We all know that the costs have risen dramatically. And we are beginning to price

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young people out of higher educational opportunity in our state. And we absolutely need a stronger commitment from the state government so that that doesn't continue. But I think there's a second reason why we're seeing a drop off. And that is that our expectations of youngsters graduating from high school are not high enough. They are not as well prepared for the rigor of a community college, a Regents university, a private college or university as they need to be. In most Iowa high schools today, you can graduate with just two years of math or two years of science, as an example. Well, if we're going to embrace the bioeconomy, if we're going to try to make sure our universities are top notch, I don't think two years of math and two years of science are going to cut it. Now I could be wrong, but I don't think they're going to cut it. And they're certainly not going to be as well prepared when they take that calculus course or that biology course in college if they haven't had an opportunity to learn in high school. We have got to raise the expectations of our youngsters and of the parents of those youngsters. The reality is that few parents really understand fully and completely what their children need to know to succeed. And for that matter, most youngsters have no real clear understanding of what they need to be thinking about during high school so they are better prepared for college.

Now, of the 30-some that are in there the second year, 23 graduate within three years from a community college or within six years from a four-year college program. And we are one of the best.

We're not competing with South Dakota, folks. We're not competing just with Nebraska or Illinois or Minnesota or Wisconsin or Missouri. We've got to get out of that mentality. We are competing with the entire world. If every single American magically became college educated, every man, woman and child today became college educated, we'd have 290 million college-educated folks in our country. That's about one-tenth the population of India and China. One-tenth. And do you think they're going to be satisfied with just one-tenth of their population being well educated? The challenges of America are enormous. Our ability to retain our quality of life, our freedoms, are directly linked to the strength of our economy. And that, in turn, is directly linked to the innovation and creativity of our economy. We have survived up to this point because we have always been one innovative step ahead of everyone else. We're not going to be one innovative step ahead of everyone else if we only have 23 out of 100 youngsters who get that college degree on a timely basis.

So the Learns Council has suggested that we need more guidance, more direction, beginning in ninth grade for youngsters in high school. We need a commitment to raise the expectations, the standards that are necessary to get a high school degree. We need a greater connection between what's happening in high school and what's happening outside of high school so youngsters understand the relevance of what they're learning and the need to learn more before they enter the workplace. We need

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to make sure that we continue to support programs like Jobs for America's Graduates that focus on those youngsters most likely to drop out and encourage them to stay the course.

We need to redesign high school. And it will require some difficult questions be answered. We have 370 school districts in our state. We have fewer high schools because some districts do not have a high school. But yet today there are 141 high schools in our state that have less than 200 students in them. They represent 38 percent of all of the high schools. They are educating about 12 to 13 percent of the high school students. If you look at those districts and those youngsters in those schools, here's what you will find if you look at the data. You'll find teachers with less experience on average than those in medium-sized or larger high schools. You will find fewer math and science courses by a factor of one-half to a third. You will find teachers required to prepare almost five separate class preparations a day compared to about two-and-a-half at the other schools. Now, if there are any teachers in the audience here today who have had any experience with class preparation, there is a world of difference between preparing for a couple of classes a day and preparing for five. As one teacher told me yesterday, you don't prepare for five. You fly by the seat of your pants. You improvise. Our youngsters don't need to be improvised. They need to be educated. You will find ACT scores that on balance are roughly two points lower on average in those smallest high schools.

We need to look at the configuration of high schools. We need to expand educational opportunity. We need to look for innovative ways to use technology, whole grade sharing, high school consolidation as a way of expanding educational opportunity in this state. Now, it is the third rail of Iowa politics to talk about this. But I'm talking about it because somebody has got to talk about our children and educational opportunity. And someone has to challenge us to think differently. Communities will say to me, "But, Governor, the school is so important. It is our identity." I submit economic vitality is key to community. I submit that if we want to return prosperity to smaller rural communities, we have really got to embrace the bioeconomy. It's no accident that Iowa will be a national leader in renewable fuels by the end of this year. We'll be number one in renewable fuel production because we have begun to promote the bioeconomy. We're building new ethanol production facilities. We're promoting soy diesel. All of the opportunities with the bioeconomy can be located in small communities just as easily as in large communities. That would of course expand economic opportunity. It would expand the economic base, the tax base. It would provide more support and it would be a self-fulfilling prophesy that your schools would be stronger if your economy is stronger. Your economy will not be stronger if we simply take the position that we want to hang on. We want to hang on. That's the prevailing attitude in a lot of places today. We just need to hang on. And I understand that attitude but it's got to change. It's got to change. We can't have less experienced teachers with more class preparations,

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fewer math and science opportunities, and lower ACT scores, and expect this economy to transform itself to support the quality of life that's important to Iowans.

So the second principal recommendation of the Iowa Learns Council is to take a look at high school and to begin the process of transforming it so it's more relevant and more successful.

The third major recommendation and there are a myriad of recommendations and the report is on the website. It can be accessed by those specifically interested in it. The third recommendation is this. On the way down here, I had a conversation with Judy Jeffrey, our Interim Director of Education. We were talking about math and science and she said, "You know, Governor. What you're going to hear from school districts, and it's a legitimate concern, is that's great, expand math and science requirements, raise standards, raise expectations, but we don't have the teachers to be able to fulfill those responsibilities." There's a mismatch between what's happening here in the universities and what the demand and the need is out around the state. Legitimate point. What we need, third recommendation of the Learns Council, is a continuous conversation with everyone around the table – business, education, government, labor – talking about what the needs are, what the resources are and how most effectively to match the needs and resources. Some of that takes place today, but a lot more of it needs to take place. The Regents universities need to communicate to high schools precisely what they need for youngsters to be able to do before they enter those Regents universities to be successful. High school educators need to be talking to middle school educators about what they need to be doing to make sure that youngsters are absolutely successful in high school and don't feel the need to drop out. Middle school teachers need to be talking to the K-3 educators about how do you prepare youngsters for those difficult middle years. What do you have to be able to teach and what do they have to know? Those early K-3 educators need to be talking to preschool educators about how you prepare youngsters to learn. And all of us need to be talking to the parents in this state about their job as their child's first and best teacher. Conversation needs to take place and there needs to be a formalized process by which it takes place and by which it is taken seriously.

We all have our own individual world here. You'll spend a lot of time on the Regents world today. But there needs to be this kind of intimate conversation about the system in total. And with the business leaders who are in attendance today, let me say that I have been to so many functions as Governor of this state to hear business leaders from all over the country express concern and with respect to complaints about the education system of this country. But, you know, the business community has to accept some of the responsibility. They have to send a clear message about what is needed for success. You know, back in the '50s and '60s when we had the assembly line process and the tailored manufacturing process, it was relatively easy to send that message.

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And our education system basically paralleled that assembly line process. We took a kid to first grade and we added this element of learning and then pushed them to third grade, and fifth grade all the way down the line. Well, that's not going to do it today. It's a different world today. It's a world that's changing every single minute. Youngsters need a lot more skills and different skills. We need a clear and unambiguous message about what those skills are, which is why business and labor need to be at the table. And they need to be constantly communicating. Not every ten years when a report comes out that says we're a nation at risk, but every day, every year.

Now, one will say, "Well, where does the money come from for all this?" Well, I would say that there are five areas of resources. First, as the economy of this state grows, it's going to produce additional revenue. We ought to be going on record right here and now as saying that the number one priority for those additional revenues is this transformed Iowa; a commitment to permanent economic opportunity and a real commitment to every level of education. We ought not to have to beg, borrow and steal for every penny to promote education in this state. It was no mistake that we put on the back of our quarter, "Foundation in Education", because if you look at who we are and what we do, that foundation starts with our education system. If you adequately fund the foundation, and if you go on the cheap on the foundation, guaranteed you're going to have problems with the rest of the structure. So as new revenues come on line, let us make the commitment and the prioritization of those new revenues to what is absolutely important.

Second. And I know that you all have done this. I know you're going to be encouraged to continue to do it and I appreciate the difficulty. But as we look at how we currently invest dollars, the money that is already in the economy, the money that's already available, we have to constantly reprioritize and question. I know you're going through a process today where you're going to be discussing this budget process that we are encouraging folks to go through. What it essentially amounts to is a zero base budget. Historically, in state government we've started with a base of 75 percent and you had to justify the next 25 percent. That's not the system we're working under this year. We're essentially compelling every department of government to prioritize from the ground up. That means that some projects are going to get far more resources than they've gotten in the past and some are going to get no resources. That's going to shake people up. Well, that's the way it needs to be done if we're to focus and target our resources where they will make the most good. And I'm here today to commit to you that the budget that I submit will reflect as a single priority education. You will see it. We will make tough choices. Some people will be not very pleased with choices we make. But I want to make sure that this effort has resources behind it at every level. Your level, all the way down to that early learning level.

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Third area. We need a strong federal partner. The reality is that our world would be a little bit different if our federal partner lived up to its promises and responsibilities. If it imposes upon us at the K-12 level a requirement for special education then it ought to live up to its promise of funding 40 percent of that. If it says it's going to leave no child behind, then it obviously needs to allocate the resources necessary to ensure that no child is left behind. That's not happening today.

Fourth. The private sector needs to be engaged. The private sector needs to understand the significance of child care and needs to understand the significance of education and needs to continue to look for ways to be supportive. Either by virtue of decisions of companies themselves for their employees, associates and workers or by virtue of their advocacy, their important advocacy, for substantial resources from the state and local government being allocated to education at every level. It is time for business leaders and labor leaders to understand the power of early learning, and to advocate for us. Some are. More need to.

And five. We do, in fact, need to take a look at how we locally spend our dollars in education. Can we really justify 38 percent of the high schools educating 12 or 13 percent of the students? Can we justify in my county of Henry County five separate school districts with five superintendents taking care of roughly 3,000 children, when Eric Witherspoon is the superintendent of the Des Moines school district and he takes care of 32,000? One superintendent, 32,000 students; five superintendents, 3,000 students. We need to begin asking ourselves those questions. And we need to be looking at how we can more effectively and efficiently redirect resources at the local level to promote educational opportunity and a world-class system.

I'm going to use two more minutes of your time, because we started late, and then I'll let you go to your other work. I have been sharing this with Iowans because I want them to know that this is more than simply a Governor talking about the future of a state, and a Governor who understands the dynamics of a changing world, and the necessity of Iowa to promote its values. This discussion is very personal to me. From the time I was eight until the time I was 14 or 15, my family went through a tough time. My parents separated. Prior to their separation, my mother was very ill with an alcohol and prescription drug addiction. There were weeks when we would not see anything of her. She would lock herself up in the attic of our three-story home and the only contact I would have of her would be hearing the liquor bottle drop on the floor because where she was was right above my bedroom. She was hospitalized several times for mental illness. On one occasion, I remember it very distinctly, trying to take her life. I remember watching my father and grandmother trying to keep her awake long enough for the ambulance to get there.

Attachment A

Minutes of September 14-15, 2004, Board of Regents Meeting

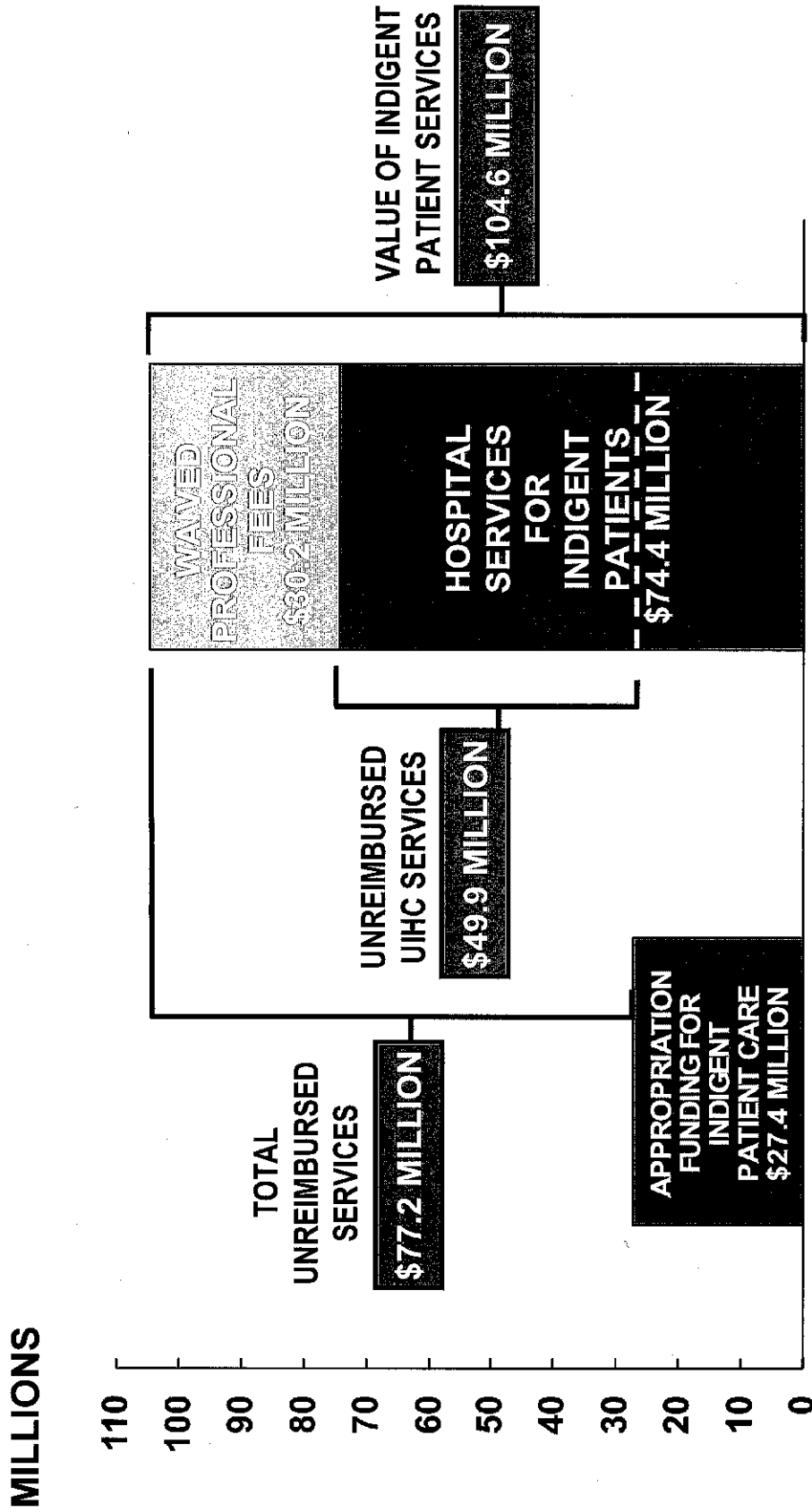
When you grow up in that circumstance, you don't have the kind of situation where you routinely invite kids over to spend the night with you. You just don't have that kind of childhood. You spend a lot of time alone. As I grew up, I thought to myself, "You know, there has to be a better way to be a kid. There's got to be a better way than this." So the goal that I set for myself was an important goal. It wasn't necessarily a goal to achieve this job I have today or even to be a lawyer. My goal was to make sure that when I was older, and I was a father, that my children have a childhood. By that I mean they had a mother and a father engaged in their lives, working, making enough money so that things were comfortable. A mom and dad who were engaged and understood what their kids were doing but surrounded and supported by a community so that when the child failed, there was a coach, there was a Sunday school teacher, there was a teacher, a scout leader, whatever, to put their arm around them and say, "Hey, it's okay. There will be a better day." When they succeeded it was in the paper. You patted them on the back and were appreciative and celebrated with them. I found that place. I looked for it and I found it in a town of 8,000 not too far from here. A town not unlike the other 952 towns in Iowa. Our state provides youngsters with a childhood. It is a great gift. But it is a diminished gift if the educational opportunity is not what it needs to be.

So this is personal to me. This is very personal to me. And I understand that there are political challenges with what I'm advocating. And I understand they are difficult choices and it's difficult to take resources away from someone who got them to give them to someone who doesn't. But we're going to have to do that. We're going to have to do that because it's in our collective best interest to do it. But, more importantly, it's in the interest of every single child in this state. I am so proud of our state, so proud of our state in terms of its reputation of taking care of children. But it will not be able to maintain that reputation five years from now, ten years from now, if it doesn't make substantial commitments today.

So that's why I'm here. That's why I will be traveling across the state with this message to education leaders, to people who are opinion leaders. And that's why we'll begin to branch out, encourage the public to get engaged in this, and the legislature get engaged in it.

I feel very strongly about this, folks. I just want you to know that. Feathers are going to be ruffled for sure but we've got to do a better job at every level of education. So I appreciate, John, your willingness to allow me to speak about the Learns Council that isn't directly connected to the business of the Regents but certainly is important to the future of the Regents and the quality of students at the Regents universities. Thank you.

CHAPTER 255 INDIGENT PATIENT APPROPRIATION VS. VALUE OF TOTAL SERVICES PROVIDED 2003 - 2004



Based on associated charges for services rendered to Chapter 255 Indigent Patient Care Program Patients.

Attachment C
Minutes of Sept. 14-15, 2004, Board Meeting

University of Iowa
NEW INTERNATIONAL STUDENTS

First Year	Applications	Enrolled
Fall 2004	306	30
Fall 2003	224	32
Fall 2002	213	28

	Applications	Enrolled
Transfers		
Fall 2004	216	32
Fall 2003	145	22
Fall 2002	175	33

Graduate & Professional Colleges	Applications	Enrolled
Fall 2004	3430	292
Fall 2003	5314	293
Fall 2002	4997	319