

MINUTES OF A MEETING



March 9 and 10, 2006

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MINUTES OF A MEETING
ARIZONA BOARD OF REGENTS
March 9 and 10, 2006

A meeting of the Arizona Board of Regents was held March 9 and 10, 2006, in the University of Arizona Student Union Memorial Center. President Palacios called the meeting to order at 1:00 p.m. on Thursday, March 9, 2006.

PRESENT: Regent Fred Boice
Regent Robert Bulla
Regent Ernest Calderón
Regent Dennis DeConcini
Regent Benjamin Graff
Regent Edward Hermes
Regent Jack Jewett
Regent Anne Mariucci
Regent Christina Palacios
Regent Gary Stuart
Superintendent Tom Horne (Thursday only)

ABSENT: Governor Janet Napolitano

Also present were: President Peter Likins, Dr. George Davis, Mr. Greg Fahey, Ms. Judith Leonard, Ms. Edith Auslander, Mr. Bruce Wright, and Mr. Joel Valdez, University of Arizona; President John Haeger, Dr. Elizabeth Grobsmith, Dr. M. J. McMahon, Mr. Mark Neumayr, Northern Arizona University; President Michael Crow, Dr. Milt Glick, Mr. Paul Ward, Dr. Christine Wilkinson, Mr. Rich Stanley, Arizona State University; Executive Director Joel Sideman, Board Counsel Paulina Vazquez Morris, Secretary to the Board Peggy Martin, Dr. Art Ashton, Mr. Michael Hunter, Ms. Cathy McGonigle, Mr. Ted Gates, Ms. Stephanie Jacobson, Dr. Mark Denke, Ms. Kathy Bedard, Mr. Dan Anderson and Ms. Stella Galaviz, Central Office; and Mr. Robert Mitchell, Arizona Faculties Council.

All list, reports, summaries, background materials, and other documents referred to in these minutes can be found in the March 9 and 10, 2006, Documents File.

Regent Boice led the Pledge of Allegiance.

Regent Palacios welcomed Regent Dennis DeConcini to his first board meeting.

Regent Palacios then introduced the next University of Arizona president, Dr. Robert Shelton and his wife Adrian Shelton.

Regent Palacios introduced Simon Burnett, who is a junior in the Eller College and will be graduating from the University of Arizona in May 2007, with a BS in Business Administration. Simon was born in England. He was attracted to the University of

Arizona by the UA's swimming program and Coach Frank Busch. Simon is the captain of the Men's Swimming and Diving Team and vice president of the Student Athlete Advisory Board. He was a member of the British Olympic Swim Team and was a finalist in two events. He holds four British records and is an NCAA champion in the 200 freestyle, and an NCAA record holder in the 200 freestyle. Simon enjoys setting goals for himself and meeting them. He described how much he appreciates the opportunities he has received at the University of Arizona and the mentoring he has received from Coach Busch.

REPORT FROM THE PRESIDENT OF THE UNIVERSITY OF ARIZONA

President Likins stated that he was very pleased with the decision to choose his successor. He believes that Dr. Shelton will be a superb president for the University of Arizona. President Likins also said that he admired the way Regent Boice ran the search committee, it truly was a model process.

President Likins then introduced Paul Portney, the Dean of Eller College, who gave a short presentation regarding energy.

Dean Portney reported on energy policy related to oil. Many oil companies have recently reported profits and revenue that are astonishing. Exxon Mobile recorded the largest corporate profit that any company has ever recorded in history. President Bush acknowledged that the country is "addicted" to oil.

The facts about oil are: U.S. share of the world population is 5%, U.S. world oil production is 7%, U.S. uses 25% of the world's oil. The U.S. obviously imports a great deal of oil. The U.S. is running a trade deficit because of all the oil that is imported and there are many environmental issues as well as geopolitics issues to be dealt with. Some people say that we are running out of oil. 67% of the oil in the U.S. is used for transportation which includes airplanes, trains, trucks, etc. Personal transportation accounts for more than 50% of the 67%. Other uses are industrial uses, and home heating.

What can be done? The U.S. needs to work on new technology and new fuel. The U.S. needs to have tighter fuel economy standards and then gradually increase the federal excise tax on gasoline. People need to purchase more fuel efficient cars, carpool, and ride mass transit, etc.

CALL TO THE AUDIENCE

TRAVIS SHUMAKE: Student Body President at Northern Arizona University. Mr. Shumake introduced Mary Venezia, the new student regent, whose term will begin on July 1, 2006

TREY PITMAN: Serves as Ambassador of the residence hall and Treasurer of the Hall Council, member of the Residence Hall Association, and also a member of the meal

plan committee at Arizona State University. Mr. Pitman spoke in favor of the proposed meal plan at ASU.

ALEX PASTO: Is a member of the Residence Hall Association as Associate Director of Campus Affairs. Spoke in favor of the meal plan at ASU. He stated that ASU administrators worked with the Residence Hall Association and addressed all issues they had regarding the meal plan. The Residence Hall Association approved the meal plan on February 23, 2006, by a fairly large majority.

AIMEE GIPPER: Is the chair of the Meal Plan committee. The committee did a great job of developing a thorough and inclusive proposal that will fit the needs of ASU students. Student involvement has been very important throughout the process. Spoke in favor of the meal plan at ASU.

BARBARA FOSTER: Representing the Tri-U Staff Advisory Council at the UA. Tri-U wants to thank the Regents for their continued work in being able to once again give classified staff a salary increase. Tri-U hopes the Regents will be able to continue working to bring classified staff even closer to market.

CONSENT AGENDA

Items on the Consent Agenda, which are marked in these minutes with an asterisk (*), were considered as consent matters and were unanimously adopted upon the motion of Regent Boice, seconded by Regent Bulla.

***Minutes**

The November 30 and December 1, 2005, Executive Session minutes, the January 27, 2006, Special Meeting minutes and the February 2 and 3, 2006, Regular Meeting minutes, were approved.

RESOURCES COMMITTEE CONSENT

***Approval of Awards (ASU) (Agenda Item #12)**

The Board approved the following new awards to ASU: National Institutes of Health, National Institute of Allergy & Infectious Disease, #R01AI057885; Corporation for Public Broadcasting, #CSG 9/1/05; a continuation award from the National Science Foundation Directorate for Biological Sciences, #0423704; National Institutes of Health, #U01 A1057303; National Science Foundation Directorate for Education & Human Resources, #0550847; National Science Foundation Directorate for Social, Behavioral/Economic Science, #0524087; National Institutes for Health, National Institute of Allergy & Infectious Disease, #AI055010; National Institutes for Health National Center for Research Resources, #1S10RR019945-01; and the Paradise Valley School District.

***Approval of the Third and Fourth Amendments to the Cash Balance Pension Plan (Agenda Item #13)**

The Board approved the Third and Fourth Amendments to the Cash Balance Pension Plan which reduce the amount of what is considered a Small Benefit that can be distributed to a participant without his or her written consent from \$5,000 to \$1,000 and adopts the new minimum distribution rules governing distribution of benefits to participants who have terminated employment and have attained age 70 ½ . This approval further authorizes the President of the Board to execute the Amendments.

***Reappointments to University Medical Center Corporation Board of Directors (Agenda Item #14)**

The Board approved the reappointments of Regent Fred Boice, Leo J. Brennan, Katie N. Dusenberry, Judy Gignac, and Jamie Matanovich to the Board of Directors for University Medical Center Corporation (UMCC).

CAPITAL COMMITTEE CONSENT

***800 MHz Varian Nuclear Magnetic Resonance System Lease Purchase (ASU) (Agenda Item #18)**

The Board approved Arizona State University's request to acquire an 800 MHz Varian Nuclear Magnetic Resonance System (NMR) by means of a lease-purchase. This \$2.5M NMR will be part of the College of Liberal Arts and Sciences' magnetic resonance research center (MRRC), which is currently being developed. The estimated annual payment of \$575,000 will be funded by fees charged for use of the NMR and from the College of Liberal Arts and Sciences' indirect cost recovery funds.

***Arizona State University Research Park Bond Refinancing (Agenda Item #19)**

The Board approved Arizona State University's request for authority to refund selected maturities of the ASU Research Park bonds in order to obtain a minimum net present value savings of 2% of the bonds being refinanced.

***Approval of Underwriting Service Providers (ASU) (Agenda Item #20)**

The Board approved Arizona State University's request for approval of the following underwriting firms to provide underwriting services for any bond or certificates of participation financings: A.G. Edwards & Sons, Inc.; Citigroup Global Markets, Inc.; Goldman Sachs & Co.; Lehman Brothers, Inc.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Morgan Stanley & Co., Inc.; Peacock, Hislop, Staley & Givens, Inc.; and UBS Financial Services, Inc..

***New Laboratory Facility: Revised Project Approval and Budget Increase (NAU)**
(Agenda Item #21)

The Board approved Northern Arizona University's request for Revised Project Approval and a Budget Increase of \$3M for the construction of the New Laboratory Facility at a revised total cost of \$36M. The additional funds are needed to support program and compliance changes in the lab spaces, extensive repair and replacement of existing underground infrastructure due to deterioration and failures, and significant materials and labor cost escalation.

PROGRAMS COMMITTEE CONSENT

***Proposed Revision of ABOR Policy 2-103, "Enrollment" (Second Reading)**
(Agenda Item #24)

The Board approved, at second reading, the proposed revision to ABOR Policy 2-103, "Enrollment," that establishes an enrollment limitation for nonresident undergraduate students.

***Proposed Revision of ABOR Policy 2-203, "Academic Degree Program Planning and Implementation" (Second Reading)** (Agenda Item #25)

The Board approved, at second reading, the proposed revision to ABOR Policy 2-203, "Academic Degree Program Planning and Implementation," to revise the planning approval process for new academic programs.

***Proposed Revision of ABOR Policy 4-301, "Tuition Waivers" (Second Reading)**
(Agenda Item #26)

The Board approved, at second reading, the proposed revision to Section H of ABOR Policy 4-301, "Tuition Waivers," that delegates to the universities the responsibility for establishing the GPA required for continuation of nonresident merit-based scholarships.

RESOURCES COMMITTEE

Regent Boice chaired this portion of the agenda

Proposed Addition of Board Policies 4-100, "Definitions Used in Setting Tuition and Fees" and 4-106, "Establishing Special Program Fees," and proposed revisions of Board Policies 4-104, "Procedure for Setting and Distributing Tuition and Fees," and 4-105, "Procedure for Establishing Special Class Fees and Deposits" (Second Reading) (Agenda Item #1)

Regent Boice asked President Palacios to chair this item because of her previous work on this matter. Cathy McGonigle, Stephanie Jacobson and Jerry Hogle (UA) joined the meeting for this discussion.

President Palacios stated that this is the third time that this item has been on the agenda. A lot of hours and work went into this item and it is a very complex topic. The Board is being asked to approve, at second reading, the proposed addition of Board Policies 4-100 and 4-106 and the revisions to Board Policies 4-104 and 4-105 relating to differential tuition, special programs fees and special class fees.

This item was presented for first reading at the Board's February 2006 meeting. At that time, Regents asked the work group to make some revisions and to clarify some terminology. These requested changes are incorporated into this second reading.

Stephanie Jacobson briefly highlighted the changes that were made after the February 2006 Board meeting.

Stephanie stated that the Regents asked that the definitions of tuition and fees be put in one place and that the relationship of each definition to the top of the bottom one-third policy be clearly stated. ABOR Policy 4-100 reflects this change. Further, the Regents asked that the minimum set aside be set at 14%. There was also a request to add language that requires each financial aid plan for differential tuition or program fees to address an advising process regarding the increased fee and for the student to be able to seek additional financial aid if necessary. This change is reflected in ABOR Policy 4-104 and ABOR Policy 4-106.

Regent Jewett stated that he wanted to stress the concern he had regarding the language in ABOR Policy 4-100. A few years ago the Board adopted a policy that was quite clear and explicit. That policy is now known as the top of the bottom one-third for tuition and fees. The Board promised that it would not exceed that level when setting tuition and fees. In System Redesign the Board agreed that there should be differential tuition, but no one ever said that the Board would exceed the top of the bottom one-third. This policy would allow the Board to exceed the top of the bottom one-third in the future. He believes there may be a better way to do this. For example, the Board could make an exception, in rare instances, for certain programs that meet certain criteria, to exceed the top of the bottom one-third.

Regent Bulla stated that he is supportive of differentiation, but this policy does cause an issue regarding the top of the bottom one-third. Maybe the Board should think about this again.

Regent Graff stated that his comments mirror Regent Jewett's concerns. He said that he was opposed to this policy. He is not against differential tuition, but he believes that even with differential tuition the Board should keep tuition and fees in the top of the bottom one-third. The top of the bottom one-third is a concept that is understood by the students and needs to be maintained. The top of the bottom one-third is very honest

and was created to protect the individual student. Regent Graff stated that he felt there were still some issues and unanswered questions, such as charging differential tuition to Sophomores, and how will it affect students who change majors and transfer students. Regent Graff then asked if the Board would still be able to pass tuition if this item is not passed?

Regent Boice stated that granting the right to do something doesn't mean that the Board must do it. He believes the Board needs to have flexibility to generate resources. The Board does not know if the top of bottom one-third concept will continue to endure. The Board should have the right to accept or reject any tuition or fee. The new policy would just give the Board the flexibility to make changes when and if they are necessary.

Regent Hermes stated that he grew up with the concept of top of bottom one-third. He believes the concept has become part of the university culture. He is not comfortable moving forward with this policy at this time. Regent Hermes said that he had heard differential tuition referred to as a cost recovery mechanism and referred to as a mechanism to boost and expand the quality of a program that costs more. Is differential tuition going to be a cost recovery mechanism or is it going to boost the quality of a degree? Regent Hermes then asked if the whole university benefits from a program that costs more.

Jerry Hogle answered that he believes differential tuition would be a cost recovery program. It costs more for faculty, for equipment to give a great education to an engineering student or an architecture student or a management student than it does in any other area of the university. Jerry Hogle further stated that the whole university would benefit from a program that costs more, because now there is pressure with the higher costs of some programs to pull a disproportionate amount from the central funds. With differential tuition that pull would not be as great because the students taking the more expensive classes would be paying more for those classes.

Joel Sideman responded to Regent Graff's previous question. The question was whether or not, in the absence of having this policy in place, is it permissible for the Regents to consider differential tuition or special program fees for undergraduates on today's agenda. The short answer is yes. The workgroup was formed to draft this policy to give guidance for differential tuition and fees at the undergraduate level. The board adopted a policy two or three years ago which allowed differential tuition and fees.

Regent Jewett reiterated that he believed that the credibility of this Board is on the line. He also stated that the top of the bottom one-third was used as part of an argument in response to the Constitutional mandate that instruction be as nearly free as possible when the Attorney General issued an opinion on that subject several years ago. He stated that there must be appropriate criteria and then there can be exceptions.

Regent Stuart stated that he agreed with Regent Jewett. The Board did promise that they would not exceed the top of the bottom one-third of the senior universities for

tuition costs. Regent Stuart then stated that he believed we should have a definition for as nearly free as possible in the policy and the definition would say that tuition and fees will not exceed the top of the bottom one-third of the senior public universities in the other 49 states except as follows.

Regent Calderón stated that he felt the Board needed to address other issues as well. He doesn't believe there is anything sacred about top of the bottom one-third. He does not think that the Board is providing instruction as nearly free as possible. He stated that he thought that the Board was forced to charge what we charge because of the lack of legislative support. He stated that he did not see bad motives, he saw a group of Regents trying their best to marshal their resources to provide the best for the students.

Regent Boice believes that it is easy to be at the top of the bottom one-third when you get 45% of your money from the state, but it will get harder to remain in that position when the percentage from the state goes down.

Regent Mariucci stated that if you take a free enterprise view, price and the discussion of price are a residual to the intersection of quality. What do you want to be? How good do you want to be? Then what does it cost to achieve that quality? If you have reached alignment on those two things, then price is a residual discussion. In the case of the Regents it would be how is the price apportioned between the students and the legislature. Whenever there is this much discussion regarding the price of something it is because there isn't any alignment around the quality we are trying to achieve and/or the cost that it requires to achieve that level of quality. The Board should be measuring the cost based on the quality of the education and not on an arbitrary pricing mechanism. She is hopeful that originally picking the top of the bottom one-third was not meant to lock the Board into that number forever.

Upon motion by President Palacios, seconded by Regent Jewett, the Board tabled the Proposed Amendments to ABOR Policy Manual Chapter IV, "Tuition and Fees," with a vote of 9 in favor, one opposed.

Setting Base Tuition and Mandatory Fees for the 2006-2007 Academic Year (Agenda Item #2)

Gale Tebeau, Travis Shumake (NAU), Corinne Widmer (ASU) and Erin Hertzog (UA) joined the meeting for this discussion.

Regent Boice stated that the Board is being asked to set resident and nonresident base tuition and mandatory fees for undergraduate and graduate students for academic year 2006-2007.

The tuition hearing held on February 27, 2006, provided students a forum to comment on the presidents' recommendations regarding tuition and financial aid. The Board heard from students all around the state, including student leaders at each campus, and

from the three university presidents. Regent Boice thanked everyone who participated in and coordinated the hearing.

Prior to the tuition hearing, the presidents announced their recommendations for resident and nonresident tuition and fees for undergraduate and graduate students, along with new mandatory fees at the University of Arizona. Each president briefly presented his recommendations.

President Likins stated that in relation to resident undergraduate base rates, the university has two restrictions. The first is the constitutional provision that instruction shall be as nearly free as possible and the second is the policy restriction where the university must stay in the bottom one-third. In the Fall of 2002 the UA was 50th of 50 public senior universities in regards to tuition so moving to the top of the bottom one-third seemed like an ambitious agenda. The UA is now 40th out of 50 and moving steadily toward the top of the bottom one-third. The universities have adhered to the instruction by the Regents to protect the neediest of students and to assure the affordability of all students. The tuition this year at the University of Arizona is \$4394. The average student pays room, board, books plus \$495. The average Pell Grant recipient pays room, board, books and receives over \$2,700 in financial assistance to cover those costs. Even students with no demonstrated need, because of scholarships and grants, pay room, board, books and less than half of the full tuition. Students recognize that prices are low and they are willing to pay more, but they want to know what the money is being spent for. Students are willing to pay differential tuition, because they realize that the additional money they pay will stay in the college that they have chosen. In regards to the IT Fee, it is a fee with a specific purpose. This fee will be used to create the kind of environment that students are calling for.

President Crow stated that he would like to go back to where Regent Jewett took us some time ago. In August 2002, what he considered to be landmark policy decisions were made by the Regents in Changing Directions. In August of 2002 the roles of the universities were defined. The role for ASU is a complicated one. Metro Phoenix is one of the most rapidly growing metropolitan areas in North America, the area is of immense diversification and has an immense amount of demand for the services that ASU offers. The three words that are driving the university forward are – Excellence, Inclusiveness and Impact. A term that ASU is trying to use as consistently as possible is tuition investment request. The university is making a request to the Regents for students to invest in their institution and they will gain a return from their investment. The university's tuition investment request is derivative of ASU's unique roll within the system. Regents are aware of the fact that the system grew by 3300 students last year, with 3100 of them coming to ASU. How has the university been doing since August of 2002? The university has broken all records in the institution in relation to academic success and more importantly to access to the institution. While the tuition has increased by 60% in three years, the average undergraduate debt has been lowered.

President Crow stated that ASU's tuition proposal is best characterized by the logic that the university is using. The logic is that at the high growth campuses – the west

campus in West Phoenix and the Polytechnic campus in East Mesa – the university will move to a higher education price index tuition adjustment only. On the Tempe campus where it has 51,600 students, he has requested a tuition increase of 8.5%, which is above the higher education price index, because of the growth rate at ASU and because of the lack of investment by the state. The Tempe campus has a significant set of financial issues that must be addressed. ASU continues to increase the cost for non-resident students and the number of non-resident students continues to grow.

President Haeger stated that tuition in the State of Arizona is a good deal for the students. In one sense we should be very proud of that fact, it is a rate that makes higher education affordable and accessible. The problem we face is that tuition has become a symbolic issue, despite the fact that tuition is low compared to other states. It is symbolic because it is the one cost around which students and the public think they have some control, it is voted on, talked about and debated. Tuition has become a major issue nationally. NAU has asked for an increase of 3.6% across the board. The university needs to convince the legislature that if the university moderates tuition the legislature needs to do its part. This is a gamble for Northern Arizona University. Of all three universities, Northern Arizona University is the most sensitive to tuition changes. The university is smaller and that creates a sensitivity issue and Northern Arizona University has fewer alternative resources. Northern Arizona University relies on tuition and state revenue as its major revenue streams.

There has been an enormous debate in this state about whether the universities can provide accessibility to students, not just in the major urban areas, but throughout the rural community. The debate centered for a while on the issue of whether community colleges should issue baccalaureate degrees. The universities provided plans that demonstrate that they all can provide those baccalaureate degrees everywhere in the state.

Regent Boice pointed out that the motions before us today do not include existing mandatory fees charged to students for the Student Recreation Center fee, currently \$50; the Arizona Financial Aid Trust surcharge fee, which is one percent of resident undergraduate tuition; and existing university-specific mandatory fees. By statute, roll call votes are required on each motion.

Regent Bulla stated that he believes all the Regents recognize that this Board has a tremendous fiduciary responsibility to the universities to keep them viable. One of the major ways that the Regents do that is by setting tuition. It is the major responsibility of the Board. It is the one thing that the Board is completely responsible for. However, in doing that the Board must also look at the other revenue streams of the universities as well as a number of other factors. It is a very complex process. One of the other revenue streams is the general fund appropriation through the legislative process. Regent Bulla stated that he believed that it is very important, because there are monies available to the legislature this year, that the Board table the discussion regarding to the resident undergraduate tuition situation until the next regular meeting and let the

legislative process work, in hopes that the legislature will do the right thing for the universities, the students and the citizens of Arizona.

Regent DeConcini stated that he agreed with Regent Bulla's position.

Upon motion by Regent Bulla, seconded by Regent Calderón, the Board unanimously approved tabling the Resident Undergraduate tuition decision at all three universities until the April 27, 2006 meeting.

Regent Boice stated that the Board still needed to vote on the \$65 library technology fee for the University of Arizona and asked if that fee could be broken down.

President Likins stated that the fee would be used to create a wireless campus. Sally Jackson and Dean Carla Stoffle joined the meeting for this discussion.

Sally Jackson stated that \$50 of the \$65 would go toward the IT fee and \$15 would go to the library fee. There is a very detailed cost study of what it will take to set this project up and operate it. Dean Stoffle stated that the libraries surveyed of students asking what things are most important to them, what their minimum expectation of the library's performance should be, and what they would like to have available. Consistently, students have said that they want more on-line resources. The monies would be spent purchasing new electronic materials, and developing services that would allow the university to deliver materials on-line to students. The students are aware of the costs involved in obtaining these services.

Regent Graff stated that he believed it was important that the students continue to be consulted in this matter. Regent Graff then asked if the fee will help all libraries; the law library, the medical school library, etc.

Dean Stoffle answered that the way the fee will be allocated will be based on the proportion of the student body that each library serves.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved a mandatory library technology fee for all students at all University of Arizona campuses in the amount of \$65 beginning Fall of 2006 for FY 06-07 .

Regent Graff stated that he believes that resident graduate tuition has been approached as market based, but what he is hearing from the students this year is that they truly feel that for a land grant institution that is a public institution that there is a higher mission to treat both resident graduates and resident undergraduates equally. This is not about equal dollar amounts, but equal percentage amounts. The students have proposed a 4% increase for each, the University of Arizona's proposal for undergraduates is 4.55%.

President Crow stated that Arizona State University has been working for some time to move the logic to investment with return and the resident graduate student proposal at ASU is in alignment with that process. The university has agreed to expanded financial

aid, tuition investment for RA's and TA's, and graduate student center investments. There will be differentials between the various campuses and there are differentials on the ASU campus in terms of alignment between students and the administration, but one of the areas where the alignment is in-sync is between graduate students.

Regent Calderón moved to separate the University of Arizona resident graduate tuition into separate motions. Regent Graff seconded the motion. Motion failed with a vote of 3 in favor and 6 against.

Upon motion by Regent Boice, seconded by Regent Palacios, the Board unanimously approved the increase of nonresident tuition for undergraduate students at the University of Arizona Main Campus and at the University of Arizona South by \$1,222, for a total nonresident undergraduate tuition of \$14,800 in 2006-2007; and the increase of nonresident tuition for graduate students at the University of Arizona Main and at the University of Arizona South by \$1,242, for a total nonresident graduate tuition of \$15,070 in 2006-2007; and the increase of resident tuition for graduate students at the University of Arizona Main and at the University of Arizona South by \$432, for a total resident graduate tuition of \$5,280 in 2006-2007.

Regent Hermes would like to discuss setting nonresident undergraduate tuition based on market demand. However, the market differs even among the three universities. ASU nonresidents are getting hit particularly hard. Regent Hermes stated that he didn't want to see students leaving the universities because of large increases in tuition.

President Crow stated that the market is what someone is willing to pay. Non-resident tuition is set by what the university believes the program is worth and what people will pay. The university raises the price and the number of applications increase.

Regent Calderón moved to separate the Arizona State University resident graduate tuition into a separate motion. Regent Graff seconded the motion. Motion failed with a vote of 3 in favor and 6 against.

Upon motion by Regent Boice, seconded by Regent Palacios, the Board unanimously approved the increase of nonresident tuition for undergraduate students enrolled prior to Fall 2005 at all campuses of Arizona State University by \$1,832, for a total of \$15,750 in 2006-2007; and the increase of nonresident tuition for undergraduate students enrolled starting Fall 2005 and after at all campuses of ASU by \$750, for a total tuition of \$15,750 in 2006-2007; and the increase of nonresident tuition for graduate students enrolled prior to Fall 2005 at all campuses of Arizona State University by \$1,868, for a total tuition of \$16,516 in 2006-2007; and the increase of nonresident tuition for graduate students enrolled starting Fall 2005 and after by \$786, for a total tuition of \$16,516 in 2006-2007; and the increase of the resident graduate tuition at all ASU campuses by \$464, for a total tuition of \$5,930 in 2006-2007.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the increase by 3.6 percent of nonresident undergraduate tuition and all

graduate student tuition at Northern Arizona University, both for the Statewide Programs and at the Flagstaff campus. The 3.6 percent will: increase nonresident undergraduate tuition at the Flagstaff campus and for NAU Statewide Programs by \$463, for a total tuition of \$13,316 in 2006-2007; increase nonresident graduate tuition at the Flagstaff campus and for NAU Statewide Programs by \$476, for a total nonresident graduate tuition of \$13,687 in 2006-2007; and increase resident graduate tuition at the Flagstaff campus and for NAU Statewide Programs by \$164 for a total tuition of \$4,727 in 2006-2007.

Approval of Differential Tuition, Special Class Fees, Special Program Fees, and Other Fees for 2006-2007 Academic Year (Agenda Item #3)

Regent Boice stated that the Board is asked to review and approve the university requests for differential tuition, special class fees, special program fees, and other fees for the 2006-2007 academic year. By statute, the Board is required to conduct a roll call vote on these special fees. The Board heard presentations, introduced motions and voted on three separate areas: differential tuition and special program fees and other fees, and special class fees.

Mark Denke, George Davis, Milt Glick and Liz Grobsmith joined the meeting for this discussion.

Mark Denke stated that the University of Arizona has developed a rationale for differential tuition using the following criteria: (1) the quality of the student experience, (2) access and affordability, (3) cost of instruction, (4) market pricing, (5) benefits to the entire university and (6) evidence of student consultation and support.

George Davis gave a presentation explaining the University of Arizona's differential tuition request for James E. Rogers College of Law, the Eller College of Management, the College of Pharmacy, the College of Architecture and Landscape Architecture and the College of Engineering.

Regent Graff asked if George Davis would explain the concept of the 10% set aside from the fees as a Provost set aside.

George Davis stated that from the first time the University of Arizona made requests for program fees the university has always incorporated a 10% requirement back to the Provost in addition to the 15% set aside for financial aid. The predominance of dollars that have come back in this manner go to instructional uses for managing and supporting class availability. The original intent was to be able to manage the additional costs that were felt by the bursars office, the financial aid office and enrollment management in terms of distributing the 15% financial aid set aside.

Regent Graff then asked if the University of Arizona would only be applying differential tuition within architecture, engineering and business to juniors and seniors who have obtained full major status.

George Davis answered that was correct. President Likins has been adamant that only upper division level be impacted by differential tuition.

Regent Graff stated that he has seen more colleges implement differential tuition and it is an answer for colleges that have higher costs to educate students. Students have been consulted and they understand what this differential tuition is for and there is buy in.

Upon motion made by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the requests of the University of Arizona for differential tuition for 2006-2007, as presented in the Executive Summary.

Mark Denke stated that special costs not normally associated with the delivery of a program are often covered by special program fees. Special program fees which are usually earmarked for payment of specific costs and fee revenues are retained by the program. The universities' rationale addressed the following criteria: quality, access and affordability, cost, market pricing, benefits to the entire university, student consultation and support, increased earnings potential of graduates, and accountability. In accessing the appropriate fee request, all the criteria need to be considered, but not all requests need to satisfy all criteria.

George Davis stated that all the University of Arizona fees were for professional programs and programs for which there was strong market competitive forces with peer institutions and peer programs around the country, and heightened opportunities for compensation in the lifetime of the graduates.

Regent Bulla stated that it would be helpful to have the information necessary to calculate the numbers on the various proposals. Milt Glick responded that Arizona State University would provide the calculations to Regent Bulla.

Regent Bulla questioned the University of Arizona on the 14 month MBA and whether it was a new program. Regent Bulla stated that the Board is going to have to address the geographic boundary issue. He stated that he was worried that there was going to be resource duplication and program duplication that may not be in the universities' best interest in all cases because of the expansion of programs outside of the traditional areas. He further stated that he felt that the Board needed to have a discussion and have procedures in place when programs were going to be offered in a manner that was different than normal. A methodology is needed so that the Board is aware when something like this occurs and is in agreement.

Stephanie Jacobson stated that the MBA program has been around for a period of time. The 14 month requirement and the location of the program would not have come forward as a separate Board action item.

Regent Mariucci stated that as we move toward more market sensitive pricing levels for those professional programs, she would like to see more data available for the rationale that relates to the competitive positioning so the Regents could make informed decisions on these matters in the future. The Board needs to get more sophisticated supply and demand analysis tools. The Board needs to define what is the capacity of a program so that they can be assured that they have not overshot the market and revenue is not suffering accordingly.

Regent Calderón stated this is his third year of looking at fees. Each year the number of fees is creeping up higher and higher, perhaps for good reason, but we have moved into a user tax situation, where you are paying for your own freight as you go through the education system. Maybe this is a symptom of the lack of higher education funding. He hopes it is not a symptom of a lack of self restraint.

Regent Graff stated that he was concerned about grandfathering fees. There can be buy in from the current students, but the fee is not going to impact those students. No current student will experience the fee, only the new students yet to come. The Board needs to be careful with grandfathering.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board approved the requests from Arizona State University and the University of Arizona for special program fees and for other fees for 2006-2007, as presented in the Executive Summary with a vote of 7 in favor, 3 opposed. Regent Boice, Regent Bulla, Regent Jewett, Regent Mariucci, Regent Stuart, Regent Graff and Regent Palacios voted in favor of this motion and Regent Calderón, Regent DeConcini and Superintendent Horne were opposed to the motion.

Mark Denke stated the purpose of special class fees is to allow the universities to cover expenses that are necessary for the successful completion of the class objectives. These expenses include off-campus field trips or specialized equipment facilities use, private instruction, expendable materials, expenses of technology, and selected personnel expenses.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board approved the requests of Arizona State University, Northern Arizona University and the University of Arizona for special class fees for 2006-2007, as presented in the Executive Summary with a vote of 8 in favor, 1 opposed. Regent Boice, Regent Bulla, Regent Jewett, Regent Mariucci, Regent Stuart, Regent Graff, Regent Palacios and Superintendent Horne voted in favor of this motion and Regent DeConcini was opposed to the motion.

Setting College of Medicine Resident Tuition for FY 2006-2007 (UA) (Agenda Item #4)

Gale Tebeau joined the meeting for this discussion

Regent Boice stated that the Board is being asked to set tuition at the University of Arizona College of Medicine for FY 2006-2007. The College of Medicine maintains the practice of setting tuition and mandatory fees no higher than the top of the lower one-third of rates set by all other state-supported colleges of medicine. The University of Arizona recommends that the 2006-2007 tuition for the College of Medicine be set at \$15,786, an increase of \$1,427, or 9.9 percent, excluding mandatory fees.

Regent DeConcini stated that as he understands it, only residents of Arizona are accepted at the Medical School. He asked if the Board had ever contemplated changing that policy .

President Likins stated that with the expansion of the Medical School into Phoenix and an increase of the number of slots available it is possible that this matter can be reconsidered. At this time there are only 110 seats available and all 110 seats are easily filled by Arizona residents, with some qualified applicants being turned away because of the limited number of seats.

Regent DeConcini stated that he felt that allowing out-of-state students to attend the Medical School would bring in more funds and hopefully some of the students coming to attend school here would stay in Arizona. He hopes that the Board will discuss this matter in the very near future.

Regent Mariucci stated that the State of Arizona has a significant brain drain of doctors that are educated here and then leave the state. If the Board could look at some form of tuition program that offers real financial incentive to practice in Arizona to keep the medical students here it could be very beneficial to the State.

President Likins stated that retention of doctors in this state requires that we expand the residencies in this state. Often, it is the residency geography that determines where the doctor decides to practice. Residencies in the State of Arizona are associated with the hospitals and not with the College of Medicine. As the College of Medicine expands he believes that we will be able to expand the residencies in Phoenix thereby improving retention.

Regent Stuart stated that there is a discussion going on right now about these two issues in relation to the new Medical School. The hope is to double the size of the medical school, the number of medical students, the number of residency programs and then bring students in from out of state.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the 2006-2007 tuition at the University of Arizona College of Medicine in the amount of \$15,786 excluding mandatory fees.

Approval of Student Recreation Center Fee Extension (UA) (Agenda Item #5)

Juliette Moore and Fernando Ascencio joined the meeting for this discussion.

Regent Boice stated that the Board is being asked to review and approve the extension of the University of Arizona's Student Recreation Center fee of \$25 per semester. This fee is a mandatory fee that is included as part of the tuition setting process.

Juliette Moore stated that this is a student initiated process. The university hopes to add a 74,000 square foot addition to the Student Recreation Center to relieve the long lines. The university will continue to have involvement from students and will give them an active voice in the design phase of the addition.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the University of Arizona's request to extend the \$25 per semester Student Recreation Center Fee for thirty years beyond 2011.

Approval of Mandatory Meal Plans and Rates for Academic Year 2006-2007 (ASU)
(Agenda Item #6)

Mark Denke, Sally Ramage and Rich Stanley joined the meeting for this discussion.

Regent Boice stated that the Board is being asked to review and approve mandatory meal plans and rates at Arizona State University. Because Regent Jewett has worked diligently over the past several weeks as chair of the work group formed to address this matter, Regent Boice asked that Regent Jewett chair this matter.

Regent Jewett stated that the Board may recall previous discussions during Board meetings regarding Arizona State University's plan to establish a mandatory meal plan. During the fall semester, ASU administrators and student leaders met numerous times to review and define the mandatory meal plan program and the rates. While a number of meetings were held between the university administration and student groups, as the final details were being worked out, some unresolved issues remained. To seek resolution, a work group of student leaders and university administrators was established. Regent Jewett served as chair of the work group. He was impressed with the thoughtfulness and mature discussions of the students and the willingness of the administration to modify their plans and thanked all members of the work group for their hard work and success in shaping this proposal.

Sally Ramage thanked Regent Jewett and the two student regents as well as the other students who spent significant time working on advancing this initiative.

Regent Graff thanked everyone for all of their hard work on this issue. Regent Graff asked the Regents to keep their eye on this issue and not let it become something that was not intended. The Regents should monitor this program's affect on access, affordability and diversity.

Upon motion by Regent Jewett, seconded by Regent DeConcini, the Board unanimously authorized Arizona State University to initiate a mandatory meal plan

program and approved the meal plan rates, effective fall semester 2006, as presented in the Executive Summary.

Setting of 2006-2007 Rates for Residence Halls (ASU, NAU, UA), Leased Apartments (UA), Family Housing Apartments (NAU), and Meal Plans (NAU) (Agenda Item #7)

Mark Denke, Sally Ramage, David Bousquet and Jim Van Arsdel joined the meeting for this discussion.

Regent Boice stated that he Board is requested to set 2006-2007 rates for residence halls (ASU, NAU, UA), leased apartments (UA), family housing apartments (NAU), and meal plans (NAU).

Mark Denke stated that letters of support from the residence hall associations have been received.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the 2006-2007 residence hall, leased apartment and family housing apartment rates, and the meal plan rates as presented in the Executive Summary.

Approval of Charge to Ad Hoc Finance Committee (Agenda Item #8)

Regent Boice stated that the Board is asked to approve the initial charge to the Ad Hoc Finance Committee established by the Board president as a special advisory committee to the Arizona Board of Regents.

President Palacios stated that the goal of this committee is to achieve more transparency for the Board in the areas of financial systems, controls and reporting and also to clarify the approval process. The committee will be chaired by Regent Bulla, and Regent Boice and Regent Mariucci will be members.

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the charge to the Board's Ad Hoc Finance Committee as presented in the Executive Summary.

Approval of University and Central Office FY 2006-2007 Salary Plans (Agenda Item #9)

Regent Boice stated that the Board is requested to review and approve university and central office FY 2006-2007 plans for distribution of employee salary funding approved by the Legislature.

President Likins stated that the \$1,650 across the board increase will be distributed per the state's instructions, to all full time employees within specified categories. There is a substantial population of employees that are not paid through state funds and the

university will be providing this \$1,650 to them as well. The 2.5% increase is for performance. The funds will be divided by types of employees, i.e., a percentage of the funds proportionate to the number of faculty will be put into a pool for the faculty, and these funds will be awarded based on merit.

Regent Boice asked how much money will it take to provide the other employees with the \$1,650 increase. President Likins answered that he doesn't have the exact figure, but it is 2 to 3 times more than what the state will provide.

President Crow stated that Arizona State University is using a similar method as the University of Arizona, and is facing similar issues. \$1,650 will be distributed to all employees and 2.5% will be allocated on merit and merit only. The only difference is that ASU will not accept proposals from any unit unless there are individuals receiving no adjustment based on their performance.

Regent Mariucci said that she totally endorsed what President Crow was saying and asked if there was a maximum of what an employee could receive. President Crow said there was no maximum, it was up to the unit leader. Regent Mariucci asked if the other universities had similar policies like that. President Likins answered that he felt that was a part of the standard process. A merit based allocation cannot go to everyone.

President Haeger stated that Northern Arizona University's plan mirrors the other universities. The university may be a little different in that Northern Arizona University does most of its merit adjustments in the fall so employees have already been through a process. NAU has taken a 2.5% pool for each class of employees and the dollars will be awarded in March on a merit system based on the result of the earlier process.

Upon motion by Regent Boice, seconded by Regent DeConcini the Board unanimously approved the FY 2006-2007 salary plans for Arizona State University, Northern Arizona University, the University of Arizona and the central office, as presented in the Executive Summary.

Approval of Amendment to Multiple-Year Employment Contract for Head Men's Basketball Coach (UA) (Agenda Item #10)

Upon motion by Regent Boice, seconded by Regent Bulla, the Board unanimously approved the amendment of the multiple-year employment contract of Head Men's Basketball Coach Robert Luther Olson, as of April 1, 2006, to extend the term of the contract through April 30, 2011.

Approval of Multiple-Year Employment Contract Extension with Head Football Coach (ASU) (Agenda Item #11)

Regent Boice stated that Arizona State University was requesting approval of an extension to the multiple-year employment contract for Dirk Koetter to serve as Head Football Coach through January 6, 2010.

Upon motion by Regent Boice, seconded by Regent DeConcini the Board unanimously authorized Arizona State University to enter into an extension to January 6, 2010, of its multiple-year employment contract with its head football coach with a beginning salary of \$950,000 per year, as presented in the executive summary and approved a waiver of ABOR Policy 6-1003(A) expressly permitting the salary adjustment to be effective as of January 6, 2006.

The meeting recessed at 5:00 p.m. and reconvened at 9:30 a.m., on Friday, March 10, 2006, without Regent Horne.

PROGRAMS COMMITTEE

Regent Jewett chaired this portion of the agenda.

Academic Program and Organizational Unit Change Requests and Summary Report on Program and Organizational Changes Approved by the Executive Director (Agenda Item #23)

Stephanie Jacobson, Liz Grobsmith, Milt Glick and George Davis joined the meeting for this discussion.

Liz Grobsmith presented Northern Arizona University's request to implement Environmental Studies (BA and BS) (Engineering and Natural Sciences).

Upon motion by Regent Jewett, seconded by Regent Bulla, the Board unanimously approved the academic program and organizational changes requested by Northern Arizona University as listed in the executive summary.

Milt Glick presented Arizona State University's requests to increase the community college transfer credits to the Bachelor of Science in Nursing (BSN) degree and the Bachelor of Interdisciplinary Studies (BIS) degree from 64 to 75 credits for students in the ASU-Maricopa Community College District Alliance program (and for other Alliances that might be formed) and to plan the Public Policy and Government (BS) program (Polytechnic campus) and requests to establish at the Tempe campus: the ASU Center for Community Development and Civil Rights (Public Programs); the Family and Human Dynamics Research Institute (Liberal Arts and Sciences); the School of Social and Family Dynamics and concurrently disestablish the Department of Family and Human Development and the Department of Sociology (Liberal Arts and Sciences); the School of Geographical Sciences and concurrently disestablish the Department of Geography (Liberal Arts and Sciences); and the School of Earth and Space Exploration and concurrently disestablish the Department of Geological Sciences (Liberal Arts and Sciences).

Regent Bulla wanted to make certain that the credit hours to be accepted from the community colleges were credit hours below the 300 level and was assured by Milt Glick that they were.

Regent Boice stated some concerns regarding the fact that we have schools, institutes, departments, sections, colleges, etc., and it is difficult to determine what is truly happening. He suggested having a glossary of terms that helped define these items. Regent Jewett suggested that maybe it would be helpful to do a strategic overview that would assist the Regents in being able to see the complete picture.

President Crow stated that one of the things that Arizona State University is in the process of doing is building a university that is anything other than a replica of every other university. Some of the traditional titles are useful and some are not. To move ASU on an intellectually differentiated path, they are using this transdisciplinary school structure. Milt Glick stated that he would provide an organizational chart of the college of arts and sciences which would show how things fit together.

President Palacios wanted to be sure that these changes did not mean more buildings, or hiring more deans. Milt Glick stated that ASU would not be hiring more deans, in fact as they bring together units, they should have fewer deans. New facilities may be necessary in some cases to fulfill the programmatic requirements.

George Davis presented the University of Arizona's requests to implement the Doctor of Nursing Practice (DNP) degree, using the one-step expedited process (Nursing), and Transcultural German (PhD) (Humanities).

A discussion ensued regarding the difficulties of recruiting nursing faculty. At the College of Nursing at the University of Arizona there are currently six positions open. The university has undergone a major project to raise the funds to be able to expand the simulated clinical learning laboratory so that the university can expand student capacity. The College of Nursing admits 64 students per year and after the expansion will be able to admit 110-112 students. Milt Glick stated that there was a shortage in the Ph.D. core faculty. Universities nationally do not pay nursing faculty enough. Many hospitals pay their masters nurses better than the universities pay their Ph.D. nursing faculty. Arizona State University has improved its salaries over the last year and they are beginning to fill faculty positions that have been vacant for a very long period of time.

Regent DeConcini stated that he would be recusing himself from a vote concerning the community colleges and requested that the motion be split so that he could vote.

Upon motion by Regent Jewett, seconded by Regent Boice, the Board approved the Arizona State University request to increase the community college transfer credits to the Bachelor of Science in Nursing (BSN) degree and the Bachelor of Interdisciplinary Studies (BIS) degree from 64 to 75 credits for students in the ASU-Maricopa Community College District Alliance program and for other Alliances with other

community colleges that might be formed in the future with eight in favor and Regent DeConcini abstaining.

Upon motion by Regent Jewett, seconded by Regent Boice, the Board unanimously approved the remainder of the Arizona State University and the University of Arizona academic program and organizational change requests as listed in the executive summary.

CAPITAL COMMITTEE

Regent Boice chaired this portion of the meeting.

Regent Boice stated that the Capital Committee, comprised of Regent Bulla, Regent Calderón, Regent Jewett, Regent Graff and himself as chair, met on February 16, to consider all Capital Committee items appearing on the agenda. At that meeting, the Committee reviewed and approved the University of Arizona's request for Project Approval of the Residence Life Building Renewal Project.

FY 2006 Capital Development Plan (CDP) Revisions (UA) (Agenda Item #15)

Ted Gates and Joel Valdez joined the meeting for this discussion.

Regent Boice stated that the University of Arizona is requesting approval to revise its FY 2006 Capital Development Plan Amendment to add the Law Commons project, and to exceed the advance planning and preliminary design limit by an amount not to exceed \$750,000.

Joel Valdez stated that the Law Commons project is an expansion and renovation of the existing James Rogers Building facilities that house the College of Law. This is a \$21,000,000 project made up of \$14,000,000 gifts funded for the building, and \$7,000,000 system revenue bonds. Inside the renovated facilities will be the Rehnquist Center. Congress has authorized, but not appropriated, the funds for the operation of the Rehnquist Center. The new facility will not carry the name of Mr. Rogers, but will provide a new opportunity for naming.

Regent Calderón stated that every time this comes up the Regents get different information. James Rogers is donating \$4,000,000 to this project. When does the university receive the money from Mr. Rogers? Joel Valdez responded that the university will start receiving funds at the time of the ground breaking and the funds should come in over a period of 18-24 months. Regent Calderón then asked, as to the Rehnquist Center, what is the timing relative to the Congressional appropriation? Does the amount of money that we are covering include a contingency in case Congress does not come through with the money? Joel Valdez stated that the federal appropriation was for operating costs only, no bricks and mortar. President Likins stated that if the federal monies are not appropriated the Rehnquist Center will operate

at a lower level than it would otherwise have operated and the costs would be achieved by reallocation of funds within the College of Law.

Regent DeConcini asked if the Capital Committee received information regarding what it would cost to operate the Rehnquist Center. Is the running of the program the Capital Committee's perview? President Likins responded that operating the building comes under the Capital Committee, but operating the program comes under the Programs Committee. In the December 2005 meeting the Rehnquist Center was approved and an assessment of the operating costs of that academic facility was presented at that time.

President Likins stated that there are private gifts in addition to the money from the federal appropriation to be used for operation of the Rehnquist Center and more funds are being solicited. The federal appropriation is for a five-year plan and after that time the University will be responsible for operating the center.

Upon motion by Regent Boice, seconded by Regent Jewett the Board unanimously approved the revision to the University of Arizona's FY2006 Capital Development Plan, and authorized the university to add the Law Commons project (\$21M).

Authorization to Form the Research Park Development Corporation (RPDC) (UA)
(Agenda Item #16)

Ted Gates, Bruce Wright and Tim Pickrell joined the meeting for this discussion.

Regent Boice stated that at the Capital Committee meeting there were two items that were deferred. One was the extension of the lease of the current Campus Research Corporation which manages the 345 acres within the 1300 acre park (the old IBM facility). The other request was the formation of a new corporation to manage the balance of the park and the additional 65 acres that will be the new research park. The Capital Committee asked for greater definition on the lease terms for both of the corporations, who is going to do what, who profits from this, and what the potential liabilities are.

Bruce Wright reported on the creation of the new development entity. The university is requesting that the Board approve the creation of the Research Park Development Corporation (RPDC). The RPDC would be created to give the university the ability to advance the two parks and move them into the future. It would be a non-profit corporation. The Board of Directors would be appointed by the President of the University of Arizona and would consist of 9 board members and, with Board approval, would have the opportunity for specific projects to issue tax exempt bonds. The revenues generated from this corporation would be used to operate and develop the parks, to assist in the university's economic development initiative and to assist in university research and technology transfer activities. As proposed, this new corporation would enter into master leases with the Board of Regents for the management of 870 acres at the UA Science and Technology Park and 65 acres at the

new BioSciences Park. The master leases will be brought back to the Capital Committee for review and approval.

The Campus Research Corporation is responsible for the management of approximately 345 acres at the Science and Technology Park known as the Project. It is an independent, non-profit organization and its primary legal relationship with the Board is through the Master Lease that was signed at the beginning of the transaction and the purchase of the park from IBM. It is specifically chartered to assist the university in the management of the facilities within that 345 acres. It is governed by a series of complex agreements and relationships with IBM as a result of the original purchase including what is called a Project Operation Agreement and it is designed to execute those responsibilities and is not well suited to the broader responsibilities of developing the other acreage. It also does not have the ability to bond and to issue bonds.

Regent Stuart stated that this as an extremely different structure that the Board was being asked to approve. It appears that in these documents the Board's authority is being delegated to the President of the University or someone else at the University and he was not sure that the Board would be comfortable with this process. He believed that this structure should be more like the UMC structure and less like the Campus Research Corporation structure. Considerable discussion occurred regarding the authority that the Regents were being asked to delegate. The Regents stated that the documents needed to be written with the Board having all the authority and not delegating it.

Upon motion of Regent Boice, seconded by Regent Bulla, the Board unanimously approved the formation, purpose and activity of the Research Park Development Corporation for the acquisition, improvement and operation of campus, research park and related properties for the benefit of the University of Arizona subject to the Capital Committee's approval of the Bylaws and Articles of Incorporation, and subject to prior review by University and Board Counsel.

Family and Consumer Sciences Building: Project Implementation Approval (UA)
(Agenda Item #17)

Ted Gates and Joel Valdez joined the meeting for this discussion.

Upon motion of Regent Boice, seconded by Regent Jewett, the Board unanimously approved the University of Arizona's request for Project Implementation Approval for the Family and Consumer Sciences Building project with a total project budget of \$22M. This project will replace the existing Franklin Building with a larger facility that consolidates the programs into one location. The project will be funded from gifts, with no annual debt service payment. This request had received a favorable recommendation from the Capital Committee.

PUBLIC AWARENESS COMMITTEE**Update on Proposed Legislation and Budget (Agenda Item #22)**

Michael Hunter and Greg Fahey joined the meeting for this discussion.

Regent Bulla stated that the Second Regular Session of the 47th Legislature has just about reached the half-way point. We can't predict when the session will end. However, at this point, bills can no longer get a committee hearing in their house of origin. For the most part, bills that still have a chance of becoming law have gone, or are on their way over to the other chamber in the Legislature.

The Legislative Affairs Group, which includes Regent Palacios, Regent Stuart and Regent Bulla, met on March 3, to discuss and evaluate the Board's positions on various pieces of legislation currently under consideration by lawmakers that would have a significant impact on the state university system. Regent Bulla stated that the Board is in fairly good shape on the legislative front. Clearly, anything could happen between now and the end of the session, and the Board has a ways to go before the state budget is finalized. That said, however, there are actually a relatively small number of bills progressing through the legislature that would have a significantly detrimental impact on the public universities.

Michael Hunter presented an update on the status of various bills at the legislature.

HB2477, the Twenty-first Century Fund bill, (the Innovation Arizona Fund) is still a work in progress, but appears to be heading toward approval. It includes an appropriation of \$250 million from the through FY 2011.

HB2816, the Universities; credit threshold bill. This bill now includes many exceptions that have now been put in place.

SB1133, the Universities financial aid trust bill. This bill never got a hearing in appropriations, but the matter is being brought to the attention of legislators. There is some money being set aside for financial aid by the legislature and the Regents' request is that those funds be applied to the AFAT mechanism.

HB2050, Community college boards. This bill is an attempt to reform higher education and allow baccalaureate programs at the community colleges. This bill failed in committee.

SB1331, Postsecondary instruction; offensive coursework alternatives. This bill failed in Senate Committee of the Whole.

HB2797, K-20 coordinating council. This bill replaces ACPE with a new coordinating council.

SB1058, Regents: rural member. Requires Governor to appoint two regents from rural counties in 2008.

SB1323, Postsecondary education reforms. Appropriates \$15.1 million in FY 2007 to ACPE for a number of different programs such as five-year university center pilot program, a five-year university access grant pilot program.

SB1469, Universities; tuition increases. Requires ABOR to establish a fixed tuition plan option as a pilot program at ASU.

SB1512, E-learning centered school system. This bill appropriates \$4 million to ABOR to create a digital curriculum institute for K-12.

Regent Calderón stated that the workstudy bill, HB2626, passed from the House that morning and will now be going to the Senate.

UPDATE ON THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE - PHOENIX

Kathy Bedard joined the meeting for this discussion.

Regent Stuart reported that renovation of the historic buildings is on schedule. They will be ready for occupancy July 1, 2006. Construction on the campus of the ABC collaborative building has begun. According to Dr. Shelton since his appointment was announced he has been bombarded with e-mails and telephone calls from all over America excited about the expansion of the College of Medicine into Phoenix. Beth Shermer, the Vice Dean for Administration in Phoenix, is continuing to shine. She has built a relationship and trust with both Phoenix and Tucson that is quite profound. She is beginning to work on budget issues. The JLBC gave a favorable review to the progress report that was presented to them.

REPORT FROM THE CHAIR OF THE AUDIT COMMITTEE

Regent Stuart stated that in the last 12 months the Audit Committee reviewed 62 separate audit reports. The Committee has had three large issues to deal with over the last year; the ownership of guns within the 4H program, cash handling and PC card usage. The gun ownership issue has been resolved and the Committee is continuing to work on cash handling and PC card usage. The Committee prompted a change in the employee misconduct policy so if an employee engages in some form of dishonesty or theft they cannot just walk away. Technology is making a big difference. The Audit Committee has had two video conference meetings and it seems to have made the meetings more convenient. Further, new software, Sharepoint, is going to make it easier for the auditors and committee members to access information.

Regent Calderón stated that he believed there had been lots of misinformation regarding the 4H gun matter. Some people believe that the university, the university president and the Board of Regents are anti-gun. What happened is that an audit revealed that the 4H program misplaced, lost, or had stolen several firearms. The Audit Committee said that part of gun ownership is being responsible and when it comes to losing weaponry something needs to change. The Audit Committee wanted the 4H shooting program to continue, but also wanted to be assured that the guns would be managed responsibly. The archery program inadvertently got pulled into the matter. That was quickly remedied. The 4H program will continue, the shooting program will continue, and a solution has been reached regarding the handling of the guns.

Regent Stuart then stated that financial ratios need to be communicated to the Capital Committee, the Resources Committee and to the new Finance Committee because by evaluating those ratios outside of the audit process we can make better judgments about large ticket items, revenue and expense items.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

Mr. Robert Mitchell stated that the Arizona Faculties Council was interested in the fate of SB1331 and was very pleased that it had not passed.

ADMINISTRATIVE BUSINESS

President Palacios chaired this portion of the meeting.

Election of Board Officers

Regent Palacios stated that she appointed a nominating committee consisting of Regent Bulla and Regent Boice, who met on March 2, 2006. Regent Bulla was asked to present the nominating committee's report.

Regent Bulla stated that due to the death of Regent Lorraine Frank, the position of Board Secretary became vacant. The nominating committee agreed to recommend Regent Calderón to serve as Board Secretary and Regent Jewett to serve as Assistant Board Secretary.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved the appointment of Regent Ernest Calderón as Board Secretary and Regent Jack Jewett as Assistant Board Secretary, effective immediately.

INQUIRIES, REQUESTS, REPORTS, AND COMMENTS FROM REGENTS AND MEMBERS OF THE COUNCIL OF PRESIDENTS

President Likins and his staff were thanked for all the work they did to make this a great meeting.

ADJOURNMENT

The meeting adjourned at 12:35 p.m.

SUBMITTED BY:

Peggy Martin
Secretary to the Board

APPROVED BY:

Christina A. Palacios
President

ATTEST:

Ernest Calderón
Secretary