

MINUTES OF A MEETING



January 25 and 26, 2007

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**MINUTES OF A MEETING
ARIZONA BOARD OF REGENTS
January 25 and 26, 2007**

A meeting of the Arizona Board of Regents was held January 25 and 26, 2007, in the Arizona State University Memorial Union, Tempe, Arizona.

President Bulla called the meeting to order at 10:41 a.m. on Thursday, January 25, 2007.

Present:

- Regent Fred Boice
- Regent Robert Bulla
- Regent Ernest Calderón
- Regent Dennis DeConcini
- Regent Fred DuVal
- Regent Edward Hermes (present January 25 only)
- Regent Anne Mariucci
- Regent Gary Stuart
- Regent Mary Venezia
- Superintendent Tom Horne (present January 25 afternoon only)

Absent:

- Regent Christina Palacios
- Governor Janet Napolitano

Also present were President Michael Crow, Dr. Christine Wilkinson, Mr. Paul Ward, Mr. Rich Stanley, and Dr. Elizabeth Capaldi, Arizona State University; President Robert Shelton, Ms. Edith Auslander, Ms. Judith Leonard, and Mr. Joel Valdez, University of Arizona; President John Haeger, Dr. Elizabeth Grobsmith, Dr. M. J. McMahon and Mr. Mark Neumayer, Northern Arizona University; Executive Director Joel Sideman, Secretary to the Board Peggy Martin, Dr. Art Ashton, Ms. Kathy Bedard, Ms. Christine Thompson, Ms. Stella Galaviz, Ms. Cathy McGonigle, Ms. Stephanie Jacobson, Mr. Mark Denke, Ms. Anne Barton, and Mr. Dan Anderson, Central Office; and Dr. Marcus Ford, Arizona Faculties Council.

All lists, reports, summaries, background materials, and other documents referred to in these minutes can be found in the January 25 and 26, 2007, Documents Files.

Regent Calderón led the Pledge of Allegiance.

Regent Bulla then congratulated Regent Hermes on his appointment as Government Affairs Representative for the Arizona Department of Agriculture.

Next, Regent Bulla recognized four Central Office staff members who have reached a special milestone in their careers: Mary Adelman, who has been with the Central Office for 15 years, began her career with the Accountant Comptroller's Office at ASU in February 1991 and transferred to the Board of Regents' central office in November 1993 and is currently Business Operations Manager; Carolyn Bennett, who has been with the Central Office for 20 years, began her career as a temporary employee in 1986 and is currently the Online

Communication Specialist; Art Ashton, has been with the Central Office for 25 years, and began his career with the Board as an EDP Auditor in 1981 and is currently the Assistant Executive Director for Strategic Planning; and Louise Lynch, who has 30 years of service to her credit, began her career with the Board in 1976 as a secretary and is currently the WICHE Certifying Officer. Regent Bulla stated that the combined service to higher education from these employees was 90 years of service. He wanted each of them to know their dedication and commitment was greatly appreciated by the Regents.

CALL TO THE AUDIENCE

Per Board Policy 1-114, time has been set aside for Call to the Audience, an opportunity for people to address the entire Board in a public setting to express their views or concerns to the Board.

MIGUEL ZARATE: representing M.E. Ch.A. (Movimiento Estudiantil Chicana/Chicano de Aztlan) de ASU stated his concern was regarding Prop 300. He wants to know how the Board is going to implement this plan uniformly in a nondiscriminatory way and are they going to do something to alleviate the financial burden that will be placed on many students because of this law.

CONSENT AGENDA

Item #5 was removed from the Consent Agenda. Items on the Consent Agenda that are marked in these minutes with an asterisk (*) were considered as consent matters and were unanimously adopted upon the motion of Regent Bulla, seconded by Regent DeConcini.

***Minutes**

The September 27-29, 2006 Executive Session minutes, the November 21, 2006 Special Board Meeting minutes, the November 30 and December 1, 2006, Regular Meeting minutes and the December 19, 2006 Special Board Meeting minutes were approved.

RESOURCES CONSENT AGENDA

***Arizona State University requests approval of the License Agreement between Arizona Science and Technology Enterprises, LLC (AzTE), ASU's LP Management Company, and TrueSyn, LLC (ASU) (Agenda Item #6)**

The Board approved Arizona State University's request for approval to transfer technology to TrueSyn pursuant to a License Agreement between AzTE and TrueSyn.

***Arizona State University requests authorization to approve a continuation award from the National Education Association #AGR 06/27/01, and authorization to approve a continuation award from the Arizona Department of Economic Security #E5313531, E5313532 (Agenda Item #7)**

The Board approved Arizona State University's request to approve acceptance of a continuation award to Arizona State University from the National Education Association and approve a continuation award from the Arizona Department of Economic Security.

PROGRAMS CONSENT AGENDA

***Approval of Appointments of Regents Professors (ASU) (Agenda Item #12)**

The Board approved Arizona State University's request for approval to promote four faculty members, Professors Laurie Chassin, Robert B. Denhardt, Subhash Mahajan and Richard Rogerson, to the rank of Regents Professor.

PRESENTATION BY DR. CAROL TWIGG, NATIONAL CENTER FOR ACADEMIC TRANSFORMATION (NCAT) (Agenda Item #1)

Regent Bulla stated that last September the Board issued an RFP to improve the learning outcomes for large enrollment undergraduate general education and foundational courses. Dr. Carol Twigg was awarded the contract based on her proven track record. She headed up a \$9M Pew initiative which was intended to help institutions find ways to increase student learning while reducing costs for large undergraduate courses. Dr. Twigg, who is President of the National Center for Academic Transformation (NCAT) will be presenting information on the course redesign of the systemwide grant program funded under the Regents Innovation Fund for Learner-Centered Education. Stephanie Jacobson made additional introductory comments.

Stephanie Jacobson provided the context for issuing the RFP. Last year an evaluation of the Learner Centered Education Grant Program was conducted based on the first three years of the completed projects. One of the primary criticisms was that while individual projects had established goals and projects it was difficult to discern a systemwide impact with the existing structure. A key recommendation was that the program needed more clearly defined goals and measurable outcomes so that systemwide impact could be determined. It was determined that the overall structure of the grant program could be strengthened by seeking external assistance, not only to help articulate clear and achievable goals in the context of learner-centered education, but to help create a structure that would result in measurable outcomes throughout the system. As a result, the RFP was issued, and National Center for Academic Transformation and Dr. Twigg were engaged. Dr. Twigg is an internationally recognized expert in using information technology to transform teaching and learning in higher education.

Dr. Twigg gave a brief overview of the National Center for Academic Transformation and the programs that they have run. The original program was funded by the Pew Charitable Trust called the Program in Course Redesign. The mission was to challenge colleges and universities to redesign their approaches to instruction using technology to achieve quality enhancements as well as cost savings. Originally they worked with 30 different institutions across the country and these projects involved approximately 50,000 students. The program had a particular focus, which originated in Arizona from the Maricopa Community College District. The District did a study of their enrollment patterns which showed that while they offered about 2,000 course titles, 25 of those courses accounted for 44% of their student

enrollment. Other community colleges did similar studies and at all community colleges those 25 courses accounted for about 51% of the enrollment and at 4-year institutions, the 25 courses accounted for about 35% of the enrollment. These courses are critical to student success because they are large enrollment freshman courses that really make a difference as to whether students persist in higher education to a degree in a timely manner. So these courses became the focus of the program in course redesign.

The goal was to improve student learning while reducing instructional costs. The program showed that out of the 30 different institutions that utilized the original program, 25 of them showed improvements and 5 of them showed equal learning. 24 of the programs were also measured for retention and showed a fairly significant decrease in the number of D's and F's received by students as well as a decrease in withdrawals.

Dr. Twigg reported that the redesigned courses reduced costs by 37% on average, with a range of 15% to 77%. In every instance the savings from these redesigns were put back into the institutions and used to do things like accommodate more students, offer more options at the second-year or upper-division level, develop distance learning courses and programs, decrease time to graduation for students by eliminating academic bottlenecks, or to free up expensive campus space.

Dr. Twigg will be working on the Learner-Centered Education Course Redesign Initiative for the Board. She plans to build upon the work of prior LCE grants. The initiative will extend from January 1, 2007 through September 1, 2009. 10-15 grants of \$40,000 to \$100,000 will be awarded during FY 2007-2008. Because of the length and scope, (two years of funding, FY 2007 and FY 2008), \$1,000,000 will be dedicated to this initiative. The initiative will focus on large-enrollment, multi-section courses and the goal will be to achieve improvements in learning outcomes as well as reductions in instructional costs and Dr. Twigg and her staff will provide guidance in the implementation of the course redesign model, work closely with the LCE Advisory Council in the selection of the projects to be funded and will report regularly on the progress of the projects.

Regent DuVal asked what the biggest barriers to this concept were. Dr. Twigg stated that it was overcoming certain assumptions that are in the higher education culture.

Joel Sideman stated that when talking about cost savings, there will need to be a whole lot of savings to justify the expenditure of the \$1M to do the redesign. It is expected that over a period of years the program will more than make up for the cost of implementation and the Regents should expect that tracking of the cost will be done and reported back to the Regents with precision. It needs to demonstrate that something is being done that increases learning outcomes in a cost efficient manner. Hopefully part of what is left will be residual capacity at each of the universities and the ability to be able to do additional course redesigning. Dr. Twigg stated that is the case. She is trying to teach people new ways of thinking about these issues and what has happened in case after case when someone begins with one course is that they have gone on and redesigned other courses.

President Crow stated that this is definitively the right direction to be going, but it is immensely complicated. It is not a silver bullet. President Crow stated that as a cautionary note he wants to remind everyone that most of the universities that did this are not having the

kind of growth that the Arizona university system is having. President Crow also stated that the Regents need to know that there is substantial faculty resistance to these kinds of programs.

Regent DeConcini asked if this was the largest project that NCAT had ever done and have there been many requests for additional funding. Dr. Twigg responded that size was relative and she couldn't really answer that question, but as to cost overruns, she had never had to request additional funding.

Regent Bulla thanked Dr. Twigg for a very informative and exciting presentation.

The meeting recessed at 11:40 a.m. and reconvened at 1:45 p.m., on Thursday, January 25, 2007.

Annual Report on Intercollegiate Athletics Programs (Agenda Item #2)

Regent Bulla welcomed Myles Lynk, Professor, College of Law and ASU Faculty Athletics Representative who will update the Board on the recent NCAA reforms and how they have impacted the university athletics programs.

Mark Denke stated that the Athletic Directors provide annual updates on NCAA reform efforts, student athlete welfare and the financial condition of their intercollegiate programs. Recently the NCAA member colleges and universities adopted a comprehensive academic reform package designed to improve the academic success and graduation rate of student athletes. The center piece of the reform was the development of new academic measurements known as the Academic Progress Rate (APR) and the Graduation Success Rate (GSR).

Professor Lynk stated that he would be discussing issues relating to intercollegiate athletics at the NCAA and at the Pac-10 level. Professor Lynk reported that at the 2007 NCAA convention, legislation was adopted to permit an institution to provide athletically related financial aid to a student athlete who is selected for an NCAA degree completion award. This is another step to enhance the graduation rates of student athletes by providing financial assistance to those who can complete their academic degrees. Another proposal was adopted to require prospective student athletes and student athletes in all sports to undergo a medical examination prior to initial participation in any practice, competition or out-of-season conditioning activity. Under other legislation adopted by the NCAA, each game played in a softball tournament by member institutions softball teams must be counted against the maximum contest limitation. This will reduce lost class time. Professor Lynk further reported that one of the initiatives of the NCAA and the Pac-10 was to see how and to what extent participation in practice and competition affected class time and see what legislation could be enacted that would address any problems due to inordinate impact. Professor Lynk then reported that The Knight Foundation Commission on Intercollegiate Athletics was looking into how to control the escalating, out-of-control coaches salaries and the NCAA Division One Board of Directors was reportedly examining whether to seek a federal anti-trust exemption for college athletics which would help universities cap coaches salaries, but not necessarily their outside compensation from boosters, shoe companies and media appearances. The PAC-10 Athletic Directors opted to continue with the conference's long standing policy of

awarding teams that appear on TV both for being selected as well as for the costs and inconvenience associated with being on TV.

The university athletics directors then presented their annual reports to the Board.

Lisa Love, Athletics Director at Arizona State University, reported that Arizona State University is not satisfied with the current academic ranking in regards to the APR. There are four teams; baseball, basketball, football and wrestling for which corrective action plans have been put in place. The Executive Director of the NCAA has set a standard for all Division 1 institutions of 80% graduation success rate and Arizona State University does not see why it cannot accomplish this goal. Lisa Love stated that there is work to do, ASU is not where they want to be, but they are working toward getting there. Ms. Love stated that the Regents should remember that the information provided in the executive summary was last year's information and for this year it is anticipated that there will be no loss of scholarships.

Ms. Love then discussed ASU's Department of Intercollegiate Athletics financial profile. She stated that there was an increase in expenditures from FY 06 to FY 07 of \$4,000,000 which encompasses a basketball staff transition, general salary increases and some building management costs which were inherited in Sun Devil Stadium with the departure of the Cardinals.

Ms. Love then handed out a list of various achievements by individual athletes, teams and coaches and highlighted some of the specific achievements.

Ms. Love then stated, in response to an inquiry from Regent Mariucci, that there are different things that influence the APR and the GSR. Her example was baseball, a sport in which the professional farm system begins making offers to students who are in their second and third years. The NCAA has set up an academic study group just for baseball to determine how to balance the recruitment of students to play professional baseball with the APR and the GSR. There are a lot of things that come into play that are unique to each sport.

Jim Fallis, Director of Athletics at Northern Arizona University reported on the budget for NAU Athletics and highlighted various accomplishments. He stated that the NCAA changed their auditing procedures to now require camp revenues and expenses be included in the budget. As a result of posting revenues and expenses for camps the audit shows a deficit that really did not exist. In actuality, Athletics underutilized its subsidized budget.

Mr. Fallis highlighted some of the specific academic, athletic and community service achievements of the athletic department.

Mr. Fallis then discussed the APR. He stated that it is important that everyone remember that this is a new system and there are many things that need to be worked out. He stated that he believed the athletic department was moving in the right direction, they have identified the things that they need to do to address and achieve success in the APR. Mr. Fallis stated that APR points are earned for each student athlete on a semester by semester basis. The university receives two points per athlete, per semester; one point for retention and one point for academic eligibility. APR's under 925 with 0 for 2 scores result in contemporaneous penalties. The only sport in which NAU had a penalty, which was a reduction in scholarships,

was football. He further stated that the thing to note was there were 9 individuals in the first year that were 0 for 2 and in the second year NAU was down to 5 individuals. The goal is to have no individuals who are 0 for 2 and the university is headed in the right direction.

Regent Boice asked Mr. Fallis if he thought that the university would, in the future, ever get away from institutional aid to the athletic program. Mr. Fallis stated that at NAU's level he could not see a time when the program would be able to function without some degree of institutional support.

Jim Livengood, Director of Athletics at the University of Arizona, then presented his report. He stated that he is not pleased with where the University of Arizona's athletic department is academically, but he is pleased with where they appear to be going. The issue for all the universities is to do a better job of recruiting student athletes who can academically achieve at the university while allowing the universities to still be competitive in their conferences and nationally. Recruiting is an inexact science. The job of the athletic department is to do the best job possible to get the student athlete a degree. He stated that in terms of the APR the two sports that are the most problematic are football and baseball. Mr. Livengood stated that he feels the university is making good progress with football. Mr. Livengood further reported that in regards to baseball, the University of Arizona lost 10% of its scholarships for baseball last year. He then stated that this year they would not lose any scholarships. Baseball is a very hard sport to work with because if your players are any good, they are drafted. Hopefully the study group that has been set up by the NCAA will come up with a solution or a different method of calculating APR's for baseball.

Mr. Livengood then presented the history of the athletic department fund balance. They are calculating having a \$750,000 end fund balance, but he reminded the Regents that an unexpected emergency could easily deplete that fund.

Mr. Livengood then highlighted academic, athletic and community service accomplishments of the athletes at the University of Arizona.

Regent DeConcini asked if any of the athletic departments had thought about budgeting to have a rainy day fund and also stressed the important of the NCAA getting the antitrust exemption.

Mr. Livengood stated that it is in the athletic department goals to have a reserve, but it is extremely hard to do. There are so many things that come up operating the business ends of these programs, it is very hard to do, but he stated that he was a good suggestion and one they would certainly try to put into practice.

Regent Mariucci asked whether the universities were doing enough to partner with the leagues and the players associations to develop programs to keep students from leaving the universities to play in professional sports, or to continue classes after leaving the universities. Professor Lynk stated that each league is very different and they have developed different arrangements over the years. It is understood that baseball will begin recruiting students after their junior years, football limits whether an undergraduate can be considered in a draft. There are programs in place at the universities where students who have left the institution to

pursue a professional athletic career are encouraged to come back to the university and complete their degrees.

Regent Bulla thanked everyone for their presentations.

RECOGNITION OF STUDENT FROM ARIZONA STATE UNIVERSITY

Regent Bulla introduced Courtney Klein, an Arizona native and a graduate of Arizona State University's Barrett Honors College where she received her Bachelor degree in Interdisciplinary Studies with a concentration in Nonprofit Leadership & Management. Since the age of 18, Courtney has owned her own for-profit company which provides services to Save the Family preparing transitional housing units between occupancies of homeless families. Courtney previously worked as the Director of Development for Hope 4 Kids International, a small nonprofit organization providing medical and dental assistance to children around the world. Additionally, she served as the Executive Director of Books for a Better World, a nonprofit organization that provides books and develops libraries in 70 rural communities across Central and South American. Currently, Courtney is working as the Founder & Executive Director of Youth Re:Action Corps, a nonprofit organization that educates, empowers, and invests in young people to change the world. In 2006, Courtney was profiled in the Arizona Republic as one of Arizona's most intriguing Chief Executives and honored by the Phoenix Business Journal's Power Book as a "Power Generation Up and Coming Leader." In 2005, she was honored as a Hon Kachina Honoree and in 2002 was named Woman of the Year by the Diocese of Phoenix. The ASU Alumni Magazine featured Courtney as one of the up and coming alums this past year.

Courtney told about how her ASU education has impacted her professional development. Courtney stated that while at ASU she was given the opportunity to see how other people lived and to help them and it made her realize the impact that young people could have and it further showed her that many people were unaware of what went on outside of their own world. It made her want to educate people about local, national and global issues. She stated that she wrote a business plan for Youth Re:Action Corps, which is now a nonprofit organization that educates, empowers and invests in young people to change the world. Now Youth Re:Action Corps partners with high schools to create youth Re:Action Corps teams to look into community issues, local, national or global, and empowers students to create changes.

REPORT FROM THE PRESIDENT OF ARIZONA STATE UNIVERSITY

President Crow introduced Kimberly Loui, Executive Director of the Office of University Initiatives, who reported on the concept of the University as Entrepreneur. Ms. Loui stated that the University as Entrepreneur is really a part of the backbone for the New American University business. It is about entrepreneurship at the individual level and the institutional level, how the university in its entirety acts as an entrepreneur. For ASU, entrepreneurship is the spirit of creative risk-taking and innovation that leverages university knowledge to spur social development and economic competitiveness. She stated that the goals that the University as Entrepreneur focuses on are to graduate entrepreneurial students, to stimulate faculty entrepreneurship, to strengthen Phoenix's economic infrastructure, to ensure

university-wide implementation and to become a leader for entrepreneurship. Ms. Loui presented a video about entrepreneurship.

RESOURCES COMMITTEE

Regent Calderón chaired this portion of the meeting.

University Medical Center Corporation (UMCC) FY 2006 Audited Financial Statements (Agenda Item #3)

Kathy Bedard and Kevin Burns joined the meeting for this discussion.

Regent Calderón stated that the Board was being asked to review the FY 2006 audited financial statements for University Medical Center Corporation (UMCC).

Kevin Burns, Chief Financial Officer of UMCC gave a presentation on the accomplishments and history of UMC. Mr. Burns reported on some of the recent accomplishments of UMC. He stated that UMC was the first magnate hospital in Arizona, there are only two now. Magnate hospitals are recognized for high quality nursing, patient care, nurse education programs and research programs surrounding nursing. UMC is Southern Arizona's sole level one trauma center. UMC is the only hospital in Arizona and possibly the United States that adopted a self-imposed four to one patient to nurse ratio. UMC was recently recognized by U.S. News and World Report as one of America's best hospitals out of 5200 hospitals and fewer than 200 have one specialty listed in the top 50 and UMC has 8. UMC is one of two Arizona hospitals to be recognized by Solucient as one of the nation's Top 100 hospitals.

Mr. Burns stated that UMC has had tremendous growth in the last six or seven years. There are now 355 beds, averaging 292 patients per night. UMC projects that FY 2007 will be a year of focus on executing its expansion plans, opening its new cancer center, and identifying new opportunities to afford it a stronger position in the community. He stated that increasing costs for labor, employee medical and supplies outpace payer rate increases. He further stated that UMC projects reaching effective full capacity in FY 2008. Mr. Burns stated that revenues were higher in 2005 because UMC received a payment from Medicare for an underpayment that had occurred in prior years.

Reappointments to University Medical Center Corporation (UMCC) Board of Directors (Agenda Item #5)

Kathy Bedard and Kevin Burns joined the meeting for this discussion

Regent Calderón stated that the Board was being asked to approve the reappointments of Matthew H. Miller, Bruce J. Nordstrom, Roberto Ruiz, and Ben F. Williams, Jr., to the Board of Directors of University Medical Center Corporation for additional four-year terms.

He further stated that he had asked that this item be removed from the Consent Agenda in order for the Board to have the opportunity to discuss the composition of the UMCC Board. Regent Calderón stated that he had received a significant amount of information regarding

the UMCC Board and the high level of conscientiousness that the current Board members have displayed. It is this Board's duty to see that the UMCC Board is relative to the community.

Regent Mariucci stated as a matter of governance principle, she believes that term limits should exist and it is a universal best governance practice in all organizations. She stated that there can be a fair amount of discretion in what the term limits should be and what factors should influence them. Two of the Board members that the Regents are being asked to reappointment have been on the board for 17 years and one has been on the board for 19 years. She stated that there was a significant lack of diversity on this board and she was troubled by that and the length of time people were serving.

Regent Boice stated that he sits on the UMCC Board and that the board is considering a change in the makeup of the board, getting some new people on the board, and possibly establishing an emeritus category for older board members. He stated that it is very difficult to make changes when everyone contributes and everyone shows up, but the message has been received and changes will be made.

Regent DeConcini stated that he believed that term limits should occur as well.

Regent Boice encouraged the board to approve these four people and then next year there will be a new process in place and there will be the opportunity to appoint new members for the board. He requested that the Board give them the opportunity to put their house in order.

Kevin Burns stated that there have been new members added to the board. He also stated that health care is a complex industry and it takes a long time to learn and understand. He further stated that UMCC has attempted to improve the diversity of the board, but has had some difficulty finding candidates that were willing to devote the time necessary to be on the board. He also asked that the Board give UMCC a year to resolve this matter on their own.

Regent Calderón stated that the next vacancies will come up in October 2007. Regent Calderón stated that the Regents could approve this list; another option would be to approve this list stating that one or all of this members cannot be reappointed again; another option might be to postpone this and allow UMCC to come back to the next meeting with an action plan, or possibly to just appoint them for a one year term. Regent Calderón stated that everyone on the UMCC board should be commended, the Regents have great appreciation for their dedication and their service. Regent Calderón reiterated that this is a governance issue.

Regent DeConcini asked if someone was not reappointed, would they go off they board or would they continue until a replacement had been appointed. Joel Sideman stated that it would depend upon the By-Laws of the corporation. Regent DeConcini then asked how many people on the UMCC Board were from Phoenix. Regent Boice stated that three of the Board members were from Phoenix.

Upon motion by Regent Stuart, seconded by Superintendent Horne, the Board approved the reappointments of Matthew H. Miller, Bruce J. Nordstrom, Roberto Ruiz and Ben F. Williams, Jr., to the Board of Directors of University Medical Center Corporation for additional four-year

terms and stated that term limits are needed and the Board needs to reflect its community by roll call vote of 4 in favor and 3 against as follows: Regent Stuart, Regent DuVal, Regent DeConcini and Superintendent Horne voted yes; Regent Calderón, Regent Mariucci and Regent Hermes voted no; Regent Bulla and Regent Boice recused themselves. Regent Calderón again stated that a no vote was in no way an indication of any displeasure with the character or performance of the individuals, the Regents praised their service.

Mid-Year Update of the FY 2007 All Funds Operating Budget (Agenda Item 4)

Regent Calderón stated that the Board was being asked to review and approve the Mid-Year Update of the FY 2007 All Funds Operating Budget for the universities and the central office. The Mid-Year Update identifies budget reallocations and other significant revisions since approval of the initial FY 2007 All Funds Operating Budget in August 2006.

Gale Tebeau joined the meeting for this discussion.

Ms. Tebeau stated that the Mid-Year Update reflects actual carry forward balances instead of estimated balances in the initial budget, which are identified as encumbered and unencumbered. She stated that as reported in the FY 2007 initial update, ASU Tempe eliminated the deficits in the Stadium Management account and the Investment Income account, and the UA eliminated its deficit in UA Presents.

Upon motion by Regent Boice, seconded by Regent Stuart, the Board unanimously approved the Mid-Year Update of the FY 2007 All Funds Operating Budget, as presented in the Executive Summary.

UPDATE REGARDING TRANSLATIONAL GENOMICS RESEARCH INSTITUTE (TGen)

Regent Bulla welcomed Dr. Jeffrey Trent, President and Scientific Director of TGen, who provided an update on TGen's accomplishments over the past year. He stated that TGen's accomplishments have been significant and TGen's presence in Arizona and in downtown Phoenix have made a substantial difference to the state and local community.

Dr. Trent began by discussing how TGen's research network related to the original vision presented to ABOR. At that time TGen was called ABBI and in a report to the Governor's Task Force in 2002 stated that it would have three distinct elements; a research institute focused on discovery, intentional ties to existing for-profit companies and intentional goals to start early stage companies; and strong ties to the universities and non-profit academic, and clinical partnerships. Now there is a strong research discovery institute, there are elements associated with spinoffs that relate to therapeutic services and diagnostic services and spin-off companies and there is a strong clinical program that is beginning as TGen's clinical service program has started at Scottsdale Health Care. He stated that thirty-three new faculty have been recruited since 2003.

TGen has a physical footprint in four locations. There are the headquarter facilities at the downtown Phoenix Biomedical campus, the clinical research services with Scottsdale Health Care, the establishment of Mayo Clinic Scottsdale campus, the first collaborative research

building, which has subsequently been joined by Arizona State University's presence and finally TGen North which is part of the Biodefense presence in partnership with Northern Arizona University.

Dr. Trent stated that there are over 100 peer group collaborative research sites nationally and internationally. TGen has begun several inter-institutional projects with all three universities.

Dr. Trent further stated that in FY 2006, there was a strong return on the State's non-general fund investment in terms of the operational impact of TGen, resulting in \$3.95 for every \$1.00 invested to date by the State. It is expected that in FY 2010, the return on the State's continuing investment will be between \$5.27 and \$7.38 for every \$1.00 investment. In FY 2006, TGen was credited with 220 FTE. It is estimated that in FY 2010 TGen will employ 389 FTE.

Dr. Trent then discussed the Clinical and Translational Science Awards (CTSA). CTSA is a new mechanism from NIH to drive more effective clinical and translational research. It will coalesce institutional clinical research and training activities under a single umbrella structure and will ensure that basic advances are translated to clinical advantage, which will match patients with the correct therapy.

UPDATE ON THE GOVERNOR'S P-20 COUNCIL

Regent Bulla expressed the Board's appreciation to Governor Napolitano for her leadership on the P-20 Council and for her continued support of higher education. He then introduced Darcy Renfro, Policy Advisor for Higher Education, Innovation and Economy in the Governor's Office.

Ms. Renfro updated the Board on the progress and activities of the Governor's P-20 Council. She stated that the P-20 Council was created by Executive Order to connect stakeholders, reformers and conveners to each other in order to shape a common vision for education reforms in Arizona. Governor Napolitano and Dr. Rufus Glasper are Co-Chairs and the membership of the Council consists of Superintendent Horne, individuals from the business community, representatives from parent and community organizations, P-20 education representatives, various board and commission members and legislators.

The P-20 Council commissioned a report to identify the skills and education requirements of high demand, well-paying occupations, and to assess linkages and gaps between high school graduation and these requirements. Their findings were that graduation requirements were insufficient, there was a lack of identified college/career course curriculum, well-paying jobs require some post-secondary training or college, testing is not aligned to college/career readiness and there are data gaps preventing Arizona from pinpointing alignment gaps.

The vision of the P-20 Council is that every graduating student from the freshman class of 2012 will be prepared for work or post-secondary education in the 21st century.

Ms. Renfro stated that the Council recommendations are to systemically address P-20 education alignment to ensure life-long learning opportunities, to create vehicles for students

to achieve the new graduation requirements, to increase teacher capacity and supply, to build a robust assessment system and expand data capacity and to develop or enhance a statewide reading initiative that will improve adolescent literacy in Arizona.

Ms. Renfro then stated that the goals of the P-20 Council are to ensure preparation for and access to algebra in the 8th grade, to raise high school math and science graduation requirements, to ensure that students have multiple options for fulfilling the standards and to continue to work on standards-based professional development for teachers.

She stated that the P-20 Council will be doing a higher education feasibility and demand study and is forming a technical resource committee to assist whoever the entity is that does this work to ensure that the right information is going in, so the right information is coming out.

PROGRAMS COMMITTEE

Regent Stuart chaired the Programs Committee

Academic Program and Organizational Unit Change Requests, and Summary Report on Program and Organizational Changes Approved by the Executive Director (Agenda Item #8)

Dr. George Davis, Dr. Elizabeth Grobsmith and Dr. Capaldi joined the meeting for this discussion.

Regent Stuart stated that the Board was being requested to authorize academic program and organizational change requests as follows:

Arizona State University requests to plan:

MS in Supply Chain Management (W.P. Carey School of Business-Tempe)
BS and MS in Aging and Lifespan Development (College of Human Services-West)
BS in Statistics (College of Interdisciplinary Arts and Sciences-West)
BS in Applied Mathematics (College of Interdisciplinary Arts and Sciences-West)
Master of Resource Planning for Aging (College of Human Services-West)

Arizona State University requests to implement:

Master of Advanced Study in Geographic Education (College of Liberal Arts and Sciences-Tempe)
PhD in Gender Studies (College of Liberal Arts and Sciences-Tempe)
PhD in Media Arts and Sciences (Herberger College of Fine Arts and Fulton School of Engineering-Tempe)
MA in Social Justice & Human Rights (College of Interdisciplinary Arts and Sciences-West)

Arizona State University requests to establish:

Minor in Parks and Protected Area Management (College of Public Programs-Tempe)

School of International Letters and Cultures and concurrently disestablish the Department of Languages and Literature (College of Liberal Arts and Sciences-Tempe)
School of Aging and Lifespan Development (College of Human Services-West)

Arizona State University requests to disestablish:

MS in Materials Science (School of Materials-Tempe)
BS in Conservation Biology (School of Life Sciences-Tempe)
BS in Plant Biology (School of Life Sciences-Tempe)

Northern Arizona University requests to exceed the 64-credit transfer credit limit for:
BS in Nursing to 82 credits from Arizona Community Colleges.

University of Arizona requests to implement:

PhD in Biostatistics (College of Public Health)
DrPh of Public Health (College of Public Health)

Regent Stuart stated that the Board will be moving as quickly as possible to form a committee to review and evaluate these items in advance.

Regent Stuart asked for questions. Regent Mariucci stated that she hoped that as we reengineer this process we can come up with a high level of criteria or filters under which there will be objective measures to assure that an item is worthy of the expenditure of resources and will result in the disestablishment of programs that don't have sufficient demand.

Upon motion by Regent Stuart, seconded by Regent Boice, the Board unanimously approved the academic program and organizational change requests as listed in the executive summary.

Amendment to ABOR Policy 4-102 “Non-resident Tuition,” 4-202 “General Rules,” 4-203 “Requirements for Resident Status,” 4-204 “Establishing Resident Status,” 4-205 “Evidence to be Considered,” and 4-300 “Student Financial Aid Preamble” (First Reading) (Agenda Item #9)

Lisa Loo joined the meeting for this discussion.

Regent Stuart stated that the Board was being asked to review policy revisions that would amend the requirements for resident status and financial aid to conform to the Proposition 300 amendments to A.R.S. §15-1803 and §15-1825 regarding persons who are not citizens, not legal residents or who are without lawful immigration status and review policy revisions that would amend the requirements for resident status to conform to the recent amendment to A.R.S. §15-1802 for spouses and dependent children of members of the armed forces who are transferred pursuant to military orders; and to make financial independence a factor to be considered on a case-by-case basis rather than an absolute requirement for intent to be a resident of the state.

Proposed Addition of New ABOR Policy 6-310 “Conditions of Postdoctoral Scholar Service,” and Proposed Revisions to ABOR Policy 6-601, “Retirement and Benefit Plans” Related to Postdoctoral Scholars (First Reading) (Agenda Item #10)

Regent Stuart turned this item over to Regent Bulla. Stephanie Jacobson, Marjorie Zatz, Susannah Maxwell and Leslie Tolbert joined the meeting for this discussion.

Regent Bulla stated that the Board was being asked to review a new policy that would create a separate classification for postdoctoral scholars in recognition of their unique status and to consider a policy revision to clarify exemptions from participation in a retirement plan under the ASRS statute. Exemptions from the ABOR policy requirement for participation in a retirement plan would include postdoctoral scholars if an amendment to the ASRS statute is approved by the legislature. He stated that the HR Committee had reviewed and moved this item forward for Board approval.

Regent Hermes asked why they would change the vacation time benefits. Marjorie Zatz explained that this change made the benefits more in line with regular employee benefits.

Report from the ABOR Task Force on Textbook Costs (Agenda Item #11)

Regent Hermes updated the Board on the activities of the ABOR Task Force on Textbook Costs. Regent Hermes stated that the third Task Force meeting was held last week. Ruth Jones put together a survey that will be going out to faculty to find out how much they value bundling items. Things are moving along very well. Regent Hermes stated that he would not be coming to the March meeting with a recommendation, but would be extending the time until the April meeting.

IT/AZUN COMMITTEE

Due to Regent Palacios' absence, Regent Bulla chaired this portion of the meeting. Art Ashton joined the meeting for this discussion.

Report from the IT/AZUN Committee (Agenda Item #13)

Regent Bulla reported on the proceedings of the IT/AZUN Committee meeting on January 19, 2007, stating that the Committee received a demonstration of the AZUN portal Phase I. An update concerning planning for Phase II was given and the Committee approved an AZUN budget reallocation. The universities have 2000 courses and 60 degrees that can be obtained on line. The Committee approved an AZUN Charter and received an update on the progress of a Memorandum of Understanding, involving AZUN and the three universities. The CITO's presented the Committee with their universities' past Student IT Fee expenditures and plans for involving students in the identification of priorities for the budgeting of new Student IT Fees. A quarterly update on ASU's OASIS (PeopleSoft) project was provided and the UA presented a plan and timetable for implementing its Legacy Student Information System. Regent Bulla then stated that the next three items had been moved forward by the Committee for Board approval.

Enterprise-integrated Point-of-Sale System (ASU) (Agenda Item #14)

Regent Bulla stated that Arizona State University was requesting approval for an enterprise-integrated point-of-sale (POS) system capable of supporting wireless communications and remote POS handheld units. The proposed system will replace obsolete portions of the existing ASU system and enhance the support for the ASU Sun Card purchasing system. Estimated cost: \$1.4M over a 5-year period.

Regent Boice asked if there was any income to be derived from this project. Adrian Sannier stated that this was not a money making endeavor in terms of revenue, but it does provide a great deal of service to the university. President Crow stated that this is an internal system.

Upon motion by Regent Bulla, seconded by Regent Duval, the board unanimously approved the request to purchase an enterprise-integrated point-of-sale system at an estimated cost of \$1.4M over a 5-year period.

University Customer Relationship Management System (ASU) (Agenda Item #15)

Regent Bulla stated that Arizona State University was requesting approval to acquire and implement a Customer Relationship Management (CRM) system to automate and improve the institutional process associated with managing customer relations in the areas of recruitment, marketing, communication management, event management, service, and support. Estimated cost: \$2.7M over a 5-year period.

Regent Boice asked if NAU and the UA had similar systems. Art Ashton stated that ASU's effort will build useful knowledge in the use of CRM as an institutional tool and may be used at NAU some time in the future.

Upon motion by Regent Bulla, seconded by Regent Boice, the board unanimously approved the request to acquire and implement a Customer Relationship Management (CRM) system at an estimated cost of \$2.7M over a 5-year period.

Critical Tracking System to Enhance Student Success (ASU) (Agenda Item #16)

Dr. Capaldi joined the meeting for this discussion.

Regent Bulla stated that Arizona State University was requesting approval to develop an information system to support its Critical Tracking Initiative, a program designed to improve student success by getting students into majors early and providing them with semester-by-semester feedback proven to increase graduation rates. Estimated cost: \$2.8M over a 5-year period.

Upon motion by Regent Bulla, seconded by Regent DuVal, the board unanimously approved the request to purchase and develop an information system to support ASU's Critical Tracking Initiative at an estimated cost of \$2.8M over a 5-year period.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

Dr. Marcus Ford stated that the Arizona Faculties Council met over lunch, Dr. Carol Twigg joined them. The Council discussed Dr. Twigg's presentation. They discussed the savings from Dr. Twigg's program and the importance of plowing the savings back into the curriculum.

The meeting recessed at 4:50 p.m. and reconvened at 9:45 a.m. on Friday, January 26, 2007.

STRATEGIC PLANNING COMMITTEE

Regent Bulla chaired this portion of the meeting.

Presentation on ASU's 5-Year Strategic Plan (Agenda Item #17)

Regent Bulla stated that the 5-year Strategic Plans were approved by the Board at the last meeting subject to the university's providing more information in the plans about the three universities working together on a distance learning plan, the university relationships with the community colleges, the UA working together with ASU on the UA Medical School - Phoenix, and the NAU Allied Health Plans. The universities are working on those additional dimensions.

President Crow made a presentation on Arizona State University's 5-Year Strategic Plan.

President Crow stated that for the last five years ASU has been driven by its vision of establishing ASU as the model for a New American University; measured not by whom they exclude, but rather by whom they include; pursuing research and discovery that benefits the public good; assuming major responsibility for the economic, social, and cultural vitality and health and well-being of the community. The design aspirations for a New American University are Leveraging Place, which means embracing our cultural, social, economic, and physical setting; Transforming Society, which means becoming a force, and not only a place; Academic Enterprise, which means serving as a responsible knowledge entrepreneur; Use-Inspired Research, which means improving the human condition through the appropriate application of knowledge; Focus on the Individual, which requires outcome-determined excellence and commitment to intellectual and cultural diversity; Intellectual Fusion, which includes disciplinary/interdisciplinary/transdisciplinary and postdisciplinary projects; Social Embeddedness, which requires social enterprise development through direct engagement; and Global engagement, which requires transnational/transcultural focus and impact.

President Crow presented a PowerPoint presentation and discussed some of the key points.

President Crow stated that the university has four goals. The first, and most important is access and quality for all. Next is to become a national comprehensive University by 2012. That means changing the universities research profile and changing its impact. Third is to establish national standing for ASU's colleges and schools in every field and fourth is to enhance ASU's local impact and levels of social embeddedness. These are ASU's four driving goals.

President Crow then went over each of the four goals. He stated that establishing national standing in academic quality and impact of various schools and colleges means attaining national standing in academic quality for each school, attaining national standing in the value added to the graduates in each school and becoming the leading university academically in at least one core subject within each school or college. This is done by advancement through differentiation and advancement through differentiated learning enterprises and to do that, the university must establish various platforms. Specifically looking at new transdisciplinary schools, they are an example of that one point. Transdisciplinary schools bring together multiple disciplines, more often than not more than three, in new configurations. For instance, the School of Sustainability, the first in the world, opened this semester with a bachelors, masters and PhD program.

To become a National Comprehensive University by 2012 the university must build regional capacity, national distinction and global competitiveness by becoming a leading center for interdisciplinary science and technology discovery and development, becoming a leading center for discovery and scholarship in the social sciences, arts and humanities, enhancing research and discovery competitiveness to more than \$300 million (in 2006) dollars) in annual research expenditures and enhancing regional economic competitiveness through research and discovery and value-added education programs. The university has many exemplar projects that they are advancing to help them attain this goal. For instance, the joint Phoenix Biomedical Campus, the Mayo Partnership, the Global Institute of Sustainability, and the Biodesign Institute which is the largest research institute building project every undertaken in Maricopa County Arizona, in all of its existence, up to this point.

To enhance local impact and social embeddedness the university must enhance linkage to local and regional social and community development groups, establish/develop/enhance linkages and partnerships with local, regional and national NGO's, governments and public agencies, and private sector firms with a focus on community development, undertake applied sustainability research that impacts the social, environmental and economic evolution of the southwest, and provide an objective and ongoing monitoring role for the region's progress through the ASU Indicators Project. Last night Regents were able to see the Decision Theater at ASU and how it works. That is one example of a whole series of projects that ASU has launched to speed their impact both on the community and its outcomes and embeddedness in the community. The Regents also heard the presentation, University as Entrepreneur, from Kimberly Loui. These are exemplar projects which are accelerating movement toward this goal.

Lastly and most importantly is the goal of access and quality for all. President Crow stated that will be done by transforming the Tempe campus, as a part of the strategic plan, for very intensive research activity; by emerging the Polytechnic campus as one of the new polytechnics and on the west campus looking to expand and grow to 15,000 students, the downtown campus is both related to urbanization, urban content, urban center, urban outreach as well as growth and the University College and continuing education programs are the mechanism for significant outreach. The university must expand university access to match Arizona diversification and growth; improve freshmen persistence to 90 percent, enhance university graduate rates to 70-75 percent as soon as possible; develop ASU culture that represents a commitment to quality and community outreach, enroll 100,000 continuing

education and degree completion students, enhance linkages with community colleges so as to expand baccalaureate degree production and enhance student development and individual student learning.

President Crow stated that ASU's strategy was built around these four goals. The core strategy is to build the New American University model.

President Crow stated that ASU has a comprehensive development plan which outlines how to evolve the university physically to meet its programmatic needs. So, what does it take to make that happen? The university knows where it is going, knows what its vision is, and knows what its goals are.

He stated that the university has 63,000 or so students right now, and it is estimated that the university is moving toward 83,000 students by 2012. To get to that point we need \$1.5 billion of capital just to be able to provide the facilities and the programs and to advance the university on the goals that have been stated. That is what is needed in capital alone.

Regent Mariucci stated that she thought President Crow should distinguish what he meant by capital. She asked if he meant building capital and President Crow responded yes, building capital, cash. President Crow stated this was investing in facilities, only facilities. To do everything the university wants to do, in the way they want to do it, they need \$1.5 billion of capital. Arizona State University just had the City of Phoenix give them \$223M of building capital, a private developer for two projects related to dormitories gave them more than \$300M of capital, they put \$150M of capital of their own resources into dormitory projects here, and they put \$200M of capital into new research facilities. ASU has already spent, in the last five years, more than \$1B of capital by various means. President Crow stated that he was not suggesting that there was only one pathway to do this he just wanted everyone to see that in the last five years the university has already done more than \$1B and in the next five years they will have to do more than they have already done.

President Crow stated that as ASU heads toward 2017, based on the assigned role by the Regents, ASU could have 90,000 students and to get there, the university needs \$3.4B total. Just to give one example, the university decided that to enhance educational performance it needed to get freshman into residence halls, throughout the entire university. In 2008, that will be about 10,000 freshmen in the university, and the cost to get them into residence halls is \$600M. Regents need to focus on the scale of the task.

President Crow then stated that in 2006 dollars tuition was \$4700, the state investment was \$7100, and private investment was \$160. This totals \$11,960 per student per year. That is under the university's costs. So President Crow decided in the last few months to state upfront, all the time, what the university needs to make things work, which is \$15,000 a year per student in 2006 dollars. The university believes that the model for that is \$6,000 in tuition, \$8,000 from the state per student, and from private investment the university is asking for a huge leap to \$1,000 per student to be able to get them where they need to go per year.

Regent DeConcini asked why such a small increase in state investments vs. tuition investments? Why not project and plan for \$10,000 in state investment? President Crow replied that it is not automatic defeatism; it basically is the issue of where the university is.

For the University of Arizona, that number is substantially larger already. President Crow stated that because of the size and volume issues that ASU has there is a capacity limit.

President Crow stated that half of the students do not pay for their tuition. They are covered by financial aid either from the federal government, from the university, or from private sources not including loans. If the state investment were to increase above the \$8,000 amount, the tuition would decrease. The problem is the structural financial challenge on an annualized basis in the base budget of the institution. To do what the university needs to do (in 2006 dollars, not including growth and not including inflation) they need almost \$200M. There is a \$200 million per year structural problem. The university is attacking part of that problem right now by requesting four \$15 million increments over the next four years from the legislature. The Governor has included this in her budget this year and the university will fight hard in the legislature for the first increment of that \$15 million.

Regent Bulla asked since tuition is less than the costs, how does the university make up the difference. President Crow responded that they defer doing certain things like maintenance, hiring temporary solutions. President Crow stated that total dollars per student at aspirational peers is between \$18,000 and \$25,000. State support in other states tends to be more per student. Regent Bulla asked if the Regents could receive any comparison information that the university might have. President Crow stated that he would get that information to the Regents. He further stated that among our 16 peers and us, we rank 17th.

Regent Boice asked if ASU provides alternative scheduling of classes, e.g., having classes on weekends and nights, 6 week courses, 8 week courses, etc. Regent Boice said he wants to know if ASU can be competitive with the University of Phoenix. President Crow stated that the answer is yes. The university has about 25,000 distance education students; the goal is 100,000 continuing education and degree completion students. ASU is working to extract more capacity from the physical facilities that they have by optimizing schedules, changing the way in which classes are scheduled. President Crow said the university is looking at things from other perspectives and investing time, energy and resources in that matter. President Crow said that the fundamental model of the University of Phoenix is different than ASU. The university environment is one-on-one education with a full-time faculty involved in discovery, the University of Phoenix model is a delivery of course content on an ad hoc basis in whatever setting one can derive to deliver that course content with a non-full-time faculty. President Haeger stated that he believed that the universities do compete with the University of Phoenix in many ways but the reality is that the University of Phoenix grew because institutions of higher education were so traditional and they didn't change their systems fast enough. Regent DeConcini stated that he heard that the average age of a student at the University of Phoenix is 37 years old and many times the companies that the students work for pay some if not all of their tuition, which to him makes it a little different playing field.

President Shelton stated in many of the University of Arizona schools and classes they are packaging curriculum in less than 15 week increments depending on the circumstances. The faculty holds a very important place in determining how to package curriculum and it is important that the Board not forget the role of the faculty in this.

Regent Bulla stated that he had heard there was a Board Policy that conflicted with the universities' goal of changing the way classes were constructed. President Crow stated that

there is a policy that states that a semester must be 15 weeks long, you must sit in class so many days, you must have so many hours and accrediting agencies have similar requirements. Provost Capaldi stated that these matters were being investigated and it was hoped that the Board would change the policy, if necessary, to be more flexible. Regent Bulla stated that the universities needed to bring their concerns to the Board and the Board would address the matter. Joel Sideman stated that the Board policy was in sync with the state funding formula, so if the policy is going to be changed the Board will also have to look at the state funding formula.

Regent Mariucci stated that in regards to the strategic plan, President Crow gave an outstanding presentation, and it has the makings of what was previously discussed; a free standing, high impact, graphically oriented user interface presentation that anyone could give out, that outlines where we are and where we want to go. It is very heavy on where the university wants to go and she requested that a one- or two-page summary be developed relative to the points made during the presentation. Getting the information that was articulated into the written document would be beneficial.

Regents Venezia and DeConcini asked several questions regarding financial aid and the comment regarding 50% of all students pay nothing. Since this is a very complicated matter, Regent Bulla asked if all three universities would provide information regarding tuition and financial aid, i.e., the funding per undergraduate students; the percent of students whose tuition is fully covered, the average cost of tuition paid per student, the amount of financial aid received by students at various income levels, etc.

CAPITAL COMMITTEE

Regent Boice chaired this portion of the meeting.

Rich Stanley, Carol Campbell, Joel Valdez and Kathy Bedard joined the meeting for this discussion. Regent Boice stated that the Capital Committee had met on January 11 to consider all Capital Committee items appearing on today's agenda. At that meeting, the Committee approved the University of Arizona's request for Project Approval for the Cherry Avenue Garage Expansion. The executive summary for that item can be found behind the Capital Committee Appendix tab in your board book. The Capital Committee further reviewed the universities' annual debt capacity reports.

Revised FY 2007 Capital Development Plan (ASU) (Agenda Item #18)

Regent Boice stated that Arizona State University was requesting a revision to its FY 2007 Capital Development Plan approved by the Board in June 2006 to add one project, the Indoor Basketball Practice Facility, at an estimated total project cost of \$25M; and to revise downward the estimated total project cost of the Construction Engineering Building to \$30M. The Capital Committee reviewed this item at its January 11, 2007, meeting and recommends Board approval.

Regent Boice asked if 10% of the project would be raised in gift funds, the university will finance the balance, but the amortization of that financing will be done by gifts, so this will

cost the university nothing at the end of the day. Carol Campbell responded that there was 10% from gifts in hand and 90% of the project would be bonded and it was expected that most of the debt will be retired through gifts. These are the preliminary figures for these projects and the individual projects will be coming back with more detail.

Upon motion by Regent Calderón, seconded by Regent Bulla, the board unanimously approved the revision to Arizona State University's FY 2007 Capital Development Plan, as set out in the executive summary

Request for Authority to Sell and/or Lease 25.73 Acres of Rio Salado West Property (ASU) (Agenda Item #19)

Regent Boice stated that Arizona State University was requesting authority to sell and/or lease approximately 25.73 acres of its Rio Salado West property located north of Rio Salado Parkway on the west side of Rural Road along the south bank of Tempe Town Lake. ASU also was requesting a waiver of Board Policy 7-204.A requiring a public auction, and 7-204.A.1 requiring inclusion of the legal description of the property in this request. The Capital Committee reviewed this item at its January 11, 2007, meeting and recommends Board approval subject to the availability of additional documentation prior to the meeting. The Board is only being asked to approve the structure of this project at this time, not the dollars and cents.

Rich Stanley stated that this is the result of a long process that started about twenty years ago. It has been important, all along, for the development on this property to take the form of a high quality, mixed used master-planned development. ASU issued an RFP in 2000 to develop this property. SunCor Development Company was the selected developer. The structure that is being proposed is the university will sell to SunCor approximately 11 acres of the 27 acre parcel, and that is the portion of the parcel that is designed for condominium development and will ground lease SunCor the balance of the parcel on a phased basis. With each phase of development the university would lease to SunCor on a prepaid ground lease basis that portion of the property at the then appraised value. In addition, the university will receive a portion of the overall returns from the development that takes place on that property.

Upon motion by Regent Mariucci, seconded by Regent DeConcini, the Board unanimously approved the following motion: Resolved, that the President, the Senior Vice President and University Planner, the Executive Vice President and Chief Financial Officer and the Assistant Vice President Real Estate are each hereby separately authorized to finalize negotiations of the ASU Rio Salado West Property transaction with SunCor Development Company utilizing a combination of sale and lease structures on substantially the terms described in the executive summary, provided that ASU must return to ABOR to receive approval of final terms and consummation of the transaction.

Project Implementation Approval: Academic Renovations and Deferred Maintenance Phase IIB (ASU) (Agenda Item #20)

Regent Boice stated that Arizona State University was requesting Project Implementation Approval for its Academic Renovations and Deferred Maintenance Phase IIB project at a total

estimated project cost of \$6M. The project will be funded by sale of System Revenue Bonds, with debt service funded by Tuition, Other Local Funds, and Indirect Cost Recovery. The Capital Committee reviewed this item at its January 11, 2007, meeting and recommends Board approval.

Upon motion by Regent Boice, seconded by Regent DeConcini, the Board unanimously approved Arizona State University's request for Project Implementation Approval for its Academic Renovations and Deferred Maintenance Phase IIB Project at a total estimated project cost of \$6M and as described in the executive summary.

Combined Revised Project Implementation Approval and Project Approval: Infrastructure Improvements Phase IV (ASU) (Agenda Item #21)

Regent Boice stated that Arizona State University was requesting Combined Revised Project Implementation Approval and Project Approval for its Infrastructure Improvements Phase IV project at a total project cost of \$14M. Five of the previously approved seven projects have been canceled and other projects have been substituted. The project will be funded by sale of System Revenue Bonds, with debt service funded by Tuition and Auxiliary-generated funds. The Capital Committee reviewed this item at its January 11, 2007, meeting and recommends Board approval.

Upon motion by Regent Boice, seconded by Regent DeConcini, the Board unanimously approved Arizona State University's request for Combined Revised Project Implementation approval and Project Approval for its Infrastructure Improvements Phase IV project at a total project cost of \$14M and as described in the executive summary.

Project Implementation Approval: Student Recreation Center Expansion (UA) (Agenda Item #22)

Regent Boice stated that the University of Arizona was requesting Project Implementation Approval for the Student Recreation Center Expansion Project. The estimated total project budget is \$22.5M to be funded by the sale of System Revenue Bonds, with debt service funded by the continuation for an additional 30 years of the current \$25 per semester student recreation bond fee. The Capital Committee reviewed this item at its January 11, 2007, meeting and recommends Board approval.

Upon motion by Regent Boice, seconded by Regent Calderón, the Board unanimously approved the University of Arizona's request for Project Implementation approval for the Student Recreation Center Expansion Project for an estimated total project budget of \$22.5M as described in the executive summary.

Request for Authority to Sell System Revenue Bonds (UA) (Agenda Item #23)

Regent Boice stated that the University of Arizona was requesting authority to sell System Revenue Bonds in an amount not to exceed \$26M to finance the acquisition and construction of the Intercollegiate Athletics Facilities Project and the Law Commons Project. The Capital Committee reviewed this item at its January 11, 2007, meeting and recommends Board approval.

Upon motion by Regent Boice, seconded by Regent Stuart, the Board unanimously granted authority to sell System Revenue Bonds in an amount not to exceed \$26M to finance the acquisition and construction of the Intercollegiate Athletics Facilities Project and the Law Commons Project, as described in the executive summary.

PUBLIC AWARENESS COMMITTEE

Regent Bulla introduced and welcomed Christine Thompson to the table. He stated that Christine has joined the Arizona Board of Regents staff as Assistant Executive Director for Government Affairs. Gale Tebeau also joined the meeting for this discussion.

Regent Boice chaired this portion of the meeting. Regent Boice stated that the First Regular Session of the 48th Legislature convened on January 8, and Governor Napolitano presented her State of the State address on opening day. He stated that the Board now has budget recommendations from both the Governor and from the Joint Legislative Budget Committee and the budget hearings in the House and Senate are scheduled for January 30 and 31. Regent Boice stated that he was pleased with Governor Napolitano's budget recommendations for the university system. He stated that the Governor continued to show strong support for higher education and he further stated that he was particularly pleased with her recommendation to fund \$6.3M in new funding for the Arizona Financial Aid Trust Fund.

Update on Budget Recommendations and Proposed Legislation (Agenda Item #24)

Regent Boice stated that Gale Tebeau would present a comparison of the two budgets and Christine Thompson will be discussing proposed legislation.

Gale Tebeau highlighted some of the major components of the FY 2008 budget recommendations. The Governor recommended almost \$1.1B general fund appropriation, which is an increase from last year of approximately \$120.7M or 12.5%. Included in the Governor's budget is enrollment growth funding at about 81% of the universities request, WICHE, AFAT at 100% of the universities request plus an additional \$3.4M, an additional \$62.1M for a variety of university decision packages, as well as faculty and staff retention (\$29.8M) and performance funding (\$1.0M). The Governor's recommendation included \$1M for Telemedicine and \$1.8M for Valley Fever Research and an additional \$2M for Math and Science education, which were not included in the university's request.

She further stated that the JLBC recommendations are \$1B general fund appropriation which is an increase from last year of approximately \$50.9M or 5.3%. The entire increase from the JLBC recommendation is for enrollment growth funding at about 97%. Included in both the Governor's budget and the JLBC budget is \$34.6M that was approved in 2003 for lease-purchase capital financing. Both the Governor's and the JLBC budget include salary increases for all state employees of 3.5% and 2.5% respectively that are not included in the individual agency budgets. The Governor's budget does not address building renewal, but the JLBC's recommendation includes \$18.8M for building renewal funding which represents 26% of the universities request.

Regent Boice stated that the Government Affairs group is already hard at work. There is a great deal to accomplish this year during the Legislative Session and he and the Board thank the Government Affairs group for all of their efforts. He further stated that the Board's Legislative Affairs Committee met on January 24th to review and provide guidance on proposed legislation.

Christine Thompson highlighted some of the bills that could have significant implications for the university system. Proposed legislation is divided into three areas, bills that would favorably impact the university system, bills that would be potentially detrimental to the university system and bills that would affect the university system, but require additional discussion before a position is adopted or require a position of neutrality.

Ms. Thompson stated that HB 2192 would exempt postdoctoral scholars employed at state universities from ASRS membership. She stated that there were several bills which would require tuition waivers for various groups of people. For the most part those bills are in the neutral list, except SB 1017 is on the support list because it provides an appropriation to fund the program.

Under the bills that are potentially detrimental to the university system is HB2292, having to do with allowing Eastern Arizona College to offer baccalaureate degrees.

Ms. Thompson also highlighted HB 2317, which was categorized as a bill that would require additional discussion, and would reestablish the State Board of Community Colleges. The Board would consist of one member from each of the 15 counties, a representative from the Board of Regents, and the Superintendent of Public Instruction.

Regent Calderón stated that he hoped the Board would support the Arizona Work-Study Program, HB 2296, if it moves forward and does not detrimentally affect the Governor's budget or the Board of Regents.

Regent DeConcini asked if the Governor's office had taken a position on these bills. Ms. Thompson replied that the Governor's office had not taken a position on all of the bills yet.

UPDATE ON THE UNIVERSITY OF ARIZONA COLLEGE OF MEDICINE - PHOENIX IN COLLABORATION WITH ARIZONA STATE UNIVERSITY

Regent Bulla extended his and the Board's thanks to Beth Schermer, who has served as the University of Arizona College of Medicine-Phoenix Vice Dean for Administration for the past 15 months. The Board thanked Beth for basically giving her life, her caring, and her dedication to bring the College of Medicine-Phoenix to a reality.

Regent Stuart and Keith Joiner then updated the Board on the University of Arizona College of Medicine – Phoenix. Regent Stuart stated that the University of Arizona has named Edward H. (Ted) Shortliffe, M.D., PhD, to be Dean of the University of Arizona College of Medicine-Phoenix, in collaboration with Arizona State University. He stated that Dr. Shortliffe will begin his new role in early March, he will report to Dr. Joiner who is Dean of the University of Arizona College of Medicine and Vice Provost for Medical Affairs. Dr. Joiner

stated that Dr. Shortliffe is a nationally renowned clinician, educator, and expert in the field of biomedical informatics. He comes from Columbia University in New York where he was the Rolf A. Scholdager Professor and Chair of the Department of Biomedical Informatics at Columbia College of Physicians and Surgeons. He is also a professor in the Department of Medicine and the Department of Computer Science at Columbia. Before moving to Columbia, Dr. Shortliffe was on the faculty of the Stanford Medical School, where he served as chief of general internal medicine and associate chair of medicine for primary care. Dr. Joiner stated that Dr. Shortliffe will be a member of the UA's Academic Council and Health Sciences Academic Council, participating in collaborative discussion with his colleagues on matters related to medicine, nursing, pharmacy and public health.

Regent Stuart stated that the first class of medical students will start in July 2007. More than 600 students applied for admission to the University of Arizona College of Medicine this year; more than two-thirds of the applicants have completed interviews at both the Tucson and Phoenix campuses. Admissions notifications will be sent to applicants this spring. The College of Medicine - Phoenix, including the faculty jointly appointed with ASU, are continuing to prepare for the first entering class, with ongoing curriculum and faculty development including the development of the scholarly activity component of the program. He stated that the formal review by the LCME on the College of Medicine's request to expand the Phoenix program would happen in February. The LCME site team exit interview in November 2006 and subsequent information communications indicate that the College of Medicine is on a positive track.

Regent Stuart went on to say that the College of Medicine and ASU have formed a Phoenix Biomedical Campus Operations Working Group to coordinate operational activities between the various downtown academic sites. He stated that the goal of this group was to identify areas for potential collaboration, resource sharing, and economies of scale for the operations of the College of Medicine, the ASU Department of Biomedical Informatics, and other ASU downtown colleges and programs.

In regards to ABC 1, construction continues on schedule and the facility is 80% complete. The research facility is scheduled for completion in April 2007, with occupancy commencing in May. Under the leadership of Presidents Shelton, Crow and Haeger, the planning group for the expansion of the Phoenix Biomedical Campus continues its work. The group, which includes representation from all three universities and the City of Phoenix, is focusing on the conceptual plan for the next collaborative research building, ABC 2, and an interdisciplinary health professions learning center that will provide the necessary educational space for the College of Medicine at full capacity of 150 students per class, in conjunction with the University of Arizona College of Pharmacy, Northern Arizona University's allied health program, and the ASU School of Nursing and Innovation. The goal is to develop facilities that will stimulate interdisciplinary biomedical education and research, provide the necessary space for biomedical program faculty and students, and serve as a hub for the Arizona Clinical and Translational Research and Education Consortium funding proposal and work.

Regent Stuart stated that the College of Medicine is working on a public-private model for its core clinical affiliations. The model, which is used across the country, is based on guiding principles essential for a research-intensive, excellent, and economically sustainable College of Medicine program. Under the model, Banner Health will be the primary affiliate and will

build a comprehensive cancer center, teaching hospital, and outpatient facility on or adjacent to the Phoenix Biomedical Campus, the faculty will practice at these facility and graduate medical education will be integrated with the College. Maricopa Integrated Health System will be a key academic affiliate, with integrated residency programs and onsite College faculty important to the MIHS mission as a strong public teaching hospital. The College has entered into a MOU with Banner describing the arrangement and providing for the development of a full affiliation agreement. Further, the College is meeting with MIHS and hopes to enter into an MOU with MIHS also. The College of Medicine will also maintain and expand relationships with hospitals across the Valley for important medical student clinical rotations and specific research initiatives.

Dr. Joiner further explained the issues regarding the MOU with MIHS. He stated that this is a very complex process. For the last three or four weeks there has been lots of contact between Dr. Joiner and MIHS. A meeting was organized last week for the purpose of trying to focus in on the precise sorts of affiliations that the College felt would be mutually beneficial. They were alluded to in the MOU signed with Banner, because we have never suggested and will never suggest that the College of Medicine does not want to be involved with MIHS. The College does want a relationship with MIHS, it is essential to the College's role as an educational institution. So what was suggested was that there be a meeting to focus on the educational issues specifically and the residency training programs more specifically. There were about nine or ten people present and the whole two hours was spent essentially talking about residency programs and trying to narrow the frame so that the College of Medicine and MIHS could come to some understanding of where there might be some joint residencies and the way it was left was the information would be presented to the MIHS Board and MIHS would get back to Dr. Joiner. The MIHS response appears to be broader than the residency issue and includes issues that were not discussed at the last meeting, and are much more fundamental to the overall relationship.

A letter from MIHS was delivered to each of the Board members. Regent DeConcini asked Dr. Joiner if he could interpret the last paragraph of the resolution. Dr. Joiner said that he would give his interpretation of what was embedded in MIHS's overall response and the discussions. Dr. Joiner stated that MIHS was very focused, without casting judgment on this, on where a new facility would be built and the COM has been very much focused on what the nature of the relationship would be. He stated that it is not the existence of a building that is important, it is the existence of the relationships that one has that makes this work or not work. Dr. Joiner stated that he doesn't think that anything that is written in the letter or in that last statement dissuades COM one bit from wanting to move forward on the educational relationships because that is a win-win for the COM, for MIHS, for the community, it gets better residents here, it gets more residents to stay in Arizona and practice and the COM plans to continue to focus on driving the educational relationship.

Regent DeConcini asked if the planned hospital with Banner was a new taxpayer subsidized hospital. Dr. Joiner answered no.

Regent Stuart stated that the COM needs to have a clinical facility that is research intensive, as well as have a high degree of excellence in its faculty and the faculty comes from the clinical facility. The third thing COM has to have is an economically sustainable model. Across the nation the models that are public/public models are not top tier, the top tier models

are private/public. If you want to be a top tier College of Medicine you need to have a private/public partnership. It takes a private entity to come up with the funds needed to make this an economically sustainable model.

Regent DuVal asked how the COM was going to book the revenue, particularly grants, research revenue, etc. He wondered how that revenue was going to be tracked. Dr. Joiner responded that it still needs to be worked out. He stated that another issue they would be dealing with is how to deal with the overhead expenditures. President Shelton stated that actually the universities have a great deal of experience working out these kinds of issues and will be drawing on those experiences to work out the processes for the COM.

ADMINISTRATIVE BUSINESS

Regent Bulla chaired this portion of the meeting. Regent Bulla stated that the Board's Human Resources Committee reviewed these four requests and were satisfied with the rationale for both the appointments and the salaries.

Appointment of Vice President and Executive Vice Provost, Polytechnic campus (ASU) (Agenda Item #25)

Regent Bulla stated that the Board was being asked to approve the appointment of Albert McHenry to serve as the Vice President and Executive Vice Provost of Arizona State University at the Polytechnic campus.

Upon motion by Regent Bulla seconded by Regent Boice, the Board unanimously approved the appointment of Albert McHenry to serve as the Vice President and Executive Vice Provost of Arizona State University at the Polytechnic campus at an annual salary of \$210,900, effective December 22, 2006, and as set out in the executive summary.

Appointment of Senior Vice President for Academic Affairs (ASU) (Agenda Item #26)

Regent Bulla stated that the Board was being asked to approve the appointment of David Young to serve as the Senior Vice President for Academic Affairs at Arizona State University.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved the appointment of David Young to serve as the Senior Vice President for Academic Affairs at Arizona State University at an annual salary of \$285,000, effective December 22, 2006, and as set out in the executive summary.

Appointment of Vice President for Academic Personnel (ASU) (Agenda Item #27)

Regent Bulla stated that the Board was being asked to approve the appointment of Mark Searle to serve as the Vice President for Academic Personnel at Arizona State University.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved the appointment of Mark Searle to serve as the Vice President for Academic Personnel at

Arizona State University at an annual salary of \$206,650, effective January 1, 2007, and as set out in the executive summary.

Appointment of Vice President and Dean of the College of Liberal Arts and Sciences (ASU) (Agenda Item #28)

Regent Bulla stated that the Board was being asked to approve the appointment of Quentin Wheeler to serve as the Vice President and Dean of the College of Liberal Arts and Sciences at Arizona State University.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved the appointment of Quentin Wheeler to serve as the Vice President and Dean of the College of Liberal Arts and Sciences at Arizona State University at an annual salary of \$240,000, effective December 22, 2006, as set out in the executive summary.

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

The Regents thanked Arizona State University and President Crow for their hospitality and thanked everyone responsible for making this another good meeting. All of the Regents expressed their enjoyment of the Decision Theater presentation.

ADJOURNMENT

The meeting adjourned at 12:10 p.m.

SUBMITTED BY:

Peggy Martin
Secretary to the Board

APPROVED BY:

Robert B. Bulla
President

ATTEST:

Anne Mariucci
Assistant Secretary