

MINUTES OF A MEETING



January 22 & 23, 2009

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**MINUTES OF A MEETING
ARIZONA BOARD OF REGENTS
Thursday and Friday, January 22-23, 2009**

A meeting of the Arizona Board of Regents was held January 22 and 23, 2009, in the Student Union Memorial Center, at the University of Arizona, Tucson, Arizona.

President Boice called the meeting to order at 1:14 p.m.

Present: Regent Boice
 Regent Bulla
 Regent Calderón
 Regent DeConcini
 Regent DuVal
 Regent Leonard
 Regent Mariucci
 Regent Martinez
 Regent McLendon
 Regent Meyer

Absent: Superintendent Tom Horne
 Governor Janice Brewer

Also present were President Robert Shelton, Mr. Greg Fahey, Dr. Jacqueline Mok, Dr. William Crist, Ms. Judith Leonard, Mr. Joel Valdez, Dr. Meredith Hay, Ms. Melissa Vito and Ms. Carla Nunn, University of Arizona; President Michael Crow, Mr. Morgan Olsen, Dr. Christine Wilkinson, Mr. Rich Stanley, Dr. Elizabeth Capaldi, and Mr. José Cárdenas, Arizona State University; President John Haeger, Dr. Elizabeth Grobsmith, Mr. Mark Neumayr, Dr. M. J. McMahan, and Mr. David Bousquet, Northern Arizona University; Executive Director Joel Sideman, Secretary to the Board Peggy Martin, Board Counsel Nancy Tribbensee, Dr. Art Ashton, Ms. Kathy Bedard, Ms. Emily Palumbo, Ms. Christine Thompson, Ms. Andrea Smiley, Ms. Stella Galaviz, Dr. Sandra Woodley, Ms. Cathy McGonigle, Ms. Stephanie Jacobson, Mr. Dan Anderson and Mr. Lorenzo Martinez, Central Office; and Mr. Dave Harris and Dr. J. C. Mutchler, Arizona Faculties Council.

All lists, reports, summaries, background materials and other documents referred to in the minutes can be found in the January 22-23, 2009 Documents Files

Regent Boice welcomed everyone to the meeting.

Regent McLendon led the Pledge of Allegiance.

CONSENT AGENDA

All items on the Agenda that are marked in these minutes with an asterisk (*) were consent matters and were unanimously adopted upon the motion of Regent Calderón, seconded by Regent DeConcini.

***Minutes**

The September 25-26, 2008 Executive Session Minutes, December 4-5, 2008 Regular Board Meeting Minutes and the December 22, 2008, Special Board Meeting Minutes were approved.

CAPITAL COMMITTEE CONSENT AGENDA***Notification of Intent to Exercise Ground Lease Option with the City of Phoenix for the Next Phase of Construction of the Phoenix Biomedical Campus (Agenda Item #7)**

The Board approved notification to the City of Phoenix of its intent to exercise the ground lease option pursuant to the intergovernmental agreement approved in January 2004 for the next phase of construction of the Phoenix Biomedical Campus as presented in the executive summary.

***Intercollegiate Athletic Media Equipment and ScoreBoards Lease-Purchase Financing (ASU) (Agenda Item #8)**

The Board approved Arizona State University's request for approval for lease purchase financing of electronic display equipment for Sun Devil Stadium and Wells Fargo Arena as presented in the executive summary.

RESOURCES COMMITTEE CONSENT AGENDA***Arizona Area Health Education Centers (Arizona AHEC) Revised FY 2009 Program Budget (Agenda Item #9)**

The Board approved the revised FY 2009 budget for Arizona AHEC as presented in the executive summary.

***New and Continuation Awards (ASU) (Agenda Item #10)**

The Board approved Arizona State University's request Board approval for new and continuation awards as presented in the executive summary.

***Disclosure of Substantial Interest (UA) (Agenda Item #11)**

The Board approved the University of Arizona's request Board for approval of a disclosure of substantial interest as presented in the executive summary.

***New and Continuation Awards (UA) (Agenda Item #12)**

The Board approved the University of Arizona's request for Board approval for new and continuation awards as presented in the executive summary.

HUMAN RESOURCES COMMITTEE CONSENT AGENDA***Multiple-year Employment Contract for Head Baseball Coach (UA)** (Agenda Item #17)

The Board approved the University of Arizona's request for approval of a Multiple-year Employment Contract for Andrew Lopez as Head Baseball Coach as presented in the executive summary.

***Multiple-year Employment Contract for Head Volleyball Coach (UA)** (Agenda Item #18)

The Board approved the University of Arizona's request for approval of a Multiple-year Employment Contract for David Rubio as Head Volleyball Coach as presented in the executive summary.

***Multiple-year Employment Contract for Men's Head Basketball Coach (NAU)** (Agenda Item #19)

The Board approved Northern Arizona University's request for approval of a Multiple-year Employment Contract for Mike Adras as Men's Head Basketball Coach as presented in the executive summary.

***Settlement of Claims and Lawsuit (ASU)** (Agenda Item #20)

The Board approved Arizona State University's request to settle the claims and corresponding lawsuit filed by Lars Chapsky against Arizona State University and Professor Wayne Frasch as presented in the executive summary.

CALL TO THE AUDIENCE

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

Over 900 people showed up to the Call to the Audience to show their support for education in response to proposed legislative budget cuts. Regent Boice thanked all of the people that showed up to show their concern.

Regent DuVal thanked everyone who attended the Call to the Audience. Regent DuVal thanked President Boice for allowing the unusual request to speak at the top of the Call to the Audience. He stated that he did so as a Regent who must, and will, dutifully help design the inevitable budget cuts - but also as a citizen who opposes them and who wants to express why for the record. We will make cuts, but we must also make our case.

There are watershed decision moments for states. For Arizona, the Salt River Project and Central Arizona Project, both critical public investments, were such turning points. Today, we face another of equal import to these times that will have equivalent impacts if we forego the investments that will enable Arizona to progress. We are well familiar with the other face of

Arizona. Last in the country to adopt Medicaid. Last to adopt the King holiday. Late to the science of early childhood education and programs to implement it. The world is changing and stagnation is not a viable strategy. You won't find a forward vision through a rear view mirror.

True, this Board cannot stand in denial of the budget reality it faces. Universities must prepare for and brace for major changes. If you think we can lobby or argue our way out of this global moment, I have one word - forgetaboutit. If we move forward with a strategy of blind and absolute resistance we will be rendered irrelevant and abdicate our fate to those who don't have our best interests at heart. I salute our President's who have demonstrated the leadership to have already absorbed \$50 million in cuts.

But this budget is the worst in our history. Difficult cuts will be made. They are particularly difficult for those people who have made it their mission to educate every capable student to the world as it is, not as it once was and to understand the modern economy and its drivers. Those to whom tax relief is the answer to every problem remind me of the old saying that to someone with a hammer, everything looks like a nail. Well, this budget hammers us all right. To them I would ask, on what basis, if not education, will we compete for jobs in the 21st century. Will we compete by paying our less educated workforce lower wages? America's only viable strategy is to compete on innovation, on ideas, discoveries, fueled by education. It is the strategy adopted by all of our higher wage and lifestyle equivalent competitors.

The two Appropriations Chairs and those who would dismantle public education relish this budget because under the guise of budget limitations they can undo all that they opposed from the outset. To them this is about ideology, not proven economic strategy or maximizing human development or even public will. This debate cannot honestly be about our operating efficiencies as we have already demonstrated that we are operating on of the most efficient systems in the United States. So, therefore, it must be about our mission itself.

So this is, in short, a retribution budget, that seeks to strip away everything the prior Governor stood for, and I should add was reelected in a landslide on. At the budget level the Chairs currently propose, make no mistake: faculty will leave, schools will close, programs will cease, student aid will be cut, worthy students will be out of luck and out of a future, the Presidents will be forced to seek record tuition increases, our economy will suffer for a decade and the arch of Arizona's progress will be altered for ages. That isn't hyperbole, it is fact.

It is also fact that in years ahead our state's economy will return to health, and businesses will again grow. And when they do, where is their workforce? Will that be in Arizona? When the new discoveries that fuel the new wave of growth; the new Googles, the new inventions, the new genome and health discoveries, the seed corn of the jobs of the future; where will they occur? In Arizona?

That is the choice that faces our state this year. The two Chairs think they have a Governor and legislative leadership who share their view and will go along with their plan. I don't. I think this is the moment to show otherwise. And I hope they do and I believe they will. Because I believe Arizona has leadership that understands not just how universities drive

opportunity and growth, but that the stakes really are even higher. Public universities are where we make the world intelligible and opportunity equal and where we expand the franchise that freedom offers. It is where human growth occurs and the moral force of reason is instilled. It is where science is nourished and trusted. Universities enlarge understanding. And, at a time when the world is faced with the forces of true and unquestioned belief that seek to obstruct reason, suppress discourse, extinguish the light of ideas and aim to rid our enlightened and open culture from the face of the earth, our commitment to higher education should be stronger than ever.

Donald Diamond, Chairman, Diamond Ventures - Spoke against the proposed budget cuts to the university system.

Sarah Smallhouse, President, Thomas R. Brown Foundation and Co-Chair for The Coalition for Solutions Through Higher Education - spoke against the proposed budget cuts to the universities.

Tom Grogan, Ventana Medical Systems - spoke against proposed university-wide budget cuts.

Larry Hecker, Southern Arizona Leadership Council (SALC)- spoke against proposed budget cuts to the universities.

Taylor Lawrence, - President, Raytheon Missile Systems - spoke against proposed budget cuts to universities.

Tommy Bruce, President, University of Arizona Student Body - spoke against proposed budget cuts to the universities.

Ray Carroll, Pima County Board of Supervisors/UA Alumni and Parent - spoke against proposed budget cuts.

Steven Lynn, Tucson Electric Power/SALC - spoke against proposed budget cuts to the universities.

Lea Marquez Peterson, Greater Tucson Leadership - spoke against proposed budget cuts to the universities.

Budd Corr, NAU Parent Association Board Member - spoke against budget cuts to the universities.

Hank Peck, NAU Foundation - spoke against budget cuts to the universities.

Michael Slugocki, President of the Arizona Students Association - spoke against proposed budget cuts to the universities.

Ron Shoopman, President of the Southern Arizona Leadership Council (SALC) - spoke against proposed budget cuts to the universities.

Earl Mendenhall, Co-Chair of the UA Parents and Family Association - spoke against proposed budget cuts to the universities.

Rodney Glassman, Tucson City Council member and UA Alumni - spoke about the effects of Higher Education.

Lynn Nadel, Faculty member, Council of Regents' Professors and University Distinguished Professors - spoke against the budget cuts.

J.C. Mutchler, Chair of the Arizona Faculties Council - spoke against proposed budget cuts to the university system.

Stephen Bieda, Graduate and Professional Student Council - spoke against budget cuts.

Corey Larson, ASU Alumnus and attorney Waterfall, Economidis, Caldwell, Hanshaw & Villamana - spoke against proposed budget cuts to the universities.

The following individuals also signed up to speak, but due to time limitations were unable to present at the Call to the Audience: **Suzanne Swetnam**, Carondelet Health Network and Medical Laboratory of Arizona, regarding Medical Technology Program at ASU; **Francis Merryman**, TREO, regarding economic development driven by education; **Tim Jull**, College of Science regarding one state dollar generates ten local dollars; **Dr. Arthur L. Herbst**, Chair, Dean's Board of Advisors, College of Science, regarding programs at UA and their importance to the state; **Lucy Blaney**, Phd Student, Spanish & Portuguese, regarding budget cuts; **Andrew Miller**, Student, regarding budget/guarantee of degree; **Ted Hinderaker**, UA Foundation Board member and parent, regarding funding alternatives, the budget doesn't have to be a zero sum game; **Dominic Ortega**, UAAA, UAHA and College of Arts, regarding budget; **Dorothy Nishuti**, NCLC, TRIO, Coffee Clutch Programs, regarding budget - leadership and multicultural; **Marilou Stengel**, UA staff, decrease in work hours/federal regulations; **Diana Mass**, ASU, regarding disestablishment of only Clinical Lab Science Degree in Arizona; **Dr. Laura Lunsford**, University of Arizona South, Serving rural and first generation students; **Jean Vickers**, regarding ability to attract out-of-state students; **Hope Jones**, Graduate Council Rep., regarding access to education; **Jory Hancock**, UA School of Dance, regarding access; **Abreezu Zegeer**, UA/NA Chair, Cross the board salary cuts for all state employees; **Julie Swarstad**, UA student, regarding proposed budget cuts; **Don Budinger**, Rodel Foundation/Coalition for Solutions Through Higher Education, regarding proposed budget cuts to the universities; **John Bremond**, KB Homes/SALC, regarding proposed budget cuts to the universities; **Bob Breault**, Breault Research, regarding proposed budget cuts to the university system; **Bruce Dusenberry**, Horizon Moving/SALC, regarding proposed budget cuts to the universities; **Neil Simon**, Venture West/SALC, regarding proposed budget cuts to the universities; **Jim Gentile**, Research Corp/SALC, regarding proposed budget cuts to the universities; and **Nick DesGeorges**, Student, regarding university budget cuts.

RECESS

The meeting recessed at 2:35 p.m. and reconvened at 2:55 p.m.

Regent Boice stated that yesterday Janice K. Brewer formally became the new Governor and the Board looked forward to working with her.

Regent Boice then thanked former Governor Napolitano for her contributions and asked Regent Calderón to read the Resolution of Appreciation for the Contributions of Governor Napolitano into the record.

Regent Calderón read the Resolution as follows:

RESOLUTION OF APPRECIATION FOR THE CONTRIBUTIONS OF GOVERNOR NAPOLITANO

WHEREAS, the twenty-fifth Governor of the State of Arizona, Janet Napolitano, has served as a member of the Arizona Board of Regents since January 2003; and

WHEREAS, Governor Napolitano provided the leadership, vision, and guidance to dramatically improve higher education in Arizona; and

WHEREAS, her unwavering commitment to improving healthcare for the citizens of Arizona and her creation of the Arizona Commission on Medical Education and Research (ACMER) were instrumental in the establishment of the University of Arizona College of Medicine, in partnership with Arizona State University on the Phoenix Biomedical Campus; and

WHEREAS, she was instrumental in the passage of legislation that provided over \$482 million of funding for university research infrastructure projects that are critical to Arizona's economic future and prosperity; and

WHEREAS, she was the architect and champion of the Stimulus Plan for Economic and Educational Development (SPEED) legislation, authorizing \$1 billion of funding – the largest infusion of capital resources in the university system's history – for building renewal, the Phoenix Biomedical Campus development, and new university facilities; and

WHEREAS, during her terms she worked to secure increased funding for the Arizona Financial Aid Trust Fund, increasing it from \$2.2 million to \$10 million and providing 1,800 additional need-based scholarships to university students; and

WHEREAS, she championed and signed into law the Math, Science, and Special Education Teacher Loan Forgiveness Program, providing forgivable loans to undergraduate students who have committed to teach in the public school system in Arizona in the high-need areas of math, science, or special education; and

WHEREAS, she laid the groundwork for a comprehensive state-funded Centennial Scholars Scholarship Program to provide scholarships to middle school students who pledge to do well in school, follow a rigorous academic curriculum in high school, and stay out of trouble; and

WHEREAS, she worked to create and secure funding for Science Foundation Arizona (SFAz) to support Arizona's scientific, engineering, and medical infrastructure, thereby benefiting the research missions of our universities;

THEREFORE, BE IT RESOLVED that the Arizona Board of Regents salutes Governor Janet Napolitano for her tireless dedication and commitment to higher education, expresses its gratitude for her contributions to higher education excellence, and wishes her the best as she assumes her tremendous responsibilities as Secretary of the United States Department of Homeland Security in the Obama Administration.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously approved and accepted the Resolution.

RECOGNITION OF STUDENT FROM THE UNIVERSITY OF ARIZONA

Regent Boice then introduced Kevin Romo-Leon, a marketing major from the University of Arizona who described how a student gains direct, hands-on marketing research experience from the integrated marketing communications class. He stated that he and several other students from the University of Arizona are now marketing representatives for one of the nation's largest manufacturers of air activated heat packs. This group took an existing product of the manufacturers and introduced a new market and distribution channel. They developed their idea and with the help of the class at the university, developed a presentation, presented it to the manufacturer and the end result was the manufacturer liked the idea so well the group contracted with the manufacturer, is receiving a commission on sales and the group is allowed to travel with them to assist with the marketing of the product. The result of this exercise is because of the professors who challenge and inspire creativity in their students on a daily basis.

REPORT FROM THE PRESIDENT OF THE UNIVERSITY OF ARIZONA

Due to time constraints this item was deferred to a later date.

AD HOC PRODUCTIVITY COMMITTEE (Chair: Regent DuVal)

Update on the Productivity Initiative and Presentation by President Shelton on Productivity (Agenda Item #1)

Regent DuVal stated that the Board would receive an update on the productivity initiative. He further stated that President Shelton's presentation would be deferred to a later date.

Regent Duval stated that as expected the Lumina Foundation for Education announced that Arizona was one of eleven states to receive a \$150,000, one-year planning grant through the

Foundation's "Making Opportunity Affordable" initiative. The eleven states awarded will be eligible to compete next year for up to five, \$2 million "Opportunity Grants" to implement their plans over four years. With the planning grant, the Board will soon receive and be able to continue its work on developing the specific recommendations that include increasing the number of students entering community colleges seeking baccalaureate degrees, increasing the number of students transferring to a university on-track to a baccalaureate degree with minimum (no loss) of credits earned, and increasing the number of students who successfully complete requirements for a baccalaureate degree at the university, within 150% time to degree.

The grant will also allow for the design of a joint effort between the community colleges and universities to establish a central electronic system to provide timely advising and counseling information to students across the state, including a feature that will allow students to monitor their degree progress electronically. This effort will increase access to key information for students and can act as an incentive to stay on track and finish their degree.

STRATEGIC PLANNING, BUDGET AND FINANCE COMMITTEE (Chair: Regent Bulla)

Budget Update (Agenda Item #2)

Regent Bulla stated that the Board will receive a status report on the state budget, including presentations by the University Presidents on implications for the universities' budgets.

Sandra Woodley joined the meeting for this presentation.

Regent Bulla stated that the Committee met on January 8th to discuss the long-term plan and what resources would be needed to be successful. He stated that it has become even more important to continue this discussion because the pending budget crisis could have long lasting implications on the Board's ability to succeed. The Committee has also been meeting and working with the Ad Hoc Committee on Budget to discuss the potentially drastic cuts to higher education.

The Committee has been working diligently to understand the specific planning each university is doing related to the looming cuts. The Board has received very bad news regarding a legislative proposal that would enact over \$175 million in cuts and \$68 million in fund sweeps, totaling \$243 million in 2009 and \$371 million or more in 2010. These options do not include accounting options or borrowing which some legislators are open to.

Before leaving office, former Governor Napolitano submitted her budget that included rollovers for the universities and others, securitization of the tobacco tax settlement and securitization of the general fund portion of lottery dollars. Governor Brewer has not yet weighed in on the budget, but we expect her to be an integral part of the negotiations. Recognizing that time is of the essence, legislative leadership is pushing to resolve the FY09 budget before February 1, as options are limited as state spending continues monthly.

Each of the presidents will speak to what these cuts mean to their campuses as well as some of the long-term consequences if these levels of reductions are enacted.

President Shelton stated that for the University of Arizona, the number that comes out of the proposal that is proposed by the Chairs of the Appropriations Committee at the legislature at this time would be a \$103 million cut in state support for this fiscal year. To put this in perspective it equals 2000 jobs or about half the jobs funded by the state general fund. It is also the equivalent to the four colleges of science, agriculture and life science, nursing and pharmacy.

President Shelton stated that the University of Arizona recognizes the serious budget problems the state faces and is willing to do its fair share. The University of Arizona has been preparing to change how it does research; delivers education and delivers out-reach around the state. It is the university's role to continue educating highly skilled workers for this state. The university also needs to take into account the impact budget cuts will have on other employers in the state. If this proposal is accepted, it will force massive layoffs, closure of departments and possibly whole colleges, create fewer class sections and larger classes, services to students will be reduced, fees and tuition will be increased, highly skilled faculty will be lost and research grants will be lost.

President Crow stated that he believed the budget cuts put forth by the Appropriations Committee would seriously change the structure and purpose of the universities. He stated that the level of reductions being proposed would reduce student funding to a level equal to funding received in 1989. If you look at the cumulative options to be considered it is a 55% reduction in the state's investment in the institution. The university will look at raising revenue: increasing fees and tuition, tuition surcharge; redesigning the institution: program elimination, college elimination and campus elimination; and reducing costs: furloughing employees, eliminating employees.

President Haeger stated that it is very hard to talk about these cuts because the magnitude of the cuts is difficult to get your arms around. Northern Arizona University's cuts are more than \$31 million. Northern Arizona University has, like the other universities, been taking action since mid 2009. President Haeger stated they are beginning to scale back services at distance learning sites, there is a possibility of furloughs, layoffs, stop the development of health profession programs, major reductions in colleges, departments and service units, possible closure or downscaling of distance learning sites, and additional program fees and tuition.

In the interest of time constraints further discussion on this item was tabled until the Board reconvenes on Friday.

Status Report on Strategic Planning, Budget and Finance Committee (Agenda Item #3)

Regent Bulla stated that the Board would receive a status report regarding the ongoing work of the strategic planning effort.

Sandra Woodley joined the meeting for this presentation. Regent Bulla stated that he believed the budget crisis underscores the need for the Board to have a long-term plan. It

needs to be understood how the short-term budget cuts will impact the universities ability in the long-run.

The framework, performance targets, and a model for projecting resources needed for the plan are complete and that gives the Board the ability to adapt and adjust as things change. Unfortunately, a great deal may change over the next several years. The Board needs to continue working on its long-term vision, even if expectations need to be adjusted based on these hard times. This is part of the reason the plan was developed within a range so there would be an ability to adjust and adapt as needed.

The Committee's work on the macro plan is almost complete and it is hoped that it will come to the March meeting for final approval of the Board.

Regent DeConcini asked if this plan would reflect the crisis that is occurring within this state. Regent Bulla stated that the plan would reflect the changes as they were determined. Regent DeConcini asked if the gold standard would change based on the economic conditions or would there be a statement that if the economic conditions changed there could be a reduction based on those changes. Sandy Woodley responded by saying that the universities would meet various goals. The bronze level would be maintaining the current position. If the next couple of years is really terrible, which we hope it won't be, then they plan could change to how do we get back to at least the bronze level in the remaining years of the plan.

Exception to Board Policy 2-103A "Enrollment" (Agenda Item #4)

Regent Bulla stated that the Board was being asked to approve an exception to Board Policy 2-103A for a two-year period to increase the limit on full time non-resident undergraduate enrollment from 30 percent to 40 percent. He stated that this item pertains to the need to provide flexibility to our universities as they weather the budget storm. There are, potentially, several other items to come to the Board as this process unfolds.

Nancy Tribbensee joined the meeting for this presentation.

Regent Martinez, Regent DeConcini and Regent McLendon all expressed their need to protect in-state students. Regent Martinez stated that he understood the need for this change, was glad that the status quo would be protected, but was still not certain that he could support it.

Upon motion by Regent Bulla, seconded by Regent McLendon, the Board approved an exception to Board Policy 2-103A "Enrollment," for a two year period to increase the limit on full time non-resident undergraduate enrollment from 30 percent to 40 percent, provided that the total number of in-state students at each university remains at or above fall 2008 levels, with Regent Martinez casting the only no vote.

CAPITAL COMMITTEE (Chair: Regent Calderón)

Revised FY 2009 Capital Development Plans (NAU, ASU) (Agenda Item #5)

Regent Calderón stated that in the next item, Northern Arizona University and Northern Arizona University were requesting approval of revisions to their FY 2009 Capital Development Plans (CDP's).

Lorenzo Martinez, Jane Kuhn and Morgan Olsen joined the meeting for this presentation.

Northern Arizona University was requesting approval of its Revised FY 2009 Capital Development Plan (CDP) and authorization to proceed with advance planning and preliminary design for 5 projects totaling \$227.1 million, and 2 third-party housing projects, for which costs are yet to be determined.

Arizona State University was requesting approval of its Revised FY 2009 Capital Development Plan (CDP), which includes 7 projects totaling \$387.5 million, and 2 third-party housing projects, for which costs are yet to be determined.

Regent Calderón stated that when the Capital Committee reviewed and approved these items, that approval of the plans was for planning and design activities, and that future approvals for continued project activity and actual construction are not guaranteed given the current economic and budget conditions.

Upon motion by Regent Calderón, seconded by Regent Mariucci, the Board unanimously approved the Northern Arizona University and Arizona State University Revised FY 2009 Capital Development Plans, as presented in the Executive Summaries, with the caveat that future approvals for continued project activity and actual construction are not guaranteed given the current economic and budget conditions.

Revisions to Real Estate Transaction with Laguna Pacific Company for a 9.5 Acre Parcel on the Rio Salado Parkway East of Rural Road (ASU) (Agenda Item #6)

Regent Calderón stated that Arizona State University was requesting approval of revisions to a property transaction with Laguna Pacific Company. The revisions would allow the sale of the 9.5 acres. The request includes a waiver of Board policy requiring public auction.

Lorenzo Martinez and Morgan Olsen joined the meeting for this presentation.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board approved Arizona State University's request to amend the agreement with Laguna Pacific Company for the sale of property on Rio Salado East, including waiver of Board policies requiring a public auction and appraisals that are less than 6 months old, as presented in the Executive Summary. Regent DeConcini voted against this motion.

RECESS

The meeting recessed at 4:00 p.m. and reconvened at 10:00 a.m. on Friday, January 23, 2009

REPORT FROM VICE PRESIDENT FOR HEALTH AFFAIRS, UNIVERSITY OF ARIZONA

Dr. William Crist reported on the progress of the development of the College of Medicine campus in Phoenix.

Dr. Stuart Flynn reported on the progress and delivery of the medical curriculum as well as the results of a review by a national accrediting body for medical schools, LPME. Two classes have been admitted to the Phoenix campus. Second year students number 24, and first year students number 48. The second year students are about ready to take step one of the national boards. Bigger classrooms are needed and are being provided with the help of ASU. The new health education building, when complete, will help with the classroom issues. The LPME just completed a site review on both campuses and the preliminary results of the review are exceedingly positive.

Dr. Crist stated that to expand the opportunities for health science education, it is important that the colleges establish strong ties with robust health systems, which provide access to patients. Thus, he, the Dean and Provost are discussing expanding the affiliations with several of the major health systems in the Phoenix area. The College of Medicine will be formalizing and expanding existing relationships with Phoenix Childrens Hospital, Maricopa County Hospital, VA Hospital and one of the big private health systems. These will not be exclusive relationships, but will be focused relationships.

PUBLIC AWARENESS COMMITTEE (Chair: Regent DuVal)**Federal Higher Education Issues (Agenda Item #13)**

Regent DuVal stated that the Board would receive a report on higher education issues at the federal level, including the status of an economic stimulus package and presidential and congressional initiatives relative to higher education.

Regent DuVal stated that shortly after the election, various higher education groups weighed in on items to be included in a federal economic stimulus package. The American Council on Education, on behalf of a coalition of higher education associates, called on Congress to make higher education a critical part of the stimulus package currently under consideration. The group proposed a series of federal investments in student aid and campus infrastructure to benefit public and private institutions. There is also an open letter to then President-Elect Obama organized by the Carnegie Corporation which urges that the stimulus package include direct investments that would support both higher education teaching and research facilities in partnership with the states.

In addition to the stimulus package, there are many other policy issues at the federal level effecting higher education. Shay Stautz, Associate Vice President for Federal Relations for the University of Arizona joined the meeting to discuss issues impacting higher education at the federal level.

Mr. Stautz stated that 2009 will be a pivotal year for education with the passage of the Higher Education Opportunity Act, and the Veterans Educational Assistance Act, both of which will be implemented in 2009, the election of Barack Obama and a new congress and the economic crisis that is bringing the economic stimulus bill for higher education.

The Higher Education Opportunity Act had key themes of increased transparency and accountability. The legislation includes a significant number of reporting requirements for colleges, textbook publishers, lenders, the U. S. Department of Education and others to better inform consumers. It also intends to foster greater accountability on states' part in financing their share of public postsecondary education by imposing a Maintenance of Effort (MOE) requirement. Under this provision, states must appropriate operating funds for their public colleges and universities, and for financial aid programs provided to private institutions in the state, in an amount equal to or greater than the average during the prior five years. The National Governors Association has requested the U.S. Department of Education waive this requirement for the next budget cycle due to the current recessionary impact on states.

The Post-9/11 Veterans Education Assistance Act of 2008 provides veterans with at least 90 days active duty service post-9/11 and remaining GI Bill eligibility with tuition and required fee payments scaled to the most expensive public college in their state of residence, a housing stipend for some veterans, and a book stipend.

Accreditation reform is an issue that will probably come up again this coming year. Endowment is another issue that will probably come up again in 2009.

Considerable potential exists for the actions of President Obama to impact state higher education policy decisions in 2009, both through enactment of his various campaign policy proposals and through inclusion of higher education as part of the administration's economic recovery strategy.

The stimulus package looks as though it will be in the realm of \$825B, \$550B in spending and the remainder in tax cuts. It appears that the package will include some relief for states that are heavily impacted by the economic crisis and includes funding for higher education.

President Crow described the open letter entitled the Higher Education Investment Act which, addressed to President Obama and his administration, was issued by a group of higher education leaders that included President Crow and President Boice and was enclosed by President Haeger and President Shelton, and urged the new administration to invest in higher education as a means of rebuilding the economy.

President Crow stated that ASU's federal agenda is to focus its energy on being prepared for the initiatives that lie ahead.

President Shelton stated that the University of Arizona federal relations department deals with public policy issues, federal funding requests and invitations for federal officials to visit the campus. The university systematically monitors and provides input on legislation that deal with education. The university also works with the Arizona delegation and federal officials to highlight the universities capabilities. President Shelton suggested that the three

universities could pool their efforts in the federal research funding area, endowment issue, and the area of financial aid.

President Haeger stated that Northern Arizona University's priorities are financial aid and Pell Grants, TREO Program, various research projects and the federal stimulus package. President Haeger suggested that the three universities could approach the Congressional Delegation as a group particularly in regards to the stimulus package and all three universities are working around various aspects of energy and sustainability and maybe there is some room for collaboration.

Shay Stautz stated that the universities have reached out to the delegation to make clear how the various proposals would impact the universities, what the universities interests are, what the impact on the students would be, etc. The universities will stay in touch with the delegation. The universities are also reaching out to various leadership people.

Regent Calderón asked if the universities could provide the Board with an inventory of the various activities at the federal level, including specific funding they is being pursued, etc. Regent DuVal agreed to have the universities provide this.

Solutions Through Higher Education (Agenda Item #14)

Regent DuVal stated that the Board would receive an update on Solutions Through Higher Education.

Andrea Smiley and Kathleen Templin, NAU student and ASA Board member, joined the meeting for this presentation. Kathleen is one of several students who were instrumental in achieving an end-of-year recruitment boon for the Coalition.

Regent DuVal stated that as is often the case, the younger generation is on the frontier of technological change and development. While many of us are still mastering the art of e-mail or marveling at the vastness of the internet, students are pushing the boundaries of the current technological movement: social networking. At the last Board meeting, Andrea shared with the Board that the Coalition would be working with the students to tap into the power of social media and engage a much broader audience through things such as Facebook and YouTube. Regent DuVal showed a video, "Did You Know" which raised questions that are central to the Solutions message such as "What does it mean to prepare students for the 21st century? What skills to students need to survive and thrive in this new era? What role do universities play in shaping the future?"

Kathleen then showed the video that the students developed to use as an educational and recruitment force on social networking sites. Regent DuVal stated that with the help of the students and social media tools, this campaign has the potential to grow exponentially. He stated that the Coalition now has 5,400 members and their message is resonating with the citizens of Arizona, but we cannot afford to lose momentum now.

AUDIT COMMITTEE (Chair: Regent Mariucci)

Report from the Audit Committee (Agenda Item #21)

Regent Mariucci reported on the January 22, 2009 meeting of the Audit Committee. She stated that audit reports issued by the university auditors during the last quarter were presented and accepted. An independent auditor's report on Agreed-Upon Procedures at the Department of Intercollegiate Athletics at the University of Arizona for FY 2008 was also reviewed.

ASU Audit reviewed allegations received by NIH. It appears that the issues involved were more along the lines of understanding rules and needing training rather than intentional misdeeds. The auditors expanded their audit plan and included other grants to see if similar misunderstandings exist and whether additional training might be needed. Relations with NIH remain good.

Regent Mariucci stated that at the Audit Committee discussed the Construction Costs Audit of the High Country Conference Center. There were some issues that the Audit Committee was concerned about, but the financial findings were not overwhelmingly significant. The Audit Committee asked the working group of the university's construction teams to assist with addressing any resource limitations that NAU might have and asked ABOR staff to work with the universities to determine how construction management resources could be leveraged system-wide to assist NAU.

Draft guidelines governing the relationship between component unit affiliates and universities were approved by the Committee and will come to the full Board in March.

The Audit Committee accepted the UA's and NAU's FY 2008 audited Financial Reports. ASU's report has not been issued yet. The Committee discussed the timeliness of issuing Financial Reports. The universities have been issuing their annual reports in late December. The Committee has asked that the universities issue their reports within 120 days and Board staff, in consultation with the controllers and Auditor General staff, will continue working on a series of goals so that university Annual Financial Reports can be done within 120 days.

The Committee was presented with a new methodology for assessing the financial strength of the universities. The methodology consists of four ratios and a single indicator of financial strength, the Composite Financial Index. The ratios provide a basis for comparing the financial strength of each university to its peers, and for assessing financial trends over time. The FY 2008 ratios reflect the financial structure of the Arizona system, which is characterized by, among other factors, constraints on state support, low tuition, high expenses, and lack of state-funded financial aid. The ratios indicate Arizona's universities are operating very close to the financial margin. The ratio analysis will be discussed further at the next Audit Committee meeting.

HUMAN RESOURCES COMMITTEE (Chair: Regent Bulla)**Notice of Appointment and Multiple-year Employment Contract for President of the University of Arizona (Agenda Item #15)**

Regent Bulla stated that the Board was being asked to approve the Notice of Appointment and Multiple-year employment contract for Dr. Robert Shelton as President of the University of Arizona. The Board has been very pleased with the accomplishments that President Shelton has made and he thanked President Shelton on behalf of the Board.

Upon motion by Regent Bulla, seconded by Regent Boice, the Board unanimously approved the Notice of Appointment and Multi-year Employment Contract for Robert Shelton, President of the University of Arizona, according to the terms and conditions set forth in the Executive Summary.

Reorganization of Technology and Research Initiative Fund (TRIF) Program (ASU)
(Agenda Item #16)

Regent Bulla stated that the Board was being asked to approve Arizona State University requests for changes to its TRIF initiative budgets and programming in order to focus on emerging targeted research areas and to streamline its TRIF initiative structure in light of projected funding shortfalls in FY 2009 and FY 2010.

Upon motion by Regent Bulla, seconded by Regent McLendon, the Board unanimously approved the reorganization of the Technology and Research Initiative Fund (TRIF) Program at Arizona State University as presented in the Executive Summary.

STRATEGIC PLANNING, BUDGET AND FINANCE COMMITTEE (Continued) (Chair: Regent Bulla)

Budget Update (Continued) (Agenda Item #2)

Regent Bulla stated that from subsequent conversations it is apparent that the Board is not prepared to vote on some of the necessary items that the Presidents might need to continue to make changes due to budget constraints, such as furloughs, etc. Regent Bulla stated that he believed the Board would need to find time to have a special meeting in the near future to assist the universities with any tools they need to deal with this crisis.

LEGISLATIVE AFFAIRS COMMITTEE (Co-chairs: Regent McLendon and Regent DuVal)

Report on Legislative Activities (Agenda Item #22)

Regent McLendon reported on legislative activities. He stated that the Board will be asked to review and may wish to provide additional guidance on the positions on legislation as recommended by the Legislative Affairs Committee.

Christine Thompson joined the meeting for this presentation.

Regent McLendon welcomed Governor Brewer to the Board and stated that the Board was looking forward to working with her. The Legislature convened session on January 12. About 600 bills, memorials and resolutions have been introduced, with more to come before the bill introduction deadline in early February. The Legislative Affairs Committee, met

December 17, January 9th and January 23rd to review and provide guidance on proposed legislation.

Christine Thompson provided an update on legislation and the session. Several bills that were introduced last year are being reintroduced this year. There are two bills that could be detrimental to the university system. The first is HCR 2002 which proposes a constitutional amendment to abolish the Board of Regents and create separate governing boards for each institution. There is a similar bill HB2093 which creates an advisory board for each public university comprised of 5 members.

Regent McLendon then offered a recommendation to the Board that Christine be directed to continue to advocate on behalf of the Board and in accordance with the positions adopted by the Legislative Affairs Committee. In the interim before the next Board meeting, and if acceptable to the Board, the Legislative Affairs Committee will give direction to the universities relative to the positions on legislation before the next Board meeting.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

J.C. Mutchler reported that the Arizona Faculties Council major topic of discussion was the budget. On behalf of the AFC he thanked the Board for their strong support of education. The AFC is working directly with Solutions to assist with possible legislation. He further stated that there are many faculty who are experts in their fields and are more than willing to assist the Board in any way possible.

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

Regent Boice thanked President Shelton and all the staff for an extremely well-done Board meeting and for making everyone feel welcome.

ADJOURNMENT

The meeting adjourned at 11:17 a.m.

SUBMITTED BY:

Margaret L. Martin
Secretary to the
Board

APPROVED BY:

Fred T. Boice
President