

MINUTES OF A MEETING



April 30 & May 1, 2009

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**MINUTES OF A MEETING
ARIZONA BOARD OF REGENTS
Thursday and Friday, April 30 and May 1, 2009**

A meeting of the Arizona Board of Regents was held April 30 and May 1, 2009, in the Student Union Memorial Center, at the University of Arizona, Tucson, Arizona.

President Boice called the meeting to order at 9:30 a.m.

Present: Regent Boice
 Regent Bulla
 Regent Calderón
 Regent DeConcini
 Regent DuVal
 Regent Leonard (Thursday only)
 Regent Martinez
 Regent McLendon
 Regent Meyer
 Governor Janice Brewer (Thursday morning only)

Absent: Regent Mariucci
 Superintendent Horne

Also present were President Robert Shelton, Mr. Gregory Fahey, Dr. Gene Sander, Ms. Judith Leonard, Dr. Jacqueline Mok, Ms. Carla Nunn, Dr. Leslie Tolbert, Dr. Meredith Hay, Dr. William Crist, Mr. Mike Proctor and Mr. Joel Valdez, University of Arizona; President John Haeger, Dr. Elizabeth Grobsmith, Mr. Mark Neumayr and Dr. M. J. McMahon, Northern Arizona University; President Michael Crow, Mr. James Rund, Mr. Rich Stanley, Dr. Elizabeth Capaldi, Mr. José Cárdenas, Dr. Christine Wilkinson and Mr. Morgan Olsen, Arizona State University; Executive Director Joel Sideman, Board Counsel Nancy Tribbensee, Secretary to the Board Peggy Martin, Ms. Christine Thompson, Ms. Andrea Smiley, Ms. Stella Galaviz, Dr. Sandra Woodley, Ms. Cathy McGonigle, Ms. Stephanie Jacobson, Mr. Dan Anderson, Mr. Lorenzo Martinez, Ms. Gale Tebeau, Mr. Mark Denke, Mr. Rick Gfeller, and Ms. Kathy Bedard, Central Office; and Mr. David Harris, Mr. Ted Ferris, Ms. Karla Phillips, Governor's office and Dr. J. C. Mutchler, Arizona Faculties Council.

All lists, report, summaries, background materials and other documents referred to in the minutes can be found in the April 30 and May 1, 2009 Documents Files

Regent Boice welcomed everyone to the meeting.

Regent Martinez led the Pledge of Allegiance.

Regent Boice then introduced Governor Janice Brewer, Senator Linda Grey, Representative Rich Crandell, and Tim Bee.

Regent Boice then stated that the Governor had asked if we could change the order of the agenda somewhat as she would like to participate in the election of officers.

Election of Officers (Agenda Item #21)

Regent Boice stated that the next order of business would be Item #21, Election of Officers. He stated that the Board needed to elect officers to serve for the period July 1, 2009 through June 30, 2010. The Bylaws provide that the Student Regent, in this case Ross Meyer, will be the Assistant Treasurer, so it will not be necessary to vote on that position. Regent Boice stated that he would entertain a motion from the Nominating Committee.

Regent McLendon stated that on behalf of the nominating committee, he would like to nominate Ernest Calderón for President, Fred DuVal for Vice President, Bob McLendon for Secretary and Dennis DeConcini for Treasurer. Regent DeConcini seconded the nominations.

Upon motion by Regent McLendon, seconded by Regent DeConcini, the Board unanimously approved the following officers to serve for the period July 1, 2009 through June 30, 2010: Ernest Calderón for President, Fred DuVal for Vice President, Bob McLendon for Secretary and Dennis DeConcini for Treasurer.

GOVERNOR BREWER'S PRESENTATION

Governor Brewer then spoke about the budget crisis, her plan and the use of stimulus money. She stated that she knew that the Board was aware of the condition of the budget crisis and they had also been briefed on the stimulus and potential uses of stimulus money. She further stated that she had read the FACT report and appreciated the thoughtfulness and willingness of the Board and the universities to help address the worst budget shortfall Arizona has ever seen.

She stated that she recognized and appreciated that the Board was struggling through a financial crisis as well. The Board is faced with very difficult decisions, one of which is before the Board today. The Governor will apply for and accept federal stimulus funds. Clearly a great deal of responsibility is placed in the Governor's Office to both apply for and be accountable for the distribution of the stimulus funds. Under the prescribed formulas, Arizona is projected to receive a little over \$1 billion in State Fiscal Stabilization Funds, 82% of which are specifically for K-12 and higher education. These federal stimulus dollars won't solve the state's budget problems, but they will help.

The Regent's mission today is to utilize the federal stimulus dollars effectively to mitigate the current university budget shortfall. The Governor stated that she brought her personal commitment to utilize and apply federal stimulus dollars over the next couple of years in a way that can best mitigate the impacts of today's proposals to dramatically increase tuition. She asked for the Regent's commitment to the development of a long-term plan to reform the business model. The fact is, once these federal dollars are used up, the university system will likely face another huge financial shortfall. So, the universities and Regents need to begin preparations immediately for the day that the federal dollars disappear.

She stated that her five-point budget plan to build a better Arizona was created to be comprehensive, sustainable and to look long-term. The universities budget plans for today must be the same and must consider tomorrow. The Regents must not crush or defeat the aspirations of the students. She stated that she firmly believes that our economic future is incumbent upon the universities' success. These incredible challenges that are faced today should be viewed as an opportunity to make the big changes that are needed for the future.

She asked the Regents to commit to providing, by fall, a new business model that is accountable, predictable, and affordable to taxpayers, parents, and students. She knows that the Regents have already begun working on this, but now is the time to act. Accountability means looking at graduation rates, retention rates and transfer rates. Predictability means having the classes that you need to graduate as well as knowing how much it will cost to graduate. Affordability means giving students choices and financial certainty that recognizes the difference in the types of degrees, types of institutions and the location of students. Having most of the undergraduates in research level universities is too expensive.

In summary, she stated that it was her desire to work closely with the Board to build a plan that will return Arizona to the path of prosperity. The federal stimulus dollars must be used wisely and the Board must make good use of the extra time the stimulus provides. A lack of progress on a plan will quickly bring us to a cliff. Together we can avoid the cliff, correct the economy and provide an excellent education to the students who represent the foundation of the future.

Several Regents expressed their support. President Boice thanked the Governor for her comments, her presence and hard work. The Governor then had to leave the meeting.

CONSENT AGENDA

Item #8 was removed from the 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 DuVal, seconded by Regent Bulla.

***Minutes**

The March 12-13, 2009 Regular Board Meeting Minutes, January 19, 2009 Executive Session Minutes, January 22-23, 2009 Executive Session Minutes and the January 27, 2009 Executive Session minutes were approved.

RESOURCES COMMITTEE CONSENT AGENDA

***New Award from the Cambridge University Press (ASU) (Agenda Item #7)**

The Board approved Arizona State University's request for Board approval for acceptance of a new award of \$1,581,700 from the Cambridge University Press.

CAPITAL COMMITTEE CONSENT AGENDA

***Proposed Revisions to ABOR Policy 3-411 “Annual Report on Debt Capacity,” Policy 7-107 “Capital Development Plan,” Policy 7-109 “Project Approval,” and Policy 7-111 “Project Closeout” (Second Reading) (Agenda Item #16)**

The Board approved the proposed revisions to ABOR Policies 3-411, 7-107, 7-109, and 7-111. The revisions provide clarification and expand the information submitted to the Capital Committee and the Board. The majority of the proposed revisions have been implemented in practice.

HUMAN RESOURCES COMMITTEE CONSENT AGENDA

***Approval of Appointment of Regents’ Professors (ASU) (Agenda Item #18)**

The Board approved Arizona State University's request for approval to promote five faculty members to the rank of Regents’ Professor.

***Proposed New Policy 6-810 “Furloughs” and Related Revisions to Board Policies 6-101 “Conditions of Administrative Service,” 6-201 “Conditions of Faculty Service,” 6-301 “Conditions of Professional Service,” 6-402 “Compensation Administration Policies” and 6-801 “Paid Holidays” (Second Reading) (Agenda Item #19)**

The Board approved a proposed new policy 6-810 authorizing the University Presidents and Executive Director to develop and implement furlough plans for the universities and the Central Office and to revise Board Policies 6-101, 6-201, 6-301, 6-402 and 6-801 to address furloughs.

ADMINISTRATIVE CONSENT AGENDA

***Approval of Regents Awards for Outstanding Service to Higher Education (Agenda Item #23)**

The Board approved the recommendations of the Regents Award Selection Committee to present the 2009 Regents Awards to Joseph and Marie Rolle, Sarah Smallhouse, and Craig and Connie Weatherup.

CALL TO THE AUDIENCE

Per Board Policy 1-114, time has been 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.

Judy Gignac - UMC Board of Directors - spoke in favor of the College of Medicine, University Medical Center and University Physicians Healthcare Strategic Planning process.

Mary Palbykin - Sonora Quest Laboratories - spoke in favor of maintaining the CLS program.

Sandra Galladro - College of Medicine - spoke about the concerns regarding the changes in administration and philosophy at the College of Medicine.

Erika Engstrom - Student in the School of Materials at ASU - spoke against the engineering reorganization in regards to the School of Materials.

Kathryn Eberhardt - Student in the School of Materials at ASU - spoke against the engineering reorganization in regards to the School of Materials.

Jordan Kennedy - Student in the School of Materials at ASU - spoke against the engineering reorganization in regards to the School of Materials.

S. Karthik - Student in the School of Materials at ASU - spoke against the engineering reorganization in regards to the School of Materials.

Ed Nied/Patrick Kelly - Tucson Fire Department and Pima College - spoke in favor of maintaining the Fire Service Degree Programs.

RESOURCES COMMITTEE (Chair: Regent Calderón)

Request for One-Year Exception to Board Policies 4-100 “Definitions Used in Setting Tuition and Fees” and 4-104 “Procedure for Setting and Distributing Tuition and Fees” (Agenda Item #1)

Regent Calderón stated that the Board was being asked to approve a one-year exception to Board Policies 4-100 and 4-104. The exception would be effective through June 30, 2010, and would permit undergraduate resident base tuition and mandatory fees to exceed the current limit of the top of the lower one-third of rates set by the 50 senior public universities.

Nancy Tribbensee and Sandra Woodley joined the meeting for this presentation.

Nancy Tribbensee described this exception and stated that the exception is in effect for all tuition decisions made through June 30, 2010.

Regent Martinez asked if there was a commitment, specifically by the Tuition Task Force, to creating a new tuition setting policy. Regent Calderón stated that he could not answer for the Tuition Task Force, but with this crisis, he believed that everything needs to be looked at including the possibility of a new tuition setting policy.

Upon motion by Regent Calderón, seconded by Regent Bulla, the Board approved the exception to Board Policies 4-100 and 4-104 as described in the executive summary with the understanding that unless the Board takes further action on this issue, the exception will expire after June 30, 2010. Regent Martinez voted against this motion.

Request for One-Year Exception to Board Policy 4-101 B “Authority to Set Tuition and Fees” (Agenda Item #2)

Regent Calderón stated that the Board was being asked to approve a one-year exception to Board Policy 4-101 B. The exception would be effective through June 30, 2010, and would permit the Board to set tuition for the College of Medicine at an amount in excess of the top of the lower one-third of rates set by all other state supported colleges of medicine for resident fees.

Nancy Tribbensee and Sandra Woodley joined the meeting for this presentation.

Nancy Tribbensee described this exception and stated that the exception is in effect for all tuition decisions made through June 30, 2010.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously approved the exception to Board Policy 4-101B as described in the executive summary and with the understanding that unless the Board takes further action on this issue, this exception will expire after June 30, 2010.

Tuition Surcharge and Increases in Mandatory Fees for the 2009-2010 Academic Year (Agenda Item #3)

Regent Calderón stated that the Board was being asked to approve a tuition surcharge and increases in mandatory fees for the 2009-2010 academic year. The Board approved 2009-2010 academic year base tuition and mandatory fees at its December 2008 meeting.

Gale Tebeau and Sandra Woodley joined the meeting for this presentation.

The Board held its tuition hearing on April 20, providing students a forum to comment on the tuition and fee recommendations of the university Presidents. Students from all around the state, including leaders at each campus participated in the hearings.

President Shelton presented the University of Arizona's recommendations. He stated that the University of Arizona was focused on finding an optimal balance on funding sources and cuts to maintain the quality of education and the value of a degree, both to the individual who earns it and to the state that relies on these graduates for its economic health. Cuts in state funding have created a need for new revenue sources. Without the stimulus funds the university would be roughly \$3000 short per student. President Shelton stated that with the help of the financial model for mid cycle tuition surcharges and with certain assumptions about the amount of federal stimulus funds that will be received and the Governor's support, the University of Arizona is requesting a \$765 per year tuition surcharge for resident students and \$965 per year tuition surcharge for non-resident students and will continue to set-aside 20% of these funds for need-based student financial aid.

President Crow presented Arizona State University's recommendations. He stated that Arizona State University has taken many steps to balance the cuts from state funding. Employees are taking furloughs, salary reductions, class sections have been reduced, and there have been layoffs, program eliminations and reorganizations. President Crow stated

that with certain assumptions about the amount of federal stimulus funds that will be received he has revised his recommendations to be \$600 per year tuition surcharge for resident students and \$800 per year for non-resident students with a 22% set-aside for need-based student financial aid. President Crow stated that Arizona State University is still requesting the \$80 health fee.

President Haeger presented Northern Arizona University's recommendations. He stated that Northern Arizona University has added the IT fee into the tuition surcharge. President Haeger stated that his request is for \$422 per year tuition surcharge for resident students not on the mandatory plan and \$522 per year tuition surcharge for non-resident students with a 20% set-aside on the surcharge only for need-based student financial aid. President Haeger stated that Northern Arizona University has been figuring stimulus money into their recommendation all along. The cuts to the universities have been extraordinary. President Haeger stated that he believed the set-aside for financial aid needs to be reevaluated in relation to Northern Arizona University.

Regent Calderón stated that, as the Board heard from the Governor; the universities can expect to receive a very sizable amount of federal stimulus funding. If it were not for the receipt of the federal stimulus funding, the tuition surcharges would be significantly higher than those presented by the Presidents. The Board appreciates Governor Brewer's support and actions in this regard, because it enables the Board to mitigate the impact on Arizona's students.

Sandy Woodley gave a brief presentation on the tuition surcharge methodology. She stated that the methodology is not meant to be a new tuition policy; it is intended to look at the current economic crisis and the 2010 surcharge only. It is also not a new funding model.

Regent McLendon asked what it meant that in the notes it stated the scenario assumed that the general fund appropriations remained flat through 2012. Sandy Woodley stated that the assumptions for 2011 and 2012 were based on the general fund appropriations remaining flat. If that were to change, the assumptions would also change. Regent McLendon asked if the Board and the universities were just going to depend on the economy getting better to increase revenues. Sandy Woodley stated that there are some other options and Ted Ferris will be discussing those options during the FACT report. Regent McLendon stated that he was concerned about revenue for the universities.

Regent Martinez stated that he wanted to echo the sentiments of Regent McLendon and remind everyone that the students have to take on an extra burden because of the lack of investment of the legislature. Students and Arizona families are in the same situation economically as the State of Arizona is in and are many times less capable of handling the situation. It is shameful to be in state where the legislators do not see the value of an education and how it adds to the economy of the state.

Regent Bulla stated that these are difficult times and the universities are in a difficult situation. This Board is going to have to deal with some very serious issues in the near future. The difficult decisions that the legislature is going to have to make are going to increase over the next year or so. He stated that he is supportive of the president's recommendations, which

means President Crow's request for \$600 rather than the \$510 stated on the calculation form. Regent Bulla stated that he urged the Board to approve the \$600 figure for ASU.

Regent DuVal stated that he agrees with the previous remarks but he wants people to know that the Board has heard what they are saying and these lower numbers are a direct result of the communications the Board has received from various constituencies. The messages to the presidents has been to reduce the surcharge, continue to accept enrollment growth, set-aside a larger amount of money for financial aid, reduce the volume of fees, agree that the surcharge is not added to the tuition base but reviewed on an annual basis, and keep the AIMS merit scholarship as well as try to maintain other key programs. The Board hopes it has hit the right balance, but all of these things are additional stressors to the system. But remember that the Board has not avoided permanent increases, if things do not change, increases have just been deferred.

Regent DeConcini stated that he needed to thank the presidents for what they have done. The universities have taken cuts that have been damaging to their capabilities and possibly long term plans. He further stated that legislators need to support the Governor's five-point plan. The Board needs to take a strong position that this is the legislature that is causing this problem by refusing to support higher education.

President Boice recognized Rich Stanley for coming up with the methodology that is being used to determine the surcharge. Through the good work of Regent Calderón working with the Governor and various people in the Governor's office he stated that the Board had arrived at a reasonable compromise for stimulus funding and the amount of the surcharges.

Regent Leonard thanked the presidents for their leadership in absorbing large cuts while maintaining the institutions. She stated that it was important that the quality of education be maintained through these hard times.

Regent Calderón thanked Executive Director Sideman and the Central Office staff for their hard work on this issue. He thanked Ted Ferris for his hard work and thanked Jaime Molera and Christine Thompson for their hard work. He thanked Karla Phillips, Tom Manos and Eileen Kline at the Governor's office for their time and effort as well in helping work out these calculations. Regent Calderón then thanked Rich Stanley for helping to develop a common methodology.

Regent Calderón moved, and Regent DeConcini seconded the motion, that the Board, for the University of Arizona, establish an economic recovery surcharge in the amount of \$766 per year, \$383 per semester, beginning Fall 2009 for all resident students, prorated for resident students taking fewer than 7 credit hours; establish an economic recovery surcharge in the amount of \$966 per year, \$483 per semester, beginning Fall 2009 for all nonresident students, prorated for nonresident students taking fewer than 7 credit hours; establish a Regents Set Aside for need-based financial aid of 20% on all surcharge revenues; and to align with the policy changes previously approved in agenda item #1, this surcharge will expire after June 30, 2010, unless the Board takes further action. Motion passed seven in favor and one against with Regents Bulla, Calderón, DeConcini, DuVal, Leonard, McLendon and Boice voting in favor of the motion and Regent Martinez voting against the motion.

Regent Calderón moved and Regent DuVal seconded the motion, that the Board, for Northern Arizona University, establish an economic recovery surcharge in the amount of \$350 per year, \$175, per semester, beginning Fall 2009 for all new resident students and for those resident students not on the Guaranteed Tuition Plan (resident students who began the Guaranteed Tuition Plan in Fall 2008 will be exempt), prorated for resident students taking fewer than 7 credit hours; establish an economic recovery surcharge in the amount of \$450 per year, \$225 per semester, beginning Fall 2009 for all new nonresident students and for those nonresident students not on the Guaranteed Tuition Plan (nonresident students who began the Guaranteed Tuition Plan in Fall 2008 will be exempt), prorated for nonresident students taking fewer than 7 credit hours; establish a Regents Set Aside for need-based financial aid of 20% on all surcharge revenues, and to align with the policy changes previously approved in agenda item #1, this surcharge will expire after June 30, 2010, unless the Board takes further action; and approve an increase of \$72 in the mandatory information technology fee for students at all Northern Arizona University campuses. Motion passed seven in favor, one against with Regents Bulla, Calderón, DeConcini, DuVal, Leonard, McLendon and Boice voting in favor of the motion and Regent Martinez voting against the motion.

Regent Calderón moved and Regent DeConcini seconded the motion, that the Board, for Arizona State University, establish an economic recovery surcharge in the amount of \$510 per year, \$255 per semester, beginning Fall 2009 for all resident students, prorated for resident students taking fewer than 7 credit hours; establish an economic recovery surcharge in the amount of \$710 per year, \$355 per semester, beginning Fall 2009 for all nonresident students, prorated for nonresident students taking fewer than 7 credit hours; establish a Regents Set Aside for need-based financial aid of 22% on all surcharge revenues, and to align with the policy changes previously approved in agenda item #1, this surcharge will expire after June 30, 2010, unless the Board takes further action; and establish a Health and Wellness fee in the amount of \$80 per academic year, \$40 per semester, beginning Fall 2009 for all students, students taking fewer than 7 credit hours will pay one-half this amount.

Regent Martinez moved and Regent DeConcini seconded the motion, to amend the motion to include the creation of a student advisory group, selected by ASU's student government, to work with President Crow and/or his designees, on the use of the Health and Wellness fee. The Board approved the amendment with Regents Bulla, Calderón, DeConcini, DuVal, Leonard, McLendon and Martinez voting in favor of the amendment and Regent Boice voting against the amendment.

Regent Bulla discussed making an amendment to the motion to increase the surcharge from \$510 to \$600.

Regent Boice stated that there was a methodology that involved all three institutions and if we are going to abandon the methodology for one university shouldn't we give the other two universities the same option. He also stated that there had been discussions with the Governor regarding the distributing of the stimulus and changing the methodology now could cause problems with the distribution of the stimulus funds. Regent Boice asked that if you give ASU more money on the methodology does it mean that you need to decrease how much stimulus money they would get.

Regent DeConcini stated that he believed that if the Regents wanted to change the methodology if they felt it was necessary. He believed that this request, in this instance, was reasonable.

Regent DuVal stated that he thought that the methodology had been changed somewhat in that ASU would be using an amount of 22% for the Regents Set Aside, while the other universities were using 20%.

Sandy Woodley stated that increasing their surcharge would increase the amount of overall money that they would get and will change the final methodology.

Regent Calderón stated that he would be voting against the amendment because he believed that it was important to the Governor that the amount of surcharge students are required to pay be as low as possible and he felt that the Board should stick with the methodology that had been worked out.

Regent Bulla moved and Regent DuVal seconded the motion to amend the motion for Arizona State University to establish an economic recovery surcharge by increasing the amount of the surcharge to \$600 per year, \$300 per semester, beginning Fall 2009 for all resident students, prorated for resident students taking fewer than 7 credit hours; and \$800 per year, \$400 per semester, beginning Fall 2009 for all nonresident students, prorated for nonresident students taking fewer than 7 credit hours. The motion for the amendment failed with Regents Bulla, DeConcini, DuVal and Leonard voting in favor of the motion and Regents Calderón, McLendon, Martinez and Boice voting against the motion.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board, for Arizona State University, established an economic recovery surcharge in the amount of \$510 per year, \$255 per semester, beginning Fall 2009 for all resident students, prorated for resident students taking fewer than 7 credit hours; established an economic recovery surcharge in the amount of \$710 per year, \$355 per semester, beginning Fall 2009 for all nonresident students, prorated for nonresident students taking fewer than 7 credit hours; established a Regents Set Aside for need-based financial aid of 22% on all surcharge revenues, and to align with the policy changes previously approved in agenda item #1, this surcharge will expire after June 30, 2010, unless the Board takes further action; and established a Health and Wellness fee in the amount of \$80 per academic year, \$40 per semester, beginning Fall 2009 for all students, students taking fewer than 7 credit hours will pay one-half the amount; and approved the creation of a student advisory group, selected by ASU's student government, to work with President Crow and/or his designees, on the use of the Health and Wellness fee with Regents Calderón, DeConcini, DuVal, Leonard, McLendon and Boice voting in favor of the motion and Regents Bulla and Martinez voting against the motion.

Regent Calderón stated that he wanted to emphasize that the vote for tuition surcharges today is effective only for the 2009-2010 academic year. The Board is not setting a tuition surcharge for the 2010-2011 academic year or for the 2011-2012 academic year. The modeling that was described for those years was for illustrative purposes only. Everyone needs to realize that the Board's vote was based on assumptions relative to the amount of stimulus funding that would be received and the expected general fund appropriation to the universities. If, for some reason circumstances change, that is, the universities don't receive

the level of stimulus funding that is expected or the budgets are cut more, the Board would have to assess the level of a tuition surcharge that would be necessary for the 2010-2011 academic year, and may be faced with having to set a much higher tuition surcharge for that academic year.

The Board would like to be in a position the next time it engages in the tuition-setting process to be confident that the Regents are considering all the latest relevant data that must be considered to make an informed decision, including final outcomes with respect to the university system's state budget. For that reason, the Board is considering the possibility of changing the tuition setting calendar to set tuition in the spring. Staff is being asked to review the possible options and bring a recommendation to the Board at the June meeting.

Regent Calderón also thanked all the members of the Tuition Task Force. He stated that the Task Force had done an admirable job on a variety of matters.

Adjustments to Differential Tuition and Special Program Fees for the 2009-2010 Academic Year (UA) (Agenda Item #4)

Regent Calderón stated that the Board was being asked to approve University of Arizona (UA) mid-year requests for differential tuition and special program fees for the 2009-2010 academic year. These charges to students are added to base tuition and mandatory fees.

Meredith Hay (UA), Dean Murdaugh, College of Nursing (UA), and Mark Denke joined the meeting for this presentation. Differential tuition for the Bachelor of Science in Nursing Traditional Program is based on the increased cost of instruction, increased technology fees and increased cost of preceptorship; increased fees for the Doctor of Nursing Practice Program and the PH.D. Program are for the increase cost of instruction and increased technology fees as well; and the Accelerated Bachelor of Science in Nursing Program has been totally funded by hospital partners until this year, but due to the economic situation two partners have been lost and the remaining partners have stated that their participation in the future, will decrease.

Upon motion by Regent Calderón, seconded by Regent Leonard, the Board unanimously approved special program fees for the Accelerated Bachelor of Science in Nursing Program, the Doctor of Nursing Practice Program, and the Ph.D. Program; and differential tuition for the Bachelor of Science in Nursing Traditional Program, in the College of Nursing at the University of Arizona, as presented in the executive summary with Regents Bulla, Calderón, DeConcini, Leonard, McLendon, Martinez and Boice voting in favor of the motion.

Adjustment of the University of Arizona College of Medicine Tuition for 2009-2010 Academic Year (Agenda Item #5)

Regent Calderón stated that the Board was being asked to approve an increase in tuition for the University of Arizona College of Medicine for the 2009-2010 academic year.

Dr. Stuart Flynn, Dr. Meredith Hay and Mark Denke joined the meeting for this presentation.

Dr. Flynn stated that the College of Medicine, Tucson and Phoenix, received budget cuts in FY 09 that amount to \$3,470,000. Additional resources are needed to continue the growth and development of the College of Medicine, Phoenix. Therefore, an increase in tuition is needed to continue to offer quality medical education for all medical students.

Regent Martinez stated that this is a big policy change and wants to make certain that the student government is included in the discussions regarding these changes. Dr. Flynn stated that student leaders have been meeting with the deans and they have been having discussions regarding these increases including why they are needed.

Upon motion by Regent Calderón, seconded by Regent Boice, the Board unanimously approved the University of Arizona's request to set 2009-2010 academic year tuition for all medical students at \$21,618, as presented in the executive summary, noting that such approval is subject to the one-year time limitation as approved in agenda item #2 with Regents Bulla, Calderón, DuVal, Leonard, McLendon, Martinez and Boice voting in favor of the motion.

Proposed Revisions to ABOR Policy 4-105 “Procedure for Establishing Special Class Fees and Deposits” (First Reading) (Agenda Item #6)

Regent Calderón stated that the Board was being asked to review, at first reading, a proposed revision to ABOR Policy 4-105 to increase the dollar threshold where a class fee or deposit needs Board approval and address additional applications of course fees.

Mark Denke joined the meeting for this presentation. He stated that this change would increase the amount of class fees requiring Board approval from \$50 to \$100 and also expand the definition of acceptable uses of class fees to include special instructional support. This change would be effective for Fall 2010.

Disclosure of Substantial Interest of University Employees in REhnu, LLC, and Polar Laser Laboratories, LLC (UA) (Agenda Item #8)

Regent Calderón stated that this item had been pulled from the consent agenda. The University of Arizona is requesting Board approval for specified university employees to hold a substantial equity interest in REhnu, LLC and Polar Laser Laboratories.

Leslie Tolbert (UA) and Nancy Tribbensee (CO) joined the meeting for this presentation. Leslie Tolbert stated that there are times when a UA invention which could fuel a start-up company that could subsequently fuel Arizona's economic growth, commercialization might require the strong and active involvement of a faculty member. There is a law that allows involvement of university employees in this sort of activity and the Board has policy regarding disclosure of substantial interests. These are situations in which there is a high likelihood of substantial use of a University of Arizona generated intellectual property in a company in which a UA member who generated the property will have a substantial interest. This most often will be the case with something that would not have been picked up by anyone else. Before these things are brought to the Board many things have already happened. The Office of Technology Transfer (OTT) speaks with hundreds of faculty over the course of a year that they think might have commercial value. The OTT personnel work with the faculty to define

the potential applications, perfect the required IP assets, and build pathways to market and in some cases these lead to licenses. Over 100 disclosures of intellectual property are filed with the Office of Technology Transfer in a given year and among the over 300 that have been filed in the last three years only 25 have been associated with enabling disclosures. Of those, 23 were recommended by the university's Institutional Research Committee for submission to the Board for approval. Of those 23, 14 have become university start-up companies. Dr. Tolbert stated that she approves all enabling disclosure information that comes to the Board and she weighs the potential risk of conflict of interest against potential societal benefit if the faculty member is allowed to move forward toward the entrepreneurial goal of a company that might fly on its own.

Regent DeConcini asked for additional information on this item. The Regents approve the disclosure of substantial interest based on statutory requirements but there is also an agreement that is being developed. He stated that as a Regent he believes that the Regents need to get more information on these items before they are approved. The Regents do not know the benefit to the public or what the benefit to the university is and if the universities' interests are protected. Regent DeConcini suggested that the Central Office legal counsel review what the standards are and work to develop a process that would allow the Board to know more about the terms and conditions of the agreements.

Patrick Jones joined the meeting for this portion of the discussion. He stated that many times the university or employee cannot engage, in any form, until the Regents have approved the disclosure of substantial interest.

Regent McLendon stated that he had spoken to Leslie Tolbert about this matter and determined that the university does a great deal of work before it gets to the Board and Nancy Tribbensee stated that the university process answers the requirements of the statute. Nancy Tribbensee stated that she was looking at the Board policy and the process of satisfying the statutory requirements does not provide a great service to the university, the inventors or the venture capitalists who are trying to fund a project. In working with the university Technology Transfer Offices, Dr. Tribbensee is trying to develop a Board level conflict of interest policy that satisfies the statute, but that will also get information to the Regents that will be helpful in the assessment of whether or not these individual disclosures are ones the Regents would like to approve.

President Shelton stated that as these requests are reviewed, they are coming before people that have lots of experience. There are norms that exist around the country for royalty payments, percentage of income, licensing agreements, etc., but, they vary tremendously depending upon the anticipated product and the area of science involved. He suggested that the Regents have their legal counsel look into the policies, issues and processes and determine what changes need and can be made.

Upon motion by Regent Calderón, seconded by Regent DeConcini, the Board unanimously authorized the University of Arizona to permit specified university employees to hold a substantial equity interest in REhnu, LLC and Polar Laser Laboratories, LLC while employed at the university, as described in the Executive Summary. Also, Nancy Tribbensee will work with the universities to revise the technology transfer reporting requirements to the Board, to

provide the Board with additional information about the nature of the negotiated deal for the transfer of technology to employee-owned or controlled companies.

RECESS

The meeting recessed at 12:45 p.m. and reconvened at 2:45 p.m.

REPORT FROM THE PRESIDENT OF THE UNIVERSITY OF ARIZONA

President Shelton then gave the Presidents report. President Shelton introduced the six students that were honored for outstanding academic achievements and community service: These students are Abraham Itty, recipient of the Robert Logan Nugent Medal; Nancy Hernandez, recipient of the Robert Logan Nugent Medal; Craig Sheedy, recipient of the Merrill P. Freeman Medal and the Walter Byers Award; Justine Schluntz, recipient of the Robie Gold Medal; Joseph Fu, recipient of the Robie Gold Medal; and Jessica Anderson, recipient of the Merrill P. Freeman Medal. Each of the students spoke a little about their experience at the University of Arizona.

ACADEMIC AFFAIRS COMMITTEE (Chair: Regent DeConcini)

Report from the Academic Affairs Committee (Agenda Item #9)

Regent DeConcini stated the next order of business was the report on the April 13, 2009 Academic Affairs Committee meeting.

He stated that the universities presented a proposal to modify the AIMS Scholarship which recommended reducing the amount of the award and limiting the times a student could take the AIMS test to qualify. The Committee asked the university to continue to consider other options before the committee is ready to forward any change options to the Board.

Each of the universities provided the committee an extensive report on their international studies programs and other initiatives in global engagement including study abroad, faculty research with an international focus and partnerships with universities in other countries. The committee requested that the universities provide additional information on overall revenues and costs of international programs.

Regent DeConcini stated that the committee had received the preliminary report on the Course Redesign Initiative. The initiative has been underway for the last few years and involves 10 undergraduate courses with large enrollments. It appears that the redesign courses save about \$1.8 million per year and either improve student performance or do not change performance. The outlay for this project was \$1 million, so if this level of savings is maintained, this will be an excellent return on investment and a significant outcome for improved productivity. Dr. Carol Twigg, of the National Center for Academic Transformation, who provided leadership for this project, will be at the June Board meeting to make the final report.

Spring 2009 University Enrollment Report (Agenda Item #10)

Regent DeConcini stated that the Board would receive a summary of spring semester enrollment to keep Board members updated on the number and type of students being served by the university system.

Dan Anderson joined the meeting for this presentation.

Dan Anderson stated that from Spring 2008 to Spring 2009, total headcount enrollment increased at ASU, NAU and the UA. Across all three institutions headcount enrollment was up by 4% with undergraduate enrollment up 4.9% and graduate enrollment up 1.2%. NAU recorded the largest percentage growth in undergraduate students at 9%, while the UA recorded the largest percentage growth in graduate students at 2.3%. Total headcount enrollment was up 4.4% at ASU, 5.9% at NAU, and 2.4% at the UA. Enrollment continues to exceed the projections that were contained in the Strategic Plan.

2009-2010 Academic Strategic Plans (ASU, NAU, UA) (Agenda Item #11)

Regent DeConcini stated that the Board was being asked to approve the 2009-2010 Academic Strategic Plan of each of the universities.

Stephanie Jacobson, Betty Capaldi (ASU), Elizabeth Grobsmith (NAU), and Meredith Hay (UA) joined the meeting for this presentation.

Stephanie Jacobson stated that the Academic Strategic Plan is intended to streamline the process by which Regents review and approve changes to the academic program inventories and academic units at the universities and to provide a context in which the decisions about the programs and units are made in relationship to the larger initiatives and goals of the institutions. Each plan has two components. One is the request for the upcoming year for new academic programs to be created or eliminated and new academic units to be created or eliminated. The second part is the status on the last year's strategic plan; such as those programs that have been implemented, those that have been put on hold, new organizational units that have been developed and other recommendations on the plan. Once the strategic plans have been approved any items in the strategic plan can be implemented without further board action except in two cases. The first is when an academic program requires a course fee. Then it comes back to the Academic Affairs committee for an additional review regarding the role of the fee and the fee must then be approved at the Board level. The second is if a new program requires additional state resources to be implemented.

Provost Meredith Hay then presented the University of Arizona's 2009-2010 Academic Strategic Plan. The University of Arizona has implemented a plan to strategically reposition the university to be stronger and more competitive than ever before. The driving theme for the academic plan is and has always been the quality of the programs. The plan has resulted in proposals to form several exciting mergers of departments and a number of new schools. The budget cuts have made it extremely difficult to continue normal teaching, research and service mission unchanged. Several low degree-producing programs and programs that

were no longer aligned with the strategic plans of the colleges are proposed for closure or merger to increase efficiencies in this plan.

Provost Elizabeth Grobsmith stated that Northern Arizona University's academic strategic plan closely follows the institutions strategic priorities. Northern Arizona University focuses its strengths on a high quality undergraduate education and building graduate and professional programs that address and support Arizona's workforce needs. The efforts center on developing applied health initiatives, leading Arizona in the preparation of math and science teachers, globalizing undergraduate education and building educational capacity to better serve Native Americans. Budget reductions have necessitated the pulling back of faculty lines, reduction in the use of part-time faculty, program discontinuance, program reconsolidation, administrative mergers and reorganization, tightening academic programs, streamlining curriculum and delaying the development of some of the health initiative programs.

Provost Betty Capaldi stated that the State's budget situation has shaped how ASU's academic organization and programs will move forward. Organizational changes and programmatic initiatives respond to resource constraints by reducing administrative costs, encouraging interdisciplinary collaboration, and streamlining organization. Arizona State University is working to preserve the core functions of providing access, educating students, and engaging in research, development and outreach benefitting the needs of the state, national and global communities. The major change within the institution is the reorganization of colleges and campuses to help deal with the extraordinary budget cuts. Dr. Capaldi stated that the university had been telling individuals that if the program fees for Clinical Lab Sciences, Golf Management and the Social Work program in Tucson that the programs would be maintained. Because of the way in which the surcharge has been structured, Dr. Capaldi has stated that the university's ability to maintain these programs will have to be reevaluated to determine if they will continue.

Upon motion by Regent DeConcini, seconded by Regent Boice, the Board unanimously approved the Academic Strategic Plans for Arizona State University, Northern Arizona University and the University of Arizona with the understanding that ASU is going to report back to the Board on the status of the Clinical Lab Science, Social Work and Golf Management programs within one week.

Proposed Revision to ABOR Policy 2-103 "Enrollment" (First Reading) (Agenda Item #12)

Regent DeConcini stated that the Board was being asked to review, on first reading, a proposed revision to ABOR Policy 2-103 which changes the official student census day from the 21st day of the semester to the 45th day and other changes as required by ARS §15-1661.

Dan Anderson joined the meeting for this presentation. Mr. Anderson stated that this change was being requested to modify the Board policy to match the change in the funding formula as required by statute.

CAPITAL COMMITTEE (Chair: Regent Calderón)**Issuance by the University Medical Center Corporation of Hospital Revenue Bonds**
(Agenda Item #13)

Regent Calderón stated that the University Medical Center Corporation was requesting authority to sell Hospital Revenue Bonds (1) not to exceed \$73.5 million for paying the costs associated with four projects, property acquisition and other capital improvement; and (2) not to exceed \$1.5 million to pay costs of issuance.

Kevin Burns (UMCC), Greg Pivrotto, (UMCC), Judy Gignac (UMCC) and Lorenzo Martinez joined the meeting for this presentation.

Regent Calderón stated that the Capital Committee had reviewed this item at its April 9, 2009 meeting and recommended Board approval, along with direction to place the annual UMCC capital plans on the committee agenda so that Regents would be better informed on future bond requests.

Regent Bulla abstained from participating in this item.

Regent DeConcini stated that he was concerned about this item because he is not certain that UMCC's rationale was overwhelming regarding the need for \$75 million in bonds when it appears they only need \$60 million.

Upon motion by Regent Calderón, seconded by Regent DuVal, the Board unanimously approved the University Medical Center Corporation's request to issue up to \$75 million in hospital revenue bonds, as presented in the Executive Summary.

Proposed Revisions to ABOR Policy 7-102 "Overview of the Capital Development Process and Phases," Policy 7-109 "Project Approval," Policy 7-112 "Capital Project Status Reports," and Policy 7-207 "Leases of Real Property" (First Reading) (Agenda Item #14)

Regent Calderón stated that the Board was being asked to review at first reading, proposed revisions to ABOR Policies 7-102, 7-109, 7-112, and 7-207. The revisions: 1) increase the dollar threshold for projects that require approval from \$2 million to \$5 million, and 2) provide clarification and expand the information submitted to the Capital Committee and the Board for 3rd party capital projects.

The Capital Committee reviewed these items at its April 9th meeting and recommended forwarding it to the Board. The Committee also requested that staff develop reporting requirements for significant project cost changes and define a category for third-party partnerships that may require a university to enter into contracts or agreements for projects that are not fully or partially controlled by the university.

Lorenzo Martinez joined the meeting for this presentation. Increasing the threshold will decrease the number of projects that need to be reviewed by the Board by about 30 percent.

This will allow the universities to reduce their administrative costs, and move faster on smaller projects. This change will also give the Board more time to focus on the bigger projects. The second part of the change will help keep the Capital Committee and the Board more involved in third-party projects.

Approval of New and Revised Leases Related to the Brickyard (ASU) (Agenda Item #15)

Regent Calderón stated that Arizona State University was requesting approval to exercise an option to extend the master lease with ASU Foundation Brickyard, LLC, for Brickyard facilities from July 1, 2019 to July 1, 2024, including authority to execute additional 5-year extensions through July 1, 2034, and approval to execute a ground lease of the Brickyard property to ASUF Brickyard, LLC, through the maturity of the master lease (July 1, 2034).

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

Upon motion by Regent Calderón, seconded by Regent Boice, the Board unanimously approved Arizona State University request for the Brickyard lease agreements, as presented in the Executive Summary.

HUMAN RESOURCES COMMITTEE (Chair: Regent Bulla)

Multiple-Year Employment Contract for Head Football Coach (UA) (Agenda Item #17)

Regent Bulla stated that the University of Arizona was requesting approval to revise and extend the multiple-year employment contract for Michael Stoops as Head Football Coach.

President Shelton stated that with the approval of this contract, Coach Stoops would be in the middle of salaries for Pac-10 football coaches. Coach Stoops has turned the football program around in his five years and made steady improvements in the academic progress rate of the athletes.

Regent DeConcini stated that he was concerned about the timing of this contract in conjunction with the economy.

Upon motion by Regent Bulla, seconded by Regent Leonard, the Board approved the multiple-year employment contract of Michael Stoops, Head Football Coach at the University of Arizona, according to the terms and conditions set forth in the Executive Summary, with Regent DeConcini voting against the motion.

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

Report on Strategic Planning, Budget and Finance Committee (Agenda Item #20)

Regent Bulla reported on the April 9, 2009 Strategic Planning, Budget and Finance Committee meeting.

Sandra Woodley joined the meeting for this presentation.

Regent Bulla stated that the Committee devoted significant time to a discussion of the universities' February 28 Financial Status Updates. These regular reports present actual revenues and expenditures to date and estimates for the June 30, year-end numbers. The reports provide the Committee an opportunity to monitor the financial position of each university throughout the fiscal year. At this time, all three universities are estimating deficits for FY 2009. The downturn in the economy is impacting several of the universities' revenue streams.

FY 2009 General Fund support was reduced mid-year by \$141.5 million in addition to the \$50 million reduction taken at the beginning of the fiscal year. Technology and Research Initiative Fund revenues are down about 20% below the prior year. The universities have also experienced significant declines in the market value of investments and actual investment income. Even with the expenditure cuts made by the universities in the form of employee layoffs and furloughs, restructurings, program closings, reduction of services, etc., the universities will not break even for FY 2009.

Regent Bulla stated that ASU is currently projecting an \$18.9 million deficit, NAU a \$5.3 million deficit, and UA a \$43.2 million deficit. The committee will continue to monitor these reports throughout the remainder of the fiscal year.

The other item discussed by the Committee was the methodology developed by Rich Stanley and Ted Ferris to estimate the gap between the universities target General Fund support and their base level of General Fund support plus federal stimulus dollars over the next three fiscal years. As you know, this methodology is being utilized to help determine the size of the economic recovery surcharged needed by the universities in Fall 2009 and will continue to be developed for future years. The Committee and the Board would like to thank Rich Stanley and Ted Ferris for all of their hard work and for developing this methodology. It has been very helpful.

ADMINISTRATIVE BUSINESS

Adoption of Guidelines for Expert Community Members Serving on Board Committees and Review of Proposed Revisions to Board Policies 3-700 "Audit Committee Charter" and 7-103 "Capital Committee Charter" (First Reading) (Agenda Item #22)

Regent Boice stated that the Board was being asked to adopt new Guidelines for Expert Community Members Serving on Board Committee and review proposed revisions to Board policies 3-700 and 7-103.

Regent Boice stated that as Regents are asked to consider increasingly complex matters, it was suggest that the Board may wish to appoint community experts as members of Board committee for limited terms. This would provide additional expertise for discussions. To accomplish this Nancy Tribbensee, Board counsel, has developed Guidelines for the Board's consideration. In addition, the current Bylaws provide that only Board members be members of standing committees, so the Bylaws will need to be amended to appoint community members to committees and the Board will vote on that in June.

Nancy Tribbensee joined the meeting for this presentation. She stated that community members would be appointed for no more than two years. No committee would have more than two community members and the number of Regents on a committee that has community members will always exceed the number of community members to preserve the governance responsibility of the Regents.

Regent Mariucci has asked that the Audit Committee item be deferred until first thing tomorrow so she can present her Report.

RECESS

The meeting recessed at 4:15 p.m. and reconvened at 9:40 a.m. Friday, May 1, 2009.

AUDIT COMMITTEE (Chair: Regent Mariucci)

Report from the Audit Committee (Agenda Item 24)

Regent Mariucci gave the report on the April 21 meeting of the Audit Committee.

Regent Mariucci stated that two expert community members had been asked to sit on the Audit Committee. The individuals are truly subject-matter experts, experienced in audit committee functions, and knowledgeable about finance and audit matter. Kenda Gonzales and Jim Hatfield are the individuals. Ms. Gonzales background includes positions as CFO of Continental Homes and the Apollo Group, the parent company of the University of Phoenix. Mr. Hatfield is Executive Vice President and CFO of Pinnacle West and APS. Both of these individuals will be officially appointed after the June Board meeting and the approval of the Guidelines for Expert Community Members as discussed in Item 22.

The Audit Committee reviewed ten reports. Two of the more significant reports were the NAU Personnel Costs and related processes. The NAU auditors concluded that controls over costs were adequate, but the university needed to improve in the areas of FSLA compliance at the department level, Form I-9 and e-verify processing, and restricting access to personal identifiable information.

The second audit looked at NAU subrecipient monitoring for contracts and grants. The auditors concluded the NAU needed more and better policies and procedures along with employee training to ensure compliance with Federal regulations.

ASU Audit presented documentation related to an IT Risk Assessment they are preparing. The assessment is looking at distributed systems or computer networks that are not under the direct control of the central IT function. The results of the assessment will be factored into the development of the ASU's FY 2010 audit plan. ASU auditors are also planning an assessment of the central IT function. ASU will work with NAU and UA to undertake similar risk assessments.

The Committee received a report by the Financial Director from the Office of the Auditor General regarding their FY 2008 Management Letter for ASU. ASU experienced serious

problems during the implementation of the payroll module of the new PeopleSoft system. During that period, many employees were underpaid, overpaid, and some did not get a paycheck. Extensive effort went into correcting the errors. The university was not adequately prepared for the implementation and the system had not been thoroughly tested and employees were inadequately trained. The major problems and errors have been corrected and the system is much stronger. The Auditor General's staff said they are satisfied with the progress the university has made.

During the January Audit Committee meeting, the universities had committed to a 2-year program with the goal being to issue their annual reports within 120 days of year-end, or approximately October 1. During the April meeting, the universities stated that they and the Auditor General's staff are going to attempt to get this year's annual report done within the 120-day goal.

Regent Mariucci stated that Jane Kuhn reported to the Committee that the Bob Smith and his Facilities Management team, from the UA, have agreed to work with NAU in helping them with their efforts to improve their capital projects management function.

University administration was given four action items to be completed by the Audit Committee's next meeting in July. The items were to take a look at the reporting relationship of internal audit within their organizations to determine if it is positioned appropriately; determine whether internal audit and the internal control positions have appropriate visibility and a voice at relevant management meetings; involve senior management teams in developing the FY 2010 audit plans to provide the highest and best use of audit resources; and determine whether internal audit and internal control resources are adequate for their organizations.

Proposed New ABOR Policy 3-703 "Identify Theft Prevention Programs" (First Reading) (Agenda Item 25)

Regent Mariucci stated that the Board was being asked to review at first reading the proposed new Board Policy 3-703. The Board is asked to adopt the Policy on an emergency basis to comply with Federal Trade Commission requirements.

Nancy Tribbensee joined the meeting for this presentation. She stated that there was a change in the compliance deadline from the Federal Trade Commission so this was no longer an emergency so it would be a first reading only. The FTC has promulgated red flag rules that require certain institutions to adopt programs to combat identify theft with regards to certain types of covered accounts. The proposed policy would implement a policy at the Board level which would require the universities to adopt detailed programs.

UPDATE ON THE FISCAL ALTERNATIVE CHOICES TEAM (FACT)

Discussion of FACT Report (Agenda Item #26)

Regent Boice stated that the Board will be receiving a briefing on the report issued by the Fiscal Alternative Choices Team (FACT). The Regents and University Presidents received

an invitation from Senate President Burns, in January of this year, to examine options for closing Arizona's budget deficit. The Regents appointed a team of experts to develop the Fiscal Alternative Choices Team report. We are grateful to Ted Ferris and the other nine members on the team who worked so hard on this analysis. The FACT team included university faculty members and administrators who have expertise regarding Arizona's economy and state and local finances. The Board thanks everyone for their hard work.

Ted Ferris, who helped pull this together, will present the report.

Ted Ferris gave a report on the FACT report and stated that the state is in the midst of the worst economic and state budget conditions of modern times. The housing, financial, equity and commodity markets have all collapsed. The January 2009 General Fund collections were 36 percent less than two years ago. The baseline budget deficit is forecast at \$3.6 billion in FY 2010. Arizona's budget deficit, on a percentage basis, is ranked either number one or number two nationally.

Balancing the budget entirely through budget cuts is not feasible. A more balanced approach is required. There are no "good" options for eliminating a deficit of this magnitude. The economic recovery will be very gradual, with revenues not expected to rebound until after FY 2012. In the longer term, either the tax structure must be made less subject to the economic cycle and/or the size of the Budget Stabilization Fund must be dramatically increased.

Short-term budget balancing options are the use of Federal Stimulus Monies to reduce projected deficits; seek voter approval of a temporary tax increase in FY 2010 and 2011 and decreasing amounts in 2012 and 2013; seek voter approval for relief from certain voter-protected spending requirements under strict criteria, delay scheduled business property tax cuts until after 2012; retain a significant portion of the vehicle license tax revenues in the general fund; additional "rollover" opportunities need to be considered; and resist cutting positions in revenue-producing agencies.

Long-term budget balancing options are to create a more defensive state tax structure; increase and reform sales tax by broadening the base of the tax and lowering rates; increase and simplify income tax; modify, expand and strengthen the State's budget stabilization fund; match tax cuts with spending cuts and spending increases with tax increases on a "business cycle neutral basis," create a dedicated funding stream for Students FIRST and rely on debt financing when State finances are constrained by recession; and consider further privatization of state/local services.

The Governor has produced a 5 point plan which calls for the state to provide structural budget reform, improve Prop 105, have additional spending cuts, reform and modernize the tax structure and have a temporary tax increase. Ted Ferris stated that the Governor's plan incorporates many of the suggestion from the FACT report.

Regent Calderón stated that in light of the presentation from Mr. Ferris, he believed that it is in the interest of the Arizona University System to go on record in support of Governor Brewer's 5 Point Recovery Plan for the state's current budget situation. The Governor's plan will help the Regents to provide the resources necessary for our universities to achieve their

missions, including the production of more bachelor degrees needed to move Arizona's economy forward.

Upon Motion by Regent Calderón, seconded by Regent Bulla, the Board unanimously approved supporting Governor Brewer's 5 Point Recovery Plan.

PUBLIC AWARENESS COMMITTEE (Chair: Regent DuVal)

Update on Public Affairs and Solutions Through Higher Education (Agenda Item #27)

Regent DuVal provided the Board with an update on public affairs activities and Solutions Through Higher Education.

Andrea Smiley, Jaime Molera and Brittany McMaster joined the meeting for this presentation.

Jaime Molera is a partner in the Molera Alvarez Group and is here to speak about the Solutions campaign and Brittany McMaster is a staffer at the Molera Alvarez Group who is the new program manager for the Solutions campaign.

Andrea Smiley reported that the Regents website was being evaluated to make it easier to navigate and more of a resource to the universities and public.

Regent DuVal stated that the universities have had a tremendous amount of press activity over the past several months and he wanted to, on behalf of the Board, thank Andrea and her colleagues at the universities for their efforts in effectively managing the deluge of activity and maintaining the quality of the message.

Regent DuVal then stated that the Solutions Through Higher Education campaign began in November of 2007 as a public education effort aimed at raising awareness of the critical role higher education plays in ensuring economic prosperity for our country and citizens. Solutions has done a good job of raising awareness. There are nearly 6,000 members in the coalition at this time and almost 200 presentations have been made statewide.

An interesting note to share is that in a recent meeting with governor's staff, I was told that whenever they engage with a member of the business community, that person always asks them to protect higher education. It appears our message is being heard and supported. The next step is how we can turn awareness and understanding into action.

Jaime Molera spoke about how to advance the Solutions campaign into a strategic coalition. There are two major efforts that will be pursued. The first is developing a coalition to help further the Solutions vision and the other is to do a public assessment of how to gauge where Solutions is and how Solutions can use that information for specific activities. As we meet with various organizations around the state they say it is critical that the education system within the state be maintained and nurtured. As Solutions engages these organizations the organizations can then be utilized by Solutions to get the messages out further and faster.

The second area where there will be lots of emphasis is the public assessment. As Solutions better understands what the public is interested in, what the public feels is important,

Solutions will be able to develop messages that will have more impact. It will also give information regarding how the public feels about education and that can be shown to policymakers. Solutions now has the data to backup the fact that the public believes education needs to be protected.

Regent DuVal stated that he believed that if the package of proposals from the Governor ends up on the ballot, Solutions will become very relevant. Also, people need to remember that it is when the business community decides that something is in their self interest and needs to be done, that it will get done.

Presentation on “Expect More Arizona” (Agenda Item #28)

Regent DuVal stated that the Board will be receiving a presentation by Paul J. Luna, President and CEO of the Helios Education Foundation and Chair of the *Expect More Arizona* Oversight Board. *Expect More Arizona* is a public-private partnership dedicated to creating a movement of Arizonans who value education as our state’s top priority and are actively engaged in strengthening the entire continuum – from birth through career.

As part of the Solutions messaging, the coalition will discuss how the education pipeline must be strengthened in order for students to be successful in college. *Expect More Arizona's* goal is to inform, engage and spur to action Arizonans who value education as our state's top priority.

Paul Luna stated that just this week, *Expect More Arizona* began a public awareness and engagement campaign around the state. Media was invited to participate in open discussions with students about education. Students were also asked to complete a survey regarding what they thought about education. A multi-media campaign has been developed, featuring television, print and billboard advertisements. Web and social media sites are also now live. In addition, *Expect More Arizona* has been presenting to leadership and education groups in Arizona since the beginning of the year. Mr. Luna then showed an example of some of the commercials that have been developed for this movement.

Expect More Arizona is the umbrella message. The message will ensure that the full continuum is viewed in context. This is an overall focus on creating a stronger education system in Arizona. Everyone has a role in this process. It is about raising expectations, and raising the bar to ensure that the future workforce is prepared.

Mr. Luna thanked everyone for their support and challenged them to help get more people to sign up.

Regent McLendon asked if other schools were going to be involved in this movement. Mr. Luna stated that it was hoped that every school in the state of Arizona would join the movement. *Expect More Arizona* will be working through various school boards to get them to participate as well.

Regent DuVal thanked Paul Luna for his leadership in this movement.

LEGISLATIVE AFFAIRS COMMITTEE (Co-chairs: Regent McLendon and Regent DuVal)**Report on Legislative Activities** (Agenda Item #29)

Regent McLendon stated that the Board will be receiving a report on legislative activities. 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 and by the university government affairs officers.

Christine Thompson, Greg Fahey and Jaime Molera joined the meeting for this presentation.

Regent McLendon stated that earlier this week, the House and Senate released the details of their current budget proposal. While the proposal released includes budget numbers, it did not include a detailed list of agreed upon policy issues to be addressed in the reconciliation bills (commonly known as BRBs). The FY09 proposal relies upon nearly \$500 million in federal stimulus to fill the remaining budget deficit.

The FY10 proposal relies upon further general fund spending reductions, one-time fund transfers from state entities, additional revenue, non-tax revenue enhancements including school district excess cash balances and municipal rebates, and nearly \$1 billion in federal stimulus to fill the \$2.7 billion deficit. For the university system, the proposal includes a \$40 million cut to the general fund base and \$90.1 million in one-time auxiliary fund sweeps.

Also of concern are several of the policy issues being discussed for inclusion in the BRBs such as appropriation of all tuition revenues, repeal of the remaining SPEED authority and repeal of lottery revenues used to support projects already approved and funding only resident students in the 22:1 formula, to name a few.

Christine Thompson stated that the details on the draft budget are still very sketchy. There is a Senate hearing scheduled for next week which might give more details. As Ted Ferris said earlier, the sweeps of funds that are being discussed are funds that have been set aside for specific uses and not rainy day funds. The fund balance numbers that are being used were balances from about six months ago so many of these funds are no longer available.

The Government Affairs Group is working very diligently to put a stop to this budget proposal. There is still a lot to be done.

Regent McLendon stated that the Government Affairs Group should continue to advocate, on behalf of the Board, in accordance with the positions outlined in the Board materials. Further, unless there is an objection, the Legislative Affairs Committee will give direction to the universities relative to the position on legislation prior to the next Board meeting. Regent Boice asked that both the Government Affairs Group and the Legislative Affairs Committee keep the rest of the Board updated as necessary.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

J.C. Mutchler gave the Arizona Faculties Council report. Dr. Mutchler thanked the students for the way they have handled the tuition issue. He also thanked the Board for the way they have handled this very difficult issue. Faculty is hoping to get more involved in the Solutions campaign and will now also offer their assistance to *Expect More Arizona*.

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

Regent Martinez congratulated all of the new student body officers, thanked all of the outgoing student body officers and thanked the current board of the Students Association for all of their hard work and welcomed their new Board.

Regent Boice thanked President Shelton and the whole staff at the University of Arizona for putting together another great meeting.

ADJOURNMENT

The meeting adjourned at 11:20 a.m.

SUBMITTED BY:

Margaret L. Martin
Secretary to the Board

APPROVED BY:

Fred T. Boice
President