

**MEMORANDUM**

**To** Board of Regents  
**From:** Board Office  
**Subject:** Regent Legislative Program  
**Date:** November 8, 2002

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**Recommended Actions:**

1. Reaffirm the Regent appropriations requests for operations, including salaries, and capitals.
  2. Encourage the Board Office and the institutions to work in partnership with others to enhance Iowa's economic growth, homeland security, and national reputation for educational excellence.
  3. Authorize the Board Office and the legislative liaisons to actively pursue regulatory relief and seek modifications to other statutory sections.
  4. Give UNI permission to seek specified funding through other state entities.
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**Executive Summary:**

**ELECTION RESULTS** The 2002 results of the election continued the split-party control of Executive and Legislative branches, as Democratic Governor Vilsack was re-elected and the Republicans remain in control of both houses of the Iowa Legislature.

There will, however, be over 40 new members in the Iowa Legislature, out of a total membership of 150.

**LEGISLATIVE SESSION** The 2003 Session of the General Assembly is scheduled to convene on Monday, January 13, 2003.

The following Regent-related communications with elected leaders are anticipated:

- Requested meetings between the Board President and legislative leaders of both houses, as well as visits with the executive branch to discuss FY 2004 appropriations requests and potential gubernatorial recommendations.
- Open house gatherings on the university campuses to familiarize legislators with the Regent enterprise as well as the unique missions of the various institutions.
- Discussions during the legislative session with members of the Board of Regents, alumni, and legislators.
- Regular communications with the legislative liaisons.

REGENT  
APPROPRIATIONS  
REQUESTS

The Legislature funded operating appropriations from the state's general fund while it funded capital and tuition replacement appropriations from such sources as its Rebuild Iowa Infrastructure Fund or Tobacco Securitization Bond proceeds.

In September, the Board approved the FY 2004 state operating and capital appropriations requests. Full funding of incremental salaries from state appropriations continues to be the first priority of the Board and its institutions. The incremental FY 2004 request for operating appropriations for strategic initiatives is \$11.5 million, exclusive of salary funding, for total appropriations of \$635.5 million.

Prior Regent action reaffirmed the Board's position that the state's support of both the Iowa School for the Deaf and the Iowa Braille and Sight Saving School should be similar to other K-12 education entities throughout the state.

The FY 2004 capital improvement appropriations requests total \$65.7 million and the FY 2004 tuition replacement appropriations request is almost \$24.0 million with the understanding that debt service needs will be reassessed as required by statute.

REGENT NON-  
APPROPRIATIONS  
LEGISLATIVE  
PROGRAM

In addition to the appropriations requests, various items for legislative action are submitted to the Board for its approval. These matters become part of the Regent legislative program report, which is generally updated on a monthly basis.

Partnerships

In recognition of the significant budget reductions to the universities' economic development programs, it is recommended that the universities, working with the Board Office, be authorized to explore options for securing additional funds to effectively operate these economic development programs.

In January, the Board will receive the Technology Transfer and Economic Development Governance Report that will highlight the activities of the institutional economic programs and how critical they are to the fabric of the institutional strategies for invigorating Iowa's economy.

In conjunction with that report, a coordinated economic development legislative initiative will be established to stress the importance and effectiveness of these programs for the state of Iowa.

Plans are to present information to the Board at its January meeting that include developing partnerships for enhancing areas of Iowa's economic growth, homeland security, and national reputation for educational excellence.

Statutory Language  
Changes — Best  
Practices

Currently, several statutory provisions prohibit the Board and its institutions from operating in a more efficient manner. The MGT study, presented at the October Board meeting, suggested that the Board be proactive in seeking legislative changes for regulatory relief.

The study identified areas for regulatory relief that would allow the Regent institutions to improve business practices, such as competitively bidding for a variety of services. The benefits from such regulatory relief

would include stimulating economic growth in the private sector while also reducing the size of state government.

Adoption of a series of these items are expected to move the Board of Regents and its institutions closer to an "independent agency" status similar to other higher education entities.

As stewards of public resources, the Board of Regents has a responsibility to be as efficient and productive as possible with taxpayers' and students' dollars. The Board Office and the legislative liaisons should be authorized to actively pursue those areas that will provide the greatest tangible benefit to the Regents, the state of Iowa, and its citizens.

**Statutory Language Changes — Other** There are several sections of legislative language that need to be modified. Language is needed to allow the Board and UNI to spend a portion of bond proceeds, increase tonnage fees for the UNI Waste Reduction Center, and to delete statutory language that had become obsolete. The Board Office staff and the institutions will work together to identify other areas of obsolete code language.

**Special Funding Requests (UNI)** The University of Northern Iowa, as in previous years, has requested Board approval to continue efforts to secure FY 2004 special funding through other state agencies for UNI programs as identified below:

Ag-Based Industrial Lubricants (ABIL) Program	\$225,000
Iowa Waste Reduction Center	Increase 10¢/ton
Geography Alliance of Iowa	250,000
Iowa Mathematics & Science Coalition	50,000
21 <sup>st</sup> Century Learning Initiative	2,000,000

**Background:**

**REGENT APPROPRIATIONS REQUESTS**

**Operating Appropriations Request** Full funding of salary increases from state appropriations continues to be the first priority of the Board and its institutions.

The state utilized non-recurring non-general fund sources (Regent demutualization proceeds) to fund the FY 2003 salary increases. Although the FY 2003 incremental salary appropriation for the Board of Regents was \$25 million, it considerably under funded the amount needed to implement the state's policy for salary increases.

If this salary funding were not continued for FY 2004, it would represent another budget reduction in addition to the \$124 million of appropriations reductions over the past two fiscal years.

The salary requests for appropriations contain the following two components:

- Continuation of FY 2003 Incremental Salary Funding - \$25 million
- Full Funding of Incremental FY 2004 Salary Funding - an amount has not yet been determined pending the setting of state salary

policy during collective bargaining negotiations.

Strategic Investments - In recognition of the limited revenues projected for the state, the incremental FY 2004 appropriations requests for the educational/programmatic initiatives were limited to \$11.5 million, far short of actual needs.

The FY 2005 appropriations requests of \$38.65 million, however, reinforce the Board's expectation for state support of higher education so that future increases in tuition costs to the students and their families can be moderated, without compromising the quality of education further.

These additional appropriations, not intended to replace funds already cut, would be used to build program quality, implement academic enhancements, and account for inflation pursuant to the Board's new 2004-2008 strategic plan, which has yet to be developed.

The requested funding levels are a notable amount; however, even if both FY 2004 and FY 2005 requests were approved, state support would still be below the appropriations level the Board received for FY 2001 and the beginning of FY 2002.

	FY 2003 Budget	FY 2003 Direct State Appropriations*	FY 2004 Incremental Strategic Investments**	FY 2005 Incremental Strategic Investments**
SUI	\$1,036,190,955	\$287,422,685	\$5,000,000	\$16,500,000
ISU	409,721,602	239,809,203	4,000,000	13,500,000
UNI	133,548,947	82,815,878	2,000,000	6,500,000
ISD	8,559,913	7,943,985	300,000	1,300,000
IBSSS	<u>4,776,425</u>	<u>4,446,059</u>	<u>175,000</u>	<u>700,000</u>
Subtotal	\$1,592,797,842	\$622,437,810	\$11,475,000	\$38,500,000
Other	<u>2,854,947</u>	<u>1,555,041</u>	<u>59,000</u>	<u>150,000</u>
Total	\$1,595,652,789	\$623,992,851	\$11,534,000	\$38,650,000

\* Includes FY 2003 state salary funding of \$25 million.  
\*\* Excludes incremental salary funding, which has not yet been determined.

Capital and Tuition  
Replacement  
Appropriations  
Requests

Reduction of fire and environmental safety deficiencies and deferred maintenance has been a high priority of the Board of Regents for a number of years. Due to the FY 2002 and FY 2003 state operating appropriations budget reductions and the institutional reductions in funding for the budget line – building repair, the Board approved as its top capital appropriations requests for FY2004 – funding for the correction of fire and environmental safety deficiencies and deferred maintenance.

The Board also approved a request for five other major capital renovation and remodeling projects for the universities campuses in FY 2004.

Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue Bonds. The Board approved a tuition replacement appropriations request of \$23,953,459 for FY 2004 with the understanding that debt service needs will be reassessed by November 15, 2002, as required by statute.

## REGENT NON-APPROPRIATIONS LEGISLATIVE PROGRAM

Partnerships In recognition of the significant budget reductions to the universities' economic development programs, it is recommended that the universities, working with the Board Office, be authorized to explore options for securing additional funds to effectively operate these economic development programs.

In January, the Board will receive the Technology Transfer and Economic Development Governance Report that will highlight the activities of the institutional economic programs and how critical they are to the fabric of the institutional strategies for invigorating Iowa's economy.

In conjunction with that report, a coordinated economic development legislative initiative will be established to stress the importance and effectiveness of these programs for the state of Iowa.

Plans are to present information to the Board at its January meeting that include developing partnerships for enhancing areas of Iowa's economic growth, homeland security, and national reputation for educational excellence.

## Statutory Language Changes

Best Practices The MGT report concluded that a more comprehensive regulatory strategy was needed to address the benefits that would come from no longer regarding the Regent institutions as "state agencies" but rather as an "independent agency," similar to other higher education entities. Such designation would still mean that the institutions would operate for the benefit of the state while being reliant on the state funding.

MGT argues that the multiple missions of the Regent institutions and declines in state funding over the years suggests a new status that will allow the institutions to better leverage resources. Like business enterprises, the institutions must compete to generate large amounts of revenues, must manage costs, and must be highly flexible to respond quickly to market forces. The goal of "independent" status is to provide the Regent institutions with the additional flexibility they need to operate in the most efficient and effective way possible in a highly competitive market.

Currently, several statutory provisions prohibit the Board and its institutions from operating in a more efficient manner.

The MGT study identified specific areas for regulatory relief, such as competitively bidding for a variety of services in the private sector. The benefits from such regulatory relief would include stimulating economic growth in the private sector while also reducing the size of state government.

As stewards of public resources, the Board of Regents has a responsibility to be as efficient and productive as possible with taxpayers' and students' dollars.

**Statutory Correction** Current legislative language restricts UNI from spending approximately \$1.4 million of proceeds from the 2002 academic building refunding to improve, remodel, or repair buildings or other infrastructure. The language needs to be corrected to allow the Board and UNI permission to utilize that portion of the proceeds.

**Obsolete Language** In its annual audit of Iowa State University, the State Auditor identified three obsolete statutory provisions:

- Hazardous Waste Research Program – Iowa Code §266.8 identifies a hazardous waste technical research and assistance program at Iowa State with a Center for Industrial Research and Service. The Center no longer exists.
- Hog-Cholera Serum Laboratory – Iowa Code §266.24 authorizes the Board to maintain a laboratory for the manufacture and distribution of hog-cholera serum, toxins, vaccines, and biological products. The laboratory no longer exists.
- Livestock Producers Assistance Program – Iowa Code 266.39D identifies a livestock producers assistance program to provide on-site assistance to persons involved in livestock production. The program no longer exists.

The Board Office staff and the institutions will work together to identify other areas of obsolete code language, such as state funding mechanisms of Regent laboratory schools, and take appropriate action to correct the Iowa Code.

**Waste Reduction Center (UNI)**

The Iowa Waste Reduction Center was created by the Groundwater Protection Act and provides assistance to small businesses in the safe and economic management of hazardous waste. Funding is derived from fees collected by landfills.

The state has established a 50% waste reduction goal, which will decrease the volume of waste, thereby reducing the fees generated.

Decreases in revenues to the Center will impact service levels to small businesses where there is a growing need for “second step” waste reduction assistance, and will negatively affect the Center’s ability to secure matching funds. To date, the Center has secured a match for every state dollar.

The University wants to again seek legislation to increase the allocation of fees to the Center equivalent to 10 cents/ton.

Special Funding Requests for FY 2004

ABIL (Ag-Based  
Industrial  
Lubricants)

The ABIL program introduced the first soybean-based hydraulic fluid licensed for marketing and has other products under development.

The Iowa Department of Economic Development has provided program funding for the past six year to support UNI staff, equipment, building rental, and other expenses related to the Waverly facility which houses the program.

Current year funding of \$150,000 was reduced from FY 2002 funding of \$258,500. UNI is requesting authorization to seek funding of \$225,000 through the Department of Economic Development to maintain and support personnel expertise, material utilization, publication expense, and additional equipment.

Geography Alliance  
of Iowa

The Geographic Alliance of Iowa (GAI), housed at the University of Northern Iowa, was established in 1991 with the support of the National Geographic Society (NGS). From FY 1993 to FY 2001, the state of Iowa matched the \$50,000 per year funding provided by the NGS.

The GAI is composed of K-12 teachers, professors, personnel from a variety of other educational endeavors, and citizens, all of whom are concerned with improving geographic instruction in Iowa. The GAI provides pre-service and in-service programs to stimulate interest in teaching geography and its integration across the curriculum.

Legislation enacted by the 2001 General Assembly eliminated funding for the GAI. The University proposes to seek funding through the Iowa Department of Education for the GAI to be matched by the National Geographic Foundation.

Iowa Mathematics  
& Science Coalition

The Iowa Mathematics and Science Coalition (ISMC), housed at the University of Northern Iowa, is an alliance of leaders from business and industry, education, and public policy working to reform mathematics and science education in the state of Iowa. The IMSC is the only curriculum coalition in the state that actively supports the State's school improvement efforts.

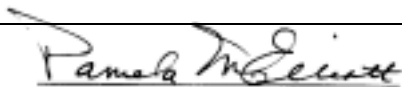
The Coalition also serves as a professional development resource for teachers through its annual Governor's Institute on Mathematics and Science Reform. UNI requests to seek funding of \$50,000 through the Iowa Department of Education.


21<sup>st</sup> Century  
Learning Initiative

During the 2001 legislative session, the Technology Appropriations bill included a \$1.5 million allocation to the University of Northern Iowa for continued development of a 21st Century Learning Infrastructure Initiative. Funding for the initiative was suspended in the 2002 legislative session.

The initiative provides an infrastructure for the delivery of digital content to the students and citizens of the State of Iowa. UNI requests to seek funding of \$2 million through the Information Technology Department.

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Pamela M. Elliott

Approved:   
Gregory S. Nichols