

DRAFT

MINUTES OF A MEETING



November 17-18, 2016

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ARIZONA BOARD OF REGENTS
Minutes of a Regular Meeting
Thursday, November 17, and Friday, November 18, 2016

A meeting of the Arizona Board of Regents was held on Thursday, November 17, and Friday, November 18, 2016 at the University of Arizona, Student Union Memorial Center in Tucson, Arizona.

Present: Regent Patterson, Regent Heiler, Regent Myers, Regent Ridenour, Regent Shoopman, Regent Krishna, Regent Manson, Regent Penley, Regent Gorshe and Regent Careaga.

Absent: Governor Doug Ducey and Superintendent Douglas.

Also present were from the University of Arizona: President Ann Weaver Hart, Provost Andrew Comrie, Senior Associate Jon Dudas, Gregg Goldman, Dr. Kimberly Espy, Dr. Melissa Vito, and Dr. George Hammond; from Northern Arizona University: President Rita Cheng, Provost Daniel Kain, Senior Associate Christy Farley, and Bjorn Flugstad; from Arizona State University: President Michael Crow, Provost Mark Searle, Senior Associate Christine Wilkinson, Dr. Morgan Olsen, and Dr. Lee McPheters; from the board office: President Eileen Klein, Board Counsel Nancy Tribbensee, John Arnold, Ted Ferris, and Kate Linder; and Faculty Senate Representative Kathleen Puckett

All lists, reports, summaries, background materials and other documents referred to in the minutes can be found in the November 17-18, 2016 Document Files.

The meeting was called to order on November 17, 2016 at 8:30 a.m. The board immediately voted to go into executive session. Regent Patterson resumed the public meeting at 9:18 a.m. and Regent Shoopman led the Pledge of Allegiance.

Regent Patterson thanked President Hart and her staff for hosting, and welcomed Regent Manson to her first full board meeting. Regent Manson replaced Regent Leonard after several years of service on the board.

UNIVERSITY OF ARIZONA PRESIDENT'S WELCOME

President Hart provided her welcoming remarks and commented on the feeling of hope and excitement she and the university community felt regarding the appointment of a new UA president, and she expressed her gratitude for the search committee members working to appoint her successor.

ABOR PRESIDENT'S REPORT

ABOR President Report (Item 1)

President Klein provided her report to the board and began by referencing the recent U.S. presidential election and the goal of working together as a nation; a goal shared by the board with regard to Arizona's public universities and their potential as vehicles of opportunity in

Arizona and America. Focus from policymakers in Congress and at the Presidential level will be on jobs creation, but also using the capabilities of government to advance the skill of individuals so that businesses have the labor they need and individuals have the opportunity to be successful in the American economy. With focus on technical skills training, the role the universities play in preparing Americans for life-long learning must remain at the forefront of the agenda at the Federal level going forward. For Arizona's public universities, the goal is to produce more graduates who are capable of meeting workforce needs while delivering more affordable and cost effective education.

The change at the federal level provides an opportunity to impact policies through regulatory reforms at the federal level. Student loan reform and certain loan practices need continued, innovative effort to provide relief for students in an effort to keep debt burden low in Arizona. Work will continue with congress and the president to make sure Arizona students receive the certainty that they need in their immigration, residency, and citizenship status to provide access the institutions, as well as to be eligible to receive financial aid.

In an effort to increase educational attainment in Arizona, the Achieve60AZ movement was successfully launched. Achieve60AZ's goal over the next 14 years is to increase the number of people living in Arizona with a certificate, Associate's or Bachelor's degrees, increasing the educational attainment rate from 42.4% to 60.0%. Two major philanthropic partners recently demonstrated their support with generous contributions to the Achieve 60 AZ effort, with President Klein, Rich Nichol of College Success Arizona and Maria Harper Marinick of the Maricopa Community Colleges district as appointed fiduciaries of the fund. President Klein briefly discussed the High School Report Card, which saw an increase of 6.4% of Arizona high school graduates who enrolled in Arizona's public universities, with 87% of Arizona's high school students admitted without academic deficiencies. There has also been a shift in degree choices by incoming students, aligning more with workforce demands. Statistics show increases in business, management and marketing, health professions, engineering, biological and biomedical services and social sciences, with declines in education, history, and architecture.

An overview of the tuition setting process was discussed. Tuition at Arizona's universities remains competitive and debt remains lower than the national median but because there is evidence that financial aid is on the rise there is concern that student debt will also rise. It is the demographics of Arizona students and it creates additional challenges to resolve. It also means amplified effort in the quest for state funding.

President Klein responded to Regent Krishna's question regarding the 2030 projections of graduating students in relation to population growth. The 2030 figures take into account the growth of Arizona over the next 15 years with approximately 60% of Arizona residents attaining higher education degrees or certificates. Regent Myers commented on the board's goal to provide more higher education opportunities for Arizona residents, which also includes reaching the at-risk population of Arizona who frequently drop out during their freshman year. This is due in large part to high schools not preparing students to be successful for higher education. School boards across Arizona could utilize the High School Report Card to evaluate their school's achievements and make improvements where necessary. Regent Heiler commented that the High School Report Card is the most important academic performance data available as it reflects the end product of the K-12 system and collective readiness of Arizona's one million plus students. Regent Myers commented on the

obvious problems with high school students being taught math by people who are not certified to teach the subject, and proposed coming up with an action plan to address this and other problems.

President Crow commented that ASU noticed the deficit of math teachers several years ago and restructured its teachers college to change that. ASU also certifies as many math majors, engineering majors, architecture majors as teachers during their four years at ASU. President Cheng provided information on NAU's movement to combat math and workforce deficiencies listing the STEM program and summer boot camps for teachers. President Hart stated the teacher workforce shortage is a national crisis. The realization is that the problems needing to be solved cannot be done solely by school districts or solely by universities. Collaboration by superintendents, community colleges and universities is the first step in combatting the problems seen in workforce and education.

Regent Myers commented that we have the data and the schools that are not performing need to be made aware of the data.

CALL TO THE AUDIENCE

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

Tom Belshi, The League of Arizona Cities and Towns, spoke about the shared revenue legislative proposal

Emily Lauber, ASU student, spoke about DACA students

Vanessa Pomeroy, ASNAU, provided updates on student activities

Michael Finnegan, ASUA, provided updates on student activities

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Report on the Academic and Student Affairs Committee Meeting (Item 2)

Regent Ridenour reported on the outcomes of the November 16, 2016 Academic and Student Affairs Committee meeting. The committee received an update from Kelly Robles of Arizona Transfer on transfer students from community colleges. The universities presented information on their financial aid proposals and metrics, with a discussion on the graduate and undergraduate degree programs. The committee reviewed additional items including various ABOR policies revisions, appointment of Regents' Professors, revisions to universities' Academic Strategic Plans, and several reports including the student financial aid report.

BUSINESS AND FINANCE COMMITTEE MEETING

Report on the Business and Finance Committee Meeting (Item 3)

Regent Myers reported on the outcomes of the November 16, 2016 Business and Finance Committee meeting. The committee received a quarterly financial status update as compared to the full-year 2017 budget. ASU and UA are projecting a shortfall in tuition revenues from

what was budgeted. ASU's shortfall is due to fewer international students than predicted. UA experienced an increase in headcount but a decrease in full-time enrollment, and delayed transitions of staff from UA to Banner. NAU's student enrollment was not as projected, but an increase is expected in tuition revenue due to an increase of non-resident student enrollment. The committee also reviewed debt capacity and lines of credit guidelines, capital improvement and capital related items.

FY 2018 State Budget Request Update (Item 4)

The universities and the board office asked the board to approve the update to the 2017-18 State Budget Requests. This item was tabled to allow for more discussion on how to fund deferred maintenance and capital projects.

President Hart explained that the universities finances are 85% tuition driven, and any sales tax paid by the university is a tax on tuition. Costs incurred by any educational institution are a cost that eventually will be paid by citizens. President Crow added that Arizona will be the only state in the union that does not support financial aid for students who attend state universities. Both President Crow and President Cheng agreed on the need to raise awareness even further for infrastructure support and relief from the ongoing deferred maintenance.

Per Regent Patterson's request, President Klein will work with the university presidents to create a plan for capital needs funding that can be approved and added to the list of requests for the state legislature. Regent Heiler commented that he supports the state tax retention idea and pointed out that the information provided in the committee review showed the universities are a \$4.5 billion enterprise which has continued to grow and generate more revenue return through sales tax activity to the state.

LEGISLATIVE AFFAIRS COMMITTEE

Report on the Legislative Affairs Committee Meeting (Item 5)

Regent Shoopman reported on the November 16, 2016 Legislative Affairs Committee meeting. The committee received updates from university lobbyists, and an analysis of the incoming Trump administration at the federal level. They discussed the changing character of the upcoming legislature. The board plans to continue to seek state support equaling half of an in-state student's tuition.

AUDIT COMMITTEE

Report on the Audit Committee Meeting (Item 6)

Regent Penley reported on the November 16, 2016 Audit Committee meeting. The committee reviewed annualized financial audits performed on the state's universities. The committee was also briefed on performance audits that the Office of the Auditor General plans to conduct. In addition, the Auditor General is also doing a performance audit of the Foster Care Tuition Waiver Program. The committee met with the CFOs of each campus to discuss the Internal Audit Review Board and met with the chief auditors of each campus to cover the audits that have been performed at this point.

RECESS

The meeting recessed at 11:30 a.m. and resumed at 2:00 p.m.

REGENTS EXECUTIVE COMMITTEE MEETING**Report on the Regents Executive Committee Meeting (Item 7)**

Regent Patterson reported on the November 2, 2016 Regents Executive Committee meeting. The committee reviewed amendments to the Arizona Board of Regents Cash Balance Pension Plan as well as to the Optional Retirement Plan, and it discussed the appointment of the NAU provost and vice president for Academic Affairs, the appointment of the NAU chief financial officer, coaching contract extensions and presidential contracts.

ECONOMIC AND STATE REVENUE OUTLOOK UPDATE**Economic and State Revenue Outlook Update (Item 8)**

The board received an update from the board office and university economists on the economic and state revenue outlook. Dr. Lee McPheters, Research Professor of Economics in ASU's W.P. Carey School of Business presented information on current and future economic conditions. Key points included:

- The national GDP is in its 12th year below 3% growth; a rate that has become the new norm.
- The projected GDP for 2017 is 2.2%. The minimum wage increase and other factors will drive up inflation to 2.3% according to Blue Chip resources and W.P. Carey School of Business.
- The U.S. Economic recovery is a result of increased employment of skilled and educated workers, and the national jobs and unemployment rate will decrease slightly from 2016.
- Arizona ranked 5th in the nation in private job creation, 6th in the national in start-up businesses, and is in the top ten in population increase including strong domestic migration. This has contributed to many large companies expanding their businesses to Arizona.
- Arizona is traditionally below the national average for economic prosperity due to the ratio of employment to population, 12% below the national average, and earnings of the work force are almost 15% below the national average.
- Arizona is 4th in the nation as a destination for people relocating independently. A major point of concern is Arizona's per pupil instruction spending ranked 49th in the nation. Per capita income ranked at 42nd and Arizona is 45th in poverty rate.

Dr. George Hammond, Associate Director of the Economic and Business Research Center in UA's Eller College of Management presented on Arizona's long-term economic outlook and root causes for the state's widening gap in per capita income compared to national figures. An overview was presented on the national projections for the next thirty years on which Arizona's outlook is based. Key points included:

- The population growth is expected to grow at a rate of 0.6%; however, the retirement of baby boomers will cause slower work force growth which will drive down GDP growth.
- Productivity growth determines GDP growth, and the growth has not changed over the past five years.
- Arizona's job growth is expected to be higher than the national average but will be relatively slow. The greatest job gains are likely to be in the service professions, especially education and health care, with slightly lower gains in transportation, trade and utilities and professional and business services.
- Arizona's wages are lower than the national average in all occupations except protective services and healthcare support.
- The key to wages is productivity growth; long-run risks revolve around productivity growth, resource constraints and funding long-term obligations. Education drives productivity growth.

Dr. Hammond commented that Arizona lost over 100,000 construction jobs during the down turn. Population growth was much larger before the recession and construction continued for several years after the population growth ceased, producing an overage of new construction without tenants. Regent Penley provided additional information referring to the real estate industry's business understanding of the problem centering on labor, lots, and lending. There is a shortage of workers in construction, and low wages compared to neighboring states plays a large role. Municipalities, under pressure to increase revenue have increased fees and regulations on lot development, slowing down new construction. Lending restrictions affected many people who experienced bankruptcy and foreclosure during the recession, slowing down or inhibiting their ability to buy homes.

President Crow identified three fatal errors in society's understanding of economic success. One, that education is not a factor in economic success. Two, that you can build a stable long-term economy on real estate. The third is related to Latino educational success. Maricopa County has a 9% college attainment rate for people of Hispanic descent. The economy will not be competitive until that number is optimally above 25%. Arizona needs an economic development policy. Utah and Texas were used as examples of states that created economic development policies, along with many strategic steps to advance their economy. Regent Heiler commented on the dual level point about education, not only the connection between economic growth and educational attainment that exists everywhere, but also Arizona's position as an industry and driver in its own right.

Board Consultant Ted Ferris reported on compared inflation and population to Arizona's personal income numbers and Arizona's general fund, which has been decreasing since 2006. Decreasing corporate taxes and decreased state taxes, which in theory are reduced to increase the economy, decreases the General Fund revenue growth. Income tax growth, corporate income taxes, and insurance premium tax growth are all well below the long-term average indicating general fund revenue will remain subpar. The goal is to have a tax structure that extracts sufficient revenues from the economy to fund essential functions of state and local government at the same time, hopefully supporting a vibrant economy. This would suggest that one of the challenges we are facing is whether the general fund can keep up. In recent years, that has not happened.

President Klein inquired about Arizona residents' financial ability to supplement education. Mr. Ferris explained that business and property tax reductions were made so Arizona was competitive. A major factor affecting business relocation and expansion decisions is quality of the workforce and personal income, in which Arizona falls short. Regent Myers expressed concern that after serving as regent for seven years, state support for higher education continues to be a point of conversation with no improvement. Regent Myers suggested showing these economic reports and conclusions as the President's report to the state legislature as opposed to recent years' reports. Regent Patterson suggested in future meetings the previous year's presentations be made available to compare and to study the trends to see what the predictors got correct.

STUDENT REGENT REPORT

Regent Gorshe reported that the University of Arizona student government continues to engage with students and administration to solve the issue of food insecurity at state universities. UA has created a Campus Pantry to provide meals for students who can't afford to eat. Student government has initiated a conversation regarding student fees and the review of fees. ASU student government is in the process of selecting a new student regent and final selection is expected to be sent to the Governor's office by year end. All three student governments are planning a Day at the Capital.

REPORT FROM THE ARIZONA FACULTIES COUNCIL

Dr. Kathleen Puckett reported that the Arizona Faculties Council requested the following considerations by the board:

- A recommitment to provide a safe environment, optimal for learning for all students.
- A recommitment to the Student Code of Conduct to ensure learning is free from negative influences.
- Support of peaceful protest as a right and oppose violence with zero tolerance.
- Support the role of educator as not only education based on fact and data but also good citizenship; prosperity is tied to both outcomes.
- Set-up an IT access infrastructure for rural areas.
- Faculty supports conversations on quality and wants to ensure these conversations are taking place on all campuses. Quality indicators are linked to student success, which is paramount.
- The AFC supports the board's interests in K-12 education and the achievement of the Achieve 60 goals.
- The AFC values the role of engaged citizenship, respectful dialogue, and development of critical thinking.

Dr. Puckett expressed appreciation for the opportunity to express faculty goals and ideas and for the example board members set.

ADOPTION OF CONSENT AGENDA ACTION ITEMS AND ACCEPTANCE OF CONSENT INFORMATION ITEMS

Regent Patterson announced his intention to remove items from the consent agenda to provide more details to items of interest to the public and in some cases, celebrate outstanding individuals.

Minutes

The June 8-10, 2016 Regular Meeting, June 22, 2016 Special Executive Session, August 19, 2016 Special Executive Session, August 31, 2016 Special Meeting, and the October 12, 2016 Special Meeting minutes were not approved at this meeting. These minutes were subsequently approved at the February 2017 Regular Board Meeting.

BUSINESS AND FINANCE COMMITTEE MEETING

Proposed Revisions to ABOR Policies 3-411 "Annual Report on Debt Capacity," 3-501 "Board Action Required," and 7-102 "Overview of the Capital Development Process and Phases" (Second Reading) (Item 10)

The board office asked the board to approve proposed revisions to ABOR Policies 3-411 "Annual Report on Debt Capacity," 3-501 "Board Action Required," and 7-102 "Overview of the Capital Development Process and Phases" to implement new statutory authority to use commercial paper and lines of credit.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the proposed revisions to ABOR Policies 3-411 "Annual Report on Debt Capacity," 3-501 "Board Action Required," and 7-102 "Overview of the Capital Development Process and Phases."

Guidelines for Lines of Credit (Item 11)

The board office asked the board to approve the proposed guidelines for the use of lines of credit for liquidity or cash management purposes.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the proposed guidelines for the use of lines of credit for liquidity or cash management purposes.

Proposed New ABOR Policy 8-208 "Fees for Services" Regarding the Arizona State Museum (Second Reading) (Item 12)

The board office asked the board to approve proposed new ABOR Policy 8-208 "Fees for Services" regarding the Arizona State Museum.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved new ABOR Policy 8-208 "Fees for Services" regarding the Arizona State Museum.

Proposed Revisions to ABOR Policy Chapter III, Article H-University Procurement Code (Second Reading) (Item 13)

The board office asked the board to approve proposed revisions to ABOR Policy Chapter III, Article H – the University Procurement Code.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the proposed revisions to ABOR Policy Chapter III, Article H – the University Procurement Code.

Supplement to Prior Board Approval of Sale of Approximately 9.29 Acres of Land Located at SEC of Rio Salado and Price Road, Tempe, Arizona (ASU) (Item 14)

Arizona State University asked the board to supplement its prior approval for the sale of approximately 9.29 acres of real property located at the southeast corner of Rio Salado Parkway and Price Road, Tempe, Arizona.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the supplement to its prior approval to ASU for the sale of approximately 9.29 acres of real property located at the southeast corner of Rio Salado Parkway and Price Road, Tempe, Arizona.

FY 2017 Revised Capital Development Plan (ASU) (Item 15)

Arizona State University asked the board to approve its FY 2017 Revised Capital Development Plan, which included one new project and one previously approved project. The CDP totaled \$45.5 million. President Crow commented that this is a collateral investment resulting from the move of the law school to downtown Phoenix campus. The existing facilities of both the library and law school headquarters will be renovated rather than torn down.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved Arizona State University's FY 2017 Revised Capital Development Plan.

Property Acquisition 1700 E. Broadway Blvd., in Tucson, AZ (UA) (Item 16)

The University of Arizona asked the board to approve the purchase of the real property located at 1700 E. Broadway Blvd., Tucson, Arizona from Henry Chung & Company.

Upon motion by Regent Patterson, second by Regent Myers, the board approved the University of Arizona's purchase of the real property located at 1700 E. Broadway Blvd., Tucson, Arizona from Henry Chung & Company.

South Stadium Parking Structure Project Approval (UA) (Item 17)

The University of Arizona asked the board for Project Approval for the South Stadium Parking Structure. The 282,000 gross square foot, \$22 million capital project will be funded through a combination of Parking and Transportation funds and the University's cash reserves.

Upon motion by Regent Patterson, second by Regent Myers, the board approved the University of Arizona's Project Approval for the South Stadium Parking Structure.

Ground Lease, with Option to Acquire, and Related Agreements for Development of Hotel/Conference Center with Omni Hotels Corporation (ASU) (Item 18)

Arizona State University asked the board for authorization to enter into agreements to ground lease and develop approximately 1.6 acres of real property located at the southeast corner of Mill and University Drive on the Tempe Campus, to Omni Hotels Corporation, a Delaware corporation, or affiliate, for development of a privately-operated hotel, and a \$19.5 million, together with an option to permit Omni to acquire the land and improvements at the end of the ground lease term.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved to authorize Arizona State University to enter into agreements to ground lease and develop approximately 1.6 acres of real property located at the southeast corner of Mill and University Drive on the Tempe Campus, to Omni Hotels Corporation, a Delaware corporation, or affiliate, for development of a privately-operated hotel, and a \$19.5 million, together with an option to permit Omni to acquire the land and improvements at the end of the ground lease term.

Ground Lease and Related Agreements for Development of New Student Housing at the Tempe Campus (ASU) (Item 19)

Arizona State University asked the board for authorization to enter into agreements to ground lease approximately 5 acres of real property located at the southeast corner of South Rural Rod and South Terrace Road on the Tempe Campus to American Campus Communities or affiliates for development of third-party student housing, and the right to lease all or a portion of the facility at an annual cost exceeding \$500,000.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved authorization for Arizona State University to enter into agreements to ground lease approximately 5 acres of real property located at the southeast corner of South Rural Rod and South Terrace Road on the Tempe Campus to American Campus Communities or affiliates for development of third-party student housing, and the right to lease all or a portion of the facility at an annual cost exceeding \$500,000, with a "no" vote by Regent Heiler.

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Proposed Revisions to ABOR Policy 4-323 "Tuition Waiver Scholarships and Institutionally Supported Financial Aid Programs – Student Financial Aid" (Second Reading) (Item 20)

The board office asked the board to approve proposed revisions to ABOR Policy 4-323 regarding waivers of graduate tuition for Purple Heart recipients and medically discharged Arizona National Guard members.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved the proposed revisions to ABOR Policy 4-323 regarding waivers of graduate tuition for Purple Heart recipients and medically discharged Arizona National Guard members.

FY 2016 Financial Aid Report and FY 2017 and FY 2018 Financial Aid Plans (ASU, NAU, UA) (Item 21)

The board office asked the board to approve the universities' FY 2016 Student Financial Aid Report and FY 2017 and FY 2018 Financial Aid Plans.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved the universities' FY 2016 Student Financial Aid Report and FY 2017 and FY 2018 Financial Aid Plans.

2016 Progress Report on Articulation and Transfer for Arizona Postsecondary Education (Item 22)

The board office asked the board to approve the annual progress report on articulation and transfer to be submitted to the Joint Legislative Budget Committee by December 15, 2016.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved the annual progress report on articulation and transfer to be submitted to the Joint Legislative Budget Committee by December 15, 2016.

2016 Enrollment Report (Item 23)

The board office asked the board to approve the 2016 Fall Enrollment Report of headcount and full-time equivalent enrollment for universities in the Arizona University System.

Upon motion by Regent Patterson, second by Regent Myers, the board approved the 2016 Fall Enrollment Report.

2015-2016 High School Report Card (Item 24)

The board office asked the board to approve the 2015-2016 High School Report Card.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the 2015-2016 High School Report Card.

High School Students Taking University Courses in 2015-2016 (Under 18 Report) (Item 25)

The board office asked the board to approve the report on High School Students Taking University Courses in 2015-2016.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the report on High School Students Taking University Courses in 2015-2016.

Proposed Revisions to ABOR Policy 2-121 “Undergraduate Admissions” (Second Reading) (Item 26)

The board office and the universities asked the board to approve the proposed revisions to ABOR Policy 2-121 “Undergraduate Admissions.”

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the proposed revisions to ABOR Policy 2-121 “Undergraduate Admissions.”

Appointment of Regents’ Professors (Item 27)

Arizona State University asked the board to approve the appointment of three Regents’ Professors effective December 31, 2016: Robert Nemanich (Department of Physics), Anne Stone (School of Human Evolution and Social Change, and Paul Westerhoff (School of Sustainable Engineering and the Built Environment).

Upon motion by Regent Patterson, second by Regent Myers, the board approved the appointment of three Regents’ Professors effective December 31, 2016: Robert Nemanich (Department of Physics), Anne Stone (School of Human Evolution and Social Change, and Paul Westerhoff (School of Sustainable Engineering and the Built Environment).

Proposed Revisions to ABOR Policy 2-321 “WICHE Professional Student Exchange Program” (First Reading) (Item 28)

The board reviewed on first reading the proposed revisions to ABOR Policy 2-321 “WICHE Professional Student Exchange Program.” The proposed revisions will enable the director of Western Interstate Commission for Higher Education (WICHE) Student Exchange Programs, in addition to the board president, to certify eligible participants, approve new and continuing students to be supported each year, and set the interest rate in effect for the following fiscal year for the WICHE Professional Student Exchange Program.

Addendum to the 2016-2017 Academic Strategic Plan for Arizona State University (ASU) (Item 29)

Arizona State University asked the board to approve the addendum for its 2016-2017 Academic Strategic Plan.

Upon motion by Regent Patterson, second by Regent Gorshe, the board approved Arizona State University’s addendum to its 2016-2017 Academic Strategic Plan, with abstention from Regent Penley.

Addendum to 2016-2017 Academic Strategic Plan for Northern Arizona University (NAU) (Item 30)

Northern Arizona University asked the board to approve the addendum to its 2016-2017 Academic Strategic Plan.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved Northern Arizona University's addendum to its 2016-2017 Academic Strategic Plan, with abstention from Regent Penley.

Addendum to 2016-2017 Academic Strategic Plan for the University of Arizona (UA)
(Item 31)

The University of Arizona asked the board to approve the addendum to its 2016-2017 Academic Strategic Plan.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved the University of Arizona's addendum to its 2016-2017 Academic Strategic Plan, with abstention from Regent Penley.

Proposed Continuation of Exception to ABOR Policy 6-201 "Conditions of Faculty Service – Types of Faculty Appointments" (NAU) (Item 32)

Northern Arizona University asks the board to continue its exemption from ABOR Policy 6-201(E)(11) through June 30, 2019.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved Northern Arizona University's request to continue its exemption from ABOR Policy 6-201(E)(11) through June 30, 2019.

REGENTS EXECUTIVE COMMITTEE

Appointment of Provost and Vice President for Academic Affairs for Northern Arizona University (NAU) (Item 33)

Northern Arizona University asked the board to approve the appointment of Dr. Daniel Kain to serve as Provost and Vice President for Academic Affairs at Northern Arizona University.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved the appointment of Dr. Daniel Kain to serve as Provost and Vice President for Academic Affairs at Northern Arizona University.

Appointment of Chief Financial Officer (NAU) (Item 34)

Northern Arizona University asked the board to approve the appointment of Bjorn Flugstad to serve as the Chief Financial Officer at Northern Arizona University.

Upon motion by Regent Patterson, second by Regent Ridenour, the board approved the appointment of Bjorn Flugstad to serve as the Chief Financial Officer at Northern Arizona University.

Amendment to the Arizona Board of Regents Cash Balance Pension Plan (Item 35)

The board office asked the board to approve the First Amendment to the Second Amendment and Restatement of the Arizona Board of Regents Cash Balance Pension Plan.

Upon motion by Regent Patterson, second by Regent Gorshe, the board approved the First Amendment to the Second Amendment and Restatement of the Arizona Board of Regents Cash Balance Pension Plan.

Amendment to the Arizona Board of Regents Optional Retirement Plan (Item 36)

The board office asked the board to approve the First Amendment to the Fifth Amendment and Restatement of the Arizona Board of Regents Optional Retirement Plan.

Upon motion by Regent Patterson, second by Regent Gorshe, the board approved the First Amendment to the Fifth Amendment and Restatement of the Arizona Board of Regents Optional Retirement Plan.

Multiple-Year Employment Contract for Head Coach of the Men's Basketball Team (NAU) (Item 37)

Northern Arizona University asked the board to approve a one-year extension of the multiple-year employment contract for Jack Murphy as Head Men's Basketball Coach at Northern Arizona University.

Upon motion by Regent Patterson, second by Regent Gorshe, the board approved the one-year extension of the multiple-year employment contract for Jack Murphy as Head Men's Basketball Coach at Northern Arizona University.

Amendments to Presidents' Contracts (Item 38)

The board office asked the board to approve proposed amendments to the presidents' contracts.

Upon motion by Regent Patterson, second by Regent Shoopman, the board approved the proposed amendments to the presidents' contracts.

ADMINISTRATIVE

Regents' Awards for Outstanding Service to Higher Education (Item 39)

The board office asked the board to approve the recommendations of the Regents' Award Selection Committee to present the 2017 Regents' Awards to Rufus Glasper, Frank Besnette and Jerry Hirsch.

Upon motion by Regent Patterson, second by Regent Krishna, the board approved the recommendations of the Regents' Award Selection Committee to present the 2017 Regents' Awards to Rufus Glasper, Frank Besnette and Jerry Hirsch.

Non-Access Resolution for the Department of Defense National Industrial Security Program (UA) (Item 40)

The University of Arizona asked the board to approve the Non-Access Resolution.

Upon motion by Regent Patterson, second by Regent Gorshe, the board approved the University of Arizona's Non-Access Resolution.

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

Regent Patterson reminded everyone that the board will meet in the Environment and Natural Resources Building for the November 18, 2016 Faculty Breakfast, followed by the University of Arizona's presentation of its Operational and Financial Review.

RECESS

The meeting recessed at 4:30 p.m. and resumed on November 18, 2016 at 9:15 a.m.

UNIVERSITY OF ARIZONA'S FY 2016-2017 OPERATIONAL AND FINANCIAL REVIEW

University of Arizona's FY 2016-2017 Operational and Financial Review (UA) (Item 9)

The University of Arizona presented its FY 2016-2017 Operational and Financial Review to the board. President Hart described the session as a seminar of discussion, thought and interaction with the university's four senior executives.

UA's Senior Vice President for Business Affairs and CEO, Gregg Goldman presented the university's financial status and goals. Mr. Goldman presented information on financial viability and stressed the importance of driving the idea that 50% of in-state tuition needs to be funded by the state. Information was provided on cash balance differences, some of which are restricted except for emergency situations; cash flow for on-going expenses such as \$1.5 million a week in payroll; and risk mitigation, which encompasses guaranteed tuition, state lottery reduction, state appropriation, future commitments and TRIF. The current condition of UA's cash flow was up from 86 days cash on hand to 170 days. This excess liquidity was planned and set aside to assist with the transition of the new UA president. The university's debt portfolio was explained, with UA's total debt amounting to 71% academic and research use and 29% auxiliary. Funding sources include 35% tuition and general purpose funds, 29% auxiliary and 36% state appropriation and state lottery.

Mr. Goldman discussed the mission differentiation between the University of Arizona and its sister universities. The UA has various areas that make it unique including the land-grant mission being present in every Arizona county and the expenses that are incurred at each location, and the medical colleges in two different cities, which have personnel, laboratory and facility costs. Mr. Goldman defined the term Responsibility Centered Management (RCM) as a transparent way of budgeting where all revenue flows out of to the schools and colleges, providing for entrepreneurial freedoms. These are attributes that make the UA unique and the mechanism used for financial management works efficiently for the funding needs of the university.

Mr. Goldman responded to Regent Krishna's question regarding the average amount of money that should be in reserve by establishing the median of about 176 days at \$4M per

day. UA's mechanism of financing growth and building has stemmed from private donor commitments.

President Klein commented on the hard work and collaboration of former Regent Mariucci, President Hart and others whose time, discipline and rigorous execution of plans and programs like Never Settle have come to fruition. President Klein sought clarification on debt capacity and whether state universities have funds to meet the obligations of taking on additional debt. Debt is a financial tool for Arizona's state universities because of the investments being made in Arizona's future by the universities, and President Klein expressed gratitude for UA's ability to bring about a continuous positive outcome.

Mr. Goldman discussed the Phoenix Biomedical Campus crediting NAU, ASU, the City of Phoenix and many corporate contributors in partnership, and the impact all three universities have had in downtown Phoenix. The impact of UA's investment in the Biomedical footprint is nearly \$500M, and collaboration between the three state universities is working well. The current economic impact of UA-Phoenix on the community is over \$1 billion annually with future projections at \$3.1 billion annually in 10 years. Employment growth as a result of UA-Phoenix is over 8,000 jobs added to the community.

Mr. Goldman discussed deferred maintenance building renewal. Currently, deferred maintenance is at \$312,360,564 and is expected to rise to \$1,070,000,000 in the next ten years. Key concerns included the life cycle and periodic renewal costs of building systems; 77 of maintenance problems are behind the walls and hidden from view; structures built in 1915 and those in the 1950s and 1960s are becoming high-risk; system needs range from HVAC to plumbing, cooling and electrical; and statistics on indoor human health issues and decreased productivity related to buildings' decrepitating status. Mr. Goldman explained the negative impact that old and dilapidated campus buildings have on the student experience, research productivity, and faculty hiring and retention. The deferred maintenance issue will negatively affect future students, the city of Tucson and potentially put at risk the health and safety of our faculty, staff, students and community.

UA's Sr. Vice President for Student Affairs and Enrollment Management, Dr. Melissa Vito provided information and explanation of the purpose of leadership in her area and focused on two central motivations: cutting-edge work for students, and questioning what today's elementary-aged children will need in ten years. Dr. Vito presented information on goals of re-imagining engagement through a new national model, which is driving innovation in learning and teaching, and embedding corporate partners into the learning experience, with a deadline of three years.

Dr. Vito explained that engagement became a priority several years ago with the goal for every freshman student to have a significant engagement experience. There were already thousands of students doing research and involved in activities but not necessarily organized with specific learning outcome and commitments for every single student. UA is unique in that it is the only large university that notates on official transcripts that a student graduated with engagement experiences. UA offers both in-classroom and out-of-classroom experiences that meet academic criteria, are approved by faculty, and for which students must be able to demonstrate the skills they have acquired through the engagement experience.

Regent Careaga shared his experience of engagement, saying education should not be confined to only an institution itself but it occurs through learning the theory in the classroom and applying it in the real world.

Dr. Vito further explained that the university teaches the skills and places students in engagement environments outside the classroom. Regent Shoopman commented on the number one concern of the business leaders in southern Arizona was the ability to retain UA graduates. This program has been one of the most affective programs over the past 10 years where students work in the community and see that there are good jobs and opportunities in this region of southern Arizona.

Dr. Vito presented on enrollment and seamless access. She described various types of enrollment, specifically the integration of distance international and distance statewide. To efficiently employ resources, distance learning has been integrated and translated to provide education for students world-wide. Dr. Vito noted a decrease in freshman enrollment and retention due to lack of sufficient financial aid. Regent Myers commented on the conflict of goals where universities were charged with providing more at-risk students the opportunity to attend university, but less money was available because of other expenses and financial aid was compromised.

Regent Ridenour expressed concern regarding the projected high number of Hispanic students attending high school compared to those projected to attend college. Dr. Vito produced statistics that showed a 45% increase in Hispanic student attendance at UA from 2010-2016. Even with state aid, retention efforts were doubled for populations showing potential of at-risk students. Regent Penley commented on financial aid and the fact that each institution's needs are unique and a single model of financial aid is not effective.

The online program is ahead its goals. UA uses full-time faculty to teach online courses and is integrated with face-to-face classes. UA is developing the UA Online Science Academy to help science students complete classes before they arrive on campus, and many local affiliates have signed up for online programs offering courses to employees. The universities collaborate on efforts to grow and develop online courses; however, each school has different models that create a unique source of online education for each university.

Provost Andrew Comrie presented information on shaping the academic future over the next 10-20 years. Key areas presented included creating a distinctive student experience, which involves re-envisioning the Honors college. A task force was created to brainstorm the most exciting Honors program experience for the 21st century. The task force delivered two reports with recommendations including creativity, group problem-solving and engagement. UA currently has Honors dorms, but plans are being developed to construct an integrated living and learning center.

Provost Comrie discussed the active learning classroom, which reverses the lecture in a classroom and promotes student problem solving. To implement this learning format, UA is incorporating voluntary faculty learning committees, in which groups of faculty meet to learn and practice more effective techniques in teaching, and Student Advocates for Improved Learning teaches students how to improve through peer mentoring.

Regent Careaga commented on his experience in collaborative learning spaces, and found it beneficial in collaborating with fellow students in course work.

Regent Myers expressed concern about the exposure of this program and the facilities and faculty needed to make it successful. The greatest challenge is the ability to teach and train faculty that lecture is not most effective teaching method. President Hart confirmed the commitment and the capacity is there, but funding will bring the plan to fruition more widely and quicker. Provost Comrie again reiterated that the most challenging item is not space but changing the methods of faculty from lecturer to collaborator and guide, which will take time and training.

Provost Comrie discussed how management is facilitated through the RCM model, a fundamental restructuring of budgets in the university. An element of RCM is performance based funding where a program's budget depends on its activity. Revenue and costs are illustrated on budget reports for departments to monitor and focus on revenue and performance while containing costs and incentivize entrepreneurship.

Regent Penley asked for details of a program where laboratory space was reallocated or funding was withdrawn. Provost Comrie explained that virtually every program experiences reduction or growth and space has either been given or taken away. When the current formula indicates a reduction in budget that year, the decision to reallocate space is made. As trends are revealed programs, are refocused and funds are diverted to new focuses and goals.

UA's Sr. Vice President for Research, Dr. Kimberly Espy discussed strategies, tactics, and opportunities in research and development with a focus on attracting new resources, growing economic opportunity to drive high tech jobs, and delivering impact to benefit the public. Strategies include foundational infrastructure, building visionary signature research, and partnering inside and outside the academy to bring a seamless flow of energy and ideas.

Regent Myers asked about the decline in UA's ranking for research institutions. President Hart and Dr. Espy described the lack of strategy and direction in previous years and listed some areas where change is necessary for funding resources and improvements in faculty numbers and quality. Regent Ridenour asked what new funding sources are being considered, naming several examples. Dr. Espy explained that the faculty funding assistance program is in place to search for new funding resources as well as provide tailored technical support to faculty. There has been a substantial increase in applications and 60% of all applicants receive the funding they have applied for. Dr. Espy commented on the upward trajectory of funding awards. President Hart explained the time-line on receiving the awards and expenditures which are on-going.

Regent Myers pointed out that UA is ranked 21st in the nation and slipping. While a positive spin has been put on progress, plans, and improvements, our state universities are falling behind the competition and we need to communicate this to the legislature.

Dr. Espy spoke on the strategies for opportunities for the Engineer Research Center and interdisciplinary centers. The systematic approach towards opportunities includes identifying faculty to lead the effort, using seed funding to develop the project, and submitting proposals in those areas.

President Klein commented that she and the university presidents are members of the Arizona Commerce Authority, which is using data to understand the mechanics of Arizona's economy. Additional work needs to be done with regional economic development groups to deepen relationships with chambers of commerce for today and the future. There is opportunity through Tech Transfer to help the business community better understand how universities work and streamline policies and contracting processes to accelerate opportunities and advertise what capabilities are available through the universities.

Regent Patterson discussed the issue of deferred maintenance as a result of unfunded state obligations. One option is to not approve any capital projects until the deferred maintenance issues have been resolved. Another option, using the RCM model, is to initiate an assessment for each program in health and deferred maintenance. Regent Patterson was explicit in requesting that health and safety issues in campus buildings be a priority, and further requested a list of issues and a plan of top priority maintenance items that need to be attended to immediately. President Hart and her staff will provide a plan, but also explained the cycle of needs of current projects that have been in planning and progress for years. Deferred maintenance is a problem with all three universities and the solution needs to be a team effort.

President Klein suggested this be an opportunity to improve the linkage between the strategic vision and the business plan of the university, which compliments the academic and research plans. The purpose of the OFR is for the regents to approve plans and proposals and the OFR becomes the predicator for all the transactions. Regent Penley gave additional insight to the position of a regent in that to better understand budgetary needs and university projects, a link must be made between all the aspects of the budget.

Regent Heiler commented that UA's marketing should be coupled with strategy and the securing of funds is integral to all strategy for the institution. The research enterprise may be less marketing sensitive, and more of a leading sub-brand. The UA needs to find its competitive strategy and integrate across key brands, such as athletics, research, and faculty as a whole.

Regent Penley stressed the importance of the OFR presentation is not only in hearing about success but in knowing the challenges and hearing what strategies are in place to address those challenges. He requested that ASU's OFR include the challenges and strategies. Regent Myers expressed gratitude for the effort of improvement over the past seven years. UA has executed and accomplished tremendous work while positioning itself for success.

Upon motion by Regent Patterson, second by Regent Krishna, the board accepted the University of Arizona's FY 2016-2017 Operational and Financial Review.

The meeting adjourned at 2:02 p.m.

Submitted by:

Katherine Linder
Secretary to the Board

ARIZONA BOARD OF REGENTS
MINUTES OF A SPECIAL BOARD MEETING
January 20, 2017

The Arizona Board of Regents held a special meeting at the Arizona Board of Regents office in Phoenix, Arizona on January 20, 2017 at 9:00 a.m.

Present: Regent Patterson
 Regent Ridenour
 Regent Krishna
 Regent Myers (via phone)
 Regent Shoopman (via phone)
 Regent Penley
 Regent Manson
 Regent Heiler
 Regent Gorshe
 Regent Careaga

Absent: Superintendent Douglas and Governor Ducey

Also present were President Eileen Klein, Nancy Tribbensee, Jennifer Pollock, John Arnold, Kody Kelleher, Kris Okazaki, Lorenzo Martinez, Sarah Harper, Julie Newberg, Kate Linder and Suzanne Templin from the board office; President Michael Crow and Christine Wilkinson from Arizona State University; President Rita Cheng and Christy Farley from Northern Arizona University; and President Ann Hart, Jon Dudas, Laura Todd Johnson, Tim Bee and Gregg Goldman from the University of Arizona.

Regent Patterson called the meeting to order at 9:03 a.m.

Update and Possible Action on FY 2018 State Budget Recommendations (Item 1)

John Arnold presented an overview of the FY 2018 state budget recommendations from Governor Ducey and the Joint Legislative Budget Committee. The proposal allocates \$15 million for one-time funding for operations which is a partial offset for the \$19 million one-time funding that was received in the current year. Allocations are based on resident students, OSPB calculations are based on head count so this amount may shift if the allocation methodology changes.

The Sales Tax Recapture (TPT Revenue) is the larger proposal, which is the recapture of sales taxes paid by the universities and remitted back to the universities. The recapture will be divided into two funding sources for the universities. The state's base

rate of 5% goes to the general fund, and part is shared with local governments. The governor's proposal will take the general fund piece of the 5% and allocate it as capital funds and require the universities to match the funds. These funds can be used for debt service and can be leveraged. The governor's proposal suggest that bonding be used for capital investments, R&D Infrastructure and deferred maintenance. Funds would be capped at 2% annual growth, any funds above 2% will roll to the general operating fund.

Regent Patterson inquired on the tracking method for sales taxes paid by the universities. John Arnold responded that they are in preliminary discussion with the Department of Revenue. President Hart commented that the universities also track sales tax.

Regent Manson requested clarification regarding the 2% cap and whether the funds that roll over to the general account are lost to the universities. John Arnold responded that the roll over funds would go to the operating side of the university. Regent Manson expressed her concern that these funds would not be used to offset any increases that would come out of the general fund or some other source.

Regent Ridenour asked when the funds would be available and how they would be collected. John Arnold responded that the proposal is for FY18 and that the law would have to be in effect by July 1. TPT would be collected monthly, theoretically funds would be available by August.

Regent Manson asked if the legislature is going to determine the allocation between the universities or if the allocation to the universities should be done by the board at the enterprise level. John Arnold responded that this was still unknown. Regent Manson expressed her concern that NAU is at a capital disadvantage in terms of providing new facilities and believes that the board should be involved in the process of determining big capital allocations on an annual or project-by-project basis to ensure this is done as a statewide process.

John Arnold provided an overview of additional FY2018 initiatives proposed by the governor and the JLBC baseline forecast, which is \$41.6 million below the Executive forecast with a structural balance of just over \$46 million and an ending balance of \$159 million.

Kody Kelleher recommended that it may be beneficial for the board to take some type of action.

Regent Krishna asked if the legislature is in agreement with the proposal. Kody Kelleher responded that there is still divisiveness on the TPT recapture and support. Kody recommends educating lawmakers on the TPT recapture and how it differs from other types of tax finance proposals.

Regent Manson asked if there is a way to somehow quantify for the cities and the counties the potential financial and other benefits for having the additional capital

infused into their communities. Kody Kelleher responded that a similar proposal was done in 2003 called Research Infrastructure 1, with economic impact from those projects. President Klein responded that cities understand that there is a net financial impact, but anticipates that they are not going to be supportive simply because urban-shared or state-shared revenues has long been an area which they consider their revenue source. Another concern that has been expressed by the legislature is that they would begin to see other public entities requesting to keep their proceeds as well.

Regent Shoopman encouraged the board to engage the legislature to look very carefully on the funding mandates and the impact that those may have for things like the Teacher Academy and other initiatives.

Regent Ridenour asked when the legislature will present their budget recommendations. Kody Kelleher responded that there is no set date, when the legislature is close to an agreement details of the budget will start to be released. Traditionally the governor's budget forecasting is a little bit higher than the legislature's forecast. John Arnold shared the governor's office is about \$41 million in total revenue above JLBC, \$9.7 billion revenue forecast. The marginal difference allows the governor to make additional expenditures. The governor's spending assumptions are about \$60 million less than JLBC and creates about \$100 million in capacity and assumptions. Kody Kelleher recommends the board advocate for the TPT recapture and that the board and universities are represented when language is developed.

Regent Penley commented that if the board advocates for this, then whether it passes or not it will raise the issue of the need for capital construction funds both for our research laboratories that need to be built and also for our students.

President Cheng believes we need to focus on the need for a mechanism to support infrastructure on our campuses. Educating the legislature on the magnitude of infrastructure challenges can't wait very long.

President Hart commented that it is a step forward that the governor's proposal recognizes the importance of the growth of the universities' research enterprises and provides a commitment to fund Arizona students both from the legislature and the governor.

President Crow commented that the entrepreneurial nature of this particular strategy is empowering and acknowledges that the governor recognizes the infrastructural needs of the universities, but the proposal does not address the deeper issue of support for students.

President Klein commented that she is very pleased with the opportunities in the proposed budget. It was very significant to have the governor's continued endorsement of the resident student model and for the first time a plan to have long term capital funding for our universities. As a board we should make the most of this opportunity. The EEC believes it is important for the board to encourage the presidents to work

together to formulate a plan to make the most of this opportunity, particularly around capital, and to seek legislative commitment behind the resident student model for as many dollars as possible. The EEC believes health care reform is still an important item and that it is critical to make some progress in health care reform this year. There has been significant endorsement and enthusiasm by the governor behind not just the model proposed for our finances but a lot of direct references to the enterprise 2025 strategic plan.

Regent Manson asked if there has been any discussion on how funds would be reallocated. President Klein responded that the funds for the resident student model are one-time funding and the presidents are challenged by the lack of revenue growth that would allow permanent commitment to the resident student model. Currently each of the universities pays a different amount of TPT. If this proposal advances, the board, the legislature and the governor would need to determine an equitable means for the universities to generate the capital support needed.

President Crow commented that the proposal for TPT sales tax recapture, is an entrepreneurial concept that can generate more revenue and opportunity for the institutions.

President Hart reminded the board of the hard work of the chief operating officers on the deferred maintenance from a few years ago and that the board should take advantage of that work.

President Cheng commented that her concerns are for the acute need NAU has for infrastructure and its financial constraints, the 2% cap on growth in funding, and that the conversations on alternate funding sources and strategies continue.

Regent Penley commented on Regent Manson's concern regarding allocation of funds. The board should direct President Klein to develop some criteria that would be rational, acceptable and reasonable in the face to the considerable demand for capital, student and research needs.

Regent Myers asked if the 50% model is not funded in this budget, is there something the legislature can do to establish it more efficiently as they approach funding higher education. Kody Kelleher responded that legislature can put language in statute defining the funding relationship between the state and the public university system based on the resident student funding model. John Arnold shared that language was developed last year to add the resident student model, but it did not make it into the statute. Kody Kelleher commented that some of the hesitation to add language is the fear that it would trigger automatic funding or if language referencing funding is deleted and replacement language not included would create an ambiguous funding relationship.

President Klein provided a brief overview of the Teacher Academy. The governor's office asked that the university system produce an implementation plan within 90 days.

The EEC will create a working committee comprised of university provosts and senior associates. The committee will work with the community colleges and reach out to the Community College Coordination Council Leadership and AZ Transfer. The committee will assemble implementation plans, recommendations and explore affordable opportunities and scholarships to present to the Academic Affairs Committee and the board before submitting to the governor's office. The governor's recommendation provided some funds for loan forgiveness but no funds are attached to the Teacher Academy.

President Crow shared that ASU has gone through a dramatic transformation of its college of education. The number of teachers produced is dramatically smaller than before, by design. An application process for admission has been implemented to be accepted into the teacher's college. Another program in place allows students to be certified as teachers through other colleges (engineering, architecture, science, English or Math) which has increased the number of people on that track while changing the number of people on the traditional track. Through this transformation ASU has been asked many of the same questions being asked about the Teacher Academy. There are ways to be as creative within the resource constraints that the university is operating in partnership with others which at some point must include the state as a partner to be able to find a way to accomplish objective the governor is working towards which is educating and keeping teachers in Arizona.

President Cheng commented that NAU has close relationships with the community colleges and they are working on improving and providing pathways and access for more students. There are cohorts in partnerships with school districts in the rural areas of the state to address teacher shortages. NAU provides support for Science and Math teachers in the field who need content and need to stay current through our center for science teaching and learning. The Flagstaff community has a cradle-to-career effort that faculty are involved in for all schools in the Flagstaff area. Prep courses are held throughout the year to prepare aspiring teachers to pass their assessments. NAU's programs can be aligned with the Teacher Academy and they can develop more programs to enhance what is already being done. Funding sources and higher salaries need to be addressed along with leadership pathways.

President Hart commented that there are currently 8 pathways to alternative certification in Arizona and programs through the federal government for loan forgiveness that students may not be aware of. Research shows that having professional mentors in the first 3-5 years maximizes the success and sense of fulfillment and increases the likelihood of the individual staying in the profession.

Regent Patterson congratulated the governor and the staff at the board office on the capital development proposal. The plan represents an innovative opportunity to renew and revitalize Arizona's public universities, while building critical infrastructure for research and other activities. The students and Arizona's economy will benefit as ASU, NAU and UA become bigger economic drivers of research and development.

Upon motion by Regent Patterson, seconded by Regent Krishna. The board authorized the EEC and their team to support the operating capital funding proposed in the governor's budget recommendation and to work with the governor's office and the legislature on the details of the proposal.

The board also reaffirms its support for the Student Funding model and health care reforms previously approved and directs the EEC to continue to seek support for those items.

Consideration of and Possible Action Regarding a Board Position on Senate Bill 1061 Universities; Tuition, Rates, Fees (Item 2)

Kody Kelleher provided an update on SB 1061. The bill is sponsored by senate education chair and has four main aspects. The first aspect would require the board to lock in the tuition and fees for resident undergraduates at the 2016-2017 academic year rate and would authorize the board to increase tuition and fees by 2% each year, starting in the 2017-18 school year. The second aspect requires the universities to mandate a pledge program for resident undergraduate students for tuition with mandatory fees starting in the upcoming academic year. The third aspect of the bill prohibits the spending of tuition or fee dollars for any non-profit or separate foundation. The fourth aspect eliminates the blanket approval of some tuition and fees, all tuition and fees would need to come to the board for approval by a roll call vote, and also going through the current public process laid out in statute. In conversations with university lobbyists and some input from the EEC, the recommendation is to ask the board to oppose Senate Bill 1061.

Regent Shoopman commented that the Board of Regents with the leadership of the university presidents have worked hard to maintain the minimum level of tuition necessary for the board to be effective in its role. Senate Bill 1061 limits the flexibility needed to remain entrepreneurial and limits the presidents on shaping programs that are in the best interest of their specific needs and recommends the board vigorously oppose this bill, and work to ensure that this does not pass.

Regent Heiler asked for clarification. For example a limitation of 2% on fees; how would that apply to new fees for a new course or program - is it considered an increase or is that simply a genesis of a new fee? He further asked about the rationale regarding expenditures or allocations of funds to non-profit or foundations. Kody Kelleher commented that the language is ambiguous on the fee structure and that this bill has not had much public discussion.

Nancy Tribbensee clarified that the Board of Regents currently is not permitted to transfer public money to a 501C(3) entity.

Regent Heiler recommended that the board take no position on Senate Bill 1061. The board can engage with the sponsors to discuss how it's intended to operate.

Regent Penley commented that this legislation is not in the best interest of our universities. The board faces a considerable challenge already, should we reach another recession soon, the board could see a drop in the funding for the universities one more time. If the board is limited in the amount of tuition that could be raised, the board could have the unintended consequences of restricting access to the universities. The intent of the bill is good in the sense of keeping tuition low. That is the very reason the board supports the legislature and governor to begin to fund the resident Arizona students. In doing so, it enables us as a board to restrict the amount of tuition we raise for Arizona students. This is a goal that the regents share, to restrict that growth in tuition for resident Arizona students.

Regent Krishna agrees with seeking the presidents' input.

Regent Ridenour believes that regents should oppose this bill.

Regent Gorshe commented that no position should be taken and asked how often fees increase that are not approved by the board.

Regent Patterson commented that the board should oppose the bill. The substance is within what the board does and we have a plan for low tuition. There are two universities with pledge programs, one university that keeps tuition within a narrow range of increases. President Klein has implemented a tuition process where tuition and fees are in the open and provides an opportunity for students and community to provide feedback. The board is in compliance and respects the legislature's intent, but this is the responsibility of the regents.

President Cheng commented that putting this into legislation, removes the decision process from the campus presidents and the regents.

President Hart acknowledges and recognize the deep concern the members of the legislature who sponsored the bill have for the financial well-being of our citizens.

President Crow commented that the bill promotes regulatory control. For the past 5 years, Regents have approved a strategic financial plan for ASU which states, for a 10 year window, ASU will not increase tuition to any in-state student more than 3%. Not only has ASU not done this, it hasn't come close. At the end of the 10 year process ASU incoming tuition will be lower than its sister institutions.

President Klein expressed her concerned if this bill was imposed, it would undo the very significant reforms that the board has put into place over the past several years. The board has considerably slowed the rate of growth of tuition increases and had a complete revamp of the tuition setting process so that now tuition proposals must be tied to strategic initiatives. Student involvement has greatly increased in the tuition setting and business planning process. The board has created transparency in the fees that allows students to see the full list of fees in their bills and can link to what the fees

are for. This blanket approach will undo all those reforms put into place. For that reason I urge the board to oppose.

Upon motion by Regent Patterson, seconded by Regent Krishna, the motion carried with one nay vote by Regent Gorshe to oppose Senate Bill 1061.

ADJOURNMENT

Upon motion by Regent Heiler, seconded by Regent Ridenour the meeting adjourned at 11:00 a.m.

Submitted by:

Suzanne Templin
Assistant Secretary to the Board

ARIZONA BOARD OF REGENTS
MINUTES OF A SPECIAL BOARD MEETING
January 30, 2017

The Arizona Board of Regents held a special meeting at the Arizona Board of Regents office in Phoenix, Arizona on January 30, 2017 at 4:00 p.m.

Present: Regent Patterson
 Regent Ridenour
 Regent Krishna (via phone)
 Regent Myers (via phone)
 Regent Shoopman (via phone)
 Regent Penley (via phone)
 Regent Manson (via phone)
 Regent Gorshe
 Regent Careaga (via phone)

Absent: Regent Heiler, Superintendent Douglas and Governor Ducey

Also present were President Eileen Klein, Nancy Tribbensee, Jennifer Pollock, Kody Kelleher, John Arnold, Chad Sampson, Sarah Harper, Julie Newberg, Kate Linder and Suzanne Templin from the board office; Christine Wilkinson from Arizona State University; President Rita Cheng and Christy Farley from Northern Arizona University; and Jon Dudas and Tim Bee from the University of Arizona.

Regent Patterson called the meeting to order at 4:02 p.m.

Consideration of and Possible Action Regarding a Board Position on House Bill 2359 Universities; Governing Boards (Item 1)

Kody Kelleher provided information on House Bill 2359. , primary sponsor is Mark Finchem. The bill would remove governing and oversight authority from the Arizona Board of Regents over Arizona's three public universities and would transfer the power to three new individual university governing boards. The board would be labeled a general advisory board with no legal authority on decision-making for the three public universities. The individual university governing boards would have five members; three appointed by the Governor, one by the state senate president, and one by the speaker of the house. The bill also subjects the vast majority, but not all the university statutes to a 10 year sunset process with the statutes being eliminated at the end of those 10 years. The vast majority of the changes in the laws being amended would be effective at the start of calendar year 2018.

Regent Shoopman shared that this bill would significantly change the historical and constitutional governing structure of Arizona's public universities. The issues raised as the motivation behind the bill demonstrate a lack of understanding of this board's role and the value of the innovative enterprise model. This bill would cause a radical change and is fraught with unintentional consequences. It is the board's duty to oppose this bill, and to aggressively take action to educate the legislature on the university enterprise.

Regent Patterson commented that the bill strikes at the heart of the design and purpose of the Arizona Board of Regents. The board works on behalf of the citizens of this state to strengthen the state's public universities and reform public higher education in a way that contributes to their viability and to produce greater results for the students, the economy and the public. This bill ignores real and key facts on the achievement and efficient performance of the universities under the strategic leadership of the board of regents.

Regent Ridenour agrees the board should oppose House Bill 2359 and asked President Klein and the universities if they could share what kind of damage this bill could cause in the long run.

President Klein commented that this bill would eliminate independent and autonomous oversight of the university system. The board's operating model ensures the university system is efficient and reduces redundancy and duplication of programs and operation costs. This bill would cause years of setbacks in terms of reorganization, duplication and replication. Further it would create three boards that would immediately be launched into competition with one another for very limited state resources. The advantage of the enterprise model is that it has forged an entrepreneurial approach to governing the university system that is more streamlined and focused on strategic decision making, long-term competitiveness, transparency and quality assurance.

Regent Myers commented the board is higher education centric and that three individual boards would become institutional centric.

President Cheng commented that there is no positive cost impact with three individual governing boards. The university system is focused on strategic decision making and quality assurance. Arizona has found a flexible and more nimble, highly informed process with the Enterprise Executive Committee.

Regent Penley commented that many states that have adopted separate boards for institutions, and those states are often forced to create a coordinating board at the state level to deal with the broader educational goals. The way the Board of Regents currently acts addresses the broad needs of the state of Arizona in addition to the individual needs of these institutions.

Jon Dudas commented that there are battling narratives. One narrative is that universities are low efficiency and have high costs. It's the wrong narrative and we

need to educate with the correct narrative, "low cost." University of Arizona opposes this bill because it is based on the wrong narrative, just like the tuition cap bill is based on the wrong narrative.

Regent Manson asked that Arizona Board of Regents and the universities develop a joint statement addressing all the issues, and those issues specific to tuition, the success rates and employability of graduates from Arizona public universities.

Upon motion by Regent Patterson, seconded by Regent Gorshe, the board voted to oppose House Bill 2359.

Regent Patterson commented that the university and board lobbyists are able to declare a position of opposition on House Bill 2359.

ADJOURNMENT

Upon motion by Regent Krishna, seconded by Regent Gorshe, the board voted to adjourn.

The meeting adjourned at 4:33 p.m.

Submitted by:

Suzanne Templin
Assistant Secretary to the Board

ARIZONA BOARD OF REGENTS
MINUTES OF A SPECIAL BOARD MEETING
February 28, 2017

An executive session of the Arizona Board of Regents was held at the board office in Phoenix, Arizona on February 28, 2017.

Present: Regent Patterson
 Regent Krishna (phone)
 Regent Heiler
 Regent Myers (phone)
 Regent Penley
 Regent Manson (phone)
 Regent Ridenour
 Regent Shoopman
 Regent Gorshe
 Regent Careaga

Absent: Superintendent Douglas and Governor Ducey

Also present were President Eileen Klein, Nancy Tribbensee, Jennifer Pollock, Chad Sampson, Sarah Harper and Suzanne Templin from the board office; President Ann Weaver Hart, Jon Dudas, and Bruce Skolnik from the University of Arizona; and Bill Funk from R. William Funk and Associates.

Multiple-year Employment Contract for Vice President for Athletics and Director of Athletics (UA) (Item 1)

The board was asked to approve a five-year employment contract for Dave Heeke as Vice President for Athletics and Director of Athletics for the University of Arizona.

President Hart provided an overview of the selection process and highlighted Dave Heeke's background. President Hart believes that Dave Heeke will demonstrate UA's student athlete philosophy. In Heeke's past coaching roles, he placed high expectations for his athletes and even conducted surprise visits to classes. Heeke further has a proven track record in fundraising.

Regent Manson asked how the contract relates to the previous Athletic Directors' contract. Bruck Skolnik referred to the executive summary and highlighted the differences and similarities.

Upon motion by Regent Patterson, seconded by Regent Gorshe, the board approved the multiple-year employment contract for Dave Heeke as Vice President for Athletics and Director of Athletics for the University of Arizona.

EXECUTIVE SESSION

Upon motion by Regent Gorshe, seconded by Regent Shoopman the board voted to move into executive session.

Executive session ended at 1:36 p.m.

PUBLIC SESSION

Public session reconvened at 1:47 p.m.

Discussion and Possible Action Regarding the University of Arizona Presidential Prospects and Next Steps in the Search Process, which may include inviting Individuals for Interviews with the Board.

Regent Patterson thanked the search committee members, the chair and vice chair for the tremendous effort that they put into this process and thanked President Klein, Chad Sampson, Nancy Tribbensee and Jennifer Pollock at the board office for their tremendous work in creating the process and making sure that the process was in accordance with the board guidelines. In accordance with the guidelines established and based on the input provided to the board by the search committee, the board is pleased to invite two individuals to become candidates for the role of president of the University of Arizona. The first is Dr. Robert Robbins, MD, who joined the Texas Medical Center as president and CEO in 2012. Since then he has significantly enhanced the TMC's commitment to collaboration, introducing five cross-institutional research initiatives centered on innovation, genomics, regenerative medicine, health policy and clinical research. He is an internationally recognized cardiac surgeon and prior to joining TMC, Robbins served as the professor and chairman of the department of cardiothoracic surgery at Stanford School of Medicine. He is the founding director of Stanford Cardiovascular Institute, and president of the International Society of Heart and Lung Transplantation.

The second person the board would like to invite is Dr. Sethuraman Panchanathan. Dr. Panchanathan is a Ph.D. and is currently the executive vice president and chief research and innovation officer at Arizona State University's Knowledge Enterprise Development. In this role, he is responsible for advancing research, innovation, entrepreneurship and economic development at ASU. During Dr. Panchanathan's tenure at ASU, the university has been ranked by U.S. News & World Report as No. 1 on its "Most Innovative Schools" list for two consecutive years.

The next step in the process is the board will meet to interview candidates in executive session on March 6, 2017. The finalist will be invited to visit the campus on March 8.

Regent Shoopman commented that the search process has been exhaustive and extensive. The search committee did an excellent job reviewing hundreds of individuals. With the help of William Funk and Associates the committee was able to

identify individuals who could rise to the level that these two candidates have risen to today.

Regent Ridenour also thanked the search committee. The 27 member search committee, comprised of 27 individuals with representation from constituents around the University of Arizona; faculty, students, business community leaders, non-profit community leaders and the governor of the Gila River Community identified what the University of Arizona needed and what type of leader is needed to move forward. The board is very confident in their selection.

Regent Penley commented that Regent Ridenour and Regent Shoopman did a great job leading the search committee and engaging with the constituents to determine what was needed in a president for the University of Arizona. The board has two good candidates to consider and looks forward to the next steps in this process.

Regent Heiler thanked Regent Ridenour, Regent Shoopman and the search committee for their extended and extensive diligence in this process. He is very pleased with the caliber of the candidates and believes either one would make a terrific president of the University of Arizona. The board will need to determine which would be the best fit. Regent Heiler commended the ABOR staff, Chad Sampson, Nancy Tribbensee under the leadership of President Klein for their conceptualization of the process.

Regent Myers thanked Regent Ridenour, Regent Shoopman, the board staff and the search committee for their hard work. He is proud that the board always keeps the interest of the people of Arizona on its mind.

Regent Careaga appreciates the opportunity to serve on the search committee. The board has strong candidates moving forward and looks forward to the work ahead to select the next UA president.

Upon motion by Regent Ridenour, seconded by Regent Shoopman, the motion carried to invite Dr. Sethuraman Panchanathan and Dr. Robert Robbins to participate in interviews with the Board of Regents as candidates for the position of president of the University of Arizona.

ADJOURNMENT

Upon motion by Regent Heiler, seconded by Regent Ridenour, the board voted to adjourn.

The meeting adjourned at 2:01 p.m.

Submitted by:

Suzanne Templin
Assistant Secretary to the Board

ARIZONA BOARD OF REGENTS
MINUTES OF A SPECIAL BOARD MEETING
March 7, 2017

The Arizona Board of Regents held a special meeting at the Phoenix Biomedical Campus, Health Sciences Education Building in Phoenix, Arizona on March 7, 2017 at 3:30 p.m.

Present: Regent Patterson
 Regent Krishna (via phone)
 Regent Heiler
 Regent Myers
 Regent Penley
 Regent Manson (via phone)
 Regent Ridenour
 Regent Shoopman
 Regent Gorshe
 Regent Careaga

Absent: Superintendent Douglas and Governor Ducey

Also present were President Eileen Klein, Nancy Tribbensee, Jennifer Pollock, Chad Sampson, Kate Linder and Suzanne Templin from the board office, and Consultant Bill Funk.

Regent Patterson called the meeting to order at 3:27 p.m.

EXECUTIVE SESSION

Upon motion by Regent Gorshe, seconded by Regent Krishna, the board voted to move into executive session.

The board recessed to executive session at 3:28 p.m.

PUBLIC SESSION

The public session was reconvened at 6:00 p.m.

Discussion and Possible Action to Invite a Finalist to Visit the University of Arizona Campus and Discussion of Next Steps in the Search Process

Regent Patterson commented that the board had a fantastic and extremely extensive search process and congratulated and thanked President Klein, Chad Sampson, Sarah Harper, Nancy Tribbensee, Jennie Pollock and Bill Funk for their hard work. Regent Patterson opened the floor for discussion.

Rick Myers thanked Regent Shoopman, Regent Ridenour and the board staff for their hard work. University of Arizona is a critical institution to this state. Higher education is absolutely critical and we are lucky to have three great universities in this state. Providing education to students will keep Arizona competitive in providing economic development through ideas and support. The search process to find the right president for UA was very intense. The two candidates discussed are both outstanding. Dr. Panchanathan is a great researcher, a great man with great instincts on the university. Dr. Roberts is also a great man, great surgeon and researcher.

Regent Shoopman acknowledged the success of the search committee, which was highly effective and consisted of representatives from the UA faculty, students, donors, and other stakeholders from the community that had the best interest of UA in guiding their discussions. The committees work provided the board two fantastic individuals for the board to consider for president of UA.

Regent Heiler commented that this search process was one of the best processes that he has been involved with in terms of the complexity that surrounded it and the quality of the outcome. There was an outstanding pool of prospects who expressed an interest in leading UA. There was a great deal of sensitivity in assessing prospects and dealing with all the professional considerations surrounding each individual. He thanked President Klein, Chad Sampson, the team at the board office, Mr. Funk and his firm, and the search committee. The process concluded with an extremely difficult job for this board in choosing between two outstanding candidates for the position. The search was conducted intelligently and ended with an extraordinarily robust deliberative conversation among the regents. The board took this process seriously and understands the importance of the work that the next president will be charged to do.

Regent Penley commented that the board owes the search committee lead by Regent Ridenour and Regent Shoopman a great deal of appreciation and thanks for their effort. Their love for and understanding of the historic place and the greatness of UA was very evident. There are opportunities that lay ahead for UA and the potential to transform itself into an elite university. The board had two wonderful candidates. Dr. Roberts has transformed the bioscience ecosystem in Houston, Texas and has made an extraordinary change to that ecosystem. Dr. Panchanathan has done amazing things at Arizona State University; it is a different university today because of his leadership and his work in the area of research and his capacity to bring together the detail that has transformed ASU from \$200 million to \$500 million in research expenditures. The experience and background of these candidates provided a great deal of deliberation for the regents.

Regent Patterson commented that both candidates have the character, intellect and background to do a fantastic job for UA. Regent Patterson thanked Regent Ridenour for all his hard work with the search committee.

Regent Ridenour commented that the board had two great candidates and thanked President Klein, Chad Sampson and all the members of the search team for their work. The search process started in August/September with discussions with various

stakeholders at the UA and in the community and believes the process was very thorough and diligent.

President Klein thanked the regents for allowing the board office to serve the regents in the search process and providing the opportunity for the Enterprise Executive Committee to meet with the candidates. The university presidents and President Klein believe that the board has brought two very successful candidates forward that either one of whom they would be able to partner with for the success of UA and the university system. President Klein thanked the search committee for the time they spent and for their focus on students and student success. Throughout the process both candidates expressed their interest in student success, particularly for undergraduates and their engagement as students and success in life.

Regent Krishna thanked Regent Ridenour, Regent Shoopman and the search committee for their hard work.

Regent Manson commented that it was very apparent that the best interest of UA were first and foremost in the entire process. Every individual involved was focused on how to make this the best possible experience with the success of UA, the state of Arizona and the university system in mind.

Regent Heiler thanked President Ann Weaver Hart for her years of service to the university and her team.

Upon motion by Regent Ridenour, seconded by Regent Shoopman, the board nominated Dr. Robert Robbins to be the finalist the board invites to the University of Arizona campus on March 8, 2017 for a campus visit.

Regent Patterson thanked everyone for a great process. The board had two phenomenal, inspiring, intelligent, wonderful candidates and looks forward to working with Dr. Robbins. He further thanked President Hart for her service and her hard work.

Motion passed with a roll call vote as follows: Regents Myers, Heiler, Shoopman, Ridenour, Krishna, Manson, Penley, Gorshe, and Patterson voting in favor.

ADJOURNMENT

Upon motion by Regent Gorshe and seconded by Regent Penley, the board voted to adjourn.

The meeting adjourned at 6:20 p.m.

Submitted by:

Suzanne Templin
Assistant Secretary to the Board