Notes from the December Board of Regents Meeting (December 10-11, 2004; Lincoln).

The December Board of Regents had a full agenda and many of the items may have ramifications for the UNK campus.

**Academic Affairs Committee:**
Jay Noren presented the report, "Issues and Trends in Nebraska Higher Education," to the Board; the report included Recommendations of the Higher Education Task Force of the 98th Nebraska Legislature (LR 174). The following is summarized from that presentation:

The Task Force identified three priorities for the state’s postsecondary educational system:
- Increase the number of students who enter postsecondary education in Nebraska
- Increase the percentage of students who enroll and successfully persist through degree completion
- Reduce, eliminate and then reverse the net out-migration of Nebraskans with high levels of educational attainment

University Broad Strategic Emphases Relevant to LR 174
Assure affordable access to quality University education
- student financial aid including state-based financial assistance to low-income families
- recruit best students from Nebraska and other states
- control costs
- partner with community colleges to facilitate four year degree achievement
- respond to educational needs of growing immigrant population
- PK-16 initiative for University/K-12 collaboration

Achieve academic program excellence throughout the University
- recruitment and retention of quality faculty
- programs of Excellence
- endowed professorships – state match funding

Enhance research for economic growth
- educated workforce
- innovation through research success
- investments in research facilities and research faculty
- University technology transfer operations to foster economic growth

Key trends in high school graduates:
- decreased Nebraska high school graduates
- Colorado increased high school graduates
- large increase Nebraska Hispanic high school graduates
- Arizona, California, Colorado, Nevada, Texas major increases: 73% of total U.S. increase through 2013

Examples of Strategies for Increasing Enrollment and Access – Financial Aid Related
- increase need-based and merit-based financial aid – emphasize state funded scholarships
- recruit academically superior students from contiguous states, targeted non-contiguous states, and out-of-state major metropolitan areas
- recruitment of under-represented, growing populations
- educate students and their families regarding affordable quality of the University

Importance of Financial Aid in Meeting LR 174 Goals:
- critical to all three LR 174 priorities: access, success, and graduates decisions to remain in Nebraska
- major trends:
  - long term decreased state funding of higher ed
  - tuition increases exceeding inflation – three decades
- decreasing financial aid compared to costs

Additional examples of strategies for increasing enrollment and access

**University-wide:** Articulation agreements with community colleges and increase college-going rate in Nebraska through PK-16 and other initiatives

**UNK:** Emphasize four-year residential learning experience: undergraduate research, residential learning communities

**Critical Factors in Reduced Out-Migration of Graduates:**
- employment opportunities
- production of the workforce essential to employers’ decisions to locate and/or remain in Nebraska
- research and development that spawns new industry

**Examples of Strategies for Reduced Out-migration of Graduates:**
- intensify collaborative programs between the University and Nebraska business to foster new graduate careers
- University/public/private partnerships for research and development and technology transfer initiatives
- growth in University research support from federal and private sources
- invest in facilities through state government funding (e.g., LB1100) and private sector gifts
- tax initiatives that enhance retention of college graduates
- state funded scholarships and loan forgiveness
- state funded tax incentives for masters, doctoral, and professional degree graduates who remain in Nebraska following graduation
- collaborate with the Department of Economic Development, Governor’s Office, and other state agencies for retention of graduates

**Conclusions:**
- quality higher education that keeps young people in Nebraska and attracts young people from other states
- students academically prepared and guided to graduation – joint responsibility of higher education and K-12
- Nebraska’s economy sufficiently vibrant and diversified to keep graduates in Nebraska

**Factors essential for University’s Contribution to LR 174 Priority on Retention and Graduation:**
- increased financial aid permitting attendance with less outside employment
- faculty personal connectivity with students for mentoring and advising
- regular monitoring of student progress
- undergraduate research opportunities and other experiential enhancements
- instructional technology for enhanced learning flexibility and advising
- effective student portfolios

**Factors essential for University’s Contribution to LR 174 Priority on Reducing Out-Migration of Graduates:**
- University/public/private partnerships for excellence in education, research/development, outreach
- technology transfer
- growth in University research support from federal and private sources: injects external funding in the economy and creates new products and services: NOTE – 30 new jobs for each $1 million external research
- programs of excellence
- investment in University facilities by government and private sector
- recruitment and retention of quality faculty
- University student work experiences in industry facilitating career paths in Nebraska
- student loan forgiveness and other financial aid programs that provide incentives for graduates to remain in the state
Business Affairs Committee:
Topic 1: LB 1100-2 Proposed Initiative
Based on university-wide priorities, includes 15 buildings and 2 utility projects at a construction cost of $150+ million with projects completed in 2009.

Criteria for selection of projects: (1) Mission of the university: education, research, engagement; (2) Quality of our physical environment: protection of assets; and (3) Proven return to state: recruitment and retention of students and faculty, economic development.

LB 100-2 Projects: (1) Education: College of Dentistry, UNO Library renovation, UNK Housing renovation, and Utility Infrastructure Projects; (2) Research: physical sciences center; Poynter, Bennett, Wittson Halls; Eppley Cancer Center; and (3) Engagement: Keim Hall; Sheldon Memorial Gallery; Animal Science Complex.

LB 1100-2 Assumptions:
- Bond a cash flow of $10 MM for 4 years and $20 MM for 10 years
- Assumes state support for 4 years and then $10 MM match
- Assumes current rates +75 basis point = 4.65% interest rate
- $154+ MM available for construction
- Construction complete 2009

Why the Package makes sense:
- documented need
- low borrowing rates
- true to our mission and priorities
- future focused
- proven track record of return
- provides state-wide investment
- protects our capital assets

Topic 2: Mead Remedial Investigation/Feasibility Study (This will come to the Board in January for action)
Presentation dealt with the Remedial Activities at the ARDC (Ag Research Development Center). UNL purchased 9,000 acres in 1962 and another 600 acres in 1971, for total holdings of approximately 15 sections. Land had previously been used by the Nebraska Ordinance Plant (NOP) producing Army munitions from 1942-1945 and 1950-1956. In 2002, University identified as a "responsible party" to the NOP in terms of cleaning up hazardous waste. The University four areas of responsibility include: seven (7) low-level radioactive waste trenches, the north proving ground, the former landfill, and the pesticide rinsate area.

Next steps involve two response activities: (1) removal action of low-level radioactive waste, and (2) remedial action in the proving ground, former landfill, and pesticide rinsate area. Also, continuing legal negotiations.

Estimated future costs:
- Environmental contractor – up to $6 million (assumes 81,000 cu. yd. of radioactive materials). Estimated $2 million through end of the RI/FS (most likely).
- NDEQ oversight costs (direct and indirect)
- EPA – oversight costs (direct and indirect – undefined and unilaterally quantified)

Sources of payment: internal sources (reallocation), and possible Nebraska Environmental Trust grant ($1.3 million for 1 year – pending; decision on grant will be made in spring, 2005).

Information Technology Committee:
Walter Weir, Chief Information Officer, presented “Blackboard and Information Technology Planning.” The crux of the presentation is that students like having a course management tool, especially to track course grades. Walter Weir concluded by saying: “At this point we believe it is not advisable to “require” the use of Blackboard or any other course management tool at the University of Nebraska. Individual faculty members should be allowed to determine the appropriateness of this tool for their class.”

Other Items:
Strategic Issue: 2005 State Fiscal Outlook: Discussion focused on the handout, “Tax Rate Review Committee.” The highlights are summarized below:

- **General Fund Projected Shortfall or Surplus.** The projected financial status shows an ending balance $430 million below the minimum reserve for the upcoming FY05/FY06 biennial budget. The projected shortfall continues to grow to more than $672 million in the following FY08/FY09 biennium. These estimates are based on (1) current law, (2) October Forecast Board projections, and (3) our initial assessment of General Fund appropriations under current law including the Low Level Radioactive Waste (LLRW) settlement.

- **Cash Reserve Fund:** This “shortfall” does not take into consideration possible use of a projected Cash Reserve Fund (CRF) balance of $265 million. This includes $199 million of funds projected to be transferred to the CRF from revenues exceeding the certified forecasts in FY2003-04 ($108.7 million actual) and FY2004-05 ($90.5 million projected). Utilizing these revenues to offset the LLRW settlement costs and supplement the General Fund budget could reduce the shortfall from $420 million to $233 million.

- **Components of the Shortfall:** Approximately 70% of the $430 million shortfall comes from the Low Level Radioactive Waste settlement ($145 million) and ending the prior biennium (and starting the upcoming biennium) $152 million below the minimum reserve. This shortfall from the minimum reserve carried forward from the FY04/FY05 biennium ($152 million) is an extension of the $228 million “shortfall” carried forward from the FY02/FY03 biennium.

About 25% or $104 million is the result of basic spending that exceeds revenues over the two year period. The structural imbalance is the result of high spending growth (7.1% two year average) and low revenue growth (4.1% two year average) as noted below.

- **Revenue Growth.** Revenue growth is low compared to the historical average. Revenue estimates for FY 2004-05, FY 2005-06, and FY2006-07 are the October 2004 forecasts from the Nebraska Economic Forecast Advisory Board (NEFAB). Revenue growth implied by the current forecasts are 3.2% in FY04-05, 4.8% in FY05-06 and 3.4% in FY06-07). The 3.8% average growth over the three years is about 1.2% per year below the historical average.

- **Spending Growth.** Spending growth is projected to be significantly higher than past years, 7.7% in FY06 and 6.6% in FY07, a 7.1% two year average.

While this spending growth is in fact far in excess of that which can be sustained under the current revenue projections, it reflects likely budget growth in the absence of specific action.

Major drivers of the overall spending growth are double digit growth in Medicaid, Public Assistance, and TEEOSA school aid. These are three of the four single largest items in the General Fund budget. Another large item is a $16.7 million increase in funding for defined benefit retirement plans (judges, state patrol, and teachers).