

THE UNIVERSITY OF NEW MEXICO
Board of Regents' Finance and Facilities Committee (F&F)
April 7, 2015 – Meeting Summary

Committee Members Present: Regent Jamie Koch, Regent Robert Doughty, and Regent Marron Lee

Committee Members Absent: None

Non-voting Members Present: Regent Bradley Hosmer, Regent Heidi Overton, and Regent Suzanne Quillen (telephonically)

Other Attendees: **Chaouki Abdallah**, Provost/EVP for Academic Affairs; **Dianne Anderson**, University Communications & Marketing; **Dorothy Anderson**, Human Resources; **John Archuleta**, George K. Baum & Company; **Terry Babbitt**, Enrollment Management; **Hans Barsun**, FSBC; **Connie Beimer**, Government Relations; **Cinnamon Blair**, University Communications & Marketing; **Duane Brown**, Modrall Sperling; **Mike Bush**, ABQ Journal; **Tim Cass**, Athletics; **Joe Cecchi**, School of Engineering; **Bruce Cherrin**, Purchasing; **Julie Coonrod**, Graduate Studies; **Katherine Creagan**, Modrall Sperling; **Andrew Cullen**, Planning, Budget & Analysis; **Crystal Davis**, Staff Council; **Renee Delgado-Riley**, Staff Council; **Pamina Deutsch**, Policy Office; **Jerry Dominguez**, Provost's Office; **Nicole Dopson**, Provost's Office; **Mike Duran**, Human Resources; **Leslie Easom**, UNM Retiree; **Robert G. Frank**, UNM President; **Gil Gonzales**, Information Technologies; **Bob Goodman**, Sandia Foundation; **Richard Goshorn**, UNM A&S/Gallup; **Sara Gurule**, Office of the EVP for Administration; **Tim Gutierrez**, Student Services; **David W. Harris**, EVP for Administration, COO & CFO; **Beverly Klooppel**, SHAC; **Nathan Lihte**, GPSA; **Karen Mann**, KNME/NMPBS; **Lisa Marbury**, Institutional Support Services; **Texanna Martin**, GPSA; **Cenissa Martinez**, Office of the EVP for Administration; **Liz Metzger**, Controller's Office; **Mathew Munoz**, Government Relations; **Manu Patel**, Internal Audit; **Mark Peceny**, College of Arts and Sciences; **Pamela Pyle**, Faculty Senate; **Mallory Reviere**, Regents' Office; **Michael Schwantes**, HSC; **Earl Shank**, ASUNM; **Melanie Sparks**, Institutional Support Services; **Vahid Staples**, Planning, Budget & Analysis; **Carol Stephens**, FSBC; **Kevin Stevenson**, Office of the President; **Wayne Thorpe**, GPSA; **Chris Vallejos**, Institutional Support Services; **Rachel Williams**, ASUNM; **Amy Wohlert**, Office of the President; **Jeff Zumwalt**, Physical Plant Department.

Chairman Regent Koch introduced Regent Marron Lee who is a new member to the Board of Regents and will be a member of the Regents' Finance and Facilities Committee. Regent Lee is a native New Mexican who is an attorney and has been a longtime supporter of the University of New Mexico. She is eager to serve as a Regent for the University of New Mexico.

- 1. Call to Order and Confirmation of a Quorum.** Chairman Regent Jamie Koch called the meeting to order at 9:08 a.m., in the Roberts Room of Scholes Hall and confirmed that a quorum was established.

ACTION ITEMS:

2. **Finance and Facilities Committee Meeting Summary from March 3, 2015. Regent Doughty moved to approve and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

3. **UNM Gallup Branch: Series 2006 and 2007 Bond Refunding.** Andrew Cullen made the presentation. Regents' approval was requested for the UNM Gallup Branch, Series 2006 and 2007 bond refunding. Mr. Cullen provided background information to the Committee regarding the refunding process. They came before the Regents due to the historically low interest rates as there are opportunities within the tax exempt area to refinance at a lower rate. The UNM Gallup Branch Campus relies on support from the taxing district, which is McKinley County. Bonds that were issued in 2006 and 2007 which are up for refunding approval would be the new Series 2015 Bonds. Based on current interest rates, there would be a significant savings of \$562K. These bonds have maturities of 2023 which would equal 8 years annual savings of \$76K. The net present value savings is estimated at 7.69% or 7.7%. In general, the threshold is 3% or 4%, if it is possible to achieve present value savings above 3% or 4%, it is recommended to look at refunding. The current request exceeds the threshold, however it is market driven so if the market moves away over the course of the next few months, the savings could be lower. The process of approvals is first the Regents' Finance and Facilities Committee, the full Board of Regents, then to the New Mexico Higher Education Department (HED) for final approval in May. As this is a Branch College bond issue, it does not need to go to the State Board of Finance. Mr. Cullen stated that there is a chance the Federal Government would raise the prime rate in June, which would affect the potential savings on this deal. The sooner this request can become complete, enter the market, and sell, the better. **Regent Lee moved to approve and Regent Doughty seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.**

INFORMATION ITEMS:

4. **Monthly Consolidated Financial Report.** Liz Metzger made the presentation. The Monthly Consolidated Financial Report was presented to the Committee as of month end February 28, 2015, eight months into the fiscal year. Ms. Metzger stated that it takes a couple of weeks to pull the monthly reports together. The report includes Main Campus, Health Sciences Center (HSC), University Hospital, and Auxiliaries. There is no plant or capital fund information on the report. A graph was presented which detailed the consolidated net results of operations for the University, which was a positive \$65M. The graph also represents prior fiscal years at quarter-month end to give an idea of comparison for prior fiscal years. It is a high balance due to the intake of spring tuition and fees that comes in at the beginning of the semester and is spent down over the course of the term. A graph was presented that detailed only the Main Campus current net results of operations, which was a positive \$45M balance. A graph was presented that detailed the Instruction and General (I&G) revenues and expenditures. Revenues totaled \$369M and expenditures totaled \$317M. The net of those numbers is \$52M positive. The I&G exhibit is where the bulk of the pooled state appropriations are located, and the tuition and fees is the basis of the budget. The three graphs that were presented represent the overall balances of the

report. The other exhibits in the report are showing well within where they are budgeted at and a revised budget will be presented in upcoming months.

5. Preview of FY 16 Budget Development:

a. Introductory Comments from President Robert G. Frank. President Robert G. Frank made introductory comments to the Committee regarding the preview of the FY 16 budget development. President Frank stated that last year it was decided that the budget process needed to change to include extended dialogue beginning sooner. The budget process began in August 2014 for a number of points of engagement with the Regents. They began looking at the budget and bigger environment and made monthly presentations to the Board. The Administration had also engaged the entire University Community including students, faculty, and staff throughout the process. During this time there was a rapid change in an outside factor with plunging oil prices. This affected the State of New Mexico revenues and ultimately the amount of state funding the University would receive, which was less than anticipated from \$300M down to \$80M. This issue made the budget process complex for the University. Despite the issues with funding, the three core priorities for the University have remained the same, which include student success, investments in faculty and staff, and right-sizing the University.

Student Success means graduating more students, and freshmen retention has gone up from 74% when President Frank became President, to 79%, which is a great achievement. Investments in faculty and staff are critical because they contribute to the mission and overall success of the University. Right-sizing involves slightly decreasing the University to better achieve the mission, specifically as it has been recognized by the Higher Education Department that the demographics of the State have changed and the 18 year old population has decreased. The three priorities are constantly being worked on and are crucial in the development of the budget.

President Frank briefly discussed the 2015 NM Legislature, which was a 60 day session, and introduced the University's Legislative team. Over the last few years, the Legislature has given the University less money as they have had less to give. Issues facing the State include the expansion of Medicaid, growing prisons, and more entities requesting funding. The Government Relations team works on the Legislature year round, presenting the University's priorities and how they can help the University achieve its mission. The focus is on the need out of Instruction and General (I&G) dollars, capital funds, and special bills and appropriations. Prior to the session, EVP David Harris led a task force which focused on the funding formula for higher education, which has led to it changing to a performance based formula. The University has been preparing for this change since 2012. The new formula has come, with EVP Harris' leadership, to focus on student credit hours, graduation rate, student enrollment, STEM courses, research mission, and the number of at-risk students the University graduates or enrolls. The formula is a big improvement and allows for the University to gain funding based on performance, which has been improving every year. This year, under the new funding formula, the University has received an additional \$2.1M in funding due to increased performance. This amount is divided and \$1.7M will go

towards Main Campus academic programs and \$400K will go towards Health Sciences Center (HSC) academic programs.

Other Legislative successes were discussed which includes the Endowment Bill, which puts a certain amount of excess one-time money in the State into an Endowment Matching Fund to match donor funds given to the University. The goal is encourage more donations to the University with donors knowing that money they give could be matched by the State. There is currently \$5M in the Endowment Matching Fund and Representative Larry Larrañaga carried the bill. UNM is favorably placed in the Endowment Matching due to the strong efforts of the Legislative team. Special appropriations that the University received were also discussed and included \$230K for the Medical School, \$175K for Degree Mapping in Academic Affairs, and funding for the Brain Safe Program. One issue that did come forward from the Legislative Session was the Capital Outlay Bill which did not pass. The University had \$6M and a number of buildings at stake with the bill, so the Administration is hoping for a special session to get it passed in the future. President Frank concluded that 2015 was the most complicated Legislative Session in 60 years, but despite that the University did favorably. The hope is for more funding and better outcomes in dollars in the future.

- b. Revenue and Expenditures Scenarios.** Andrew Cullen made the presentation. Information was provided to the Committee on the revenue and expenditure budget scenarios for FY16. Mr. Cullen stated that the budget scenario presents a proposed 3% tuition increase and a 4.66% fee increase; the blended rate increase is 3.37%. The corresponding dollars this percentage increase equals is an additional \$217.31 next year if the proposal were to be approved. The budget scenario also included information regarding the FY15 revised budget as a result of the enrollment decline. The enrollment decline led to a budget shortfall of \$3.6M in revenue, or approximately \$2.7M less in tuition and \$900K less in fees. There were one-time dollars put into the budget to balance the budget. The budget scenario shows additional expenditures which were over budget. Some additional allocations that were made throughout the year which necessitated the use of one-time funds to balance this year's budget. Also depicted in the budget scenario is a one-time use of reserves which had been in place for a number of years since the economic downfall in 2009. In 2010, the University had \$13.5M of one-time funds in the recurring budget. The University utilized the savings account or reserves to make it through the years until permanent budget reductions could be made or permanent revenues sources could be identified to backfill those dollars. The \$1.5M in one-time funds represents the end of that effort to get a firm footing from the various reserves that were used at that difficult economic time. The \$1.5M was from Academic and Administrative reserves and the budget scenario details new revenues and new budget reductions. Also included in the scenario are new initiatives for FY16.

Regent Lee inquired if the Administration felt that a 3% would further affect enrollment at the University.

Mr. Cullen deferred to Terry Babbitt who stated that based on the history and data of the University on the inelasticity of pricing and the demand reveals no correlation. Going back 20 years of tuition increases and enrollment, there is no relationship as

tuition increases; the demand has not followed. This year was an example of 0% tuition increase for the first time in relevant history and enrollment declined.

- 1. Enrollment Projections.** Terry Babbitt made the presentation. Information was provided to the Committee regarding enrollment projections. Mr. Babbitt stated that going back 20 years of tuition increases and enrollment, there is no relationship between the two. As tuition has increased, the demand has not followed that. Economically, it is inelastic and does not depend on tuition changes which the data clearly represents. In the past, there were substantial increases when the tuition credit was in place and during that time there were enrollment increases that correlated with those tuition increases. So the concern that raising tuition will affect enrollment is not high. There are 2 major factors that drive enrollment: demographics and economics. These affected the University's enrollment this year but while pricing does play in economically, the more detrimental factor is demographics. This year is an example of zero percent tuition increase for the first time in relevant history and enrollment decreased. So price dropping will not bring more enrollments to the University.

Regent Lee commented that it is important to look at all factors when increasing tuition because if the economy is doing well and people have more money in their pocket they don't mind paying a tuition increase. If they have less money in their pocket, it becomes a factor on how they spend those dollars.

Mr. Babbitt stated that there are a lot of factors on the economic side. The University tends to benefit when the economy is really down and people have less money because they can still obtain student support, such as student aid, Pell Grants, scholarships, which tends to be better than the job market so the enrollment tends to increase during that time. Currently, the economy is in the middle of a recovery which causes an enrollment concern. However, people are likely to have more income. The net effect is negligible from historical data of the University.

Particularly for small increases, there are many studies and literature that clearly shows that big shifts cause some consumer behavior, such as the Higher Education Price Index. The cost of Higher Education goods was 3% last year, and the Consumer Price Index was 2%. This proposed tuition increase for the University is a minimal amount. The percentage of tuition increase is 3% which equates to \$150.

President Frank stated that the percentage increases are not as impactful as one might imagine. In general, the inelasticity is a number of variables because for the total tuition amount of \$6,500, an increase of \$150 doesn't change a person's decision about their education.

Regent Hosmer stated that the proportion of traditional students who pay the full sticker price is minimal. The net effect on the majority of our traditional students of a tuition increase is small.

Regent Lee stated that she understands that but reiterated that it is the small percentage that is paying for the majority, it seems counterintuitive to simply increase scholarships because then the University is paying for the increase by shifting monies around to justify a position. Even though it is a small amount, it is real money.

President Frank agreed that it is real money that can have an impact on some students however, the increase is small and many students receive financial aid.

2. **Proposed Expenditure Reductions.** Andrew Cullen made the presentation. Information was provided to the Committee regarding the proposed expenditure reductions. Mr. Cullen stated that regarding the \$3.6M shortfall in revenue, specifically the 3% increase, it is a balanced proposal. Due to being shy \$2.7M in tuition, the \$2.85M in budget reductions across campus in Academic and Administration deal with the enrollment decline and the loss of those revenues by reducing budgets. They are not across the board cuts but strategic cuts made by Provost Abdallah and EVP Harris within their organizations. While the 3% increase represents real money, the funds will pay for new initiatives that the Administration feels will help retain and graduate students, and also retain faculty.

Regent Doughty inquired about the 2.63% base reduction in costs and asked who made the determination of exactly where those cuts were made and how.

Mr. Cullen stated that Provost Abdallah and EVP Harris were responsible for determining the cuts within Academic Affairs and Administration. The 3% increase is dealing with \$2.7M decrease in tuition. The student leadership took a \$900K reduction in fee revenue, which meant they had less money to work with. In the budget, there is \$32M of mandatory student fees, of which \$14.5M is strictly for debt service payments and cannot be cut or altered. The balance of the student fee dollars is what students have to work with for programs, outside of the classroom, that are supported by mandatory student fees. Student leadership looked carefully at the situation and did 2 or 3 different iterations before it was brought to the Budget Leadership Team (BLT). They felt strongly about increasing fees to make up for the \$900K shortfall upwards of \$400K to pay for new initiatives they wanted included. Originally their first proposal to the BLT had \$800K in new monies but after meeting with the BLT and understanding the pressure to keep the blended rate of tuition and fee increase low, they came back with \$400K.

For the FY16 budget, Academic Affairs was tasked with reducing its base I&G allocation by 1%, or \$1.7M, which was achieved by strategic reductions. Areas that were reviewed for reduction were Non-Academic Units within Academic Affairs and the Academic Units. Within Non-Academic Units \$1.27M was reduced from the base allocation, which included \$797K from Provost Administrative Units, \$6K from Equity and Inclusion, \$49K from Enrollment Management, \$19K from UNM West, \$920 from VP Research, \$2K from UNM Press Subsidy, and \$61K from Student Affairs. Within Academic Units \$478K

was reduced from the base allocation, which included \$13K from University College, \$12K from School of Public Administration, \$42K from College of Fine Arts, \$127K from College of Arts and Sciences, \$16K from Anderson School of Management, \$61K from College of Education, \$26K from School of Engineering, \$63K from Law School, \$3K from School of Architecture and Planning, \$101K from University Libraries, and \$10K from Honors College.

The Administration has also been tasked with reducing its base I&G allocation for the FY16 budget and has identified strategic cuts. Reductions were made first in non-I&G entities that receive I&G allocations, those included \$150K from Popejoy Hall, \$75K from Ticketing Services, and \$200K from Workers/Unemployment Compensation. Other potential budget reductions were identified within Administration, which included reviewing vacancies in all units and departments as of March 2015, and determining which positions could be absorbed by current staffing levels that would not affect service levels to University operations. Proposed FY16 vacancy pullbacks were presented and included \$32K from the Police Department, \$124K from Safety and Risk Services, \$79K from Financial Services, \$138K from Institutional Support Services, \$11K from Government Relations, and \$228K from Information Technology. The total for FY16 vacancy pullbacks from Administrative units was \$614K.

- 3. New Funded Initiatives.** Andrew Cullen made the presentation. Information was provided to the Committee regarding the new funded initiatives, which were included in the budget scenario.

Funding for new initiatives and requests include \$350K for UNM West as part of an agreement to provide supplemental funding based on student credit hours generated to increase enrollment, \$53K for Academic Affairs for faculty retention and spousal hiring agreements, and \$50K for Administration for Anderson School of Management EMBA scholarship support and Internal Audit Computer Software Licensing. Approximately \$333K for Utilities to fund a revenue shortfall due to the utility reserve being exhausted, \$42K will be reduced from the Property and Liability Insurance to help offset other insurance increases, and \$734K from Pooled Fringe Benefits to backfill the current fiscal year revenue shortfall as well as to fund new initiatives.

Academic Affairs has a number of funding requests and new initiatives which include \$140K for Academic Advising to hire 4 full-time new academic advisors to bring the student to advisor ratio down to 350 students to 1 advisor. Also regarding advising, \$40K is requested for Academic Advising Software to expand the Starfish advising software called LoboAchieve that will help keep students on track towards graduation. UNM is responsible for compliance with the Federal Clery Act so \$255K has been requested for various Compliance Initiatives. For Faculty compaction, promotions, and retention, \$689K has been requested to fund faculty salary equity and compaction adjustments, \$260K for faculty and lecturer promotions, and \$240K to retain two existing faculty members. When a faculty member is awarded the Distinguished Professor title,

they will receive an increase in their base salary so \$40K will go towards that commitment. Also requested is \$102K for GA/TA Tuition Waivers, \$720K for Marketing and Recruitment Efforts, \$400K for IT Software Maintenance, Applications, Information Security/Privacy, and \$106K for the LoboRESPECT Advocacy Center which provides support and advocacy services in the aftermath of any form of abuse. For Mandatory Student Fees, the requested fee increase is \$1.305M in order to increase the backfill fee shortfall which resulted from the FY15 student enrollment decline. These fees support programs such as Center for Academic Support (CAPS), Popejoy Hall, IT, and the Student Union.

- c. Tuition and Fee Alternatives.** Kevin Stevenson made the presentation. Information was provided to the Committee on tuition and fee alternatives.

Mr. Stevenson, Nicole Dopson, and Dean Joe Cecchi discussed the differential tuition requests for AY 2015-16. The process and policy for differential tuition requests come from individual departments, colleges, and schools that go through a rigorous justification and evaluation process. Those requests are sent to Academic Affairs where a recommendation is brought forward to the Budget Leadership Team (BLT). The BLT makes a recommendation to the President, and the President makes his recommendation for consideration by the Board of Regents. There were three requests for changes or new differential tuition this year.

At the Undergraduate level, the School of Engineering requested a \$15 per credit hour differential tuition. The Administration endorses this recommendation to the Regents. At the Graduate level, there were 2 requests for changes in differential tuition, one from the School of Public Administration and one from Speech and Hearing Sciences Department. The School of Public Administration requested an increase of \$25 to their existing differential tuition, however given some factors associated with the justification of this increase; there was not overwhelming student support. Therefore, the Administration did not recommend moving the request forward for approval. Speech and Hearing Sciences Department created a differential tuition last year of \$150 which had strong student support. The department actually collected more money than anticipated and requested to decrease the differential from \$150 to \$119, a \$31 reduction, which the Administration endorses.

Dean Cecchi made a presentation to the Committee regarding the School of Engineering Undergraduate Differential Tuition request. The request followed University Policy 8210, section 2.2, and is for an additional \$15 per credit hour. The qualifying justifications were detailed in the SOE proposal and met the limitations set out in the policy. The 22 UNM Peer Institutions were briefly discussed and Dean Cecchi stated that the proposed differential tuition represents an increase of 9% above the base UNM tuition, which is lower than the average 21% for the University's peers. US News' rankings for the SOE undergraduate program listed UNM in the middle of the 22 peers at 13. In regards to the differential tuition request, there was faculty and student involvement with surveys and meetings which inquired about the overall view of the quality of education within the SOE and opinions regarding the request. The surveys revealed that 78% rated the SOE educational quality as "good" or "very good" and 65% were "neutral," "in favor," or "strongly in favor" of the request.

Regent Koch requested a motion to move the Differential Tuition Requests for AY 2015-16 forward to the full Board of Regents meeting as an action item. Regent Doughty moved to approve and Regent Lee seconded. The motion passed by unanimous vote with a quorum of committee members present and voting.

Mr. Stevenson reviewed the structure of the current tuition model that the University operates under. A change was made two years ago as a first step in incentivizing students to take more credit hours and get on the path to graduate in 4 years. An incentive was put in place where the cost to take 15 credit hours is less than it costs to take 12 credit hours, an 11% discount. Any hour above 15, between 15-18 credit hours, is offered at no cost to the students. A result of this was the large shift in the number of students who are taking 15 or above course loads. Mr. Stevenson stated that some recent changes in the Lottery Scholarship mimic this same intent. The goal is for students to take 15 hours a semester and 30 hours per year to get to that 120 credit hour requirement for a degree, reinforcing this 4 year track.

Mr. Stevenson presented tuition and fee alternatives, first a proposed guaranteed tuition model, and second a proposed 4-year model designed to incentivize 4-year graduation.

The first model was based on a proposal from Regent Hosmer that looked at implementing a four-year guaranteed tuition model. The idea is to implement a model that would be cost neutral with forward looking tuition increases; there is no change in cost to the student or revenue to the University based on these estimates. With this model, a student would elect to pay an upfront surcharge in return for guaranteeing a flat tuition for 4 years. The numbers in the model would start with the tuition rate reflected in the budget scenario, \$6,640.41, which reflects a 3% increase for FY16. In order for it to remain cost neutral, the student would pay a \$305 surcharge to keep the flat tuition rate of \$6,945.41 for 4 years at UNM. This proposal is an option for students as they would be able to opt-in by signing a form prior to their first payment due in the fall semester, a type of contract between the University and the student. There would be a fairly modest cap of the number of students who could participate. Many universities and states have options similar to this for their students. If the student falls behind in the plan, presumably the student would revert to paying the current tuition in that year and whatever the current rate would be at the fifth year.

President Frank commented that advisors would work to keep the students on track and, in the event they fall behind, would work with the student to set them back on track.

Regent Doughty commented that with the surcharge the students who choose to opt-into this option would see a 7.7% tuition increase in their first year.

Mr. Stevenson stated that was correct but the surcharge is a one-time fee and the rate would remain flat following the fall semester. The tradeoff for the higher tuition at the front end is stability for the student throughout the 4 years. The surcharge amount is similar to buying insurance.

Regent Doughty stated that he has a problem with the surcharge as it results in a 7.7% increase for students and the model does not provide an incentive for students to graduate in 4 years.

Regent Hosmer stated that the model was meant to provide stability for students and families for long term financial planning. If the University wants to add an incentive on top of the 4-year guaranteed tuition it is a separate issue that needs to be addressed.

The second model was based on a framework proposed by Regent Doughty, which links the idea of guaranteed tuition as well as incentive. The proposal would provide students on track to graduate in 4 years with free tuition in their final semester, or 8th semester at UNM. Also, the Regents would intend to limit tuition increases to 3% per year for the 4-year period, which provides the predictability and guarantee component. Numbers were presented and mapped an annual 3% tuition increase for 4 years.

Regent Doughty commented that when you compare the two, the first model will cost a student more as well as an upfront tax to opt-in and a tax at the end if a student falls behind. The major difference in the second model is that if a student would commit to graduate on time, within 4-years, their last semester at UNM will be free. The marketing on that model will attract students and may grow enrollment over the next few years.

Regent Lee stated that the second model does not harm a student if they do fall behind and are unable to finish in 4 years. However it provides a positive incentive for students who are working hard to finish in 4 years. There is no financial penalty like the first model, which would put a burden on students if they fall behind into a fifth year.

Regent Hosmer commented that the second plan would equal 12% tuition increase over the 4 years. The first plan only has a 7.7% tuition increase in the first semester. The difference is that the second plan provides an incentive or rebate for 4 year graduation. For the full Board meeting, Regent Hosmer would like both models aligned more clearly to see the similarities and differences.

Mr. Stevenson commented that the details need to be worked out regarding how the final semester will be paid for, the idea is that some portion of institutional financial aid would be used in the form of a scholarship to cover the last, or 8th semester. Additional work needs to be done to understand the specific ramifications and costs and all of those details.

Regent Overton stated that in first model there is the intent to stabilize planning for students, in the second model there is an attempt to incentivize 4-year graduation. The Regents need to decide which priority to focus on. Also, the second plan caps tuition increases at 3% per year, which would be a long term commitment.

Regent Doughty commented that the tuition increases are capped at 3% but if the Regents do not want to have a tuition increase one year it is not a requirement.

Regent Hosmer commented that the second plan has two virtues; it stabilizes tuition increases for the future and offers a payback incentive for 4-year graduation. It is up to the Administration to identify how much 4 year graduation is worth and how much the University can afford to rebate to students who graduate on time.

Regent Koch stated that there was great debate regarding both tuition alternatives presented and would like them presented at the full Board meeting to make the final decision.

- 6. Adjourn. Regent Doughty moved to adjourn at 12:01 p.m., and Regent Lee seconded. The motion passed by a unanimous vote with a quorum of Committee members present and voting.**

EXECUTIVE SESSION:

None