

The University of New Mexico
Board of Regents' Meeting
March 23, 2012
Student Union Building Ballroom C
Meeting Minutes

Members present: President Jack L. Fortner (via conference phone), Vice President Don L. Chalmers, Chair, J.E. "Gene" Gallegos, Bradley C. Hosmer, James H. Koch, Jacob P. Wellman (Quorum).

Member unable to attend: Secretary Treasurer Carolyn J. Abeita.

Administration present: President David J. Schmidly, Executive Vice President David Harris, Chancellor Paul Roth, Provost Chaouki Abdallah, Vice President Josephine De Leon (Equity & Inclusion), Vice President Julia Fulghum (Research & Development), Vice President Helen Gonzales (Human Resources), Vice President Paul Krebs (Athletics), Vice President Ava Lovell (Controller), Vice President Eliseo Torres (Student Affairs), Associate Vice President Andrew Cullen (Budget), Interim University Counsel Lee Peifer.

Regents' Advisors present: President Tim Ross (Faculty Senate), President Mary Clark (Staff Council), President Katie Richardson (GPSA), President Jaymie Roybal (ASUNM), President Maria Probasco (UNM Parent Association), Chair Gary Gordon (UNM Foundation), President Waneta Tuttle (Alumni).

Regent Chalmers called the meeting to order at 9:07 a.m.

Confirmation of a Quorum; Adoption of the Agenda, Regent Chalmers

Regent Chalmers confirmed the presence of a quorum. He explained the agenda, saying that members of the administration would make presentations regarding the budget and tuition and fees. The Regents' Advisors would speak next, followed by any constituents who had signed the Public Comment form.

INFORMATION ITEMS:

1. Fiscal Year 2013 UNM Budget Proposal, Dr. David J. Schmidly, President

President Schmidly: Many components have come together, in the best of shared governance, to develop this budget prototype. In addition to the PSAT (President's Strategic Advisory Team) and the SBLT (Strategic Budget Leadership Team), we had the SFRB (Student Fee Review Board), which recommends how student fees should be distributed, and the Tuition and Fee Review Team, which provided an in-depth review of tuition and fees considered in the context of peer and national trends. The Provost has developed strategic initiatives focused on strengthening the University's academic mission.

For the first time in four years the legislature did not cut the UNM appropriation. For the coming year we have regained about one-third of what was lost. House Bill 2 (HB2), the state general appropriations act, included language that effectively sets a limit of 5% on tuition increases. In this budget prototype, we will apply that limit to both tuition and fees. Going forward, the new funding formula will be based on outputs such as course completion, degree completions and work force development, rather than inputs like head count and square footage. Over these past years, we have cut the cost of upper administration by 28% and reduced budgeted positions by 10%. We have all had to do more with less.

At the F&F (Finance and Facilities) Committee special meeting a couple weeks ago, Regent Koch asked that we estimate the cost of raising our current minimum wage from \$9 per hour to \$10 per hour. Regents Koch, Gallegos and others suggested we raise student fees to assist in limiting the deficit in the athletics budget and to increase funding for our libraries; the fees for athletics would be in conjunction with a loan to the department set up by the university. Regent Hosmer asked that we consider a number of alternatives when setting tuition policy. Among those is a guaranteed tuition. To implement it, we would need some assurance from the state that

budgets would increase at least at the rate of the COL (cost of living) and that the legislature would not impose a tuition credit again. Regent Gallegos suggested we might wish to consider reducing the funds for the Provost's initiative. He also suggested raising student fees to \$580. Regent Chalmers called for the president to find solutions to the on-going operational funding challenges at the UNM Foundation. The Regent also said that tuition increases should be limited to a COL adjustment, although he could support an additional, minimal increase if it was directed to need-based student financial aid. He also supports a one-time compensation payment to faculty and staff. We have taken all of this into consideration in developing this budget prototype.

We have considered access, affordability, student success and the quality of instruction. We have considered an additional eight factors. Tuition and fees at UNM continue to be low compared to peer institutions. We expect to see a significant down-turn in federal funding, although that will not affect federal financial aid to students. There is a lack of money allocated for need-based scholarships at UNM. There is a need to stabilize funding at an adequate level for the UNM Foundation. We need to make an investment in instruction across all areas of the university, including graduate assistants and graduate teaching assistants. The two areas where we see severe budget stress are libraries, which have slipped in the rankings of the Association of Research Libraries, and athletics. Every effort must be made to address compensation for faculty and staff, most of whom have seen no increases for the last four years. Lastly, there are still some non-recurring funds being used to shore up our permanent budget needs.

This budget prototype reflects the consensus of the SBLT. It addresses the stress points and observations I've made. It meets the requirements of HB2. It includes all of the elements of the Provost's Academic Plan and it attempts to address most of the input received at the F&F meeting. Many variations of the prototype are possible and trade-offs can be easily accommodated, depending upon what you decide. Andrew Cullen will review this prototype, particularly focusing on the changes made since the F&F meeting and subsequent changes, which take into consideration further feedback from constituent groups.

Regent Koch congratulated President Schmidly on the many improvements to the budget process he has made during his tenure and expressed appreciation for the hard work it took.

a. FY 13 Overall Budget Scenario—Main Campus, Andrew Cullen, AVP, Planning, Budget and Analysis

Mr. Cullen: The handout just given out differs slightly from that in the BOR book. I will detail those differences in the presentation. The prototype is based on a 3.75% increase in tuition. It is higher than a 3% increase because it includes the 20% set-aside for need-based student aid, \$715,875. In response to Regent Wellman, he said we understand the legislative limit of 5% applies only to tuition. The blended rate, of tuition and fees, still falls below the 5% threshold. This scenario includes \$1.253 million in need-based student aid. The total source of funds stands at \$252 million. The heart of this plan, as it stands, is the Provost's Academic Initiative, at \$4.273 million. It has increased slightly because, as tuition increases, tuition waivers have to be back-filled. The plan now includes funding for all three of our ethnic centers. Funding to assist in the reorganization of the Faculty Senate is included. To offset these initiatives, there have been minor adjustments to Fine Arts property insurance, health insurance and retiree benefits. A noticeable change is in the GA/TA health insurance estimate, which has been cut in half. The difference will be funded for one year from Student Health Center funds and we will make that up in the FY14. The projected savings in the fringe pool has been increased by \$200 thousand, for a total cost containment savings of \$2.7 million.

The FY12 projected ending reserve is \$17,595,425 and the HED required reserve on that is \$8,709,090. The BOR book shows a 2% Compensation Pool. That was reduced to 1.75% in your handout and we are proposing that we give the difference of \$463 thousand to the libraries on a one-time basis in FY13. If we do that, we recommend excluding the \$27 student fee increase that was proposed for the libraries, which would bring down the blended rate from 4.6% to 4.1%. A discussion of library funding, and the source of those funds,

should be conducted for FY14. We reduced the advance to the Athletic Dept. from \$1.5 million to \$1.25 million. One-time funding for the Center for Educational Research is included. The \$600 thousand for the UNM Foundation will be matched by Academic Affairs Dept. The fringes for this \$1.2 million in salaries will be picked up by the fringe benefit pool, bringing the total advance to the Foundation to \$1.5 million. That is the level of funding the Foundation received from Auxiliary balances during the current fiscal year. We feel it is important to maintain the same level of funding until Dr. Frank can come in and work with this Board to arrive at a permanent funding solution.

The 1.75% ERB Swap will flow into the university and flow right back out again to the ERB. Our employees will see an increase to their net check since they will not have to pay the Swap this year. This budget includes nearly \$3 million for the first year of the Provost's five year Academic Plan. As Regent Koch requested, we have calculated the cost to increase the university's minimum wage from \$9 per hour to \$10 an hour. It is not included, per se, in this scenario. The spread sheet on student fees reflects a notable difference from the recommendation of the SFRB and the SBLT. At the March 12th F&F meeting we discussed increases for the libraries and athletics. Your handout does not include the \$27 for the libraries that was included in the BOR book. This proposal does include a \$25 per semester increase for athletics. The students will make up the funding to support the LGBTQ (Lesbian, Gay, Bisexual, Transgender and Questioning) Center at its FY12 level for FY13 on a one-time basis.

President Schmidly asked VP Krebs to speak about the athletic program and the budget situation in the Athletics Department.

Mr. Krebs: The Athletic Dept. supports our communities socially, economically and culturally. It offers an opportunity for a college education to some who might not be able to attend college without it and enhances campus diversity. We estimate the NCAA games in The Pit brought \$5.8 million into the community and we estimate the overall economic impact of UNM athletics at \$22.7 million. Through our summer programs, we provide an opportunity for 10,000 kids to experience a college campus environment.

Our student athletes perform academically as well as in their sports. Fourteen of our seventeen teams had a GPA over 3.0 this past fall; twenty six student athletes from eleven sports had a 4.0. Last year we led the Mountain West in "Scholar Athletes" (3.5 or higher GPA) with 126. This year we have three Academic All Americans and we had four candidates for Rhodes Scholarships. Our four-year graduation rate is 10% higher than the student body as a whole, and the average freshman retention rate is 85.52% compared to 77.85% for the student body. Nine teams finished with national rankings from 64th best in the country to 8th. We were just recognized by the Learfield Directors Cup as the top non-BCS school, ranked 17th in the country. Our teams and staff have given 7,000 hours of community service.

Our dept. is at the low end of both our conference and of non-BCS schools in terms of student fee support. We self-generate 85% of our own budget. For the first time, we are seeing the economic down-turn affect the donations to our program. Our state funding has gone down by 32% since 2009, from about \$3 million to \$2 million, including a line item of \$250 thousand specifically for academic support. For most departments, tuition is a source of revenue. For us, the tuition increases increase our expenses. Travel costs have increased significantly. Medical, utility and event management costs have increased as well. The majority of the deficit is related to the transition in our football program.

In response to Regent Wellman, Mr. Krebs said there is nothing that would preclude us from giving support to non-NCAA or intramural sports. We would like to have tournaments held in our facilities. In terms of training rooms or medical care, our resources are already stretched.

Regent Koch noted that just before Mr. Krebs was hired, UNM was about to be put on probation because of our graduation rates in football. Mr. Krebs made it perfectly clear,

when he was hired, that the purpose of athletics is to educate and graduate students. The Regent commended Mr. Krebs on bringing along our Athletic Dept. academically. He expressed thanks for what Mr. Krebs has done for the university.

President Schmidly recognized women's basketball coach Yvonne Sanchez and congratulated her on her team's performance at the MW Conference tournament.

President Schmidly summarized Mr. Cullen's presentation: The prototype presented here reflects a growth of approximately 3.3% from the FY12 budget, an increase of \$9.3 million which will go to instructional support, student support and health care costs. I&G (Instruction & General) funding accounts for \$7.3 million of the increase, student fees account for \$2 million. If this prototype is adopted, resident tuition will increase 3.75% which is well below the legislative threshold in HB2. Fees will increase 5.67% for undergraduate students and 5.51% for graduate students.

b. Provost's Academic Strategic Plan, Dr. Chaouki Abdallah, Provost, Academic Affairs

Provost Abdallah said his sole goal as Provost is to strengthen the academic mission of the university. Other important items are to improve communication and keeping everything transparent by involving the deans and other constituents in decision-making as well as developing and implementing a strategic growth plan. The Provost reviewed presentations he made in prior BOR, F&F and ASAR (Academic and Student Affairs and Research) meetings.

Funding for the initial implementation of the Honors College is included in the plan and we expect it to launch in a year to a year and a half; we are working on the curriculum. The cost of the Honors College Dean and Honors College support will be about \$370 thousand the first year, 2014.

Over the next ten years, we project a growth in enrollment of at least 20%. We want that to be smart growth. We should strive to have a six year graduation rate of 60% by 2018. Freshman retention should be at 95%. We expect on-line enrollment could reach 20,000. Integral to this plan is hiring and retention of tenure and tenure track faculty.

Regent Koch complimented the Provost on his plan. He also noted that NMSU student fees for athletics are \$2.8 million versus \$1.8 million at UNM.

Regent Wellman believes the Provost's plan will result in the use of tuition increases to ultimately reduce the number of years it takes a student to graduate and will save them money that way.

Regent Gallegos asked if we really want to increase on-line enrollment. It changes the learning environment from interaction with faculty members to just working with a computer. Provost Abdallah responded that it isn't really a choice; it is an accelerating trend. What we can do is control the quality. Vice Provost Dominguez (Extended University) is looking at best practices.

c. Branch Campus Perspectives, Dr. Wynn Goering, Vice Provost, Academic Affairs

Dr. Goering noted that branch campuses enroll almost 30% of UNM undergraduates. The local advisory boards, with the exception of Valencia, have all passed these recommendations. In past years, the branches have increased their various tuitions at a lower percentage than the tuition credit. They have made up the funding in cost containment, vacancy savings and an aggressive pursuit of other sources, especially grants. Branch campus revenue sources and financial positions are completely different from main campus, but we are required to implement the system-wide mandates in the budget the BOR approves each year. A good example is the one-time compensation pool. It is predicated on main campus reserves which are not available to branch campuses.

d. HSC Budget Development, Dr. Paul Roth, Chancellor, Health Sciences

Dr. Roth presented the HSC Vision and Strategic Goals. Over 75% of all of the revenues that come into the HSC are payment for health care rendered. There are fundamental changes coming with regard to how reimbursement will occur because of the Patient Protection and Affordable Care Act (ACA). The reimbursement strategy will be driven to cut costs while at the same time increasing quality and increasing service. One aspect of that change is a "Risk Bearing Organization." Up to now, the financial risks associated with taking care of patients resided with Medicare and Medicaid, commercial insurance and the individual patient. The payments have been based on the work done. The more tests run, the more procedures done, the more operations performed is the basis for payment. While that will still be a factor, the reimbursement will also be driven by outcomes--whether the patient survives, the quality of life of the patient after all the procedures have been done. The new methodology will be telling big academic health centers that they will receive a single payment for a population of patients that they are responsible for and they will have to live within that budget. The risk shifts from the payers to the providers. That is a dramatic, fundamental change in our way of doing business and we have only two and a half years to pull it off.

Dr. Roth reviewed the assumptions used in the development of the FY13 preliminary budget, including state and research funding increases, first year deficits for the SRMC (Sandoval Regional Medical Center), hiring 320 new FTE and 42 new clinicians for the SRMC, and compensation market adjustments for 149 employees, which amounts to about \$3 million recurring expense. Other than the market adjustments, there will be no increases in faculty compensation as the HSC does not have revenue to support them. We will absorb whatever the BOR decides with respect to staff increases.

Regent Koch said he understands the new governing body of the HSC. However, the HSC is a billion dollar operation and there should be a separation of Health Sciences from UNM. He is going to suggest that the legislature look into setting up a separate Board of Trustees, appointed by the Governor and approved by the legislature. Regent Koch complimented Dr. Roth for making the HSC the fantastic organization that it is. However, the BOR know less now about the HSC than they did before the change in the governing structure as the new board only reports to F&F twice a year. He believes that there have been and will always be some conflicts between the HSC and main campus. He feels strongly that the BOR has a constitutional and financial responsibility for the HSC, but that responsibility is close to being violated by the way the HSC Board of Directors has been set up, with only three of the seven members being UNM BOR members.

Dr. Roth believes it would be a mistake to move the HSC outside of the University of New Mexico. He feels it would dilute the financial stability of both institutions. We can certainly have discussions about making our governance and decision-making more effective and efficient, although those were the reasons behind the change in governance. Dr. Roth looks forward to more discussion of this issue.

Vice President Ava Lovell continued the HSC presentation. She noted that the \$1.244 billion budget includes the UNM Hospitals, the UNM Medical Group and all the academic enterprises. She reported that uncompensated care has grown from almost \$153 million in FY07 to \$198 million in FY11. Bernalillo County uncompensated care was \$161 million in FY11, which was offset to some degree by the county mill levy. In reviewing the new funding from the state for FY13, she noted that the \$1 million for Lung Cancer Research in HB315 is not yet available. The FY13 preliminary budget for all components of the HSC projects a net operating income of \$6.848 million. After capital and one-time expenditures, they project a use of reserves of \$13.047 million, mostly attributable to SRMC start-up.

Ms. Lovell explained where the transfers to HSC from main campus are shown in her presentation and noted that HSC transfers back about \$4 million for overhead and then pays departments like PPD (Physical Plant Dept.) directly for services for a total of about \$7 million in transfers back to main. The \$587 thousand for scholarships shown on the President's budget is a main campus expense that the HSC has agreed to fund for this year.

Regent Koch asked if it is ever resolved whether main campus owes the HSC or HSC owes main campus.

Ms. Lovell said that there is a mill levy in Bernalillo and Sandoval counties and a general appropriation from the state, but those funds do not come close to covering uncompensated costs for all the counties. Dr. Roth related the history of the hospital leading to the current lease agreement with the county. In that agreement, the quid pro quo for assuming responsibility for the operation and maintenance for what had been a county facility was for the county to pass a mill levy. That mill levy revenue was to offset the total operation and maintenance costs for the University to run the facility. Today, the total cost for running UNM Hospitals is over \$780 million, for which the hospital receives less than \$90 million in mill levy funds. Other counties do have mill levy funds dedicated for indigent care. Our mill levy funds in Bernalillo County are not defined in those terms. Mr. Harris explained that when the Medicaid tax was initially implemented, it was not imposed in Bernalillo County; it was assumed it would come from the mill levy. That was later remedied with an indigent tax in Bernalillo County; it just doesn't come directly to the hospital.

(10 minute recess)

2. Constituent Comments

Faculty Senate, President Timothy Ross: In regard to faculty compensation, we urge an increase to base. Of course we would be grateful for any increase to compensation, but the cumulative effect of several years with no increases cannot be fixed with a one-time payment. The amount to fix retention and compaction issues does not become smaller over time. Older faculty have no financial incentive to retire now, when their salaries have been stagnant over the last three years, and now, possibly, a fourth. Two of the four traditional sources of funding, federally funded research and state support, will remain stagnant or possibly decrease. The third source, student tuition, does not have an unlimited upside. The fourth source is private giving. The most important thing the Foundation can do for faculty is to help us attract donors for endowed faculty chairs and donations for endowments for graduate student fellowships.

Staff Council, President Mary Clark: With no compensation increase for the last three years, but with increases in our medical insurance, parking fees, and retirement contributions, it has become more difficult for staff to stay engaged with UNM if there are opportunities elsewhere. It is important that you show your support and advocacy for staff by approving some sort of compensation increase today.

GPSA, President Katie Richardson: There are many things to celebrate about this proposed budget, the Provost's plan to grow the faculty, \$250 thousand for graduate assistantships, the inclusion of a tuition set-aside for need-based aid, the cancellation of the tuition credit for at least one year. This year the conversations that we had in the various budget teams were even more collaborative than last year. There are, however, three points of concern. With regard to the process, I am concerned that the SFRB developed a recommended fee amount which was agreed to by the SBLT, and that amount has been radically increased in this proposed budget, without notification to students. Regarding tuition, we would like to know exactly how the \$4 million in new student tuition and the \$9 million in new state funding will be spent, especially as this is the largest tuition increase in four years. The third concern is with the \$50 for athletics. Students currently pay \$81.75 to athletics and the SFRB was told that amount would be sufficient to support the level of service we receive from Lobo Athletics.

Regent Gallegos commented that he finds it offensive and inappropriate that the BOR has been charged with almost sneaking onto campus to discuss these matters while students were off campus during spring break.

Ms. Richardson said she knows that meeting had been scheduled for some time.

Regent Koch noted that the state constitution requires a BOR meeting each year at that time to elect officers. It only makes sense to conduct other business during that meeting. A meeting will be held at the same time every year.

Regent Gallegos said students should be asking about the \$516 of fees for bond debt, rather than a \$50 event fee increase. Ms. Richardson said her understanding is that the bond indebtedness is legally binding and cannot be changed.

ASUNM, President Jaymie Roybal: Ms. Roybal said that this year's budget process has been more open to, and inclusive of, all constituency groups on this campus. She commended Provost Abdallah's impressive academic plan. Ms. Roybal then asked the BOR what they believe the role of the SFRB is.

Regent Chalmers said it is an advisory role; it is to get the students' perspective. Ultimately, it is the fiduciary duty of the BOR to set tuition and fees. The BOR must weigh requests from students, faculty, and many other constituencies, including taxpayers.

Regent Gallegos said that the SFRB process he saw was not that of a deliberative body which approaches each application with no prior bias. There were a lot of personal agendas being played out in the decision making. The minutes of the meetings reported only the votes, nothing of any discussion.

Regent Koch said he understands the reluctance of students to impose fees on themselves. However, the BOR must look at the whole effect. The minute you make a decision based solely on revenue generation, or lack thereof, you are making a mistake. He commended Ms. Roybal for the job she did in the finance meeting.

Ms. Roybal said the process was deliberative and fair. The role of the SFRB is to recommend fees that are representative of the student body as a whole and to make sure those recommended fees will benefit every student that is mandated to pay them. She presented an ASUNM resolution calling for student fees to remain at the level recommended by the SFRB. She emphasized the point that student fees should not be used to offset a department deficit; fiscal responsibility is the job of each department.

Regent Wellman said the recommendation the SFRB made to the SBLT for alternative funding for the libraries, rec services, academic programs and others is one of the most promising approaches to the budgetary process he has seen.

Parent Association, Maria Probasco: Ms. Probasco said the association supports the SFRB fee recommendation and feels that departments should be required to operate within their budgets, rather than being subsidized with student fees. We are also concerned about the March 12th suggestion by the BOR that the funding for the first year of the Provost's Academic Plan be reduced by \$1 million. She reminded the BOR that General Obligation (GO) bonds will be on the ballot in November. Unless the public sees responsible spending by higher education, there are many who will work to defeat those bonds.

Elissia Torres: Ms. Torres asked for permanent I&G funding for the LGBTQ center.

Alma Rosa Silva Banuelos, LGBTQ Director: Ms. Banuelos stressed the point that the center is entirely funded by student fees and she thanked Presidents Richardson and Roybal for their support with the SFRB. We are working with the offices of the Provost, EVP Harris and Equity and Inclusion to fund professional and support salaries for the center and look forward to receiving recurring funding for FY14 and beyond. The center has received the prestigious SAMSHA grant of \$300 thousand over three years.

Diego Guevara Beltran: Mr. Beltran spoke against an increase in student fees to support a debt they did not incur. He supports a tuition increase as long as the resources are allocated properly.

Gregory Montoya-Mora, SFRB member and ASUNM Attorney General: Mr. Mora expressed gratitude for I&G funding for the libraries. He expressed support for athletics and the huge impact it has on student life, but urged rejection of additional student fees for that department.

Travis McIntyre, GPSA Lobby Committee Chair: Mr. McIntyre said UNM will receive more funding from the state, no deduction for the tuition credit, a tuition increase and a large increase to the SFRB-recommended student fees. He urged discretion in the use of this funding.

Richard Wood, Faculty Senate Past President: Dr. Wood acknowledged the difficulties in achieving agreement on budget priorities. He stressed the spirit of compromise that went into developing the SFRB recommendation. Students were central in protecting us from the tuition credit and getting a larger appropriation from the state. He urged consideration of the responsible leadership they have shown. In regard to the separation of the HSC from UNM, the faculty believe that the missions of the two are so intertwined it makes no intellectual sense to try to divide them institutionally.

Matt Rush, GPSA and SFRB member: Mr. Rush thanked the President and BOR for funding the libraries with I&G money. As for the \$50 increase for athletics, if this increase proves to be a misstep, how will we reduce student fee funding for athletics by a like amount without it being seen as an attack on the department?

Sarah Coffey, GPSA Tuition and Fees Chair: Ms. Coffey delivered 375 petitions, signed by students and collected in three hours, asking that the BOR not raise tuition by 3% and not raise student fees by \$77.

Christopher Ramirez, La Raza Graduate Student Association Co-Chair: Mr. Ramirez recommended a diversity course as a requirement. He also suggested that student success should be measured for particular groups of students. He supports raising the minimum wage for staff to \$10 per hour and expressed the hope that it could be extended to student employees.

Regent Wellman thanked Mr. Ramirez for his comments and said the administration and BOR will be focusing on graduation rates during the next year.

ACTION ITEMS:

3. FY13 Tuition, Fee and Compensation Recommendation, UNM Board of Regents

Regent Hosmer: I would like to know the net price of attending UNM. It would appear that all students pay the "sticker" price, but we know that is not the case. On average, taking all undergraduate in-state students, the net of grants actually exceeds student tuition by about \$2,000 per student. That \$2,000 could go for fees and living expenses. If you include loans in the calculation, for those who take out loans, it results in almost \$7,400 towards living expenses. If you look at the average net costs, for those students who live with their families, the average net cost is about \$2,300 per year, tuition, fees and living expenses included. On the other end, for those students who live on campus and whose families contribute over \$10,000 the average cost per year is somewhat less than \$12,000. If we are to determine a base to set tuition from, I suggest we start doing that earlier next year and ask the administration to think through what is an appropriate policy basis for setting tuition. Considering the importance of UNM to the state and the country, and the need to preserve and improve the academic enterprise, taking a basic cost increase each year according to the CPI (consumer price index) is not unreasonable. Another policy choice would be to increase our tuition at the same level as very carefully chosen peers. Another possible choice would be to encourage the legislature to commit the sums returned to the state via the tuition credit into student financial aid. Another possibility is to work up an option, not a mandate, for a four-year guaranteed tuition for each entering cohort. One way to look at this is the shifting of some of the risk from the students to the university and I'm not sure that's a bad thing to do. I suggest the dialogue between the administration and the regents start early so we can determine what the troublesome issues may be. It is in everyone's interest to bring that part of the deliberation that involves student fees to a point early enough that student advice is as relevant as possible to the final decisions. With regard to the specific proposals in the budget for a tuition increase, I endorse the 3% and the additional 0.75% set-aside for student assistance.

Regent Gallegos: Overall, I believe the President's budget recommendation is acceptable. I would be interested as to the impact of no increase in non-resident tuition. I applaud the tuition increase that will be devoted to need-based aid, but how will that be administered? What will be the criteria? On the one-time commitments, I believe strongly in what President Ross said regarding compensation. Hopefully, the next legislative session will see another increase in our base allowing sustainable increases in compensation. I want to point out the last budget called for \$1.2 million to the Foundation. It is my recollection that it was represented that that would be the last of such subsidies. Because of the 1.85 basis points on the Regents' endowments, we already subsidize the Foundation about \$1 million per year. The Foundation subsidies have not gone down. The University is supporting the Foundation rather than the Foundation supporting the University. The Foundation has already announced that it is reducing its spending allocation from 4.65% to 4.5%. The flow is going the wrong way and needs to be reversed. As far as student fees, we are accepting, to the penny, the SFRB's recommendation except for the one case of athletics. The hard work done by that board is being adopted in this budget. With those remarks, I'm in favor of ultimate adoption of this budget.

- **Additional information on the UNM Foundation will be provided prior to the April 27th BOR meeting.**

Regent Wellman: I support the 3.75% tuition increase; it is the best recommendation we have seen in some years. I think the CPI is a good place to start when considering tuition increases in the future. As for fees, a strong athletic department helps students interact and I believe students expect athletics to be part of their student life. It is my understanding that if we want that to continue we may need to supply additional financial support. I believe \$50 is too large an increase for one year and suggest it be spread over three years. The process of budget development this year has been even more collaborative than last, which was very successful. I would hope that next year we learn from this fee controversy and estimate and include all our financial needs as early in the process as possible. I believe we have a need and the BOR has a fiduciary duty to meet that need in a way that benefits students.

Regent Koch: I support the President's budget. I support the 3.75%. In disagreement with my fellow regents, I think we should have gone some higher because we need to do something for the lower paid employees. If we were to increase the student fees for athletics over three years we'd just be pushing the problem out further. The athletic funding is not for debt, it is because we are at the bottom of non-BCS schools in funding. I commend President Schmidly and David Harris and Regent Chalmers in putting this budget together. In regard to the Foundation, I support that but it concerns me. I thought they were going to be a self-supporting enterprise. I thought when we did the \$1.2 million last year it would be a one-time thing. I support this budget, although I would have gone higher on tuition as long as the increases in funding would have gone to faculty and lower paid staff. I support the HSC budget. I wish we could have found just \$658,580 in a \$2 billion dollar budget to raise the minimum wage to \$10 an hour. For comparison, the Regent submitted a one-page summary of national student fee support for athletics.

- **I would like breakdown of the result of increasing minimum wage to \$10 an hour.**
- **I would like to know what a recurring salary increase for faculty would look like.**

Regent Chalmers: I'm in support of the prototype budget proposed by the administration. I think this is the first time we have set the tuition this early in the process by some sort of policy statement, using an inflationary factor of 3%. We've used the student concept of using 20% of any tuition increase for student financial aid. When that 0.75% comes back to students in need-based financial aid, the net to students is a 3% increase. We are able to do this because we have been relieved of the tuition credit this year. We should thank those who lobbied so hard for that and we should thank the legislature. The last minute change to institutional funding of the libraries is in response to students and the SFRB and demonstrates we are trying to listen to them. This budget fully funds the Provost's Academic Plan and I hope we can do that every year. Fees are a difficult situation. I can support what the administration has put forward for athletics. I wish there were an easier solution. We have an outstanding athletic program and it is

underfunded. I believe there is a compensation pool of 1.75%. That doesn't mean everyone, across the board, gets 1.75%. That is up to the administration. I understand that it is Dr. Schmidly's intent that those at the higher end will receive significantly less than the 1.75%. Today I am willing to support the one-time compensation pool because that is what we can afford. I don't know that we will have recurring funds. If, between now and the end of April, the administration can find recurring funding, I would be all for an increase to base. Setting tuition early and as a policy is an important step forward. I would consider a four-year, flat tuition option if it could be worked out. For this year, pegging tuition to a CPI is a good idea. That will only serve to maintain the status quo in the future, however. We need to benchmark tuition, fees, compensation and student success against peers we wish to equal or better.

Regent Gallegos stated the BOR is not adopting the budget at this meeting; that will happen at the April 27th meeting. This vote is to express a "sense of the Board."

- **In April we will have a presentation of differential tuition.**
- **I would also like a presentation on holding non-resident tuition at the same amount it is this year.**
- **We should also be informed as to how the 20% set-aside tuition will be administered.**

Dr. Roth said the 1.75% compensation pool does not apply to faculty on north campus, but does apply to staff. His proposal does not include any across the board compensation increases.

Motion to accept, conceptually, President Schmidly's budget including student fees, and to accept, conceptually, Dr. Roth's HSC budget, both subject to details specified in this discussion, with the understanding that the final budget will be adopted at the BOR meeting on April 27, 2012 passed with Regents Chalmers, Gallegos, Hosmer and Koch voting yea and Regent Wellman voting nay (1st Koch, 2nd Hosmer). Regents Fortner and Abeita were excused.

4. 1650 University Boulevard Core and Shell Renovations, Dr. Paul Roth, Chancellor, HSC

Dr. Roth: This proposal has been reviewed by the HSC Board of Directors' Finance Committee, the HSC Board of Directors and the BOR F&F Committee. The Real Estate Department has had time to review the concerns regarding this building. The HSC is short about 200,000 square feet; this building will provide 90,000 square feet. The HSC expects to occupy about half that space. It will be used strictly for administrative purposes, no educational uses, no patient care or public use. It will cost half as much as a new building and will be completed in half the time. It will become a high efficiency and low maintenance facility.

Kim Murphy, Director, Real Estate: This is a core and shell renovation with a projected budget of \$4.950 million. The BOR approved the purchase of the property and it closed in December 2010.

Regent Gallegos brought out that the \$4.950 million was just for the core and shell renovation. Tenant improvements would be, roughly, another \$5 million. He noted that the net usable square footage is 75,572. Mr. Neale said that the 90,000 square footage is at the standard measure for "rentable" space since all buildings require "common area" for access and such. The Regent also pointed out that the entire building is currently on just one thermostat and that would certainly have to be addressed.

Tom Neale, Associate Director, Real Estate: To build 100,000 square feet brand new would cost about \$230 a square foot, double the cost of this renovation.

Regent Koch recalled that the HSC moved out of this building several years ago, even though the lease had not run, because the space would be so much more efficient in the Science Park. This building is an inefficient design and he doesn't believe the outside design of the building would change with this renovation. Regent Koch wants any contract to preclude the contractor from making change orders that would radically affect the cost.

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Regent Gallegos said the estimate does not reflect the concerns outlined in the third party assessment of the building in several line items. He would like to see a firm contract with a firm price and contingency from a contractor.

Regent Chalmers said this project has been thoroughly vetted by the appropriate committees and boards. It is obvious the three members of this board who are in favor of it and the two are not. The HSC is in desperate need of this space. This will take half the time and half the money of a new building.

Motion to approve the shell and core renovation of 1650 University Boulevard passed with Regents Chalmers, Hosmer and Wellman voting yea and Regents Gallegos and Koch voting nay (1st Chalmers, 2nd Wellman). Regents Fortner and Abeita were excused.

Regent Gallegos pointed out that the vote of the three Regents on the F&F committee was two to one against the project. The HSC has been a tenant in 200,000 square feet for years. He sees no reason to be so focused on renovating a thirty year old, inefficiently designed building. He believes the HSC would be better served by razing this building and constructing new, LEEDS Gold certified single story buildings on the property. He predicts this building will cost substantially more than now predicted. The Real Estate Division should be required to present the contract to the BOR or F&F Committee to show that it has a contract that guarantees the work will be done within the financial parameters that are being represented.

- **The contract will come back before the BOR for review.**

Regent Chalmers adjourned the meeting at 2:25 p.m.



Jack L. Fortner

President, Board of Regents



Don L. Chalmers

Vice President, Board of Regents