

KANSAS BOARD OF REGENTS

MINUTES

March 14-15, 2007

The March 14, 2007, meeting of the Kansas Board of Regents was called to order by Vice Chair Christine Downey-Schmidt at 1:35 p.m. The meeting was held in Board offices located in the Curtis State Office Building, 1000 S.W. Jackson, Suite 520, Topeka. Proper notice was given according to law.

MEMBERS PARTICIPATING: Christine Downey-Schmidt, Vice Chair
Frank Gaines
Jim Grier
Dan Lykins
Janie Perkins
Donna Shank

MEMBERS ABSENT: Nelson D. Galle, Chair
Dick Bond
Janice DeBauge

AMEND AGENDA

President Robinson proposed amending the agenda by changing IV.A. to Other Matters; deleting B. Other Matters; deleting the Continuation of the Career and Technical Education Annual Report; inserting in its place a Report from the Citizens for Higher Education Regarding the Higher Education Funding Implications of State Tax Policy Decisions by Bill Hall; and adding 5. Update and Discussion re KUMC/KU Hospital Affiliation Issues. Regent Shank moved, with the second of Regent Grier that the proposed agenda change be authorized. The motion carried.

APPROVAL OF MINUTES

Regent Perkins moved that the minutes of the February 14 and 15, 2007, meeting be approved. Following the second of Regent Shank, the motion carried.

REPORTS

REPORT FROM VICE CHAIR

Regent Downey-Schmidt reported that she recently attended the annual meeting of the Association of Governing Boards (AGB). One of the sessions she attended was on presidential and board assessment, which identified the growing need for accountability. She noted that the university chief executive officers have received information for this year's assessment. Included in the process this year is a request for evidence of the quality of the CEO's relationship with institutional faculty and/or staff, students, and alumni. Since the current process is self-reporting, CEOs are asked to supply information, articles, and evidence to help Regents make a

determination. Regent Downey-Schmidt also attended a Roundtable session where former WSU faculty member, Dr. John Bardo, spoke about the connection between economic development and higher education, and the engagement process taking place beyond ordinary internships, apprenticeships, etc. She expressed interest in looking in the future at whether we are doing the right thing for higher education in Kansas, who is doing it, is it enough, and how well is it being done.

Regent Downey-Schmidt will be attending the Wichita State University reaccreditation site visit on March 26 and plans to speak at the first annual Women's Leadership Conference in Hays, Kansas, on March 30.

REPORT FROM PRESIDENT AND CEO

President Robinson also attended the recent AGB Conference. In addition, he has been busy with legislative commitments, which will be highlighted in the legislative report later on the agenda. He plans to attend a higher education summit next week that will be hosted by U.S. Secretary of Education Margaret Spellings. He anticipates the purpose of the summit will be to follow-up on her report and look to future federal policy.

Julene Miller was introduced by President Robinson. She will assume the role of General Counsel on April 2. President Robinson expressed his heartfelt thanks to Interim General Counsel Robin Kempf for her service during the interim period.

President Robinson also announced that Eric King has been asked to serve in a leadership role for the Association of University Architects. His service will lead to another term as president of this national organization.

REPORT FROM SYSTEM COUNCIL OF PRESIDENTS

David Reist, Co-Chair of the System Council of Presidents, reported on the Council meeting. SCOPs received a report from the System Council of Chief Academic Officers on the following topics: teacher licensure requirements, course transferability issues, and the Kansas Core Competency project. Dr. Ron Wasserstein, Washburn University, briefed SCOPs on the Kansas Core Outcomes Report, a ten year project that will be revisited in the fall. President Robinson updated the Council on House Bill 2556, initiated by the Technical Education Commission. SCOPS discussed the Kansas Sports Hall of Fame and the status of the athletic ticket surcharge, as well as deferred maintenance and a possible revenue stream.

Regent Downey-Schmidt thanked Washburn and Dr. Wasserstein for providing the leadership in the Kansas Core Outcomes discussion. Dr. Wasserstein will hand off that role to Dr. Gary Miller, Wichita State University, when he leaves Washburn for a new position.

APPROVAL OF CONSENT AGENDA

Regent Shank moved, with the second of Regent Perkins, that the Consent Agenda be approved. The motion carried. The following request was approved:

*Academic Affairs***APPOINTMENT TO ADVISORY COMMISSION ON PRIVATE AND OUT-OF-STATE POSTSECONDARY EDUCATIONAL INSTITUTIONS**

Ms. Tunya Carr, Executive Director of National American University, was named to complete the unexpired appointment of Mr. Richard Thome. Her term will expire December 31, 2008.

CONSIDERATION OF DISCUSSION AGENDA*Other Matters***REPORT FROM CITIZENS FOR HIGHER EDUCATION REGARDING THE HIGHER EDUCATION FUNDING IMPLICATIONS OF STATE TAX POLICY DECISIONS**

President Robinson introduced Bill Hall, President of the Hall Family Foundation, Bill Musgrave, and Bill Taylor, all members of Citizens for Higher Education. He noted that the organization serves as an advocate for higher education in Kansas by promoting public awareness and organizing groups such as the Higher Education Caucus, a legislative entity that includes both Senate and House representation. Mr. Hall was called on to share information regarding state tax policy and the potential implications for higher education funding support.

Mr. Hall indicated that Citizens for Higher Education has been active since 2002 and the group feels strongly that the future of the State of Kansas lies in its institutions of higher education. He presented statistical information indicating that the demand for higher education is uniquely high in Kansas, when compared with the other Big 12 states. While state funding is declining, Kansas has experienced less fluctuation than the other Big 12 states. Kansas moved from being a low tuition state, to an average tuition state. However, faculty salaries in Kansas are low when compared to the other Big 12 states. In summary, he indicated that higher education trends are improving and Kansas is still in the bottom half and should strive to be in the top third of the Big 12.

Mr. Taylor presented statistics on the volatility of Kansas revenue sources and its rising expenses by looking at individual and corporate income taxes, as well as excise and other taxes since 1998. Revenues have dramatically increased during that time period, but higher education has had to compete with K-12 needs and appropriations to human services and public safety services. Increased state spending was directed to K-12, health care, energy, federal mandates, and general inflation. Higher education stands in about fourth place for appropriations.

In conclusion, Mr. Hall reported that fifty percent of the State's revenue is variable so any tax reduction would be difficult for higher education. He encouraged the higher education community to be cautious about proposed tax reductions. Questions and discussion followed.

(PowerPoint Presentation Filed with Official Minutes)

UPDATE ON TECHNICAL EDUCATION COMMISSION REPORT

President Robinson provided an update from the Technical Education Commission. A copy of the final report of the Commission was distributed to Board members. Mr. Robinson identified three core elements resulting from the Commission's work. First, the Commission addressed the future of the State's technical schools. Following up on the Board's recommendation that the technical schools pursue affiliation/merger with an appropriate partner, the Commission recommendation paralleled that proposal. Mr. Robinson reported that discussions are underway for technical schools to partner and affiliate.

Funding for technical education was the second element. The Commission looked at how an enhanced appropriation could be constructed and there is broad support for increased funding.

The third component from the Commission report relates to governance. The Commission favored the creation of a new agency with state-level responsibility for the delivery of technical education. The Board of Regents currently functions in that role; the new agency would supplant the Board's performance of that function. However, an informal opinion from the Attorney General concluded that the Kansas Constitution does not permit such responsibilities to be assigned to a separate agency. Thus, the Commission recommended, and legislation was introduced, to create a Technical Education Authority and place it under the Board's auspices. The measure calls for seven people, including two Regents, to oversee technical education and to make recommendations to the Board. The legislation authorizes the Authority to hire an Executive Director, who would answer to both the Authority and the Board of Regents' President and CEO.

Mr. Robinson testified at a legislative hearing last week. He indicated that the provisions of the bill do not reflect the preferences of the Board, but that it would be a workable proposal. Regent Grier, who serves on the Commission, agreed with the comments made by President Robinson.

LEGISLATIVE REPORT

Kip Peterson, Director of Government Relations and Communications, provided an update on the status of the Board's legislative initiatives. Those measures are S.B. 21 – Benefits for university support staff and classified staff, S.B. 22 – Teacher education competitive grant program, S.B. 23 – Teacher service scholarship program, S.B. 24 – Medical student loan program amendments, S.B. 25 – Nurse educator service scholarship program, H.B. 2016 – Transfer of devised property to endowment associations, and H.B. 2091 – Amend capital improvements exemption law. He also briefed the Board on the following legislative measures of interest: H.B. 2185 – In-state tuition for persons who return to Kansas within five years, H.B. 2367 – Public benefits; certain undocumented immigrants, H.B. 2556 – Postsecondary technical education authority, S.B. 361 – Surcharge on athletic tickets for Kansas Sports Hall of Fame, and S.B. 369 – Governor's deferred maintenance plan.

Mr. Robinson noted that H.B. 2185 was introduced to respond to situations that arise annually for Kansans who lose residency privileges. In terms of fiscal impact, Mr. Robinson reported

that the Council of Business Officers indicated there would be limited financial impact. The language of the bill calls for a review of the policy in three years.

(Legislative Handout Filed with Official Minutes)

RECESS

Vice Chair Downey-Schmidt announced a break at 2:55 p.m. The meeting resumed at 3:15 p.m.

REPORT ON KANSAS CAMPUS COMPACT

President George Knox, a member of the Kansas Campus Compact, introduced Mary Marston, the Executive Director of the Compact. She provided an overview of the Compact. The Kansas Campus Compact was established in Kansas on October 15, 2003, but it has been in existence in other states for twenty years. Its role is to strengthen civic engagement and service-learning partnerships between students attending the Kansas postsecondary institutions and the communities they serve. Kansas currently has twelve member institutions and is one of 31 state compacts in the national network. Ms. Marston described some of the programs undertaken by the Kansas Compact such as VISTA, AmeriCorps Kansas, WaterLINK, and Alternative Breaks.

(PowerPoint Presentation Filed with Official Minutes)

UPDATE AND DISCUSSION REGARDING KUMC/KU HOSPITAL AFFILIATION ISSUES

President Robinson provided an overview of the discussion to date regarding the University of Kansas Medical Center's goal to attain the NIH cancer center designation and expand the teaching and research opportunities available in the Kansas City area. He noted the support of the Governor and Legislature by appropriating \$5 million toward the project, and the Board's previous endorsement of the proposal. As outlined in an earlier update from Executive Vice Chancellor Barbara Atkinson, the University believes that affiliation agreements with area hospitals will enhance the effort to achieve the cancer center designation and has proceeded to enter into such agreements. At the same time, the Medical Center has been negotiating with the Kansas University Hospital to develop a Master Affiliation Agreement. Because of the competition with area hospitals, the University Hospital has been concerned about the risk to its business; however, the Master Affiliation Agreement is intended to define the relationship between the two entities in order to protect the interest of the Hospital. If agreement is reached, the Master Affiliation Agreement will establish the framework for arrangements made with area hospitals. A third party team has been employed by both the Medical Center and the Hospital to help in the negotiation process.

To follow up on questions raised by legislators, Mr. Robinson compiled a complete list of questions and sent them to Chancellor Hemenway and Vice Chancellor Atkinson. Mr. Robinson reported that the University's response to the questions was very comprehensive. Additionally, Mr. Robinson pursued conversations with Hospital Board Chairman, George Farha, and the Hospital President, Irene Cumming. He then spoke with Chairman Galle and Vice Chairman Downey-Schmidt to consider the University responses. He said it is apparent that representatives of both the Hospital and the Medical Center have sought the best interest of their respective entity, as they see it, throughout the detailed negotiation process.

Dr. Atkinson was called on to update the Board on the progress of recent negotiations. She reported that as of the previous day, agreement in principle has been reached between the Medical Center and the Hospital and precise language is being fine-tuned by legal staff. She explained the goal to form partnerships to establish a life science facility for the State of Kansas and the Kansas City region. Affiliation with other hospitals has been pursued to increase the number of patients for clinical trials, increase the number of residency programs, and expand research opportunities. Additionally, medical students will be exposed to a community hospital experience, in addition to the current urban experience.

Dr. Atkinson explained that "branding" has been a concern for the Hospital since competing hospitals would benefit from identifying their facility with the University of Kansas name. Reaction to affiliations has been positive in Wichita, and the Medical Center is looking for a possible funding stream for research in that area.

Questions followed. Dr. Atkinson noted that the School's focus on primary care physicians will continue, in spite of increased emphasis on research.

Regent Shank moved that the Board endorse the continuing movement toward the goals and objectives that KU and Dr. Atkinson outlined and also that the Board applaud the successful completion of negotiations with the KU Medical Center, the KU Hospital, and KU Physicians Incorporated. Following the second of Regent Grier, the motion carried.

Dr. Atkinson closed by noting that in regard to the designation of National Cancer Institute (NCI), an external scientific board recently visited KUMC for its annual visit and assessment. The assessment was very positive, and there is a possibility that KUMC might be able to move up the timeframe to apply for the NCI designation.

(PowerPoint Presentation Filed with Official Minutes)

RECESS

Vice Chairman Downey-Schmidt recessed the meeting at 4:35 p.m. Board members were reminded of the 6:00 p.m. legislative reception. The meeting will resume the following day at 9:15 a.m.

RECONVENE

The meeting was reconvened on Thursday, March 15, at 9:20 a.m. by Vice Chair Downey-Schmidt.

MEMBERS PARTICIPATING: Christine Downey-Schmidt, Vice Chair
Frank Gaines
Jim Grier
Dan Lykins
Janie Perkins
Donna Shank

MEMBERS ABSENT

Nelson D. Galle, Chair
Dick Bond
Janice DeBauge

INTRODUCTIONS

President Wefald introduced Lisa Kitten, Plains, Kansas, as a recent winner of a Marshall Scholarship. Lisa graduated from Kansas State University and will continue her studies at Oxford University.

REPORTS

REPORT FROM COUNCIL OF PRESIDENTS

President Tom Bryant, Chair of the Council of Presidents, briefed the Board on the Council's meeting the previous day. COPs received the following report from the Council of Chief Academic Officers. COCAO discussed whether Physical Science should be permitted in the Regents curriculum criteria for Natural Science. COCAO reaffirmed that it should not. The Council approved the Academic staff recommendation that the Program Review moratorium be continued for one more year due to continued data clean-up. The next report will be due in February 2008. At the Board's request, COCAO reviewed the Regents Distinguished Professors program, and action was postponed until next month to allow time for deliberation. COCAO agreed to discontinue use of the Regents Online Catalog (ROC) because the information is now available online through each university. Two degree proposals were approved, a Bachelor of Science in Data Security at ESU, and a Bachelor of Science in Supply Chain Management at KU. COCAO heard a first reading on two degree program requests, a Master of Arts in Interaction Design and Master of Arts in Design Management, both at KU. Consideration of a request from ESU to remove geographic jurisdiction in the Kansas City metropolitan area was tabled until after the outcome of the legislative session.

The Council of Business Officers provided the following report to COPs. Budget Director Duane Goossen met with COBO recently and provided an update on deferred maintenance and campus facilities, information on the study of a new pay structure for classified employees, and a report on the potential impact on state agencies if the Taxpayer Transparency Act were to pass. Mr. Goossen also discussed the implementation of the new financial management system. The final contract language for student health insurance is almost in place, and COBO approved a draft of proposed regulations and an initial plan for ongoing management of the plan. COBO also discussed status of boiler insurance at each university.

President Robinson asked a question about COCAO's discussion on the inclusion of physical science vs. natural science in the Regents' Qualified Admissions curriculum. He noted that it was his understanding that physical science courses have changed since the decision was made a number of years ago not to consider it in the Qualified Admissions curriculum, and he asked whether fresh consideration by science faculty was provided to COCAO. Mr. Robinson will follow up with Vice President Masters.

PROPOSAL FROM SENATOR CHRIS STEINEGER

Senator Chris Steineger presented his proposal to generate funds for deferred maintenance at the State universities. He outlined his plan to sell the University of Kansas Hospital at a minimum price of \$800 million with half the proceeds going to an endowment for deferred maintenance needs and the other half going to fund the KPERS liability. Responding to a question, the Senator indicated that he understands there are other hospitals with public/private ownership. President Robinson clarified that in the event of a sale, KUMC would be a major teaching hospital of a state university school of medicine tied to a hospital that would be a privately owned facility.

Vice Chair Downey-Schmidt referred the Senator to a recent article in The Chronicle of Higher Education about selling state assets. She also thanked the Senator for his interest in the problem and his willingness to seek a solution.

(Proposal Filed with Official Minutes)

REPORT FROM COUNCIL OF FACULTY SENATE PRESIDENTS

Dr. Tim Bailey, Council of Faculty Senate Presidents Chairman, reported on the Council's discussion of the previous day. He also thanked the Board for taking time to meet with the Council during breakfast the previous month. The Council began its meeting with campus reports on governance and academic issues at each university.

The Council discussed three areas of collective concern. First, the Council will continue to focus on teaching evaluations by preparing a draft policy statement to submit to Board staff for possible inclusion in the Board Policy Manual. The timeline for completion is planned for late April. A second discussion topic was how to raise awareness about recruitment and retention problems connected to faculty salaries. The third subject was how to raise awareness about the importance of academic quality and what that means for faculty responsibilities and doings, inside and outside the classroom.

REPORT FROM STUDENTS' ADVISORY COMMITTEE

Due to the absence of Students' Advisory Committee Chair, Ginger Niemann, the report was given by Courtney George. She noted that elections have begun for new university student officers and SAC plans to elect new student leadership at its May meeting. The Committee heard a report from KU on their legislative initiatives.

APPROVAL OF CONSENT AGENDA

Regent Grier moved that the Consent Agenda be adopted. He then requested that in the future, Board staff include information about similar degrees offered at other institutions when forwarding a request to the Board for a new degree approval. Following the second of Regent Perkins, the motion carried. The following measures were approved:

*Academic Affairs***BACHELOR OF SCIENCE IN EDUCATION-EARLY CHILDHOOD UNIFIED (13.1202) – PSU**

Pittsburg State University received approval to offer a Bachelor of Science in Education-Early Childhood Unified (13.1202). The program will be funded through internal reallocation.

MASTER OF SCIENCE IN BIOENGINEERING (BIOE) (14.0501) – KU

The University of Kansas was authorized to offer a Master of Science in Bioengineering (BIOE) (14.0501). Funding for the degree program will be through internal reallocation.

*Fiscal Affairs***MEMORANDUM OF AGREEMENT WITH KAPE/UNIVERSITY POLICE OFFICERS - PSU**

The Board's Vice Chair was authorized to execute the Memorandum of Agreement between the Kansas Association of Public Employees and the Pittsburg State University Police Officers' unit on behalf of the Board.

(Changes Proposed in Memorandum of Agreement Filed with Official Minutes)

CONSIDERATION OF DISCUSSION AGENDA*Academic Affairs***DOCTOR OF PHILOSOPHY IN BIOENGINEERING (BIOE) (14.0501) - KU**

Vice President Bob Masters presented the request of the University of Kansas to offer a Doctor of Philosophy in Bioengineering. Dr. Stuart Bell and Dr. Carl Luchies, University of Kansas faculty members, were introduced to respond to questions that the Board might have. Dr. Masters reported that the University has met the Board's program requirements and funding will be through internal reallocation. The degree could lead to specialization in one of five areas: Bioinformatics, Biomechanics and Neural Engineering, Biomaterials and Tissue Engineering, Biomedical Products Design and Development, and Biomolecular Engineering.

Questions and discussion followed. In response to the question about a focus on engineers for the local K-10/I-70 corridor, Dr. Bell responded that the program is expected to attract Kansas students, students throughout the United States, and international students. Dr. Bell also addressed a question related to how internal reallocation will occur. The program is interdisciplinary, and faculty from other departments will be involved. Ten Ph.D. students are expected to start in the fall, and it is anticipated that it will take three to four years to establish trends for growth and needs. With the research component in the degree, students will have occasion to use facilities at KUMC, especially the new biomedical research building.

Regent Grier moved, with the second of Regent Gaines, that the University of Kansas be authorized to offer a Doctor of Philosophy in Bioengineering beginning in the Fall 2007. The motion carried.

Fiscal Affairs and Audit

NAME RESEARCH CENTER – PSU

Eric King, Director of Facilities, provided background information on the request of Pittsburg State University to name its polymer research center. Mr. King noted that a private matching gift of \$2.7 million has been committed, along with \$3 million from the Scientific Research and Development Bond Initiative, to construct the state-of-the art facility. Completion date of the facility is expected to be June 22, 2007. Maintenance, rehabilitation, and repair of the building will be funded through the University operating grant and other resources. The University will not seek state funds.

President Bryant recommended that the facility be named the Tyler Research Center to recognize Robert D. Tyler, President of Winfield Consumer Products, a 1975 graduate of Pittsburg State University in plastics technology. Dr. Bryant noted that through the Robert and Gwendolyn Tyler Charitable Foundation, Mr. Tyler has provided significant support to the polymer research center. Regent Gaines moved that the polymer research center be named the Tyler Research Center. With the second of Regent Perkins, the motion carried.

REHABILITATION AND REPAIR PROJECTS-DELP (F) FACILITY – KUMC

Regent Gaines moved, followed by the second of Regent Downey-Schmidt, that the University of Kansas be authorized to amend its Rehabilitation and Repair Projects list to renovate 8,000 square feet on the ground floor of Delp (F) at KUMC for Facilities Management at an estimated cost of \$370,936. The motion carried. The renovation will correct non-code compliant conditions and replace deficient infrastructure components and system with an estimated cost of \$265,000, using the Rehabilitation and Repair funds. The project also includes additional space for offices and maintenance at an estimated cost of \$105,936, with funding being provided from restricted fee funds. The entire project will be constructed by KUMC in-house construction crews. Facilities Director Eric King confirmed that in-house crews are permissible when the project is within their capability and there is no limit on the project cost when those crews are used.

LEASE AGREEMENT WITH KSU FOUNDATION-REPUBLIC COUNTY – KSU

Interim General Counsel Robin Kempf briefed the Board on the request from KSU to enter into a lease agreement with the KSU Foundation for the use of 39.9 acres of farm land located in Republic County, Kansas, for use by K-State's Extension System and Agricultural Research Programs. She reported that the University had a long-term lease for use of the land, but the owner sold the land to the Foundation, requiring the new lease. Regent Perkins moved that the lease request be approved. Following the second of Regent Shank, the motion carried. The lease will be for a period of fifteen years.

ACCEPT TWO UNIVERSITY RESEARCH AND DEVELOPMENT ENHANCEMENT CORPORATION BUILDINGS AND CERTIFY THAT BOND PAYMENTS MAY BEGIN – KUMC AND KSU

Counsel Robin Kempf advised the Board that formal action was necessary to accept two buildings constructed pursuant to bonding authority in the University Research and Development Enhancement Act. Regent Perkins moved that the Board accept the staff recommendation to accept the Biomedical Research Building at KUMC and the Biosecurity Research Institute building at KSU, to request that Eric King monitor the few remaining uncompleted items on the projects' punch list, and to authorize the Board's President and CEO to act on behalf of the Board to certify the debt service to the Director of Accounts and Reports. Following the second of Regent Lykins, the motion carried.

BOND RESOLUTION-STUDENT RECREATION AND FITNESS CENTER – KU

The University of Kansas received legislative approval in 2005 to construct an addition to the student recreation and fitness center. The University has now requested bonding authority to finance the costs of construction and equipping the addition. Counsel Robin Kempf reported that a statement has been drafted for inclusion in the Resolution to address the ongoing maintenance of the facility. Regent Perkins moved that the Board adopt the Resolution, as amended, to permit the University to pursue revenue bonds through the Kansas Development Finance Authority in an aggregate amount not to exceed \$6,200,000 plus costs and reserves and authorize the Board's Vice Chair to sign the Resolution. With the second of Regent Lykins, the motion carried. The bonds will be secured and debt serviced with a pledge of the current \$62 per semester student fee, program fees, and revenue from an agreement with the Athletic Corporation. The following Resolution was adopted:

Gilmore & Bell, P.C
02/09/2007

RESOLUTION

A RESOLUTION OF THE KANSAS BOARD OF REGENTS APPROVING THE ISSUANCE BY THE KANSAS DEVELOPMENT FINANCE AUTHORITY OF ITS KANSAS DEVELOPMENT FINANCE AUTHORITY REVENUE BONDS, (KANSAS BOARD OF REGENTS - UNIVERSITY OF KANSAS - STUDENT RECREATION AND FITNESS CENTER PROJECT) TO PROVIDE ALL OR A PORTION OF THE FUNDS NECESSARY TO CONSTRUCT AND EQUIP AN ADDITION TO THE STUDENT RECREATION AND FITNESS CENTER AT THE UNIVERSITY OF KANSAS; AND AUTHORIZING THE EXECUTION OF A SUPPLEMENTAL PLEDGE OF REVENUES AGREEMENT BETWEEN THE KANSAS BOARD OF REGENTS AND THE KANSAS DEVELOPMENT FINANCE AUTHORITY WHICH CONTAINS CERTAIN COVENANTS AND PROVISIONS WITH RESPECT TO THE PLEDGE OF REVENUES DERIVED FROM STUDENT FEES AND OTHER FUNDS THAT WILL PROVIDE FOR THE PAYMENT OF SUCH BONDS.

WHEREAS, the Kansas Board of Regents (the "Board") is vested under the Constitution and laws of the State of Kansas with jurisdiction and control over the University of Kansas (the "University") and is authorized under such laws to adopt this Resolution and perform, execute and carry out, or cause to be performed, executed and carried out, the powers, duties and obligations of the Board under this Resolution in connection with the construction of an addition to the student recreation and fitness center (the "Recreation Center") located on the Lawrence campus of the University and the revenues derived from certain student fees imposed by the Board in conjunction with the University's operation thereof; and

WHEREAS, the Board has heretofore determined that it is advisable to construct and equip the additions to the Recreation Center substantially as described in the "Architectural Program for Student Recreation Fitness Center - Gymnasium Expansion" dated September 29, 2004 (the "Project"); and

WHEREAS, the Board has adopted a requirement that state universities will fund annual maintenance, repair and rehabilitation from either gifts or existing university resources, and the Board has verified that the University has a plan to do so for the Project; and

WHEREAS, the Project has been authorized by Section 164(c), Chapter 174 of the 2005 Kansas Session Laws (the "Act"); and

WHEREAS, the Act authorizes the Kansas Development Finance Authority (the "Authority"), on behalf of the Board, to issue its revenue bonds in one or more series to provide for the payment of the costs of the Project in an aggregate principal amount of not to exceed \$6,200,000, plus all amounts required for costs of issuance, costs of interest on such revenue bonds during the construction of the Project and any required reserves for the payment of principal and interest on such revenue bonds (the "Project Bonds"); and

WHEREAS, at the request of the Board, the Authority has heretofore issued its Kansas Development Finance Authority Revenue Bonds (Kansas Board of Regents - University of Kansas Student Recreation and Fitness Center Project) Series 2002A-2, dated as of April 1, 2002, in the principal amount of \$15,330,000 (the "Series 2002A-2 Bonds") to finance the construction of the Recreation Center; and

WHEREAS, in conjunction with the issuance of the Series 2002A-2 Bonds, the Board and the Authority entered into a Pledge of Revenues Agreement, dated as of April 1, 2002 (the "Pledge Agreement"), which contains certain covenants and provisions with respect to the pledge of revenues derived from the Student Recreation and Fitness Center Fee imposed on students enrolled at the Lawrence campus of the University (the "Student Recreation Fee") which will secure and provide for the payment of the Series 2002A-2 Bonds and Additional Bonds (as defined therein) (collectively, the "Recreation Center Bonds"); and

WHEREAS, the Board hereby finds and determines that it is advisable that the Project Bonds be issued by the Authority on behalf of the Board pursuant to K.S.A. 74-8901 *et seq.* for the purpose of financing the Project and related costs as hereinbefore set forth; and

WHEREAS, the Authority has received a request by the Secretary of Administration to issue the Project Bonds to finance the costs of the Project on behalf of the Board; and

WHEREAS, in conjunction with the issuance of the Project Bonds, it is necessary to authorize the execution of a First Supplemental Pledge of Revenues Agreement between the Board and the Authority (the "Supplemental Pledge Agreement"), which supplements the Pledge Agreement and contains certain covenants and provisions with respect to the pledge of revenues derived from the Student Recreation Fee and certain other available funding sources to the payment of the Recreation Center Bonds; and

WHEREAS, it is recognized that the Authority has and will incur additional expenses in relation to the issuance of the Project Bonds and subsequent administration and enforcement of the Supplemental Pledge Agreement; and the Board desires to reimburse the Authority for said additional expenses through the execution of an Administrative Service Fee Agreement (the "Administrative Agreement").

NOW THEREFORE, BE IT RESOLVED BY THE KANSAS BOARD OF REGENTS, AS FOLLOWS:

SECTION 1. The Board hereby approves the issuance of the Project Bonds by the Authority on behalf of the Board, in one or more series to finance all or a portion of the costs of the Project in an aggregate principal amount not in excess of the limitations described in the Act. The Project Bonds and the shall be issued substantially in the form and with the repayment terms and provisions contained in the information presented to the Board this date by the Authority and the University, all as may be approved by the Chair or his/her designate and the General Counsel to the Board.

SECTION 2. The Board hereby authorizes and instructs the Chair and President and CEO of the Board to execute the Supplemental Pledge Agreement and the Administrative Agreement, in such form as is approved by the General Counsel to the Board and to execute any and all other documents and certificates necessary to accomplish the purposes set forth in this Resolution and the issuance of the Project Bonds.

SECTION 3. This Resolution shall be in full force and effect from and after its adoption.

CERTIFICATE

We, the undersigned Chair and President and CEO of the Kansas Board of Regents (the "Board"), hereby certify that the foregoing Resolution was lawfully adopted by the Board at its meeting held on March 15, 2007.

KANSAS BOARD OF REGENTS

(SEAL)

By _____
Nelson D. Galle, Chair

ATTEST:

By _____
Reginald L. Robinson, President and CEO

UPDATE ON STATE UNIVERSITY MAINTENANCE ISSUES

President Robinson briefed the Board on State university maintenance issues. He suggested a label change from deferred maintenance to maintenance because in addition to working to solve the backlog, there is a need for increases in the annual funding made available for rehabilitation and repair. He distributed a list of priority projects the Board had earlier identified to receive funding if the proposed \$200 million down payment materializes. He also provided charts showing the impact of two proposals introduced to address the maintenance problem, one developed by the Senate Higher Education Task Force, and the other developed by the Governor.

Mr. Robinson reported that there are several other funding streams being discussed as part of the Senate Task Force effort, including a tuition surcharge, athletic ticket surcharge, a mill levy assessment in counties that house a state university, a tuition surcharge for out-of-state students, and access to unclaimed property resources. He noted that the proposals fail to adequately resolve the maintenance needs.

A legislative hearing was held the previous week, and Steve Weatherford, Kansas Development Finance Authority, spoke in favor of the Governor's Plan. Mr. Robinson testified in support of a funding stream such as the Governor has proposed, noting that the Board is not in a position to effectively assess whether the turnpike is an appropriate funding source. A number of individuals testified in opposition.

Mr. Robinson reported that members of the House of Representatives have expressed support for identifying a plan to address the maintenance needs. Discussion followed.

ADJOURNMENT

Vice Chair Downey-Schmidt adjourned the meeting at 11:15 a.m.

Reginald L. Robinson, President and CEO

Nelson D. Galle, Chairperson