

ARIZONA BOARD OF REGENTS

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>> Good morning. We are ready to start.

>> Thanks, very much, Suzanne. Good morning, everyone. I'd like to call the special meeting of the Board of Regents to order. Suzanne, will you please confirm that we have a quorum?

>> Yes, we do have a quorum.

>> Thank you very much. Before we start today, I'd like to welcome our newest regent, a student regent. I don't see him on the screen but I suspect he's there somewhere. He comes to us from Arizona State University. He's a junior there studying neuroscience as well as other interdisciplinary subjects. Before going to college, he began to work with Alzheimer's. I think he's going to be a superb member of the board. On behalf of all of us on the board and the board staff, I'd like to welcome you. This morning of course the governor has announced that we also have another new regent who may well not be with us quite yet. Cecilia is a recognized businesswoman who works closely as a defense contractor, among other things her business does. She came to the United States from Panama. She's heavily engaged in the Latin community. She is both Asian and Hispanic by birth in Panama. I know we'll welcome her relatively soon as well. So if she happens to be listening, we offer her our welcome. Today's public session is scheduled from 9 a.m. to 1:30 p.m. and we'll reconvene at 4:45 p.m. in open public session. The board will meet in executive session from approximately 1:30 until 1:45. Our first order of business this morning is -- (inaudible). All of that is in your board book and a part of agenda. I move the board approve items 6 to 11 as listed on the consent agenda. Let me ask first -- if not, all those in favor of the consent agenda, please say aye.

>> Aye.

>> Any opposed? I hear none. Any abstentions? I hear none. The motion does pass.

Our next item is presentation and discussion of the University of Arizona Global Campus. President Robbins is here with us today and he's going to present this item and we're going to follow the discussion he provides for us.

>> Thank you Chairman Penley and regents. I appreciate the opportunity for us to share

our new affiliation with the University of Arizona Global Campus. When I arrived in Tucson three years ago, one of the areas I was most interested in learning about was our University of Arizona online program, which I'm happy to report has risen in the rankings and is currently ranked number 11 by U.S. News and World Report. I'll keep my comments brief. You'll hear from Dr. Craig Wilson, who we're very fortunate to have recently recruited as our vice provost for U of A online. He's going to give us an overview of the affiliation with the new not for profit university formally known as Ashford University but will be renamed the University of Arizona Global Campus. This is a complex transition, as all the regents are well aware of, but I just wanted to frame a few items before we get into what I hope we can spend most of the hour discussing with the regents and their questions. An opportunity for us to expand our own line offering, for us to serve a group of students who we've traditionally not served as well as a large public university, and that's the working adult population. Moreover, our online program at the University of Arizona, while robust and of high quality, is really currently a regional offering, mostly students in Arizona and some from California. Dr. Wilson will talk about the incredible opportunity that I think this affiliation with global campus will provide. And I think it's transformational in the history of the University of Arizona. Obviously, there have been detractors of this affiliation, and certainly as the for-profit education world transitions into not for profit status, we see this as an opportunity for students of Ashford to be affiliated with a globally ranked university and for us to provide these students that come from across the United States, primarily centered in the southeastern United States, which we're just not reaching with our current online offerings. It gives them an opportunity to be associated with a program that will be run and overseen by the University of Arizona to our standards for high quality, for retention and completion rates that will simply help these individuals, give them an opportunity to get a college degree, improve their lives, and be contributors to society to simply make the world a better place. I'm very excited about this opportunity. I know that it's going to be very, very difficult. We have only three or four months to get this organized and I'm very grateful that Dr. Wilson and Dr. White and others that will help lead this transition into this new not for profit university. I think also that not only will we be able to serve students here in the U.S., but as the name indicates, global campus. This will be an open access opportunity for online learners around the globe. We think that is a huge opportunity for us. We've watched as NAU early on got into the online part of delivering education and certainly have marveled at what President Crow and ASU have done in this space over the last decade plus. So we're excited about this opportunity. We realize there are challenges and there's going to be a lot of hard work, but we're up for the challenge. And I think that being able to offer U of A quality, ethical, integrity-driven education to those students around the globe where they are with great access at a price point that they can afford I think is something that I'm really excited about, and I look forward to the discussion today and answering your questions as best that we can. We won't have all of the answers, but we'll do the best we can to answer your questions. With that, Chairman Penley, if I can yield my time to Dr. Wilson, and after his presentation, we look

forward to answering questions. I have many people here to help me as we go through to help us in the question and answer session. Dr. Wilson, if you could give your presentation, then we look forward to your questions.

>> Thank you, President Robbins. Thank you members of the board, regents. I will get started. I'm not quite sure who's got control of the slide deck, but I'll go ahead and share my screen. Okay. Great. Thank you. So what is the global campus? It's a separate nonprofit university. It's named the global campus through an affiliation agreement. It will receive the assets of Ashford university, which includes the school of business and technology. It will enter into an agreement and will serve as an online program management organization. The whole purpose is to provide quality education. It's open and accessible to a diverse student body and will provide opportunities for worldwide reach. With respect to reach, we're looking at launch reaching over 35,000 students, offering degree programs across all four levels -- associates, bachelors, masters, and doctoral levels. We'll serve both domestic and international students. We see growth potential domestically and globally and provide a pipeline to the main campus right here in Tucson. With respect to diversity, what you're looking at is basically two sides of a coin. On the left-hand side, that's the University of Arizona as we currently are constructed. About 52 percent white and 48 percent non-white. Conversely, with respect to Ashford, it's almost the opposite. Of that population we're looking at 71 percent of students who are women and 25 percent have some affiliation with the military. With respect to geography, as pointed out earlier, try as we might with our online programs, we're still regional. As you can see, most of our students are still coming from Arizona and California. Conversely, with Ashford's reach, that extends to the southeast from Texas east to Florida, about 50 percent of that population. So out of 35,000 students look at 17.5 would be from the southeast, 25 percent from the northeast and mid-west and the other 25 percent spread out on the other portions of the map on the west coast. This is the menu as it sits for the degree programs. Here's the landscape that we're finding ourselves in. As mentioned earlier, here at the University of Arizona we have about 5,000 online students. ASU has about 56,000. Arizona is known for being pioneers in the online and distance learning space. So our ability as one of the universities here, as a flagship of the state, is to be able to be in that capacity serving a larger audience. What's interesting to point out is that right here in the Tucson area, southern New Hampshire University set up shop. As it sits, it has about 135,000 students, and now that they're here just a stone's throw away from our campus, they've got about 150 people, looking to extend to 300 people, and they're in a 40,000 square foot facility. So quite frankly, they're in our back yard. And we recognize that. It doesn't frighten us. It just alerts us that we've got great students here and we want to not only be in a protective posture but also moving forward to help more and more students get accustomed to and appreciate and enjoy the Wildcat way. To the right-hand side is basically a tear sheet from southern New Hampshire's strategic plan. The first strategy was control your region. Second strategy was control the northeast. Third strategy, currently where they are now, is to make a dent on the national scene, and ultimately,

from a global standpoint, by 2023, they're looking to get to 300,000 students. The ultimate goal that you're going to hear in the online space is that a million is that magic number, whether it's Phoenix, Southern New Hampshire or the other providers out there, these are the types of numbers they're looking at getting to, because we all recognize there's still so many more students to serve. In the United States alone there's 36 million students who have some college and no degree. Within the state of Arizona, it's almost 600,000 students with some college and no degree. We all have our work cut out for us and we here at the University of Arizona see this as our ability to help serve those students. With respect to responsibility, we see this as providing quality education under ethical management. We can't stress that enough, under ethical management. With respect to quality, as it sits now, Ashford university has a 14 to 1 student to faculty ratio, class sizes are capped at 40 students, class size is average 25. They currently lead the nation in quality matters satisfied courses. They provide academic challenge and ranks in the top 10 percent of four-year colleges here in the United States. It provides 24/7 student support and provide predictive analytics to identify at-risk students. They provide 50 starts a year, and for students thinking of getting their lives back on track, adding to their academic degrees, the ability to start at any point in time is tremendous. And the classes are five weeks in length. Here is an area that we know is ripe for growth. Their FTFT, first time full time, is 24 percent, and their first time full time graduation rate is 7 percent. What's interesting to note here is that in the online space, this is a real small sliver of the population we serve typically. Our students don't land on our shores with zero credits. They're usually transfer students. But reporting still kind of pigeonhole online universities to report -- take this for what it's worth. I think the more important portion is on the right-hand side and that's when we start talking about completion rates for primarily working adults. They're completing their degrees at 20 percent, which is actually a little bit higher than the national average of 11 percent. And true persistence for these students semester to semester is 69 percent. So those are the metrics that have been making some headway with respect to Ashford. With respect to quality faculty, as you can see here, column one on the left, 100 percent of the faculty hold masters degree. 50 percent hold PhDs or terminal degrees. And you'll see 47 percent of the Forbes Business Faculty held either director or higher positions. So that's important for students to get practical -- you know, what's actually happening in the real world. With respect to challenges, they're there. We recognize it. One are the past allegations of aggressive marketing and debt collection, federal and state investigations, declining enrollments, low retention and graduation rates. With respect to where they're moving, the accrediting body that visited them in 2019 was headed up by George -- we recognize him as a nationally if not world renowned scholar in student engagement and outcomes. In fact, the pioneering architect for the NSSE survey. Well, that team headed up by him came to these conclusions. It's probably best if I read at least portions of it. The team's review of Ashford's performance in this area cannot address Ashford's history. However, current practices and procedures are evidence of Ashford's commitment to operate with integrity. The team determined that Ashford is using state of the art methods and

technologies to ensure open, honest communication with prospective and current students about material matters, thus providing demonstrable -- more on integrity. Its faculty, staff, and leadership exhibit a zealous affinity for that mission. Ashford seems to have made considerable progress toward reinventing itself. This is especially evident to enhancing student learning, persistence, and graduation. Ashford evinces an almost palpable desire to foster higher levels of student success. The changes we see under the new name once it becomes the University of Arizona Global Campus is oversight control over the marketing and debt collection practices, strict oversight to ensure compliance with federal and state regulations, complete control over academic programs and oversight, a joint academic and advisory council, and commitment to material increases in retention, graduation, and persistent rates among pure levels within five years. So that's a broad stroke of our framing of the global campus.

>> Thanks very much. President Robbins, other comments? You're on mute, President Robbins.

>> First of the day but not the last. Sorry. We would just appreciate the opportunity to engage in a dialogue, a question and answer. I think we probably have 30 minutes, so we look forward to the questions from the regents.

>> Thank you very much, President Robbins, and thank you again for the presentation. Members of the board, questions or comments relative to the information you've received? Regent Manson.

>> Thank you. Could you go back to the challenges slide? And I think one of the things that we have seen in the concerns that have been expressed about this merger/agreement/purchase, whatever you want to define it as, is the historical perspective and view of for-profit. I think every critical document that I read focused on the purchase of a for-profit institution with a history of lawsuits and what essentially mounts to price gouging our students. What I wanted to do was go back and really focus on what the current Ashford looks like and what the current U of A reputation and policies and procedures can do for the joined organization.

>> I'll take a shot at that first, Regent Manson. We clearly did a lot of due diligence. Anybody who had never heard of Ashford, which until early March, I had never heard of Ashford. Once you put those terms into a Google search, probably the first five or six screens you're going to find are lawsuits from attorney generals from California to Massachusetts and all points in between. So we went into this with our eyes wide open. We actually see it as an opportunity to be looking forward and changing the culture, changing the operations of this new university going forward. I think, however, as Dr. Wilson pointed out with the loss report -- and we spent a lot of time with loss -- I don't want to get too technical about all the -- we can get technical as you want. I have Keith Anderson here, who really helped us put this deal together. And it was complex, as you all know but one of the issues is we're waiting to close this deal until the end of November because it's on the agenda for approving and accrediting this new not for profit university. So we understand that there are going to be a lot of head winds as we try to navigate communication about what we hope to do. Clearly, there have been -- I think it

was ripe in the entire for profit higher education space. There have been problems there, without question. But we see this as an opportunity for us to serve the current Ashford students and future students by delivering educational quality that would be to University of Arizona standards, as Craig mentioned, in a highly ethical way. In the report there are -- if you have time to read the whole thing, there are many controls that have been put in place, policies and procedures that Ashford, as currently configured, have improved on over the past practices of Ashford.

>> I guess what I take away from that is that Ashford has already turned the corner in terms of more ethical practices and that it has a high quality educational program currently in place, and so those are two things that I think are first and foremost to be communicated, that it's hard to get past people looking at the Google search results.

>> Right.

>> And the other point to make clear is that we are not inheriting those lawsuits or those liabilities.

>> Correct.

>> Thank you.

>> And Keith can expound on that if we need more granularity, but you're exactly right. Zovio has to take care of all the legal issues. Of course, any sort of legal issues going forward, but we can provide you with all the details of the financial protections and the legal protections that this agreement affords the University of Arizona. And I think it's important to point out, because there's been a narrative about, is the University of Arizona financially at risk for this new university. And there are processes, procedures, safeguards built in to where the University of Arizona will not be required to float any money into the new university.

>> Thank you.

>> Thanks, President Robbins and Regent Manson. Regent Shoopman.

>> Good morning. Thanks to Dr. Wilson for a very clear and informative presentation. One of the challenges is that everybody who loves the U of A is very interested in something that's so new and different. Not only faculty and staff but alumni and donors and those in the community that really care about what happens at our wonderful university located in the center of our community. I think there's a challenge there in really sharing what's happening, helping all of us to understand, what is the role of Zovio and how are all of these various functions of this new entity going to impact the university itself. Do you have a plan in place that will help us to educate and help others to kind of grow as we learn and grow with this new entity so that we can build a level of comfort and really take advantage of the opportunities this acquisition presents?

>> Yes, Regent Shoopman. Thank you for that question. I would say that we've watched the news articles that have come out, and most of them have been supportive of this bold visionary transformational move by the University of Arizona. Certainly, there are detractors, and both sides have very loud arguments, but in my discussions with alumni, students, particularly the Ashford students and the Ashford faculty, they're thrilled to have this new association. Remember that Zovio owned Ashford and now the Ashford

faculty will be able to have colleagues at the University of Arizona to collaborate with. The students will derive immense benefit from having an association with the University of Arizona brand. And to put a finer point on this, Ashford was being taken to a nonprofit status by Zovio, so they will provide through a contractual arrangement with the University of Arizona Global Campus over 15 years to provide online program management. This is done in many universities across the country. We even have contracts at the U of A currently I think with two different OPMs to provide those services. So Zovio will continue to provide those services to the new university over the next 15 years. Those are contractually set. And again, we can go into great detail about the ramifications of those terms. Then there will be a separate academic affiliation with the University of Arizona. We'll provide in terms of governance, a newly constituted governing board for the University of Arizona. We envision a new 9 person board of which 4 members will be from the University of Arizona or University of Arizona affiliated -- and we've talked about even potentially having regents take one of those board seats on this new board. And then five independent board members that we will get to select and empower. The new university has already been incorporated into an entity here in the state of Arizona, and Zovio is located in Chandler. The home office for Ashford is in San Diego, where most of the full time faculty reside, which is less than 200 faculty. Primarily, most of these online universities, the coursework is delivered by adjunct faculty, and I think, Dr. Wilson, there are over 2,000 adjunct faculties. Now, that's not the case for us at the University of Arizona. Our regular faculty teach our online courses. But operations that are dependent on serving so many students require the use of adjunct professors to go forward. ASU, of course, has their curriculum embedded in their online program, and President Crow can comment on how they do it. They do it more with their faculty. Currently, we just don't have the bandwidth to be able to serve the influx overnight of over 35,000 students with our current online operation. So there are contractual agreements for Zovio to provide those services, like is done to many major universities around the country.

>> Thank you, Dr. Robbins. I have one final comment and that's just a suggestion. I believe that your answer was fantastic. It really even answered some additional questions I had. And I've been looking at this for a while. So I think a very well laid out set of communications with great transparency to your faculty, great transparency to your supporters. Even the elected officials will make us all more comfortable as this unfolds and hopefully a year from now everyone will look at this not as something we're worried about but an opportunity to build on to make the University of Arizona an even greater success for the future of our state. So thank you.

>> Thank you, Regent Shoopman. I just want to point out we made a similar presentation to our faculty Senate on Monday, and before this transaction was completed, we engaged a couple hundred individuals in leadership positions, our deans, some members of our elected shared governance body at the University of Arizona to discuss this. As you can imagine, there were people who were detractors and pointed out all the things that we've been discussing about the past actions of Zovio and Ashford, but

I think as people are starting to understand what this really is -- and I appreciate the ability to come to the Board of Regents today in a public forum and discuss this. But clearly, as this begins to roll out and we close the transaction in November and the university becomes the University of Arizona Global Campus in January, there will be more opportunities for us to craft this message and to get it out to all interested parties. I will take a moment to say that I spent a lot of time with Governor Daniels, President Daniels of Purdue University, and we studied the Purdue-Kaplan affiliation and went into this understanding what some of the shortfalls were in that deal. I think Keith could opine for hours about this, about things that we've learned around the financial losses that were suffered by Purdue Global in the first couple years and some decrease in student enrollment. But now, two years into this, they've righted that ship, and many of the faculty who opposed this at Purdue are now finding ways to collaborate with their partners at Purdue Global. Provost has been working with our faculty and there are plenty of faculty and deans who see great opportunities in this affiliation with the new university, and I think that Craig and his team see opportunities for collaboration across the online space with the University of Arizona global and our University of Arizona online, because that's not going anywhere. Craig came to the university to continue to grow that program and to ensure the high quality of that program. And I think, as he highlighted, there are two separate sets of students. Because one of the big challenges we have, frankly, is how does one choose whether to take an online course from the University of Arizona Global Campus versus an online course at the University of Arizona online program. I can tell you that we don't have -- and Craig can describe this much better than me -- but in short, it's less expensive, the University of Arizona Global Campus, and there, as he pointed out, 50 starts a year. The more premium offering at the University of Arizona online is somewhat more expensive and we don't have as great of flexibility with that many starts. So these are all challenges and opportunities that we're going to have to execute on with meticulous attention to detail within the next few months and certainly early on as we move this university forward.

>> Thank you, President Robbins. Could you address in any more specificity the timeline for the various approvals that lie ahead? The department of education, the western accrediting body, etc.?

>> I'm going to need a little help on the exact dates. Keith, you can pipe in at any point. But I believe in mid-November it will be taken up at the board meeting. We anticipate -- we've had very good conversations with them, and they're thrilled that the University of Arizona has stepped in to provide an affiliation with this new university, this not for profit university. So we are confident that we'll get approval in November. Then the department of education would be a longer term issue, but we're having a pre-meeting with the Department of Education within the coming weeks to months to discuss their position on this new entity. You can remember I think as we've had discussions during our due diligence, there was an issue around the possibility of the letter of credit from the department of education that has to do with title 4 funding. The officials we've spoken to at the department of education are very excited about the University of Arizona stepping

in to partner with this new university and they see that as a very positive development. But I think that will likely be after January before we would get any ruling from the department of education around a letter of credit. And Keith or anybody else that can provide more details or correct anything that I'm missing here, please join in.

>> Thank you, President Robbins. Just a little bit more granularity. Think of the DOE process as a pre-acquisition review process, which is not in fact -- it's not final agency action. Final DOE action won't occur until after the closing of the deal. That's the way their process works. And their final action in terms of continued participation in the title 4 loan program we anticipate will come 12 to 14 months after closing. That will be final agency action. What we would hope to get, really within the next two months or so, is what they call abbreviated pre-acquisition review, and that would address, as President Robbins alluded to, the letter of credit. Given our subject matter experts who come from -- one of those was the former general counsel of the DOE, Charlie Rose, and a member of the general counsel's office at the DOE, they have both advised us that the pre-acquisition is almost never changed between then and final agency action, but you really can't rely until that action after the deal was already closed. And really, it goes to that continued -- what you need to put up, if anything, to continue in the title 4 program. Thank you.

>> Thanks, Keith, and thanks, President Robbins, for addressing my question. I'd like to call on Regent King.

>> Good morning. I had a question. Obviously there's, as you noted, already been a change to the nonprofit status. But what I was hoping was that you could just provide some examples of changes that have already been made or will be made, steps that have been taken or will be taken to ensure that those past practices are not continued moving forward. Just some concrete examples.

>> I think, Regent King, that a lot of those things have already been addressed and are in the WASC accreditation report. We'll learn more and you'll obviously be able to see the new WASC accreditation report. I would say things such as monitoring calls with potential students. They're recorded. There have been certainly audits of practices around predatory recruiting -- I received a letter last week and I think you have a letter from Professor Rhodes addressing some of these predatory behaviors that went on in a majority of these for profits decades ago or in the last decade, and I think in our due diligence, we were satisfied that Ashford and the faculty who are really committed to the students and the -- you know, as Dr. Wilson pointed out, the satisfaction among the students is really high. Their continuation rate at Ashford is very high. So we think a lot of those things have already been addressed in meticulous detail. That's not to say that we don't believe we can improve upon those. We certainly can improve on our retention rate at the University of Arizona, as I pointed out over and over. And we're trying to do that, obviously, not only in our online program but with all programs at the University of Arizona, as our sister universities are doing the same. But I do think there is opportunity for us to do better with the students, and I'm confident that once we have more oversight and influence and collaboration with the new university, that those things are going to be

achieved.

>> Thank you very much, President Robbins. Regent Rusk.

>> Thank you. I just have two quick questions. We mentioned briefly the retention rates and the challenges. Are there any concepts currently? Any solidified plans on how to do so?

>> Yeah, Craig, maybe you want to take that.

>> It's interesting -- thanks for bringing that up, Regent Rusk. It's interesting that some of the programs they've already put in place are starting to gain traction -- they being Ashford. They have a program called the champs peer mentoring program, and that's where students are actually working with fellow students to keep them engaged and help them across the finish line. They're also looking at ways to restructure their general education delivery because sometimes that's a sticking point with students' ability to continue on. There's about six or seven different programs that really stuck out to me in terms of broad steps they're taking to help with retention. Did you have a second question in there?

>> The second question was actually a follow-up on Regent King's question. I think it's a fantastic question. I think her question was really asking for really concrete examples. Could you give maybe a few more concrete examples as to what's actually happening rather than broader statements?

>> These examples I just gave you are actually outlined in the report, so that can spell it out in more detail.

>> Thank you.

>> And Regent Rusk, I would also say the telephone monitoring is a concrete example. These programs that Dr. Wilson is referring to. I think too, Craig, and I may not have this exactly right, but students are allowed to take three courses and if they don't like the experience, they pay no money --

>> Let me jump in just a bit. Thank you. So they've got the Ashford promise, where students are allowed to take a course for up to three weeks. After that third week if they determine it isn't a fit, they're not falling in line with learning in an online modality, then they can actually walk away without any harm or pay or harm to their transcripts. Going back to what President Robbins was talking about, that's where Ashford University is actually able to work with those students up to that third course. If they're not doing well on that third course, they counsel them out so they don't accumulate student debt. It's really about them making progress towards completing a degree. And that's what President Robbins is talking about.

>> Thank you.

>> Thanks very much. Related to what Regent King and Regent Rusk are asking I'll turn to the affiliation agreement between the University of Arizona Global Campus and Zovio and perhaps you can address that.

>> So Chairman Penley, thank you for that question. There is a services agreement between the University of Arizona Global Campus and Zovio for those services and then there's an affiliation agreement from global campus back to the University of Arizona. So

in that affiliation agreement, the rules of governance that I touched on briefly and we've discussed previously are there. Moreover, there are opportunities for faculty oversight committees that interested faculty from the University of Arizona can serve to provide to make sure that some of the things we were talking about in terms of quality of courses delivered in an ethical manner would be accomplished and also, as provost has begun to hear from entrepreneurial faculty members and deans, just like we're starting to see at Purdue with Purdue Global, there are opportunities particularly let's just say in the business school. The dean was not very enthusiastic about supporting this because as Dr. Wilson said, most of the courses at Ashford currently are business courses, and they have the Forbes brand. But just like with Purdue Kaplan, I think there will be opportunities for students in business programs at Ashford to have pathways that could get them to Eller eventually, even into the executive MBA program or the online MBA programs or the online programs that we're offering through U of A online and through Eller, for instance. There are many other opportunities I think in terms of education. There are some healthcare programs at Ashford, particularly nursing. It's not a big nursing program, and we see that and our nursing faculty see that as a potential area for growth and mutual benefit to both the new university, the University of Arizona, primarily for the students at Ashford and, frankly, for our students.

>> Thank you very much, President Robbins. If there are any other questions from board members, I'll entertain them now. Otherwise, I want to head into a motion. Are there further questions? If not, let me offer a very brief explanation of why we have a motion on the table for the board at this particular point. As all of our board members know and as President Robbins understands exceedingly well, this board is not the board for the University of Arizona Global Campus. We are the board for the University of Arizona. We hold responsible for the success of that university the president of the university, in this case, President Robbins. So this motion addressed our expectations for the University of Arizona as executed by the person who is accountable to the board for that, President Robbins. So I offer that explanation. I hope it's clear. We don't wish to confuse the fact that we are the board of the University of Arizona Global Campus. We are not. But here is the motion. I'll read it and then I'm going to call on Executive Director Arnold for any comments and any further discussion from members of the board. The board would like to set forth the expectations for the University of Arizona pertaining to the University of Arizona Global Campus, including expectations regarding reporting. Thus, I move that the board direct the University of Arizona to do the following: Provide for the review of the affiliation agreement by the board's general counsel prior to execution of the agreement. Provide notification and documentation to the board chair as the university completes the various steps toward finalizing the transaction. Including but not limited to steps related to establishing the new entity and the new board, receiving WASC and federal approvals, executing the affiliation agreement, and recommending a president. Thirdly, providing for reporting on items or information as may be requested by the board and establish such reporting expectations in the affiliation agreement or through other means. Provide a report -- the elements

and timing will be developed by the ABOR executive director in conjunction with the University of Arizona. Do I have a second?

>> Second.

>> I hear a second from Regent Manson. Let me turn to Executive Director Arnold. If you would like to make any comments.

>> Thank you. As we discussed what action the board may want to take with various regents, the items that we receive feedback on and certainly as we discuss this with staff at the University of Arizona, what is the process between now and the finalization of this agreement and how do we track that process and ensure the success and proper outcomes of that process. We're asking for that reporting as we move forward and we'll work with the University of Arizona staff to outline precisely what those steps are so the board can know when they're coming and what to look forward to. And then what is the board's role once this process is complete and we look forward to the success of this affiliation agreement. And so elements in here require reporting, the University of Arizona Global Campus is a private entity not subject to public records, so we want to ensure the board can get the reporting out of this entity that we believe is appropriate. And then how do we measure the of this affiliation agreement and the outcomes that the University of Arizona Global Campus -- and there will be a second motion that addresses that and really addresses all online education. We've had discussions for the last several months, and Dr. Wilson pointed out our traditional success metrics don't apply precisely to online students, so the board will be working with the universities over the next several months to establish what are the success metrics we should be looking at. Ultimately, I think the board's interest in seeing the success of our students. And then finally, we wanted to make sure this is captured in the appropriate documents, so that's why we've asked for review of the affiliation agreement prior to its execution.

>> Thank you. Any other discussion or questions from members of the board? If not, I'll call the motion. All those in favor, please say aye.

>> Aye.

>> Those opposed? I hear none. Any abstentions? I hear none. The motion does pass. As Executive Director Arnold noted, all three of our universities have online programs that are indeed expanding. They were expanding prior to COVID-19 and that expansion continues. This board has a long history of setting up metrics for our three universities. That goes back a long way, as Regent DuVal could note for us, who was a former member of the board. So the next motion, really, as Executive Director Arnold stated, addresses all three of our universities. I move the board direct the universities to work with the board office to recommend online success metrics that will apply to Arizona's public universities, the University of Arizona Global Campus, and any other affiliated university. Do I hear a second?

>> Second.

>> There is a second from Regent Taylor Robson. Any comments on that motion or questions about it? If not, I'll call on all those who are in favor -- excuse me. Regent Manson may have a question or comment.

>> I just briefly wanted to point out that this topic of establishing metrics and reviewing the success factors for online education -- that conversation had started at least two academic affairs committee meetings ago, so this has been something that has been on our agenda to move forward with as our online programs have become larger and more successful, and certainly COVID has pushed us into that arena more heavily and it's become more time-sensitive, I believe.

>> Thank you. That puts into context the motion. All in favor, say aye.

>> Aye.

>> Any opposed? I hear none. Any abstentions? I hear none. The motion does pass. Our next order of business is general debt overview and discussion. We have three action items for the board to consider. Welcome. Please proceed.

>> Mr. Chairman, members of the board, good morning. My name is Curt and I'm a managing director -- just so you have a sense for my background, RBC Capital Markets is one of the top firms in the municipal markets in the country and I've had the pleasure of working as financial advisor to each of the universities and the board and staff for a number of years, working on all the various debt issuances that you have undertaken. Prior to being an investment banker, I worked at the state Senate for seven and a half years, so I'm very familiar with the statutory provisions that govern what the board and universities do. I've written a number of those provisions or assisted in writing many of them over the years. Executive Director Arnold and Mr. Martinez asked if I could briefly walk the board through the various types of debt instruments available to the board and universities and then also talk about refinancings and how those work. I of course indicated I would be happy to do that, but I didn't know if I could comply with the briefly part of the request, given what's involved. But I'll do my best to go quickly. As a starting point from a broad overview perspective it's useful to note that all the types of debt findings are set forth in the revised statutes and they provide parameters on the issuance of that debt, so we look to the statutes. I'll start with the strongest credit type for each university and that's system revenue bonds in the statutes. Those who have been on the board for a longer tenure will know these. They've seen them before. System revenue bonds or SRBs are bonds that are secured by and payable from tuition and fee revenues, including auxiliary revenues each of these universities and the board on behalf of each respective university goes out and issues SRBs under separate authorizing resolutions that were originally created back in the 80s, but it's slightly different times so those initial are similar for the universities but different as well. By providing a broad security pledge like this and a lien against those revenues, they end up being the strongest credit and therefore have the highest ratings of any of the university debt. Given that they have the highest ratings, they therefore also have the lowest interest rate, so they're relied upon extensively by the board of the universities. Just to give you a feel on the credit strengths, the rating agencies have rate scales that range from the highest being triple A to the lowest being triple B. The revenue bonds of ASU and the University of Arizona is in the double A range. NAU has ratings in the A range, reflecting its smaller footprint both demographically and fiscally. The statutes place various limits on the issuance of

system revenue bonds, and those include that they can only be issued for capital projects, that the legislature has to review the project that's being financed -- not approve but review it. The bonds final maturity can't be more than 40 years out and all system and revenue bonds and certificate of participations which I'll speak to momentarily -- you look at the debt service, system revenue bonds and compare it to generally 8 percent of total expenditures in the university -- and again, the board will be familiar with that any time you go and approve the issuance of system revenue bonds, executive summaries put together that speaks to that limitation in some of these other factors. So that's system revenue bonds. That is the largest type of debt instrument that's used by each of the universities, given its credit strength and purposes. The second type of debt approach I'll briefly speak to are purchase financings, which are generally long-term capital leases where the lease payments constitute installment payments towards purchasing the facility being financed. Once all the lease payments are made, the board and university own the facility free and clear. When we do these for a major capital asset like a large building, we certificate out those lease payments by issuing certificates of participation. They're simply security instruments that reflect an investor's participation in the lease payments. So if you're trying to raise money for a building, a certificate in that fashion allows you to reach out to a bunch of investors as opposed to really being held hostage to a single lender. They end up looking just like a bond but are called certificates of participation or COPs for short. I think the easiest way to think about them from the board's perspective is they're similar to a mortgage you have on a property. If you don't make your annual lease payments, the property serves as collateral to protect the investors. I contrast that with system revenue bonds, which you don't provide the property as collateral because you provided a lien against revenues. So COPs, given their structure, are subject to annual budgeting and appropriation by the board, and if payments are made from state-appropriated funds also by the legislature, because of that, they're considered a slightly weaker credit than system revenue bonds and have nominally lower ratings, nominally higher interest costs, but they're still rated in double A category for ASU and University of Arizona and still A for NAU. Subject under the statutes to the 8 percent limit -- they're also subject to going to joint committee on capital review. One other thing is that a certain of the certificates of participation of the board and the universities are actually paid for from state-appropriated monies, and some of the board might recall we had legislature adopted many years ago now that provided for the issuance of certificates for research infrastructure purposes. I mention that because it will come up when we talk about refinancings. Next I'll speak to what are called speed revenue bonds. Stimulus plan for economic and educational development is what it stands for. This type of bond was really proposed and developed by the universities and enacted by the legislature in 2008 during the great recession. It was pitched as a way to stimulate job growth by investing in infrastructure at the universities. The way the bonds work is they're secured by and payable for state lottery revenues received by the universities under this program, with the lottery revenues being designed to pay up to 80 percent of the annual debt service and the remaining 20 percent is paid

for by the universities. So this was a very useful program in that it got, in this case, state funds through the state lottery to pay 80 percent of the debt service on this debt. The statute, when it got set up, authorized 800 million to be issued because it was designed to stimulate job and economic growth, the bonds were issued fairly quickly. Because the lottery revenues are subject to the lottery being successful in generating enough monies, we back stopped the security on this with a subordinate lien against system revenues, so a lien that comes after the lien for system revenue bonds. I mention SPEED, not that there would be a lot of additional new money bonds but it will am up in a second.

Another type of financing vehicle I'll briefly mention that the board and the universities use in financing capital assets are P3 financings or public private partnership transactions. These are used more in project finance type situations, such as student housing or certain other projects where it makes sense. And in short, they're private sector driven developments and transactions where the financing is generally done by that private or third party entity and where the board or university may or may not have ongoing financial obligations. It depends on the project. I only mention them because many on the board are aware of these types of transactions, but they're less relevant today because the debt isn't controlled by the board or universities. The last two financing vehicles I'll mention, which are commercial paper and the lines of credit, were both added back in 2016. Commercial paper are designed primarily as short term bridge vehicles an institution may use to finance like early design and site preparation costs or early construction costs to get one or more projects going, so rather than doing a full long-term financing, you do a short-term bridge financing by being a short-term bridge financing, the interest rates are lower and then ultimately you take that out with a long-term financing when you're ready to do that. Commercial paper is structured as variable rate short-term notes. That means the interest rate resets on a daily or weekly basis. And because the interest rate resets constantly, investors can always demand to get repaid their money on very short notice, basically weekly notice. For that reason, you need to have a liquidity agreement in place, typically with a bank, where the bank paid the investors and the board and university pays the bank back over a period of time. The universities haven't used or set up a commercial paper program -- none of them have as of yet. It's a pretty time consumptive process and a pretty expensive project or type of program to set up, including that I've got to pay the bank for having the liquidity in place, even if you don't use it. So I think largely because interest rates have been so incredibly low since this law was put in place, there hasn't been a need or value for the universities to set it up. And then lastly I'll speak to the line of credit provision and statute. This provision also was added in 2016 and it was really added just to make sure it was clear that the board had the authority on behalf of the universities to enter into a line of credit since there was uncertainty as to whether that clarity existed. So it was put into the statute and pursuant to the statutory provision, lines of credit can be entered into for cash management or liquidity purpose, so fairly broad from that standpoint. Typically I think as those in the corporate world know, lines of credit are used for short-term purposes and are often set up where they can roll over term to term or year to year if you have a

continued need for liquidity. We've seen a ton of this happen during the COVID period starting back in March, really both in the municipal area but also corporate area, short-term borrowing to create cash stockpiles because of the uncertainty COVID. From a funding standpoint the way a line works is you establish it with a bank or multiple banks. You pay a fee for the pleasure of having it in place, even if you don't draw any money against the line. When you draw money against the line, then you're charged an additional interest cost associated with that. Traditionally lines of credit were relatively inexpensive because they were short-term debt, etc. In the recent time frame, this year, since COVID established itself, lines of credit have become more expensive, largely because banks are less wanting to lend capital. Just an FYI on that front. Mr. Chairman, that completes my overview of the debt instruments. I don't know if your preference is to pause and entertain questions or if you want me to plow through on refinancings.

>> Thanks very much. We do have a question from Regent Taylor Robson.

>> Thank you. That was very helpful. On the system revenue bonds, obviously we all know the universities are limited to an 8 percent cap of their outstanding indebtedness but is there a limit to the system revenue bonds in addition to the 8 percent?

>> Thanks for the question. Yes, there are two limits -- one legal, one practical. Legal limit is you have the statutory provision. That's one governor that's put in place. By way of background, before the 8 percent was put in place 15 years ago now probably, you had to go to the legislature and get a bill a passed to authorize issuing system revenue bonds, so the regents and the universities would figure out what they wanted to do from a capital standpoint and lots of times you would trade off capital for operating issues so we posed moderating the law and the goal was to it put some provision is but ideally not have it be too restrictive. Ideally it was 12 percent and that got knocked down to 8 percent. All of the universities are under that level, as you well know I think. The second governor that's out there is in the legal documents in the authorizing the debt that gets issued by the universities and those legal covenants are with the bond holders. So they have a contract and the debt is restricted to a coverage level where you look at historical pledge revenues -- so now we're talking about the system revenues, a subset of the total revenues, and you have to meet a ratio of those historical revenues, the most recent fiscal year before you issued the new debt compared to the maximum annual debt service of the combined existing and new debt, so that's a second governor that exists. The statutory limits are more restrictive than the legal covenant because it's a gross revenue pledge and the coverage of gross revenues to debt service is like 10 times. And the legal covenant in the documents is more like 2 times. And probably the most restrictive factor is just cash flow. How much money do I have as an institution to operate my school and do student aid and everything I do as well as to do capital projects and that ends up being the most restrictive provision, because you only have so much money.

>> So maybe I didn't ask my question correctly. The Arizona commerce authority and all the local IDAs -- I know at the state level the Arizona finance authority gets bond authorization each year from the federal government and I would add they don't use it all,

so some rolls over for I think a three-year period. But it's a 750 million dollar allocation for authority, so does the system revenue bond program have a cap on the authority that is different than the 8 percent?

>> It does not. There's no absolute limit. Commerce authority, what it has is -- those are for private activity bonds, and that's an allocation under federal tax law. It's not -- it's an allocation to be able to issue debt for basically private type purposes that they can access that volume. But it doesn't pay debt service. Like a small manufacturing company wouldn't come in and borrow against that and say we can issue tax exempt debt against that allocation that originally gets like all the other states get, but the manufacturing facility has to pay the debt service.

>> Right. But in the context of the local IDA, they're now the primary funder for the growth of a lot of our public charter schools. So is that a tool or resource for our universities or does the statute prohibit that?

>> That's not a statutory problem. Charter schools can't issue debt directly. They're not governmental entities. The Arizona Board of Regents can issue debt directly. You don't have to go through a conduit issuer. Charter schools have to go through a conduit and industrial development authority. What happens is charter schools have to have finances that work. We do tons of charter school finances. So you'll look at the credit of the charter school, how much money do they get from state aid, etc. how much money can I afford to pay in debt service to issue bonds on the tax exempt basis they finance is through an IDA because they have no other legal way to do it. Nonprofit hospitals do the same. A bunch of issuers do it. The state, Board of Regents, cities and counties are allowed to issue debt directly under federal tax law.

>> Thank you.

>> Great question.

>> Thank you. Regent DuVal followed by Regent Manson.

>> Thank you. Good discussion. Good to see you.

>> Nice to see you.

>> Thanks. My question is line of credit. So I've been looking around as to where this authority has been used. Came across Maricopa County. Dug into that a little bit and learned that Maricopa County has a line of credit, although never used, but it is specifically backed by the first dollar of property tax on their twice annual income. My question is in it the authority as you see it for the regents, what is the level of pledge that a bank would require? How do we achieve the level of security that would satisfy them? Or is it simply the generic revenue of the institutions?

>> Good question. As we've discussed and then thought through what we believe makes most sense for the university is if they were to access a line of credit is to have it be an unsecured line of credit. So just thinking about the debt issues, if you were doing a secured line of credit, you would pledge system revenues, gross receipts of the university, which we've already pledged those on a senior basis to system revenue bonds and you've pledged them on a subordinate basis to SPEED bonds so -- additionally, as we talked about the legal covenants for system revenue bonds and subordinate system

revenue bonds have additional bonds test that look at historical revenues and by definition, a line of credit is a short-term instrument, so if you said I'm going to set up a 50 million dollar line of credit, by its terms, it's going to need to be repaid in the short-term and that doesn't work well when you have an additional bonds test because your debt service will be spiked in the early years. We believe the best approach for the universities is to do an unsecured line of credit subject to repayment by approval -- annual budget approval by the board, and we believe that's viable with banks. The universities are all solid credits, fiscally responsible and long standing entities, etc. So that's how that would work. Hopefully I answered your question, Regent DuVal.

>> Thank you. Regent Manson.

>> Thank you. So my question had to do with lines of credit as well. I wanted to clarify something you just said, and I appreciate all of the information. It's very helpful. You said that you believe that the best option for the universities would be to do an unsecured line of credit. I want to clarify that you don't believe that is necessarily the best option going forward, it's just the best option for if they were to do a line of credit.

>> Absolutely. Thanks for clarifying. That is exactly the case.

>> And then I wanted to delve into a little bit just the public discussion of the real fundamental purpose of lines of credit, and that is essentially cash flow management. They're never intended to be a long-term solution, even though they can be rolled over generally in perpetuity. If you have a dip in, for instance, enrollment, that cash flow where you have additional expenses relative to lower enrollment, as we do this year, but they're never -- or if you have growth where your revenue cash receipts are lagging your expenses expended to make that growth. They are never intended to be a solution to fundamentally non-break-even operations.

>> Was there a question in there for me?

>> I just want to clarify that is your understanding and that I'm on track with how lines of credit are used and would be considered to be used or should be considered to be used for the universities.

>> I would say I wouldn't disagree with anything you said. And the statute says is pretty clearly. You can enter into lines of credit for cash management and liquidity purposes. It's a short-term vehicle. It's not a long-term vehicle. It's to bridge you through a situation.

>> Thank you.

>> Thanks very much, Regent Manson, for the clarification and for your response, Kurt. Please proceed. I don't know whether you're headed next --

>> Chairman Penley, I was going to speak briefly to refinancings. Just on refinancings, I think this will be pretty straight forward to most if not all board members. Typically, just like you would refinance your mortgage when there's an opportunity to lower your borrowing costs, the board of the universities to the same thing. In that more typical case we'll monitor the interest rates in the municipal bond market and when there's an opportunity to refinance at a lower interest rate, we'll go forward and do that. The process for doing that is to go out and issue what are called refunding bonds and you

take the proceeds raised from that issuance and pay off the old bonds pursuant to their legal covenant. If you had debt outstanding at 5 percent and you can get it at 3 percent, you're at a lower rate. There's more complications relative to federal tax law and how that works and the specifics, but we don't need to go through that on this call. So that's what we typically do, and in fact, the board has taken action to facilitate that. They passed resolutions back in 2012 that authorized each of the universities to go forward and refinance any debt provided two things happen. One, it saved at least 2 and a half percent of the paramount of the debt being refinanced and two, that the final maturity of the bonds being refinanced wasn't extended. Now, at this time, given the fiscal pressures that exist -- and we'll get into this -- the universities are talking about a different type of refinancing where we look to create a sort of debt holiday for cash flow relief. The way we do that is similar to a typical refunding in that we go out and issue refunding bonds and take the proceeds to pay some or all of the principle or interest payments coming due on bonds and certificates. In this case the fiscal year 2021 and 2022 -- when we do that, however, we're not going to save money. We're going to create the debt holiday by eliminating the university's need to fund most of the debt service in fiscal 21 and fiscal 22 in favor of having increased debt service over whatever financing term the refunding bonds are -- three years, five years, ten years, whatever they might be. But the concept would be you take a debt holiday in fiscal 21, maybe 22, and you'd have this increased debt service and try to meld that into what the universities are doing once conceptually the current economic climate associated with COVID has passed. It's a fairly common concept that's being considered. It's used by many universities as well as other governmental entities across the country in light of fiscal pressures that happen. And I can speak more to that if the board has interest. We've used it here in Arizona, both for governmental entities, but also for the board and the universities. The last time we did that for the universities was back in 2003 and 2004. Right now given solid investor demand and solid interest rates where you can borrow at sub-2 percent rates if you're borrowing out say 10 percent, well below that in many cases, the concept is a pretty attractive way to provide a cash flow relief. The second point in evaluating the refinancing of principal and interest payments, we'd exclude from that any debt that doesn't provide relief to the universities and board. I talked about earlier SPEED revenue bonds -- we wouldn't look to refinance those because the savings, the debt holiday, if you will, and the increased cost in it the future accrue primarily to the lottery and they're not looking to that. So we would exclude that and I think the universities will talk to that later on your agenda. Lastly I would mention that because debt service payments are made on a semi-annual basis, that means that you end up doing financings associated with those interest payments. To the extent you can do it tax exempt, you have to do the financing within 90 days of the maturity or the payment date of the bonds you're taking out for it to be done tax-exempt. So this would be a series of financings that would happen when you go to do these refinancings, which in some respects is good. It gives you a couple looks at the apple, if you will.

Mr. Chairman, that completes my comments on the refinancings front.

>> Thank you very much. Very thorough and we appreciate that very much. Any questions or comments from board members before I turn to Lorenzo Martinez? Seeing none, I believe you're going to talk about potential changes.

>> Thank you Mr. Chair and regents. The action item before you under 2A is proposed revisions to board policy 3-501. As Kurt, the universities have standing authority to refinance outstanding debt, provided there's that 2 and a half present value savings and the repayment period is not longer. So that standing authority was approved in 2012. It is not a policy, so we propose putting it in board policy. There's also in the policy language that allows the universities to seek board approval for any other types of refinancing that don't meet the parameters of the savings and maturity term. Given that we are revising this board policy, we're also taking the opportunity to roll in some guidelines that the board adopted in 2016 for lines of credit. We would repeal the guidelines and just put them into board policy, so nothing really changes there. It's just a simplification piece there. Those are the two main change to the proposed policy revision. I would note these changes would typically flow through the finance capital and resources committee, but as Kurt mentioned, the circumstances and timing in which universities may need to act were bringing them to this special board meeting for immediate implementation at first greeting. With that, I'm available for questions.

>> Thanks very much, Lorenzo. Questions to Lorenzo from members of the board?
Regent Taylor Robson?

>> Thank you. I don't have a question. This is just for the universities. Obviously we're living through strange and unusual and hopefully once in a lifetime set of conditions. And I know there are short-term issues in cash flow management concerns and considerations. When they come before us for approval, I am not a fan of using lines of credit for operating expenses unless it's very unusual, so when it comes before the committee for approval of any particular requests, we will be putting emphasis on the justification component of the request.

>> Thank you, Regent Taylor Robson. Any additional comments from either Lorenzo or the CFOs for the universities? If not, I'm going to read the motion at this time. I move the board adopt for immediate implementation the proposed revisions to ABOR policy 3-501, issuance of debt and financing, and repeal the guidelines for lines of credit as presented in the executive summary. Do I have a second?

>> Second.

>> I do hear a second. Any other discussion on this motion before we move to a vote? Hearing no need for additional discussion, all in favor please say aye.

>> Aye.

>> Opposed? I hear no one opposed. Any abstentions? I hear no abstentions. The motion does pass. Lorenzo will now present item 2B, authorization to refinance outstanding system revenue bonds and/or certificates of participation. Lorenzo?

>> Thank you, Mr. Chairman, regents. Under this item the universities are requesting approval to refund and/or restructure debt payments coming due in the current fiscal year 2021 and maybe fiscal year 22 as well. As Kurt mentioned, part of this restructuring

could provide some financial relief to the universities and pursuant to the policy adopted before this, the universities would request the ability to do this. The CFOs are also on and available for any detailed question. Again, I should point out that the intent here, as Kurt mentioned, the category of debt here for it the restructuring involves those bonds and certificates of participation that are, for the most part, primarily funded from university -- strictly university resources.

>> Thanks, Lorenzo. Any questions or commentary from members of the board?

Hearing none, I'm going to offer the motion and then make sure if there's any additional discussion we entertain that. I move that the board approve ASU, NAU, and the University of Arizona to sell system revenue refunding bonds or refunding certificates of participation to refinance all or a portion of the principle and interest payments accruing in fiscal years 2021 through fiscal year 2022 to provide cash flow relief in light of the financial pressure placed on the universities by the COVID-19 pandemic, as presented in the executive summary. Do I have a second?

>> Second.

>> I hear a second from Regent Taylor Robson. Any additional discussion, board members? Hearing none, all in favor, please say aye.

>> Aye.

>> All those opposed, please say no. Hearing none, any abstentions? Hearing none, the motion does pass. Will you present item 2C?

>> Under this item, we are requesting direction from the board on whether it be ABOR or university, government affairs staff should seek statutory changes that would allow the board and universities to bond for general university purposes, including operating costs. The majority -- essentially all of our long-term debt authority relates to capital financing, so we would seek statutory authority to also bond for operating purposes and general university uses. Two additional items included in this proposal would be that this category of debt would be excluded from the debt, that 8 percent ratio Kurt mentioned earlier. In addition, in statute for the capital financing, there's a requirement that those refinancings be repaid within 40 years or less if it matches the life expectancy of a project. So this proposal for this category of debt, we would propose not have a retainment term limit. With that, I'm available for any questions, and I think some of the government affairs staff are on as well, as are the CFOs.

>> Thank you very much, Lorenzo. Any questions from the board members? We have Regent Ridenour?

>> Thank you Mr. Chairman. I assume going to the legislature to get this change would allow the university a longer term solution rather than lines of credit for short-term purposes. What does this do to the rest of the university bonding authority? Is it all lumped into one group as far as your bond ratings, or is this a separate instrument with separate provisions for it?

>> Mr. Chairman, I've not heard any of the details on how this might be structured. I think as we go forward, we'll work out some of those details. I'll throw it to Kurt and the CFOs if they have any comments for their initial thoughts on how this we be structured.

>> This is Morgan Olsen with ASU. So there's no specific legislature that has been introduced yet, but with respect to the 8 percent debt limit, the idea is that we might ask that this be exempted from the 8 percent limit. There is, of course, no exemption or separation as it relates to the way either the markets or the credit agencies would evaluate this. If we were to issue debt that was under one or both of these concepts, it certainly would be part of the overall credit analysis of the institution and the subsequent rating. It also is something the credit markets would evaluate upon issuance.

>> Thank you very much, Mr. Olsen. Any other answers to that or I'm going to turn to Regent Manson. Regent Manson?

>> Thank you. I would like to have somebody -- and maybe it's one of the CFOs -- give me a rational reason for debt financing fundamental operations. It makes me uncomfortable if the operations aren't productive, if they aren't generating enough revenue or if the expenses are too high, then I guess in my view there need to be adjustments to the operations. I'm concerned about issuing long-term debt to support what should be fundamentally break-even operations. I can see a potential use of line of credit for a short-term blip, possibly, and I'd have to really think about that, but I'm uncomfortable with long-term financing for base operations.

>> Thank you very much, Regent Manson. Regent Taylor Robson?

>> Thank you, Mr. Chairman. I'll just second what Lyndel just said. I think I'm more than not comfortable. I'm just opposed to the use of long-term debt for operating expenses. I fundamentally and philosophically believe it is an inappropriate way to handle our ongoing operating costs.

>> Thank you very much. President Crow?

>> Yes, I agree with the last two regents comments. I don't believe we should be debt financing the day to day operations of the institution, dot dot dot, but that's not what we're attempting to do. We're attempting to find ways in which institutions designed to last hundreds to thousands of years can have debt acquisition and financing opportunities longer than four decades. We've seen this century bonds that have been issued at some of the institutions that we compete against -- Ohio State, for example, others that are out there. We saw Harvard go to the debt market to secure 1.1 billion dollars in day of transactions in March just to level their ship. They need money to make certain that any eventuality they see they can make rapid adjustments to. I agree we shouldn't be financing our operations with debt capital, but at least from my perspective -- and I'd like Morgan to comment on this also -- but if you look at what Ohio State did -- I don't remember the exact numbers, but they used that to stimulate and drive forward a series of initiatives that then became revenue enhancers for them. Then their net financial position was dramatically altered. It's a mechanism in which we're attempting to find a way to gain access to capital because we don't have access to capital markets the way a company does. We don't have access to the selling of shares the way a company does. So Morgan, could you talk a little bit about the hundred year bonds that universities have been involved with?

>> Yes. So the 100 year maturity or century bonds are something that have been used

on and off over time by nonprofit institutions, and I would certainly agree with what several people have said previously. It needs to be built into the overall financial plan for the institution. It's not about finding free money, if you will, to pay your bills that you otherwise couldn't pay. It's about the capital structure of the organization. So Dr. Crow's memory is very good. Back in 2011, Ohio State issued a 500 million dollar century bond. This is something that's typically done by private universities. There have been quite a few of those that have done that in the past few years, but used also by public universities -- Ohio State. The university of California did an issuance back in 2012. The university of Pittsburgh, have all done this within the past 18 months. In our thinking, the pros to that type of structure are that it allows you to lock in historically low interest rates. We know we continue to be in a period where there's that opportunity. You see in the corporate debt markets with both investment-grade credits and high-yield credits, the issuances this year to date, about two thirds of the way through the year already exceeded last year's totals and that's because corporate treasurers and CFOs see the opportunity to lock in long-term low cost of capital. Flexibility is another reason. One of our trustees just e-mailed me this morning saying have you looked at this, and with taxable proceeds, you have more flexibility, under the tax code in terms of how those are used, how long you have to spend the proceeds, i.e. longer than three years, and how much you can earn on the capital that you invest. Another reason that some institutions look at this is as a hedge against inflation. If I can borrow at a very low cost of capital today and pay it back over time with deflated dollars, there's a benefit of course as long as I have managed my affairs well and can in fact pay it back. Another reason that institutions do this is for leverage. That is investment leverage if you borrow -- for example, this year's borrowings by public institutions have been in the range of 3 and a half to 4 and a half percent interest rates -- nobody has hit the 4 percent mark this year for century bond issuances, and make a greater return over time on that. That's beneficial to you. In our case, our 10-year total return is about 7 and a half percent so there's that opportunity for leverage, but we know that can work both ways. It can magnify advantages but also magnify disadvantages. Finally, for large, complex institutions like at least two of your three institutions for which you're responsible, oftentimes it makes sense to lock in a low cost of capital and use that when various units of your institution are making certain investments, particularly capital projects or other things for which a significant capital infusion is necessary and then they pay that back over time. That facilitates, again, flexibility and locking in a low cost of capital. So those are some of the reasons that institutions look at doing those things. I would just suggest that there's certainly more time to review this. The university of Michigan was another institution that issued not a century bond but they issued 850 million dollars of debt for general university purposes, again, a similar concept in locking in that low cost of capital, and it helps balance the capital structure of the institution. And since we don't essentially have the ability to access equity markets, at least provides some opportunity for capital investment. And again, the board would have to authorize these borrowings and if it felt that the rationale was not sound, of course, you wouldn't approve it. So that's the basic

idea. There's a lot of complexity there. We certainly could spend more time on this, but I thought it might be helpful just to give a couple of background points on that.

>> And Mr. Chairman, I'd like to have a brief closing. That is just to suggest that I don't know exactly how to measure this, but we're between 1 and three orders of magnitude more complex than we were in 2002. Simple models relative to the financing of our institutions no longer work. We're as complex at the university of Michigan or as Harvard university. They have substantial and greater flexibility to manage their financial structure. We're not talking at all about using debt financing to manage or fund the operations of the university, but in fact, to manage the financial complexity of the university. And we're looking for consideration of this concept.

>> Thank you, President Crow. Thanks, Morgan. Before I turn to Regent DuVal and Ridenour, I see a blue hand raised.

>> Thank you. So I just want to echo what's been said by both Regent Taylor Robson and Regent Manson and also by President Crow and Morgan. I think that we are facing incredible financial challenges at all of our universities, as are all universities across the country. I think that this will continue into the next academic year. It won't be just this year, but I think we're going to see repercussions into the next year, so I would appreciate the flexibility from the board to allow us to have all options on the table, including the one we're discussing now. I will point out that the university of Michigan, we're thankful that none of us own a hospital or hospital system, because that can get you into real financial trouble quickly. Moreover, the Ohio State university also several years ago did a concession of their parking and infrastructure operations with a sovereign fund from Australia and introduced about I think 430 million dollars into the university for investment. So I would agree with President Crow and the other comments that have been made. This would not be used for short-term mitigation efforts but would be more of a long-term investment in things that we need. And I'll channel my inner President Crow in saying that we are at a disadvantage in this state because we've not been provided the adequate support from the legislature to support our three great universities. Thank you.

>> Thanks, President Robbins. Regent DuVal?

>> I think it's been covered since I raised my hand. I agree with what's just been said. Our environment will only get more uncertain. Our relationship with the state may only become more challenging in terms of their priorities. Today gives us a moment of opportunity to build as many tools with as much optionality as possible. Which tools to use when is for boards to make but I think we should expand our tool chest and believe this is a good step.

>> Thank you. Regent Ridenour?

>> Yes. A question to Dr. Crow and others. When you say we could possibly use this for the up operating costs, could that also involve financial aid? Because that's one of the huge aspects of the university these days, and since we're not getting support from the state to help those students, is this a possible way to do that?

>> Well, Mr. Chairman, Regent Ridenour, and I'll let Morgan follow up my answer. I think

what all these things do is enable us to move in the direction we need to go. For us to obtain the outputs we have been assigned by this board in terms of the number of graduates, impact on the state and so forth, we have to find a way to take our revenue to 5.5 billion dollars a year in the immediate planning horizon of the foreseeable future. We need capital to invest in projects and initiatives that allow us to be able to make those things happen. When we're able to do that, we generate revenue and we have the means to finance the financial aid needs through our own resources through the institution. You wouldn't use these kind of proceeds for that. You would use the proceeds from this to power your resource acquisition efforts and that would allow you to then have the resources to spend on financial aid. These dollars have to be used in the measurement of the attainment of positive financial outcomes, not the operations of activities.

>> Yes, absolutely, if it doesn't work financially, you do not have long-term financial equilibrium. It also has to work from a mission standpoint. We exist for more than just to make sure we have a sound balance sheet and a good looking income statement. We have to make sure we're realizing our mission. The board and others focus a lot on that, so you have to have positive checkmarks on both of those parts of the report card with respect to student aid specifically, I think it's at least a possibility. The scale of student aid is such that from a public policy standpoint, it's helpful to get additional investors. We know about the quote guaranteed student loan marketplace. When it came time to get additional capital, the scale of those can grow. Some people see issues with that, but I think there might be better ways for us to use our limited institutional capital, but we certainly should be about figuring out how to get additional people to invest, whether through charitable giving or something they look at as an investment vehicle to increase the amount of capital we can dedicate to student aid and both loans and potentially grants and other forms like we've talked about previously on several occasions.

>> Just to be clear on that point, even Morgan's logic gives you a sense of what you can conceptualize. If we were receiving the transactional margin on student debt, that would be a revenue source back to the institution which then would allow us to move things forward. We have no capitalization ability. We looked at a proposal some time ago to allow students to pay back their tuition with a certain percentage of their salary going forward in their life depending on their wages. So if you were a teacher making 30,000 dollars per year, you wouldn't have much to pay back -- but we had no capitalization mechanism to make that work. So these are all intended to find a way to make something like this happen and we don't have access to capital. That's our fundamental limiter. Almost like a local school district, we're held at a model almost identical to a local neighborhood school district. You need debt for a building as opposed to debt to build an internal bank where you'll triple your revenue and enhance your margin in a particular space. We would be investing capital as we speak, but we don't have capital to invest. So we have these very sophisticated complicated self-driven entrepreneurial universities with no access to capital.

>> Thank you, President Crow. Thanks, President Robbins. Thanks, Morgan, for the

commentary on this. I have a question for our Executive Director John Arnold before we proceed to a motion. John, we have yet to discuss our legislative agenda for the fall. Is this an item that we should pursue today or is this an item that we should delay until we see the draft legislation in a few weeks?

>> Mr. Chairman, that's entirely up to the board. We wanted -- there has been enough discussion in our communities about debt and how debt may be used as a tool to address our current budget issues that we wanted to bring this discussion forward today. I think it's been an excellent discussion that's really clarified a number of things. I do not think there is a critical need to act on this today. We can bring it back at the October meeting if you would like, to have a little more time to discuss and look at the exact language.

>> Thanks, John. Because like Regent Manson and Regent Taylor Robson, I'm worried about placing the burden on the students and faculty and staff of the future, so that has been a concern of mine throughout this. On the other hand, I think what President Crow and President Robbins and CFO Olsen have raised is a significant understanding of the potential we create for ourselves through this type of legislation. So before we go to a motion, Regent Taylor Robson followed by Regent King.

>> Thank you, Mr. Chair. I would like to hear from if not today, maybe at our next meeting, from the government affairs team for the three universities and from Brittany, given they are our boots on the ground at the legislature and how they think this type of request would be received. And that may not be able to be answered until after the election, but I'd love to get their insight.

>> Regent King?

>> I just wanted to echo, Chairman Penley, what just said. I have some significant concerns, although on the other hand, there's been compelling arguments that have been made about why it may make sense. Given all that, I think it would be beneficial to allow more time to actually look at what this draft legislation would look like and gather some additional information to the extent of what Regent Taylor Robson just said. I think that would be beneficial for more time.

>> Thanks. Regent Rusk?

>> In terms of future students, I don't necessary see this as the current model an aggregates the tuition tool where students might not be using every single part -- the current model already uses different capital development plans and different tuition money on things students are not using with their tuition money anyway.

>> Thank you, Regent Rusk. If there's not an objection, I'm not going to introduce the motion with regard to this. If there are objections, I will introduce the motion. But I would propose calling on Executive Director Arnold and our government affairs staff to put together draft legislation. Perhaps this could be presented at the finance and capital committee meeting, which is coming up relatively soon or at the board meeting on October 1. John, any comments about that proposal?

>> I think that timeline is appropriate. Unless there's objections from the universities -- there's certainly not going to be legislative action between now and September 10 as our

business and finance committee or October 1, our next board meeting. I think we have plenty of time to receive feedback on this proposal, study it more and bring it back.

>> Thank you. Regent Shoopman?

>> I support where we're headed. I just want to make a couple of quick comments. I think this board and our universities have track records of wanting to be entrepreneurial and innovative to set a standard so I wouldn't want us to wait too long. I think holding our presidents accountable for implementing it in the most beneficial way is a positive step toward our very aggressive model in trying to lead the nation in being an entrepreneurial enterprise.

>> Thank you very much, Regent Shoopman. With that, I'm not going to introduce a motion. I am going to ask our executive director and the government affairs staff to work toward clarity and draft legislation which can be brought back either at our committee meeting or to the board meeting. With that, we're going to take a 20 minute break, and it's almost 11:15, so let's begin at 11:35 and we'll return to the public session of the board. With that, we're going to have a brief break. Thanks, everybody.

[BRIEF RECESS]

>> Any questions or comments from members of the board? Regent Taylor Robson?

>> Thank you. I don't have a question. I have a comment or commendation for the universities. We see unrest and things happening all over the country, and unfortunately, too often at our nation's universities, and I am just proud as can be that our universities have done the job they have done. While we're not perfect and we're not immune from things happening in the future, I think the jobs the university presidents and their teams have done in this realm is quite remarkable, and I appreciate it.

>> Thank you, Regent Taylor Robson. Let me just second that. I also am very pleased. The continued green fire rating I think is good indication that the universities are doing a great job at assuring free expression on these campuses. Any other comments before I turn to a motion? If not, I move that the board approve the report of the free expression committee in ARS 15-18-16 and as presented in the executive summary. Do I have a second?

>> Second.

>> All those in favor please say aye.

>> Aye.

>> Any opposed? Any abstentions? The motion does pass. Next the board receive a presentation on the teacher's academy and approve the fiscal year 2020 annual report. We will receive a presentation relative to ASU, NAU and the University of Arizona on current and developing pathways and alternative certificate programs. Provost Searle, please begin.

>> Thank you, Regent Penley. Appreciate the opportunity to share with the board members what we've been doing. Let's get right to it. This slide just gives you a head count perspective over the last three years that we either have graduated or have in progress a total of 4,469 students from the teacher's college. We have another 1350 students who have been -- are in progress or working towards their graduation who are

not in the Mary Lou Fulton teacher's college. And it goes through a couple other breakdowns of that group. Here you can see that in fiscal year 21, the year we're in right now, we have 367 new students in the Arizona teacher academy. Of that, 27 are from other majors and two are graduate students. We have a wait list because the funding only goes so far, of 334 within the Mary Lou teacher's college. The graduate program is funded the least relative to the volume of instruction, so it has a greater wait list. This is important. We work with Teach for America extensively, and -- reduced tuition rate for all of the members of the corp. They took in members this year -- all of who are enrolled in our masters program. We can't support them all as we don't have sufficient funding at the graduate level to do that, but they do get some reduction from us. We also help TFA. We recruited applicants and any of those who don't go into Teach for America, because it's a board selected program, then we try to recruit them into the graduate program so they can continue and become teachers and advance their education. I have with me our dean of the teacher's college and Carol has been constructing a different approach and she's going to talk about some alternative pathways we have.

>> Thank you, Mark. We've titled this slide alternative pathways to teaching. I want to title to viable pathways to teaching because not all are viable in terms of the recruitment or retention of teachers. Our approach to thinking about teacher shortage has really been to view this as a problem of work force development, not a recruitment and retention problem. We have moved ahead. We're trying to create as many pathways into teaching as possible. But each of these being a viable pathway in that we are preparing all teachers now to not just be in a one teacher one classroom model but to begin to think about how to work on teams with differentiated kinds of expert ease. As you see these pathways, you can see the expertise people bring to the table and think about how all these people begin to work on teams around a group of kids instead of in this sort of traditional model. We're working with 14 school districts right now on trying to figure out what these models can look like. In addition to then all of our traditional pathways, we also have a graduate certification pathway. This new graduate cert -- it will be an online program we think will be able to reach more students. Students are walking out with two degrees and also adding a secondary certificate to any degree program. We also have included, because of the need around ATA to bring in more students who are not majors but as the statute requires students take one course education, we've created these courses for any student to take and then be eligible so we have funding to be able to do that. This is a jump start academy for paraprofessionals. I think we have too long left out paraprofessionals. As we think about what the pathway is for them to be able to come in. These are a number of people who have been in education for a long time. They are working in schools but they have not had a pathway for them to be able to continue their education. Many have some community college education. This is a way now for us to create a very flexible hybrid program for them now to be able to finish their degrees. We also work with Educators Rising, a national organization for high school students, and working right now with teacher academy. So these are high school courses for kids in high school who want to be teachers or think

they want to be teachers. We have been also working with them to think about what that high school pathway could look like and also now creating an online program for the teacher academy because as they've had to move their curriculum online, there hasn't been anything available for them, so we're working to create that for them as an online option. The other piece of this in thinking about work force development is actually the creation of new jobs. So we're also working with school districts to create new jobs, jobs that may have been held by paraprofessionals or teacher aides that in my opinion have been underskilled and have not allowed those people then to move into professional teaching. This is a new way for us to now work with districts, to think about very specific jobs and very targeted jobs. If you think about healthcare and all of the technician kinds of jobs that are associated in healthcare, this is our response to that in education, to be able to reach into the community to be able to use more expertise. This gives you an example of the kinds of pieces that we're putting together to create these jobs that would then stack into various credentials. And also, the pieces of these puzzles now are being designed for parents and others and the communities are now trying to educate their own children, who we believe need some skills around being able to teach. So this idea of community educators also allows people now to draw on the skills that colleges of education have held tight for a very long time to learn some basic things about how to think about instruction. Also, this gives us a way to think about how this really is a profession of skills and what those skills are. We're in the process of building this out as well as an online opportunity for lots of people in the community because right now, frankly, it's going to take an army of people to make sure we address the disparities we see now with kids. Induction was also part of ATA. We're working on an induction model that also helps our students that have been now trained in these team-based models to continue to work in team-based models. The thought of taking students out of our programs and putting them in a one teacher per classroom model has not retained them, so we're focused on continuing that work with our students. Also, we have a lot of professional development for retention. We've been training 700 teachers this summer around these new what we call next education work force models and working with ASU prep digital working around digital literacy. So this is our commitment right now as we think about this again as a work force development and call it the next education work force and thinking about how to now provide students with deeper and more personalized learning, empower educators by developing new opportunities for role-based specialization and advancement. We see all of these pathways coming into this next education work force so we can begin to think about how we're professionalizing the professional. Thank you very much.

>> Thank you. Thank you to the board for your patience. I did want to speak specifically to, as Carol noted, the only barrier there is to a student from a major outside of teachers college is the legislative requirement that students take a course from a teachers college to make sure they have some preparation in teaching. We have created courses to facilitate that as well as the many other pathways with concurrent degrees and earning certification through those content area degrees. So I think we're trying to keep the door

as wide open as we can to students, irrespective of the degree that they're earning. Thank you very much.

>> Thanks, Provost Searle. Thank you, dean. I just want to commend ASU for the multiple pathways you've created and the extent to which you have not only education majors but a larger number of non-education majors also involved at this point since we very much need that in our secondary schools, specialized training in mathematics, science, and language. Provost Stearns?

>> Thank you. So I have asked the dean who leads our college of education to make this presentation because she deserves full credit for her deep dedication to this and to our program's success.

>> Thank you, provost Stearns. Behind every dean lies many people who help you, so I don't want to take all the credit. Thank you, though. I'd like to maybe just talk briefly on how we envision teacher preparation at Northern Arizona University. We refer to this model as project together, and really it looks at teacher education across the continuum. It starts with recruiting teachers and going back to when they're in school and working with educators -- Carol mentioned it in her remarks too, in helping our young people who are interested in education continue on this path and show them the way. And we do this across the state in high schools that had these programs and really work actively with educator rising. And then of course you go into your pre-service teaching and supporting the training and it's a real boon to recruiting students to our school. Once you have a teacher graduate, thanks to ATA again, we offer extremely valuable mentoring in helping our new teachers stay in the classroom. New teachers often quit the profession early on, and so having this induction and mentoring is critical to their success. And then we have the board certification. Through the teacher's academy last year we supported close to 400 seasoned teachers who seek this professional certification. We can't forget our principals and school leaders. It's a model where you work across the continuum to help people stay in the classroom. I wanted to put that into perspective as we talk about some of the numbers related to the Arizona teachers academy. As you can see, we had significant growth in the numbers that are part of the Arizona teachers academy at any year. We started out with around 59 students. We quickly grew it to 161 and then last year with the help of state funding, we reached 900 students. It had a tremendous impact on the number of people entering the profession. Looking at the numbers even today our enrollment continues to show increases despite the pandemic and all of the current circumstances. Our teacher ed programs draw not just from majors in the college of education but also from our secondary education and from our colleges that serve the sciences, arts, English, history, and health. And about 35 to 40 percent of the recipients came from those. And these individuals who come from colleges outside of the college of education earn a bachelors degree, say, in biology as well as an education degree. They are -- it's a whole host of majors. We also had people who had double majors and benefited from the scholarship. The students who earn the non-education major -- they complete 90 hours, enabling them to earn the biology or chemistry or psychology degree and also they earn the education degree, which is 30 hours. Our programs -- I reviewed

the Arizona department of education website and looked at all the different certification pathways. Certifications that students can earn upon completing their degree. I'm going to align how our programs align with the certification, whether it's an education degree or a non-education degree. So this slide is regarding NAU programs that lead to a standard certificate. And of course we have a whole host of degrees -- English, history, Spanish, biology -- you can see the list. In option A, students who graduate with, say, a biology degree or a math degree, they can come back -- or a science degree -- they can come back and do one of these two options. They can get a teaching science certification, so they get that teaching pedagogy coursework or they can just get a post-bacc and continue to work in the schools, so it's a very flexible option available to our students. Option B on the ATA website allows students to earn a certification through teaching experience and coursework training. So students who have been teaching for two years can come back to NAU and they have a bachelors degree already and they can earn a science teaching degree, they can earn a mathematics education degree, an MS in math, or they can take this teaching introductory community college -- and all these degrees on this list here qualify for the ATA. So again, providing our students with multiple pathways to take advantage of the ATA scholarship and get the education and knowledge to make them effective teachers. We also have the traditional college of education degrees. These are authorized through the COE, which is the elementary ed, special and elementary ed, and the MED elementary ed certification. You can just come back and get into this degree and earn that, so it's open to any undergraduate -- and it's a K-8 certification. We also have the early childhood education option and the special ed option where students can get their certificate. This is an important one because we know that -- we've all heard of STEM areas -- we have a short supply of teachers in those areas. We also have a short supply of special ed teachers, so providing these multiple paths is important for that area. The alternative teaching certificate is another alternative pathway. It is the teacher intern program. And students with a bachelors or an advanced degree in any subject area can apply for one of these different degrees while teaching in the schools. Just recently we added the teaching science certification and it's a pathway available online, so students across the state can take advantage of the teaching science certification. So again, this allows students with a bachelors degree in any field to enter into the profession, work on -- you know, provide teaching options to the schools and work on their certification and get support as they're learning how to teach and teaching. All of these programs are available for the ATA scholarship. One thing we're proud of are our teacher programs across Arizona. NAU has a long history of serving rural Arizona, but we are in almost every county, every city, I would say, in Arizona, and we have partnerships with almost every community college across the state. So students will transfer up to 60 full credits to NAU and then they can earn a bachelors degree in elementary ed or special or they can get the early childhood endorsement. About 40 percent of students this past-year took advantage of the teachers academy, making our degree extremely affordable, because most of them were living at home, had their tuition covered and they got jobs in their local community. It's

something we're very proud of. As you can see, here's all the different community colleges that we have partners and we have established these programs. The other thing to be aware of that each and every one of these programs is supported by a full time faculty on site. Many of them have offices right in the community colleges and work with -- so students meet them from day one as they go from the CC to NAU program, so there's a close connection between what they do at the community college and then when they continue on to NAU, it's a seamless transition. So you can see the list and it's in the slides so you can look at it later as well. I have this beautiful map, and here you can see all the different places we're located. Something else that I'd like to point out. Some of our extremely rural communities, we have partnered with school districts, and in fact, school districts are helping us with some of the costs related and hire faculty that also work for the district. We have a wonderful program where we have -- he works with all of the educator rising and starting from 8th grade helping to recruit, and this year we saw almost 100 percent growth in that program with students from the community joining the program and hopefully in two years they'll graduate and start working in their schools. I wanted to end by making a few remarks. ATA has been a boon to reducing student debt and helping teachers adjust to that first-year and we work with the Arizona K-12 center to provide these services. In light of the pandemic, we've been offering weekly webinars to educators and parents across the state as they navigate these remote learning options. We encourage all of our new teachers to take advantage of these webinars that have been extremely well-attended. The ATA center did a tremendous job recruiting those seeking the certification. We have received to date 764 applications. We have over 50 graduate applications that we cannot award at this time and a similar number of undergraduate applicants growing every day. The amount that is allocated to each student does not meet the total amount awarded and currently NAU is supplementing these awards by over 200,000 dollars. NAU includes both in-state and out-of-state students, which really helps to bring more teachers to our state. We're grateful for the ATA and the fact that it helps reduce student debt, and we have worked hard to communicate this opportunity afforded by this initiative to every corner of the state, and we have successfully recruited students through the multiple pathways of the program. We had demand and it's critical we have funding to keep this momentum going. Thank you for your time.

>> Thank you very much. I just want to commend you on maintaining the state-wide presence. It's a real contribution to Arizona. I'll turn to provost folks.

>> Thank you. We're thrilled to be sharing our data on the teacher training with you all. I'm going to ask my learned colleague to deliver a short presentation and then we're very happy to take questions. Over to you.

>> Great, thank you. I think that's the last slide rather than the first slide. There we go. Thank you so much for this opportunity. Like both Carol and Ramona talked about, we work in several areas in southern Arizona in particular and some other parts of the state. What I would like to do today is to really talk -- I'm not going to talk about all of our programs but the ones focused on an education major. We serve students from four

different colleges with teacher academy funding. We have students in agricultural life sciences college, college of education, college of fine arts and college of science. Here's a recap of student numbers. We have a smaller college of education and teacher program than either ASU or NAU, so our numbers are smaller, but they are growing, which we're proud of. Last year you can see that we had a sizable graduate program. Obviously the undergraduate is a little bigger, but this year those numbers went up for both of them, so we continued to fund both undergraduates and graduates. I'd like to share a few details about specific programs targeting non-education majors. So there's a really high demand for ATA funding. We cannot fund all the students who would love to have funding, so we decided we really needed to focus on those teachers or those students who were most likely to become really effective teachers and stay in the profession. Not only is there a problem with not enough teachers in the state, but there's another problem that people don't stay in very long. Students just get a rotating group of teachers coming through. We really need to help find people who are really committed to the profession. We've focused on residents, particularly from underserved communities, because we know that if people from communities become teachers, they will be more effective and more likely to stay in those communities. Our strategies, then, for undergraduates, we look at students who are majoring in other disciplines, of course. We have programs for them. But we also look at those who are not currently attending university, who are just not able to use ATA money to be able to enable that. At the graduate level we're looking at career changers but we also have recent graduates who have come from a disciplinary degree, not an education degree. Last year I served on a national academy's committee that did a study and report. The citation is on the slide if you're interested. Lots of interesting data about the teacher education work force in the K-12, so there's some really important points that I think are important to follow as we think about how we address the work force issues. Teach Arizona graduate program is a fast track one-year certification program designed for people who have undergraduate degrees in a content area. We actually started it 20 years ago and it has become a phenomenal program. Students can come in and complete one year, their certification, and their masters. They have field experiences working in a classroom the entire year while taking classes afternoons or evenings. We've had a cohort all along in Tucson and lately we have a cohort in Maricopa County and we're now expanding to rural areas as well because of the technology for online and hybrid learning improving so much. The reputation of the program is very strong and teachers stay in the profession at really high rates. We're really proud of that program, and that's one that we've had for quite a while and we're continuing to grow. We also have an alternative path graduate program. These are for people who similarly are either career changers or have an undergraduate degree in a content area, but they need to work and have benefits full time. Teach Arizona program is a full time program this program, students are hired as a teacher in a school, and during their first two years, they take classes with us to support them earning their certification or masters degree. So this is a residency program, are what these are called. All the classes are online. We have been serving several counties with this

program and also excellent results with this program. The third program, special education graduate program. This, again, is serving recent graduates and career changers, both people with non-education undergrad degrees and sometimes it's people who are already teachers and are interested in special education so they come back for this. We also get lots of paraprofessionals who have been working in special education classrooms but do not have certification. This is also a one-year program, if full time, leading to certification and masters degree. It's fully online, obviously, except for the field part of it. This is recently expanded state-wide. We have new students and a really good track record of students going into the profession and staying there. And then there's some undergrad programs as well. Mathematics is housed in the department of science and mathematics and has been around about 20 years. Students earn a regular degree in mathematics. Education is one option as a math major. They have math educators in the college of science, in this department, who run the program. Some of them are grads, actually. We work very close with them. But it targets people who are math majors who have an interest in education. It's all based at the Tucson campus. They have 75 percent of the students in this program the last number of years have gone on to become teachers. Some don't because they do other things with math because they have a full math degree, but the majority do end up becoming teachers. Excellent program. Both art and music in the college of fine arts. These, again, are for art and music majors, mainly undergraduates, though some come back to get degrees this way. They get their art or music major and get a certification along with it. Then, of course, they have field experiences in schools and so on. So these are 20 to 30 students a year graduating in these programs. And they've been around a long time as well. This program targets STEM undergraduate students. They get to their bachelors degree along with secondary teaching certification. The standard certification is an ag-science, but many opt to get a science teaching degree in biology, which can be done. Many students do that. And again, they have field experience as well as course work. This program has been around for decades, has a 100 percent graduation rate. In the last five years, everybody who has gotten this it degree has become a teacher at an excellent retention rate. Another really good program. The last one I'd like to talk about is this is, again, in the college of education, but it's a new program that we've just started with sunny side school district called pathways to teaching. This is targeting paraprofessionals and other people working in schools in the community who simply cannot afford to come to the university. Students do have to have two year's worth of community college courses. We partner with districts. So sunny side helps recruit people. Most of the students are already working for the district, but others have other kinds of close ties to the district. The unique thing about this is that because of our partnership with the district, we are able to save the district some money because we actually, during their final two semesters, we placed students in pairs as teachers of record in the classroom where they can't find a teacher. So they give us the money where they would be hiring an emergency certified teacher and we use that money then to give students a living stipend, which is a thousand dollars a month, which is about

take-home pay if you're a paraprofessional, sadly. So they can afford to quit their job. 17 months they get a bachelors degree with certification and they're still working in the district in which they had worked for a long time. We have been working with many other districts. We have five other districts coming on board either this January or next year throughout several counties. Those are the programs that target non-education majors. I want to mention we have an undergraduate minor in education. This can be taken by anybody on campus and it's really meant for people who want to get their content degree, are interested in kind of checking out education and getting some experience, and we use it as a recruiting tool. About 9 or 10 years ago in the college of education, we closed our undergraduate secondary teacher certification program. It was times of big budget cuts, and we looked at our programs, and we decided that we couldn't afford everything. The program to prepare secondary teachers that was strongest for us and still is, is our teach Arizona, our graduate fifth year program. So we decided to become a secondary teacher in our college e we wanted people to get an undergraduate content degree -- we created the undergraduate minor and it serves as a pathway for people into our graduate program. Secondly, I want to point out that there is a need for more funding, as everybody's mentioned. We also have wait lists at both undergraduate and graduate level. We have done really heavy recruiting this year for teacher academy at community colleges. That's where we focused our effort. We have 40-some community college transfers who we just don't have enough money to fund. The other thing I should point out is that in several of these programs, particularly some of the special education programs, these students simply wouldn't be in there without ATA funding. It's made it possible for them to pursue this, so it really is important. Thank you.

>> Thank you very much, Dr. Johnson and provost folks. I'm going to turn to any comments board members may have. I'm going to start with Regent DuVal.

>> Thank you. What a delight to listen to this maturation of this initiative. It's everything we hoped it would be. Obviously the numbers are beyond what we expected, which is great, and I hope as the demand continues we're capturing that as part of our ongoing legislative budget requests. The retention numbers are fantastic, so kudos for that. A couple of notes. One is for any of the provosts or deans that want to respond to this, how do we get more of the community colleges to embrace the program? What do we do and how do we incent more math teachers, just as the special ed number was particularly impressive, the math number is less impressive, so I'd like to tweak this to try and incent more math majors. Last, we know that teachers that spend a second year teaching are much more likely to make it a career than just one year, and so any thinking about how we might incent more students to avail this program -- I would like to see us move in that direction.

>> Thanks, Regent DuVal. Who would like to respond? Dr. Johnson?

>> I'll respond to the first one. I don't have an answer to the math major one, sorry. But for -- you had three questions, right? So --

>> Math, rural community colleges, and --

>> So community colleges are really key to this. Right now all the funding teacher

academy for community colleges goes to post-baccs. What I have told the governor's office is we allow universities to partner with community colleges of 2 plus 2 programs. I think that's a better use of the ATA money and it's more affordable. If students can get two years at the community college and two years at the university, that's more affordable. I think that would be a really smart way to go. My opinion, anyway.

>> Thanks, Dr. Johnson. Anybody else from one of the other two universities want to respond?

>> I was going to say the third question, Regent DuVal, that you asked, our students are getting support right from their freshman year, so if they do stay on for all four years, they are committed for four years of teaching, so that's one way our students will -- and they're aware of it when they sign up. The other thing that we did to incentivize those students is opened the application for them to apply early for them, so they had a special window where they could apply, and because they were the first wave, they were almost guaranteed that they would get the ATA scholarship, provided they met the other eligibility requirements, so that means they're now in their second year, and so in some ways, ATA will lend itself to what your third question was about.

>> Do we have enough demand where we could simply begin to move to eliminate the one-year student, who comes to us for one and only provides one? We could --

>> I think maybe in four years we will reach that point. Right now we still have students across the board, from freshman, sophomore -- and then of course, as Bruce pointed out, our 2 plus 2 program, those students will only be with us for 2 years and all of us have many of those students -- but most of our 2 plus 2 students are already committed. They come from schools. They're working in schools. So they're familiar with the school culture. So their retention rate in teaching positions tends to be much, much higher.

>> Provost Searle, I think you were going to comment too on what Regent DuVal stated.

>> I was. I was going to speak to the issue of how do we get them to stay longer. We can't afford to eliminate the one-year students if the student's only seeking certification, because that attracts a lot of students from other disciplines, so those are an important part of the teaching corp we're trying to build. The problem with the entering freshmen is then you're chasing students who change majors after their first year and having to repay something that they -- you know, because they can't fulfill the obligation. So it's still very important to focus on students as they mature into their education and allow them to make those choices. I think that dean Johnson's idea of partnering with community colleges has merit. I think as long as it comes with extra money from the state, because right now we have students -- hundreds of students on a waiting list, and that's with the current funding formula, so unless we increase the overall size of the investment, that's not really going to help us as material as we would like. Dean, did you want to comment further?

>> My only comment is I think we've got to focus on people who were already in schools who have already made the commitment. The other people who are already out there who have made a commitment and I think there ought to be some thinking on how we

commit to them because they're already there. Math teachers -- it's a systemic problem with STEM disciplines for a long time but I think these other opportunities are ways to partner with community colleges. I'm also loathe to think about freshmen or sophomores -- you're asking them to make a commitment that's very difficult for an 18-year old to make.

>> The annual report is in your book. It's going to be submitted to the legislature and the governor. It covers the first-year of the 15 million dollar -- enrollment -- with 802 of those students completing some program of study between the universities the community colleges. More details about the programs the students completed are in the report and I'm happy to answer any questions anyone might have.

>> Any questions for Kris? Hearing none, John, any other things you want to present before I turn to a motion?

>> Just one item, Regent Penley. I think all the board members know the governor's office indicated they were going to grant the Board of Regents an additional 6 million dollars this year from federal funds to address some of these waiting lists that the deans and the provosts have talked about. We're working with the governor's office right now on formalizing that grant, and our hope is we'll get that documentation here in the next week or so. And then we need to bring it to the board for approval because there are some -- there's going to be some requirements that the board's going to have to agree to, to get the grant. We're hoping to bring that to the September 10th meeting and we'll be able to allocate those slots immediately to try to relieve some of these wait lists.

>> My concern is that this is one time funding from the federal government, so I hope the governor is also committed to building this into his budget going forward. Otherwise, he's going to ship the expense back to us.

>> A very good point, Provost Searle. Regent Rusk?

>> As a student from a rural high school and middle school, I really appreciate the Arizona teachers academy. In my high school, turnover of teachers was pretty consistent. Having this sort of consistency and having teachers who are able to go to our rural high schools and create a better infrastructure for students is beneficial for the state as a whole and increasing that pipeline from the K-12 for the university. So I want to thank all the universities for taking on this initiative.

>> Thank you very much, Regent Rusk. Anything else, John?

>> No, sir, thank you.

>> I'd like to commend the universities for all that you're doing for the Arizona teachers academy, the work that you've done, the innovations that you've created. I think it's really excellent, so thanks very much. With that comment, I move that the board approve the fiscal year 2020 Arizona teachers academy annual report as presented in the executive summary. Do I have a second?

>> Second.

>> I do hear a second, I believe. I'm not sure who said that -- it was Regent DuVal. Thank you. All in favor, say aye.

>> Aye.

>> Any opposed? Any abstentions? The motion does pass. We are in recess until 1:15. Thank you very much.

[BRIEF RECESS]

>> We are back in session. Samantha Blevins, would you please present this item?

>> Good afternoon. The board office asked the board to review on immediate implementation the proposed revisions to ABOR policy antidiscrimination and harassment. The proposed divisions are to -- title 9 that became effective last Friday, August 14, 2020. -- and its applicable regulations. As the regulations create a different standard for sexual harassment that's different than existing law. The new language mirrors the new regulatory definitions of harassment. The new language also delegates to the universities the authority to create a process that complies with the new regulations and the unique staffing and student climates at each university. The three universities will have implemented to comply by August 14th deadline. With these changes, ABOR and the universities will comply with the new law and maintain its commitments to anti-discrimination and harassment and retaliation. I would be happy to answer any questions.

>> Thanks very much. Board members, are there any questions to counsel Blevins? Seeing none, I move the board approve the proposed revisions to ABOR policy 1-119, nondiscrimination and antiharassment as presented in the executive summary. Do I have a second?

>> Second.

>> There is a second. All in favor, say aye.

>> Aye.

>> Any opposed? Any abstentions? The motion does pass. The next item on our agenda today is executive session. The board is scheduled to reconvene in public session at approximately 4:45 p.m. do I have a motion to enter into executive session?

>> So moved.

>> Is there a second?

>> Second.

>> All in favor say aye.

>> Aye.

>> Anyone opposed? Any abstentions? The board will now convene in executive session. Regents can exit the public Zoom meeting and reconnect through the executive session Zoom, so we need to change rooms here. John Arnold has a comment before we do this.

>> Thank you, Regent Penley. Before we leave the public meeting, I just wanted to thank President Crow and ASU. They sent over some community of care kits to the board staff today, including these very cool ASU masks, so thank you, President Crow. We appreciate it.

>> I sent a text to remind staff that you're in our community of care and we don't want to get infected by you, so we gave you our kit and you have access to all our testing and our health app and so on. We had manufactured 150,000 of those kits, including a

thermometer, two masks, special American made hand cleaner, so it's just -- the regents aren't close enough to get us infected, so that's why you got them.

>> Thank you, President Crow. I may not have an ASU tie or at least the one I do have is out of date, but now I have an ASU mask to wear, so thank you very much, President Crow.

>> Masks are good.

>> Yes. I've tried them on.

>> Thank you.

>> All right. Thanks very much to ASU for the community of care kit. We will now exit this meeting and reconnect in the executive session Zoom meeting.

[EXECUTIVE SESSION]

>> Good afternoon to everyone. The board is now reconvened in public session. I want to make sure, Suzanne, we still have a quorum of the board. Is that correct?

>> Yes, we do have a quorum.

>> Thanks for verifying that. The board met in executive session to receive legal advice and to discuss items listed under 1E of the board's executive session agenda. Is there any additional comment or anything on that, Jenny, or shall I just move ahead with a motion?

>> No additional comment, Regent Penley. This item is presented for action.

>> Thank you very much. In that case, I move that the board direct the board's legal counsel to proceed as discussed in executive session related to items listed under 1E of the August 20, 2020 executive session agenda and described in the executive summary. Do I have a second?

>> Second.

>> There is a second from Regent Shoopman. All those in favor, please say aye.

>> Aye.

>> Any opposed? I hear none. Any abstentions? I believe that Regent King was recused. I hear no other abstentions. The motion does pass. This concludes today's special board meeting. I want to thank all of our regents, but also everyone from the campuses. I want to thank John Arnold and the staff at the board office for all that they've done to make a successful meeting today. I wish you well. Stay healthy. We're adjourned. Thank you very much.