Boise State University, Boise, Idaho

TABLE OF CONTENTS

Item	Action	Description	Page
1	COMMITTEE ACTION	Approval of November 17-19, 1999 Committee Minutes ……………………………	3
2	BOARD ACTION	Institutional/Agency Routine Agenda Items…	23
		Boise State University	
	2.1	Purchase of Property 1130 Vermont…	25
	2.1.a	Purchase of Property 1106 Vermont…	26
		Idaho State University	
	2.2	FY2000 Internal Audit Plan…………	27
		University of Idaho	
		INFORMATION ITEM	
	2.3	Acquisition of Option by UI Foundation For Property in Boise…………………	29
		Lewis-Clark State College	
	2.4	Port of Lewiston Land Lease………..	31
	2.4.a	Acquisition of Property 611 10th Ave..	32
		Idaho School for the Deaf and the Blind	
	2.5	Audits and Financial Reports………..	33
3	BOARD ACTION	Institutional/Agency Nonroutine Agenda Items	
		Boise State University	
	3.1	Project Access Funding………………	35
		University of Idaho	
	3.2	Naming of Spaces in Engineering Bldg	37
	3.2.a	EXHIBIT A: Major Donors…………..	39
	3.3	Gift of Land from Jacklin Land Company	43
		Idaho Division of Vocational Rehabilitation	
	3.4	Acquisition New Administrative Systems	45
	3.5	Approval of Leases for Office Space….	47
	3.5.a	Schedule of Leased Office Space..……	48
4	BOARD ACTION	Final Reading of Policy Change Section III.T Intercollegiate Athletics………………………	49
	4.1	Governing Policies & Procedures…………….	51
5	BOARD ACTION	Final Reading of Policy Change Section V.U. Fee Waivers…………………………………..	57
	5.1	Governing Policies & Procedures…………..	59
	5.2	Majors Eligible-Nonresident Tuition Waivers	63
6	BOARD ACTION	Review of Optional Retirement Plan……	67
		Draft of Optional Retirement Plan	

Please click on Item #3.2.a box to access link to EXHIBIT A.

THIS PAGE INTENTIONALLY LEFT BLANK

Action Item **ITEM #1**

SUBJECT:
Approval of Finance Committee Minutes

BACKGROUND:
The minutes from the November 17-18, 1999 Finance Committee meetings are attached.

DISCUSSION:
Not Applicable

FISCAL IMPACT:
Not Applicable

STAFF COMMENTS:
Review, make necessary corrections, and approve minutes.

COMMITTEE ACTION:
A motion to approve the minutes of the Finance Committee meeting held November 17-18, 1999 at Lewis-Clark State College.

Moved by________ Seconded by________ Carried Yes _____ No _____

BOARD ACTION:
No action required

THIS PAGE INTENTIONALLY LEFT BLANK

Unapproved Minutes
Idaho State Board of Education
Finance Committee
November 17 – 19, 1999
Lewis-Clark State College, Lewiston, Idaho

Present at Finance Committee Meeting, November 17, 1999

Jerry Hess, Chair	Lou Henry, D&T	Georgia Yuan, UI
Harold Davis	Larry Bird, D&T	Harry E. Neel, Jr. BSU
Tom Boyd	Glenn Stori, D&T	Darrell Jones, BSU
James Hammond	Linda Reingold, D&T	Brent Winiger, BSU
Greg Fitch, OSBE	Rochelle Hersley, D&T	Stacy Pearson, BSU
Keith Hasselquist, OSBE	Nick Miller, Hawley Troxell	Leo Herrman, ISU
Rita Foltman, OSBE	Ken Harris, LCSC	Ken Prolo, ISU
Laurie Boston, OSBE	Jerry Wallace, UI	Bill Robertson, EITC
Kevin Satterlee, OSBE	Mike Allred, UI	Jeff Shinn, DFM
Joe Barrows, Bigelow & Co	Joanne Reece, UI	Todd Bunderson, LSO
		Tim Hill, SDE

Due to the length of the Finance Committee agenda and the length of time scheduled for the Committee meeting, it was determined that the Committee would meet in two sessions.

The meeting of the first session was called to order at 7:15 PM, November 17, 1999.

Item #5 Action Item
Boise State University
Review of Software Implementation at Boise State University
By Deloitte & Touche

Mr. Hess requested an overview of the PeopleSoft project at Boise State University, specifically to explain the Enterprise System.

Larry Bird, Linda Reinbold, and Rochelle Hersley, representing Deloitte & Touche LLP, reported that the Enterprise System is a broad-based application representing a number of different functional areas as opposed to some solutions that might be a point solution or provide a limited set of capabilities and functionalities. An Enterprise System is one such as PeopleSoft or Oracle that provides functionality to a number of different industries across a number of different functions and disciplines including human resources, finance, and potentially process manufacturing. It's one that is comprehensive in scope and is meant to be a cornerstone of a strategic information technology plan and offering.

Mr. Bird continued with a short history of the review. He stated that during August 1999, the Board asked Deloitte & Touche to perform a review of the implementation of the PeopleSoft product at Boise State University. This product is part of a project called ACCESS, which is a university's strategic initiative to improve user functionality, to address the Y2K issues, and to upgrade technology campus-wide over an extended period of time. Phase 1 of Project ACCESS included the implementation of the platform selected from PeopleSoft during June 1997. Deloitte & Touche's focus in this project was to specifically look at the implementation of PeopleSoft spanning the period of June 1997 to August 1999. The project began during September 1999.

Mr. Hess commended Mr. Bird and his associates on the thoughtfulness and timeliness of the report. He stated that this is not a final report and that BSU should have the opportunity to respond to all disclosures. It appeared to Mr. Hess that, in retrospect, some actions that should have been done were not done. One barrier that BSU encountered was the significant staff turnover. He assumed that trend would continue and would need to be addressed. In addition, he cited that the recommendations indicated the people involved in the project experienced disconnect.

Ms. Reinbold followed with background information and an overview of the environment at BSU as they moved from the existing technology to the PeopleSoft Enterprise System. She stated that Deloitte Consulting manages and implements the product, however, they do not own, sell or recommend the software to clients. Deloitte Consulting also implements SAP, Oracle, and a number of other software applications. PeopleSoft is a relatively new player in the higher education market. It was founded in approximately 1987 in California and began with a human resources product. In 1994 it established a segment focused on education in government to provide fund accounting, commitments, and encumbrances. In 1997 it completed its software offering for higher education with student administration software. BSU was one of the first organizations to license the student administration module and may be one of a very small number that have gone live with all of their product offerings. PeopleSoft has since moved into a number of other industries and sectors as well. When PeopleSoft entered the market it was also one of the first client server solutions which in the late 1980s was very new technology. We have now moved beyond client server technology into web based and internet technology. Software has revolutionized significantly over the last four or five years.

BSU faced changing from a COBOL mainframe legacy system and that skill set to client server technology and now web-based technology. This involved changing from using a product with one set of codes and tools and very little flexibility in terms of customization to products that have dozens of codes and tools and literally thousands of tables and elements that need to be defined and configured to meet specific business needs. This required a very significant effort to make the changes to all of the core business systems in a short time frame. This was a very significant undertaking from a project management perspective. It was also an enormous technological change meaning they had to develop and acquire new skill sets also in a very short time period.

Mr. Hess commented that as the technological revolution accelerates in the collaborative efforts with industries merging, it would seem that an institution would be wise to not get locked into any set process because the flexibility mentioned about the internet-based model will obviously become more user friendly in all segments of the process. He questioned why an agreement would be signed that rewards PeopleSoft in the future for having to use their products. As he understood BSU's proposal, it does in fact lock BSU into an agreement with PeopleSoft for sometime.

Mr. Neel replied that it would be difficult, in his opinion, to move to another product at this point.

Mr. Hess questioned if PeopleSoft has an obligation to tell the customer with some degree of accuracy about the future costs for the implementation of the applications and define it more clearly than they apparently have under this model. The consulting costs have far exceeded the budgets or estimations.
Ms. Reinbold addressed the costs to implement a system and identified software as one of many factors involved in an implementation. Other factors include staff skills, turnover, resistance to change, and speed in decision making which is probably the most critical factor. Two organizations using the same software may have radically different outcomes, efforts, and costs.

Within higher education, in particular, there is often a need for many stakeholders to be involved in decisions. As course codes and course calendars are created, a number of groups will have an interest in that process. All of the decisions have to be represented in the software. Each year Chief Information Officers worldwide are surveyed regarding their implementation programs for Enterprise-wide solutions. Five of the top ten reasons projects exceed anticipated timelines and costs are people related – not software, functional, or technical related. In her opinion, it is very difficult for PeopleSoft, or any software vendor for that matter, to predict how an organization will implement their product, how quickly they will make decisions, how much data they will decide to convert, and how clean that data will be from the source systems.

There are benchmarks and averages, however, it is very difficult to determine before working with an organization and preparing a prototype, exactly what it will take to implement. Even with the mechanisms available for estimates it is virtually impossible to predict exactly what it will take to make those decisions in that time frame. It is very time consuming to implement core software as all universities have found to be true. Vendors like PeopleSoft and Oracle, among others, build their systems in an open architecture. This allows the user to add components over time and does not lock the user into one vendor. PeopleSoft is a new entrant into this market. Their announcements for the next release of products add significant functionality over their current release of products. Each organization, including BSU, decides whether they want to purchase and implement new product offerings.

Mr. Davis referred to a statement in the Executive Summary, pages 3-5 "…BSU management believed they were making a long-term strategic decision, however, no formal business case was developed to support this belief. A business case should have been developed to help assess whether an Enterprise System such as PeopleSoft was the correct strategic course for BSU." He also cited a comment on page 4, "…Appropriate planning, project scoping, and budgetary controls were not fully developed prior to beginning configuration activities." He asked Mr. Bird if those particular areas of concern have been properly addressed by BSU.

Mr. Hess suggested that the Committee develop a recommendation allowing BSU to address each one of the questions that were posed as well as other questions. BSU should respond to the questions at the next Board meeting. Their response should include a budget and matrix showing anticipated future costs. The Board should be periodically apprised as to actual versus estimated costs along with a narrative of the changes from budgeted amounts.

Mr. Davis stated his concern that over a year and a half ago the Board received letters indicating there would be substantial overruns in the PeopleSoft contract. The person making the assertion indicated that the problem rests as much on BSU's side as it did on PeopleSoft side in that BSU did not have the management control and there was even gender bias suggested. As he read the report, he did not sense that. That may have been the result of the turnover. It happened to be a disgruntled former employee that made some assertions. The Board needs some vision about what will happen in the future. This is important information needed before continuing to add to the contract.

Mr. Bird responded that the essence of the report is that project management tools were not used and that management did not use appropriate project controls in terms of budgets. There's no linkage to deliverables. The initial planning budget was probably suspect. All of the tracking, budgeting, monitoring, and reporting that should have been done in the project management scheme wasn't done. Because of staff turnover, BSU did not have people with the skill sets to accomplish that and they had a very tight timetable and were focused on getting the project done.

Mr. Davis asked what would keep BSU from making the same mistake a year from now.

Mr. Bird referred to the last bullet on page 5 of the Executive Summary. Enhancements and maintenance are inherent with open systems. Future decision should be based on a cost benefit analysis and business cases to support the decisions as to why to add to the contract in terms of functionality. This is an opportunity for Boise State to respond with how they will manage and control projects of this nature. These systems require on-going maintenance. This is not the end by any means.

Mr. Hess asked if PeopleSoft disclosed that the owner wasn't providing the type of leadership or did they take advantage of errors and omissions that transpired in the development of the process. In his opinion, there was a strong indication that PeopleSoft was taking advantage of a not well organized owner.

Mr. Bird replied that clearly Boise State was in the management role and PeopleSoft has a body shop. Essentially PeopleSoft provided bodies to assist clients. The people were available to Boise State to be used as a body shop to perform tasks that needed to be done and they were managed by Boise State. Many people who were hired by PeopleSoft were not in the role of managing the project, defining the task, measuring the task, or monitoring progress. They were simply responding to work orders from their client.

Ms. Reinbold added that there were two other consulting firms as well that provided specific skill sets. Organizations may choose to contract the implementation and the project management office which is the control, as well as the project manager's directorship. That wasn't the case on this particular implementation. Boise State maintained the overall project management and PeopleSoft and two other consulting firms provided individuals to deliver on those plans and activities.

Mr. Hammond referred to page 5 of the Executive Summary, which he interpreted to read that there probably weren't such large cost overruns as there were cost under-projections for the project. If they had planned this out properly from the start they would have projected a much higher level of cost than what they projected. The Board would have known up-front what this project was going to cost.

Mr. Bird referred to page 20 of the Executive Summary which is a summary of Phase 1 expenditures. The numbers in the actual column of the total on page 1 should be relatively close to a schedule that the Board reviewed in the early part of the summer at the time of the first discussion regarding cost over-runs.

The PeopleSoft implementation costs and the budget and actual expenses indicate what was actually submitted to the State Board for approval. License fees actual expenses were a little under-budget due to a State Purchasing contract providing better purchasing capabilities.

The $2.9 million dollar consulting number was set-forth in the PeopleSoft proposal that went through the State purchasing process. At that point, the vendor was required to provide the fixed-not- to-exceed elements of their proposal, which in the case of PeopleSoft was the application and maintenance fees.

The vendors were also asked to submit an estimate of any variable costs. In their proposal, PeopleSoft had $2.9 million dollars broken down into three modules: finance, human resources, and student administration. The $2.9 million dollars, however, was caveatted in that it was an estimate; there was no fit-gap analysis to make sure that it was the right number. A table was included listing the hours Boise State would be expected to provide. There was a significant variance in the estimates and the actuals. After selection, the first step should have been to recalculate the estimates based on BSU's skill sets and available people. Boise State planned to contribute less than what the PeopleSoft proposal said it would require in order for them to achieve the goal.

Ms. Reinbold added that certain skill and capability requirements were included in the proposal for the Boise State team members. Given the difficulty of requiring highly skilled information technology professionals in publicly funded institutions, BSU had a difficult time acquiring a number of the resources and consequently used more consulting resources than were recommended by their software vendor.

Mr. Hammond commented that the vendor sold the software and BSU is at the point that they are unable to turn back without spending even more money. He asked if they have taken advantage of BSU.

Mr. Boyd followed by asking, as auditors of record in this State and for the universities, if Deloitte & Touche had been approached for any help on this at the outset when the projected started.

Mr. Bird answered that in the original request for proposal, Boise State made the decision and PeopleSoft proposed to do the integration themselves. Deloitte & Touche was not given an opportunity to submit a proposal for this application. It was submitted by PeopleSoft to do the audit and they had $2.9 million in their proposal to support the integration.

It was noted that the actual expenditures are approximately 60% over budget.

Mr. Boyd stated that he felt uncomfortable in a sense that Deloitte & Touche was making excuses for PeopleSoft. He appreciated the explanations, however, it was difficult to understand how $6 million were required for consultants and Boise State wasn't forewarned.

Mr. Hess continued by saying he was concerned with PeopleSoft's estimated hours recognizing that the footnote indicated they didn't assess BSU's skill sets and contribution. PeopleSoft should have at least had a sense of reality about what the skill sets of the college and universities' staff should be and it should be much closer than a 60% over run.

Mr. Bird responded that there are numerous benchmarks available to produce a realistic budget and they should have been set forth at the beginning of the project. When PeopleSoft estimated 4700 and the 3000 hours, they did so in good faith based on benchmarks and experience to support the numbers, assuming there would be a level of support from the customer to achieve that level. That was an achievable number under probably a best case scenario. The student administration piece had never been implemented. When Boise State purchased that module and when the proposal was prepared and submitted through State Purchasing, the student administration module had not been completed. It had never been implemented and there were no market benchmarks.

Mr. Hess added that there should have been an adjustment for Boise State increasing PeopleSoft skill sets because BSU financed their R&D in this area.
Mr. Bird believed there is negotiating going on between Boise State and PeopleSoft on reconciling that.

He added that for the student administration module the difference between the 6000 estimated hours and actual hours of 26000 is a factor of three. There was no benchmark for that. If benchmarks had been measured, it would have been known early in the process that the budget was off-track and a reassessment should have been done.

Ms. Reinbold stated that as the task and project management plans were reviewed, it did not appear that the charges were inappropriate. Often PeopleSoft or the consultants would ask for Boise State to put in a data base administrator and they did not have the staff available at that time to provide that particular skill. It's difficult to refer to the budget and, as Mr. Bird stated, it was never a budget that had in-depth analysis.

The software vendor was provided with a set of functionality and asked by Boise State to estimate what it would take to implement. They made a number of assumptions around Boise State's capability and staffing. Boise State wasn't always able to meet those requirements and needs. The estimate for the human resources and finance modules was relatively close given the staff turnovers that Boise State had. In the case of the student administration module, that product had never been implemented and was not in general release. At no point during the project did they realize what some of the issues were in terms of skill sets, turnover, decision making process, and data conversion activities. They did not recreate a budget with proper projections. They used an estimate that came out of a software proposal as their budget.

Mr. Hess and Mr. Eaton spoke by phone the previous night. Mr. Hess read an excerpt from a letter by Mr. Eaton to be entered as a motion:

> "We should ask BSU to conduct an inquiry of its own using this report as a starting point. We should ask BSU to respond to the various findings in the report and make a presentation to the Board as soon as possible, perhaps in January. Whether that report is or is not a matter properly brought into an executive session is something Mr. Satterlee should help answer. BSU's report should additionally identify the actions that BSU has initiated either from it's own review or as a result of the findings of the Deloitte & Touche report. There are specific matters that I think should be included in the BSU report. First, specific confirmation or reputation of the observations of the report dealing beginning on page 25 ending on page 30 (15 observations) should be included. Second, a detailed source of funding for the project should be presented. The categories on page 24 of the report I think should be seen as headings for more detailed description of the sources of funds that should also be part of the BSU report. Personally, I would like the report to include a statement about why there was no discussion with the Board relative to the matters in the Deloitte & Touche report until it was made an issue in the Finance Committee in June of this year."

Committee members were given the opportunity to amend or modify. No changes were voiced.

ACTION: M/S/C (Hammond/Boyd)

Ms. Reinbold re-addressed previous comments regarding the continual investment in PeopleSoft. All software vendors charge maintenance fees for their product and for those fees the client receives technological releases. Often in the case of vendors whose products are relatively new, the client receives new modules and new functionality with each release of a new product. Organizations are not obligated to implement the new modules; however, the maintenance fees beget that functionality. PeopleSoft's next release will have the capability to provide grade scheduling and room scheduling of classes. BSU will not be obligated to put the effort in or hire consultants to configure and implement that new functionality. When reference is made to a business case in this environment, it refers to the effort it will take to convert data to the new pieces of software, to configure, test, train, and to change the business processes. The cost is compared with the benefit that a particular new functionality will provide.

Mr. Hess questioned if the maintenance cost is decreased if the client does not accept upgrades. If the client is locked into a state-of-the-art maintenance fee agreement and the industry becomes more user friendly and cost efficient, he asked if the client can terminate the PeopleSoft maintenance agreement. If the approved maintenance fee agreement with PeopleSoft is for two to four years, they may or may not give BSU a cost benefit. That discussion and solution should be a part of Boise State University's strategic plan.

According to Ms. Reinbold, two areas are included in the maintenance fees. The first is support of the software and the second is receiving new functions and features. Each client negotiates their own independent contract. With most organizations if the maintenance fees are no longer paid, the client is still entitled to use the software, however, the client is not entitled to the new upgrades or the functional offerings of the new pieces of the software.

Mr. Hess suggested that the explanation of the maintenance fees should be presented to the Board along with a budget worksheet and strategic plan detailing the anticipated budget and costs.

Mr. Neel reported that Boise State is currently working on Phase II. He agreed with Mr. Davis' comment that Boise State should have done a better job of planning and analyzing

Mr. Bird requested direction on how the Board and Committee would like Deloitte & Touche to proceed with completing this project and finalize the report. Boise State's response can be presented as a separate report or included in the final audit report. His preference was to allow Deloitte & Touche to issue the report in final form and issue a separate report that would include Boise State's responses.
Mr. Hammond moved that the Committee direct Deloitte & Touche to proceed with the final draft of the report. The Committee needs additional information regarding the issue discussed tonight and that is how PeopleSoft treated Boise State University and did they take advantage of the situation. That question continues to surface.

ACTION: M/S/C (Hammond/Boyd)

Mr. Bird interjected, with all due respect, he thought it to be outside the scope of the project to add comments about the contracting and the relationship of PeopleSoft and Boise State. Deloitte & Touche was not party to the discussions and negotiations. Based on that, their comments would be speculation and he believed it was not in the scope of their engagement to make those observations.

Mr. Bird indicated there are two elements to this proposal. The first element was a fixed price not-to-exceed contract for the software license and the maintenance fee. The second element was a variable portion that was a time and material portion of the contract and was an estimate of people at an hourly rate and the estimated number of hours required for implementation based on assumptions. In the proposal processed by State Purchasing, it was a variable portion of the contract that was essentially time and materials. He added that PeopleSoft precisely met the terms for the software license and maintenance.

He continued by saying there may be issues as part of the on-going negotiation that the product delivered did not include certain functionalities that they said would be in the product. A portion of the consulting time, which again is the variable portion of the contract, was spent delivering functionality that should have been in the original product. He thought that product performance was the basis of the negotiations between Boise State and PeopleSoft. Boise State does not want to be charged for testing and developing of the product that should have been in place.

ACTION: M/S/C (Hammond/Boyd)

Meeting adjourned at 9:15 PM.

THIS PAGE INTENTIONALLY LEFT BLANK

Unapproved Minutes
Idaho State Board of Education
Finance Committee
November 17-19, 1999
Lewis Clark State College, Lewiston, Idaho

Present at Finance Committee:

Jerry Hess, Chair
Tom Boyd
James Hammond
Keith Hasselquist, OSBE
Harry E. Neel, Jr. BSU
Brent Winiger, BSU
Stacy Pearson, BSU
Ken Prolo, ISU
Leo Hermann, ISU
Dr. Robert Hoover, UI
Jerry Wallace, UI
Leonard Johnson, UI
Mike Allred, UI
Joanne Reece, UI
Georgia Yuan, UI
Dean Froehlich, LCSC
Ken Harris, LCSC
Bill Robertson, EITC
Kirk Dennis, PTE
Kevin Satterlee, OSBE
Laurie Boston, OSBE
Rita Foltman, OSBE
Tim Hill, SDE
Jeff Shinn, DFM
Todd Bunderson, LSO
Lou Henry, D&T
Larry Bird, D&T
Joe Barrows, Bigelow & Co

Due to the length of the Finance Committee agenda and the length of time scheduled for the Committee meeting, it was determined that the Committee would meet in two sessions.

The meeting of the second session was called to order at 8:45 AM, November 18, 1999.

The Committee reviewed the agenda items in the following order: Items #1, 2, 4, 3, 6, 7, and 8.

Item #1 Action Item
Approval of the Finance Committee Minutes

The minutes of the Finance Committee meeting held October 21, 1999 at College of Southern of Idaho were approved.

No Discussion.

ACTION: M/S/C (Hammond/Boyd)

Item #2 Routine Action Item
Institutional Agency Routine Agenda

Summary of Routine Action Items:
Boise State University
Information Item Outsourcing Student Health Services

University of Idaho

Action Item	Agreement with City of Moscow for Respirator Fit Testing Service
Information Item	UI Foundation Inc & Consolidated Investment Trust Financial Statement
Action Item	Bielenberg/Nunan (HEW Building) Lease

Idaho School for the Deaf and the Blind

Action Item	Audits and Financial Reports

One motion and approval applies to all items listed.

No Discussion.

ACTION: M/S/C (Boyd/Hammond)

Item #4 Action Item
Annual Financial Audit by Deloitte & Touche

Mr. Larry Bird, Deloitte & Touche, presented the Annual Financial Audit to the Finance Committee. Three books were previously distributed to the members. The books included financial statements, the letters of comments and recommendations , and executive summary.

The following is a summary disclosure of the results of the audit:

Information provided disclosed the scope of the audit and services provided to the Office of the Idaho State Board of Education or the institutions directly. Some activities were direct contracts with Deloitte & Touche and the institutions. A summary of the 1999 Financial Audits at a high level was also provided.

A list of the services prescribed under the contract with the Board and performed by Deloitte & Touche includes:

- Audits of the Financial Statements for the institutions
- Issuance of letters of comments and recommendations
- Federal Single Audits at all institutions

Services contracted directly with the individual institutions include:

- Bond Audits for BSU and ISU
- Rebate calculations for tax-exempt bonds on arbitrage calculations for BSU, ISU, and UI
- Procedures required for NCAA compliance
- Audit public radio station for BSU
- Review bond offering Official Statements when universities issue debt for BSU and UI

Services provided for related entities include:

- Audit of Foundations for BSU, ISU, LCSC and UI
- Audit Athletic Foundations for BSU and ISU
- Audit UI Consolidated Investment Trust Financial Statements

Other activities performed during the year as specifically requested by the Board include:

- PeopleSoft implementation review at BSU
- Analysis for debt capacity at BSU

The audits were summarized for each of the five institutions. In all cases the auditors' opinions contained no qualifications for any of the financial statements issued. The Government Auditing Standards (GAS) requires a report stating whether or not material weaknesses in internal control were noted. The report indicates there were none. Also as required by GAS, the auditors are required to issue a statement as to whether or not there were issues of non-compliance with laws and regulations. In all cases at all institutions the report indicates there are no instances of non-compliance with laws and regulations. There have been no changes in accounting policy at any of the institutions that would make the financial statements misleading or non-comparable with prior years.

Deloitte & Touche disclosed in the reports that there were no institutional management judgements or estimates in the financial statements that might not be realized in the near term. The Idaho institutions primarily operate on a cash basis so judgements and estimates are minimal.

In no case did Deloitte & Touche have disagreements with management during the audits about disclosure or accounting matters.

No difficulties were encountered while performing the audits. Deloitte & Touche received full cooperation and support from each institution. The process is becoming more refined each year and the timetables are becoming tighter in terms of predicting on-campus dates. All reports were completed by October 15th which is the Office of the State Controller's deadline.

There were no significant audit adjustments either recorded or not recorded.

Mr. Hess followed the discussion by asking Mr. Bird what the intended use is for the debt capacity analysis.

Mr. Bird replied that the draft document was created as a result of a request from the Committee. That analysis is separate from the books distributed to the Committee for this meeting. Two schedules were prepared. The first lists current year information by institution including outstanding debt, maximum debt service requirements, current year revenue as it relates to debt service, and pledged amounts. The second is a five-year summary schedule showing the historic ratio of the total current unrestricted fund revenues from all sources as it relates to outstanding debt (expenditures are excluded).

Mr. Hess added that it would be helpful to have a simplified spreadsheet showing all revenue sources (appropriated and non-appropriated), all indebtedness, and all expenditures (including capital expenditures). The Committee members agreed that a spreadsheet listing all revenues and expenditures is needed. From that data base it may be possible to then create and review hypothetical situations. His concern is that we are now living in the second highest and longest-running economic climate ever and it will not last. It is prudent that the Board and the Finance Committee in a responsible manner create a process to develop a tracking system with the ability to create scenarios for future changes.

Mr. Bird responded that historical financial statements would provide some of the information. The revenue, indebtedness, and expenditures forecasting would need to be prepared by the institutions.

Mr. Hess commented that most of the Letters of Recommendation deal with information technology capabilities. He opined that fee waivers should be restricted to information technology disciplines and a 2% increase. All of the issues deal with information technology and people's skill sets.

Mr. Hasselquist clarified the action to be taken regarding a comprehensive reporting of revenue, indebtedness, and expenditures. He stated that he and the financial vice presidents will create a schedule that will include audit information for a broad picture then focus on the unrestricted funds for all institutions in a more concise format similar to the audit summaries. A strategic plan will also be provided tying to projects and funding.

This was the final meeting of Mr. Hess' term and he wanted the record to reflect his concern about a lack of knowledge and understanding and the anticipated growing capital expenditures and funding and a process to monitor so that a layman can understand. He added that it is the Board and Committee's responsibility to develop a strategy to monitor those types of issues. He would like to see a long-term strategic plan accompanied by a budget followed by tracking of budget and expenditures.

ACTION: M/S/C (Hammond/Boyd)

Item #3.1 Nonroutine Action Item
Boise State University
Citidel Radio Center Contract

Boise State University requests approval of a two year licensing contract with Citadel Radio Center for radio broadcast of certain Boise State athletic events.

No discussion.

ACTION: M/S/C (Hammond/Boyd)

Item #3.2 Nonroutine Action Item
Boise State University
Retlaw Broadcasting Contract

Boise State University requests approval of a four year licensing contract with Retlaw Broadcasting of Boise, LLC for television broadcast of certain BSU athletic events.

It was noted that revenue from the radio broadcasts are greater than the revenue from the television broadcasts. Mr. Neel commented that during 1995 the revenues were higher from television than radio. Only one party, Retlaw Broadcasting LLC, was interested this time. While this is a four-year contract, it is subject to re-negotiation if BSU enters a conference prior to July of 2001. In effect, BSU feels this is a two-year contract. A move to a new conference will enable BSU to receive increased dollars.

ACTION: M/S/C (Hammond/Boyd)

Item #3.3 Nonroutine Action Item
University of Idaho
Banking Services, Automated Tellers Machines
and Purchasing Card Program

Request approval to execute agreements with financial institutions for the provision of banking services.

Mr. Wallace stated that approximately eight or nine years ago, UI first started this process to select the provider of institutional banking services. At that time, the overall cost of banking services was declining. UI is saving on the cost of banking services, however, it has not reached the point that the bank's are paying UI for the privilege of managing their money. UI has had substantially increased services for less cost.

The Purchasing Card Program is fundamentally the same as a credit card. It is a card used by authorized employees of the institution to procure primarily goods and occasionally services. The procurement card needs to be structured in such a way that as the purchase is made the information is electronically sent to UI's management system for reporting and processing purposes.

ACTION: M/S/C (Hammond/Boyd)

Item #3.4 Nonroutine Action Item
University of Idaho
Financing package in support of the FY2000 Institutional Capital Plan

Request authority to issue two series of bonds to fund remaining components of the University of Idaho FY2000 Capital Budget Plan consistent with the University's Strategic Plan and Long-Range Campus Development Plan (LRCDP).

The $2 million supplemental authorization for the Student Union Building Enrollment Services remodel was originally submitted as a project scope budget of $3.5 million. The $2 million is almost completely involved with the final design of the project and are unanticipated capital expenditures.

ACTION: M/S/C (Hammond/Boyd)

Item #3.5 Nonroutine Action Item
University of Idaho
Projects in Support of Institutional Strategic Plan and
Long-Range Capital Development Plan

Request approval of construction projects in support of the University Strategic Plan and the Long-Range Campus Development Plan (LRCDP), together with the approval to execute necessary or desirable architectural/engineering services and construction contracts to accomplish the projects.

The current request of $12.8 million is $7.2 million above the previous request of $5.6 million. $2.5 million of that increase is for unanticipated expenditures which is a 35% increase for this bond issue.

ACTION: M/S/C (Hammond/Boyd)

Item #3.6 Nonroutine Action Item
University of Idaho
Naming of Spaces in the Idaho Commons

Request approval to name various rooms and spaces in the Idaho Commons as proposed and delegation to the university president of authority to approve the naming of various additional rooms and spaces in the Idaho Commons in recognition of gifts.

Mr. Boyd commented that he recognizes the importance of this practice in fund raising. He does, however, feel it is overdone. He suggested that the institutions not volunteer to name areas in recognition of gifts.

ACTION: M/S/C (Hammond/Boyd)

Item #3.7 Nonroutine Action Item
University of Idaho
Expansion of UI Boise Center Lease at M-K Plaza

Request authorization for the Vice President of Finance and Administration to negotiate and execute a lease with American Resurgens for additional space on the 7^{th} floor of the M-K Plaza IV in Boise.

The motion as presented was amended to remove the 7th floor designation. The actual space within the building has not been determined.

ACTION: M/S/C (Hammond/Boyd)

Item #6 Nonroutine Action Item
First Reading of Policy Change Section III.T. Intercollegiate Athletics

No discussion.

ACTION: M/S/C (Hammond/Boyd)

Item #7 Nonroutine Action Item
First Reading of Policy Change Section V.U. Fee Waivers

Mr. Hammond noted that Paragraph C of the policy states "…not to exceed 2%." The policy is currently at 1% and 3% is the maximum.

Mr. Hess commented that he believes the definition of information technology (IT) should remain narrow. The original intent regarding how to retain IT specialists in the State of Idaho was based on Board discussion and a letter from the governor. The presidents said they could solve the problem of retention by offering fee waivers allowing them to recruit immediately into the IT disciplines. The Board then reviewed the list of recruitees and discovered that the Board and institutions' interpretation of IT students differed. It is recognized that there are some students currently in the system who do not meet the Board's definition of IT students. This meeting is to again focus on the specific IT disciplines. He stated that the proposal as presented indicates spaces available in the disciplines as defined should be filled first. If additional capacity is available, the program could then expand to include other IT students.

Ken Prolo, ISU, commented that it is much more difficult to recruit in the IT disciplines than in other disciplines and they would like a broader definition of IT.

Dr. Hoover, UI, agreed that the definition is too narrow. Other areas, such as engineering, production technology, and environmental technology, have significant relationships to a variety of industries in the state and are experiencing shortages as well. He stated that recruiting the best students if capacity is available is still the issue and noted that Idaho students should be given first consideration. IT has expanded beyond the engineering areas and should include hard sciences.

Mr. Froehlich, LSCS, also agreed with Mr. Prolo and Dr. Hoover. He added that many students entering the IT field are not in a specific IT curriculum. The students may be in the math and science fields. With an expansion of the definition to include those areas, the institutions can do a better job of filling the gap in the IT area.

Mr. Hasselquist clarified that the 3% limit relates to the total full-time equivalent enrollment. The institutions are required to manage the 3% limit across the freshman to graduate level classes.

It was suggested that the language be expanded to include related high technology disciplines.

Mr. Hammond moved to amend the motion to add the following language Section V.U.2.c paragraph 3, lines:

2 "…of engineering <u>and related high technology disciplines</u>…" and
7 "…must select engineering, information technology, <u>and related high technology disciplines</u>…"

Mr. Hasselquist added that as this policy is returned for second and final reading, a list from each institution will be provided naming the eligible/non-eligible programs.

ACTION: M/S/C (Hammond/Boyd)

Item #8 Information Item
FY2001 Capital Project Priority Permanent Building Fund Advisory Council

This will be presented to the full-Board.
No action required.

In a separate issue, Mr. Hess referred to the review from Deloitte & Touche on BSU's PeopleSoft implementation regarding the reinstatement of the steering committee. Mr. Hess requested a motion to reinstate the committee, include a job description, and also that the committee include a representative from the Board office.

ACTION: M/S/C (Hammond/Boyd)

Meeting adjourned at 10:15 AM.

Routine Action Item **Item #2**
Institutional/Agency Routine Agendas
SUMMARY OF ROUTINE AGENDA ITEMS (See following pages for details):

2.1 Boise State University
- 5.51 Action Item
  Purchase of Property at 1130 Vermont
- 5.52 Action Item
  Purchase of Property at 1106 Vermont

2.2 Idaho State University
- 4.91 Action Item
  FY2000 Internal Audit Plan
- 8.1 Information Item
  ISU Foundation Audit FY1999
- 8.2 Information Item
  ISU Bengal Foundation Audit FY1999

2.3 University of Idaho
- 5.9.2 Information Item
  Acquisition of Option by UI Foundation for Property in Boise

2.4 Lewis-Clark State College
- 4.8.1 Action Item
  Port of Lewiston Land Lease
- 5.51 Purchase of property at 611 10th Avenue

2.5 Idaho School for the Deaf and the Blind
- 4.9 Action Item
  Audits and Financial Reports

DISCUSSION:

Review routine agenda and move items to nonroutine agenda, if appropriate.

STAFF COMMENTS:

Approve routine agendas.

COMMITTEE ACTION:

A motion to recommend to the Board the approval of the institutional/agency routine agendas.

Moved by ________ Seconded by ________ Carried Yes ____ No ____

BOARD ACTION:

A motion to approve the routine finance agenda items.

Moved by ________ Carried Yes ____ No ____

THIS PAGE INTENTIONALLY LEFT BLANK

Routine Action Item **Item #2.1**
Boise State University

5.0 Physical Plant
5.5 Purchase or Sale of Land and Facilities
5.51 Purchase of Property at 1130 Vermont

SUBJECT:

Boise State University requests approval to purchase property located at 1130 Vermont.

BACKGROUND:

Consistent with Boise State University's Campus Master Plan, this property is located in Boise State University's future expansion area, falls within its strategic planning goals, and meets the institutional criteria for purchase acquisition.

DISCUSSION:

This property is the planned location for the expansion of Physical Plant and other support facilities.

FISCAL IMPACT:

Request authority to purchase at appraised value or not to exceed $84,700. Funding comes from institutional monies designated for property acquisition.

Routine Action Item **Item #2.1.a**
Boise State University

5.0 Physical Plant
5.5 Purchase or Sale of Land and Facilities
5.52 Purchase of Property at 1106 Vermont

SUBJECT:

Boise State University requests approval to purchase property located at 1106 Vermont.

BACKGROUND:

Consistent with Boise State University's Campus Master Plan, this property is located in Boise State University's future expansion area, falls within its strategic planning goals, and meets the institutional criteria for purchase acquisition.

DISCUSSION:

This property is the planned location for the expansion of Physical Plant and other support facilities.

FISCAL IMPACT:

Request authority to purchase at appraised value or not to exceed $95,700. Funding comes from institutional monies designated for property acquisition.

Routine Action Item **Item #2.2**
Idaho State University

4.0 Financial Recommendation
4.9 Audits and Financial Reports
4.91 FY2000 Internal Audit Plan

SUBJECT:

In compliance with Board Policy, Idaho State University has developed and is submitting for approval its FY2000 Internal Audit Plan. Copies of the plan have been distributed to the members of the Finance Committee and to the Office of the State Board of Education. Additional copies may be obtained from the Auditing Services Office upon request.

8.0 Other
8.1 ISU Foundation Audit FY1999

SUBJECT:

In compliance with Board Policy, a copy of the audit of the Idaho State University Foundation, Inc., for the fiscal year ended June 30, 1999, is on file at the Office of the State Board of Education. Copies of the report are available in the Office of Financial Services at Idaho State University.

8.2 ISU Bengal Foundation Audit FY1999

SUBJECT:

In compliance with Board Policy, a copy of the audit of the Idaho State University Bengal Foundation, for the fiscal year ended June 30, 1999, is on file at the Office of the State Board of Education. Copies of the report are available in the Office of Financial Services at

THIS PAGE INTENTIONALLY LEFT BLANK

Information Item **Item #2.3**
University of Idaho

5.9.2 Acquisition of Option by UI Foundation for Property in Boise

Ref: Regents' Minutes for April 9-10, 1992, p. 27
Regents' Minutes for November 20-21, 1997, p. 15
Regents' Minutes for September 24-25, 1998, p. 22
Regents' Minutes for March 18-19, 1998, p. 16

SUBJECT:

Report of approval by the UI Foundation Board of Directors to acquire 2.5 acres of land in Boise for the University's future use in consolidating Boise-based programs and to foster collaboration with Boise State University and Idaho State University.

BACKGROUND:

The University currently leases approximately 27,000 square feet of instructional and office space in Boise, the majority of which is leased in the MK Plaza office complex close to the subject parcel. The University has been exploring various options for relocating to an owned facility rather than continue the lease agreements indefinitely.

DISCUSSION:

The parcel under consideration is located on Broadway Avenue between Front and Myrtle Streets and is currently owned by Thrifty-Payless, Inc. The UI Foundation has entered into an agreement with a holder of a right of first refusal that, when exercised, will enable the Foundation to acquire the property. Exercise of the option is contingent upon successful completion of due diligence procedures, currently underway. Acquisition of this parcel would be followed by construction of a jointly owned facility that will house UI, BSU, ISU and other programs serving the Treasure Valley.

The guiding principles for UI programs in Boise are threefold: To meet currently unmet educational needs of the Treasure Valley; non-duplication of programs; and to work only within the dictates of the University's specific role and mission statement. By pooling areas of expertise, the University can provide the highest quality programs in a broad range of disciplines, complementing offerings of ISU and BSU, to meet the training, research and education demands supporting development of the state's largest community. The University will report at the January meeting concerning the outcome of the UI Foundation's plan to acquire the Broadway Avenue parcel.

FISCAL IMPACT:

The parcel of land is valued at approximately $1.75 million and will complement the UI Foundation's land holdings in Idaho Falls and in the Coeur d'Alene—Post Falls corridor, both of which have fostered collaboration among Idaho's higher education institutions in serving the educational needs of its citizens.

THIS PAGE INTENTIONALLY LEFT BLANK

Routine Action Item **Item #2.4**
Lewis-Clark State College

4.0 FINANCIAL MANAGEMENT
4.8 Contracts for Services/Agreements/Authorizations
4.8.1 Port of Lewiston Land Lease

SUBJECT:

Board approval is requested to enter into a lease agreement with the Port of Lewiston for five acres of land to be used as a driving range for the College's truck driver training program.

BACKGROUND:

In March 1999 the college began a truck driver training program in cooperation with Swift Transportation Company, Inc. Until now, Swift has allowed the program to operate at their site using their driving range. However, beginning this spring the program needs to be moved to a different location.

DISCUSSION:

The Port of Lewiston property is ideal for the truck driver training program. The five acres of land will be graveled by the Port of Lewiston and is large enough for the driving range and a small modular building to house the offices and classrooms for the program. The building will also house other offices for the College's Workforce Training operation. The modular building was donated to the College.

FISCAL IMPACT:

The lease agreement is for an indefinite period of time and has an annual cost of $20,000. The lease costs will be paid from fees generated by the Truck Driver Training program. The final agreement terms are still in the process of negotiation and will be finalized and reviewed by the Board's attorney prior to Board approval. A copy of the lease agreement will be on file in the Board office.

Routine Action Item **Item #2.4.a**
Lewis-Clark State College

5.0 Physical Plant
5.5 Purchase or Sale of Land and Facilities
5.51 Acquisition of Property

SUBJECT:
Board approval is requested for the college to purchase a piece of property.

BACKGROUND:
The Campus Master Plan indicates the long-range need for the college to acquire additional property near campus which will eventually be used for parking. The property listed below is immediately adjacent to the campus.

	Appraisal Value	Purchase Price
Property (611 10th Ave.)	$103,000	$103,000

Because this property includes a two bedroom living unit, it will be incorporated into the Housing/Food Service auxiliary until such time that it can be converted into parking. Funds for the acquisition will be borrowed and repaid from the income generated from the rental and with funds from the Campus Activity Center project budget.

DISCUSSION:
The college administration seeks authority to:

Complete the loan agreement, by using the First Security Loan Agreement approved by the Board in January 1999, for the purchase of the property. The loan amount will not exceed $103,000.

Complete the purchase agreement for the property.

Authorization is also requested for the college Vice President for Administrtive Services and Bursar to execute the loan and purchase agreement on behalf of the Board.

FISCAL IMPACT:
The college will borrow the funds necessary for the purchase of the property and will repay the loan with the revenue from the rental of the house and with funds from the Campus Activity Center project budget.

Routine Action Item **Item #2.5**
Idaho School for the Deaf and the Blind

4.0 FINANCE COMMITTEE
4.9 Audits and Financial Reports

ISDB submits the attached record of the Student Activity Funds for Board review in accordance with Idaho Code 33-705. (Attachment A)

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

STUDENT ACTIVITY FUNDS AS OF DECEMBER 29, 1999, BELOW LISTING OF STUDENT ACTIVITY FUNDS IS A REPORT SUBMITTED TO STATE BOARD OF EDUCATION IN ACCORDANCE WITH IDAHO CODE 33-705

	BAL-10/27/99	BAL-12/29/99	INC/(DEC)
SALES TAX	60.04	151.40	91.36
ATHLETICS	4,839.63	5,449.99	610.36
WSBC	2,191.90	3,891.90 *	1,700.00
ATHLETIC APPAREL	(15.88)	301.36	317.24
GIRLS SOCCER FUND	157.87	194.87	37.00
CHEERLEADING	415.37	415.37	0.00
CLASS OF 2000	172.16	185.02	12.86
CLASS OF 2001	52.00	119.20	67.20
CLASS OF 2002	135.49	135.49	0.00
CLASS OF 2003	566.50	338.00 *	(228.50)
MAINT. BREAK ROOM	119.36	141.34	21.98
COTTAGE FUND	308.07	308.07	0.00
ELEM ACTIVITIES	61.65	61.65	0.00
FHA ACCT	131.61	131.61	0.00
PARENTS ADVISORY COM	168.61	168.61	0.00
M.S. STUDENT COUNCIL	34.06	24.06	(10.00)
H.S. STUDENT COUNCIL	385.53	408.63	23.10
JOURNALISM	584.98	584.98	0.00
JR NAD	294.98	294.98	0.00
ED STAFF POP MACH	1,275.44	1,169.44	(106.00)
HEALTH & WELLNESS	100.00	320.00	220.00
STUDENT ACT. FUND	4,602.70	4,686.49	83.79
WORK EXP (PREV CANDY)	333.80	304.85	(28.95)
STUDENT BOOK STORE	175.35	86.75	(88.60)
ACCELERATED READER	81.82	69.22	(12.60)
DRAMA FUND	39.81	30.81	(9.00)
ADVENTURERS	114.34	134.34	20.00
CLASS 8-B M A BATON	11.91	11.91	0.00
SUMMER DEAF CAMP	2,500.91	2,500.91	0.00
VOLLEYBALL FUND	267.00	267.00	0.00
GREENHOUSE FUND	(43.47)	(43.47)	0.00
J. WILDING SCHOLARSHIP	200.00	200.00	0.00
ART FUND	195.66	195.66	0.00
TECH CLUB (VIDEO YB)	80.86	80.86	0.00
YEARBOOKS	2,584.52	1,874.04 *	(710.48)
LIONS WINTER CAMP	52.17	52.17	0.00
HRG AID FUND-MOLDS	72.99	57.49	(15.50)
HA GIFT F/HRG CM TCH	69.58	69.58	0.00
HEARING AID REPAIRS	38.18	38.18	0.00
PERS. STUDENT ACCT	953.27	865.93	(87.34)
STUDENT AID	947.96	1,081.30	133.34
TOTALS…...........	25,318.73	27,359.99	2,041.26

* CHANGE DUE TO PAYMENT OF WESTERN STATES STUDENTS FEES
* CHANGE DUE TO FUNDRAISING PROJECT PAYMENT
* CHANGE DUE TO PAYMENT OF YEARBOOK DEPOSIT

Nonroutine Action Item **Item #3.1**
Boise State University

4.10.1 Project Access funding

SUBJECT:

Boise State University requests approval to utilize $3.2 million of bond reserve funds and $2.2 million of general building student fee monies as part of the overall funding package of Project Access.

BACKGROUND:

Project Access is a campus-wide initiative which includes the implementation of PeopleSoft software; process innovation; the upgrade of campus networking, general hardware and personal computers; and the training and development of employees regarding current technologies.

DISCUSSION:

Project Access is addressing the majority of campus Y2K issues and ultimately will provide vastly improved services to students, faculty and staff.

FISCAL IMPACT:

These funds are available due to the accumulation of the excess revenues required by tax exempt financing, the investment of these funds, and increased student enrollment. No increase in the student fee rate is required.

STAFF COMMENTS:

The bond reserve funds and the general building student fees monies are funds generated by the student facilities fee. The Board policy defines facilities fee as "the fee charged for capital improvement and building projects and for debt service required by these projects. Revenues collected from this fee may not be expended on operating costs of general education facilities." Boise State University is requesting these funds be used for general education operating expenses.

COMMITTEE ACTION:

A motion to recommend to the Board approval of the request from Boise State University's to utilize $3.2 million of bond reserve funds and $2.2 million of general building student fee monies as part of the overall funding package of Project Access.

Moved by ________ Seconded by ________ Carried Yes ____ No ____

BOARD ACTION:

A motion to approve the request from Boise State University's to utilize $3.2 million of bond reserve funds and $2.2 million of general building student fee monies as part of the overall funding package of Project Access.

Moved by _______ Carried Yes ____ No ____

THIS PAGE INTENTIONALLY LEFT BLANK

Nonroutine Action Item **Item #3.2**
University of Idaho

5.0 PHYSICAL PLANT
5.8 Naming of Facilities
5.8.1 Naming of Spaces in Engineering Buildings

Ref. Regents' Minutes for September 17-18, 1992, p. 54-55

SUBJECT:

Request approval to name various rooms and spaces in the Engineering & Physics Building, Gauss Engineering Laboratory, Johnson Engineering Laboratory, Janssen Engineering Building, and Buchanan Engineering Laboratory in recognition of gifts and other support.

BACKGROUND:

State Board of Education and Board of Regents of the University of Idaho Governing Policies and Procedures I.K requires prior approval of the Board for the naming or memorializing of a building or administrative unit for other than functional use. The policy specifies that naming of a building, facility or administrative unit for an individual in recognition of a gift will be considered by the Board and enumerates the review criteria to be applied.

DISCUSSION:

The Campaign for Engineering & Physics was completed in 1996, resulting in funds to complete the new Engineering and Physics building (Engineering Facilities Project Phase I) that was approved by the Board in September 1992 and dedicated in October 1996, and funds to supplement state funds appropriated for renovation of other buildings in the Engineering Complex (Phase II) which will be rededicated on April 27. According to the published campaign plans, gifts may be recognized by naming rooms, laboratories or other areas of the new and renovated facilities, subject to Board approval. A summary of naming recommendations, gifts and other activities supporting these recommendations appears at Exhibit A.

FISCAL IMPACT:

Support from non-state sources being recognized publicly through naming of Engineering facilities totals over $13 Million.

STAFF COMMENTS:

Approve the request.

COMMITTEE ACTION:

A motion to recommend to the Board approval of the request from University of Idaho to name various rooms and spaces in the Engineering & Physics Building, Gauss Engineering Laboratory, Johnson Engineering Laboratory, Janssen Engineering Building, and Buchanan Engineering laboratory in recognition of gifts and other support.

Moved by ________ Seconded by ________ Carried Yes ____ No ____

BOARD ACTION:

A motion to approve the request from University of Idaho to name various rooms and spaces in the Engineering & Physics Building, Gauss Engineering Laboratory, Johnson Engineering Laboratory, Janssen Engineering Building, and Buchanan Engineering laboratory in recognition of gifts and other support.

Moved by ________ Carried Yes ____ No ____

PAGES 39-42
UNIVERSITY OF IDAHO
ATTACHMENT A

Please Refer to Table Of Contents
For Link to Item #3.2.a

Nonroutine Action Item **Item #3.3**
University of Idaho

5.9 Acceptance of Gifts
5.9.1 Gift of Land from Jacklin Land Company

Ref: Regents' Minutes for January 21-22, 1997, pp. 36-39.
Regents' Minutes for April 17-18, 1997, pp. 34-36.
Regents' Minutes for November 20-21, 1997, p. 15
Regents' Minutes for March 19-20, 1998, p. 10
Regents' Minutes for June 18-19, 1998, p. 22

SUBJECT:

Request acceptance of a gift of approximately 4.74 acres of land in the Riverbend Commerce Park from the University of Idaho Foundation, Inc. to the University.

BACKGROUND:

In April 1997 the Regents approved the University of Idaho providing educational services in the Post Falls area according to plans that will be developed with the University of Idaho Foundation, Inc. (UIF). In November 1997 the University reported that the UIF had accepted a gift of 28 acres of land for the UI Research Park and stated that additional reports will be provided to the Regents as plans for a building to house UI programs are developed in conjunction with the Foundation. In June 1999 the Regents approved planning, design and construction of a facility, funded primarily with federal funds, to house UI programs and services in northern Idaho oriented to business and industry.

DISCUSSION:

Earlier this year, Jacklin Land Company gifted to the UI Foundation an additional 4.74 acres of land in the Riverbend Commerce Center, Jacklin's development adjacent to the UI Research Park. The building to house UI offices and programs and a business incubator with both office and laboratory environments, is being constructed on that site to take advantage of significant savings in infrastructure costs. The Foundation intends to gift the 4.74 acres to the University, to be effective upon acceptance of the Board as provided in State Board of Education Governing Policies and Procedures V.E.1.

FISCAL IMPACT:

The value of the gift of land was appraised at $435,000 in June 1999.

STAFF COMMENTS:

Approve the request.

COMMITTEE ACTIONS:

A motion to recommend to the Board approval of the request from University of Idaho to accept a gift of approximately 4.74 acres of land in the Riverbend Commerce Park from the University of Idaho Foundation, Inc. to the University.

Moved by ________ Seconded by ________ Carried Yes ____ No ____

BOARD ACTION:

A motion to approve the request from University of Idaho to accept a gift of approximately 4.74 acres of land in the Riverbend Commerce Park from the University of Idaho Foundation, Inc. to the University.

Moved by ________ Carried Yes ____ No ____

Nonroutine Action Item **Item #3.4**
Idaho Division of Vocational Rehabilitation

SUBJECT:

Approval for Acquisition of New Administrative Systems

BACKGROUND:

The current caseload management system is fifteen years old. It is now not responsive to current needs and reporting requirements. The Division has adhered to all of the rules and regulations of the Division of Purchasing.

DISCUSSION:

The low bid has been established and it is the proposal that was rated first in the rating process. The low bid was Alliance Enterprises, Inc. of Olympia. This firm has built several such systems for other Vocational Rehabilitation agencies around the country, including Washington, Oregon, Mississippi, Alabama, Michigan, New Mexico, and South Dakota.

FISCAL IMPACT:

The contract will be for $660,000 and will conclude in approximately 16 months. Funding will come from social security reimbursements budgeted amounts, and some support funds. Funding will be spread over three fiscal years.

STAFF COMMENTS:

Approve the request.

COMMITTEE ACTION:

A motion to recommend to the Board the approval of the request by the Division of Vocational Rehabilitation to purchase a new administrative system.

Moved by________ Seconded by________ Carried Yes____ No____

BOARD ACTION:

A motion to approve the request by the Division of Vocational Rehabilitation to purchase a new administrative system.

Moved by________ Carried Yes____ No____

THIS PAGE INTENTIONALLY LEFT BLANK

Nonroutine Action Item **Item #3.5**
Idaho Division of Vocational Rehabilitation

SUBJECT:

Approval of Leases for Office Space.

BACKGROUND:

The Division of Vocational Rehabilitation maintains offices throughout the State of Idaho in order to provide services. Recently the Department of Administration has taken a more active role in leasing activity. The Division of Public Works provides an analysis of leases and is involved in negotiating the lease prices. IDAPA 08.01.03, Section 101.03 requires Board approval for all leases.

DISCUSSION:

The attached schedule identifies all office space leased by the Division of Vocational Rehabilitation. An (*) identifies the lease that require renewal in the year 2000. In the future, approval will be requested for those leases which come due in any given year.

FISCAL IMPACT:

The attached schedule details the fiscal impact of each lease.

STAFF COMMENTS:

Approve the leases as presented.

COMMITTEE ACTION:

Recommend to the Board the approval of all leased office space for the Division of Vocational Rehabilitation.

Moved by________ Seconded by________ Carried Yes____ No____

BOARD ACTION:

A motion to approve all leased office space for the Division of Vocational Rehabilitation.

Moved by________ Carried Yes____ No____

Please contact the
Office of the Idaho State Board of Education
208 334-2270
to receive a copy of the
schedule of leased office space

ACTION ITEM **ITEM #4**

SUBJECT:

Final Reading of Policy Change Section III.T. Intercollegiate Athletics

BACKGROUND:

The Board has been analyzing and discussing intercollegiate athletic budgets over the last year with a focus on the sources of revenue supporting the program. As a result of the discussions, some major changes to the Board's policy on intercollegiate athletics have been proposed. At the October Board meeting, the Board approved the proposed policy change with two revisions. The first reading of the proposed change was approved at the November Board Meeting (Item #4.1).

DISCUSSION:

The proposed changes will allow the athletic budgets grow at the same rate as the institutions general education budgets. Any growth beyond that rate of growth must be funded from program revenue (with the exception of funding gender equity issues).

FISCAL IMPACT:

The policy changes limit the funds available for the athletic programs from appropriated funds, institutional funds and student fees.

STAFF COMMENTS:

Approve the changes.

COMMITTEE ACTION:

A motion to recommend to the Board to approve for final reading the policy changes to Section III.T. Intercollegiate Athletics as detailed in Item #4.1.

Moved by________ Seconded by ________ Carried Yes___ No___

BOARD ACTION:

A motion to approve for final reading the policy changes to Section III.T. Intercollegiate Athletics as detailed in Item #4.1.

Moved by ________ Carried Yes___ No___

THIS PAGE INTENTIONALLY LEFT BLANK

T. INTERCOLLEGIATE ATHLETICS

1. **Philosophy.**

The Board reaffirms the role of intercollegiate athletics as a legitimate and significant component of institutional activity. The responsibility for and control of institutional activities in this area rest with the Board.

In the area of intercollegiate athletics, the Board seeks to establish programs which:

a. **provide opportunities for student athletes to attend college and participate in athletic programs while pursuing and completing academic degrees;**
b. **reflect accurately the priorities and academic character of its institutions;**
c. **fuel school spirit and community involvement; and**
d. **serve the needs of the institutions as they seek, through their athletic programs, to establish fruitful and sustaining relationships with their constituencies throughout the state and nation.**

Given these goals, the Board has a continuing concern and interest in the academic success of student athletes, the scope and level of competition, and the cost of athletic programs administered by its institutions. Consequently, the Board will, from time to time in the context of this policy statement, promulgate, as necessary, regulations governing the conduct of athletic programs at its institutions.

2. **Policies.**

The day-to-day conduct of athletic programs is vested in the institutions and their chief executive officers. Decision-making at the institutional level must be consistent with the policies established by the Board and by those national organizations and conferences with which the institutions are associated. In the event that conflicts arise among the policies of these governance groups, it is the responsibility of the institution's chief executive officer to notify the Board in a timely manner. Likewise, any knowledge of NCAA or conference rule infractions involving an institution should be communicated by the athletic department to the chief executive officer of the institution. ~~**With respect to the use of state appropriated source of funds for the athletic department funds, it is the policy of the Board that:**~~

The Board recognizes that the financing of intercollegiate athletics, while controlled at the institutional level, is ultimately the responsibility of the Board itself. In assuming that responsibility, the sources of funds used by intercollegiate athletics shall be defined in the following categories:

~~a. State appropriated funds be used exclusively for the compensation of salaried employees working directly with the institution's intercollegiate athletic program at Idaho State University, Boise State University, and the University of Idaho.~~

~~Expenditures for all coaches in football at each of the three (3) universities will not exceed 5.0 full-time positions.~~

a. General Education Funds – includes the funds that are appropriated to the institutions (state general account).

b. Institutional Funds – includes any funds generated by the institution outside the athletic programs.

c. Student Fee Revenue – includes revenue generated from the full-time and part-time student activity fee that is dedicated to the intercollegiate athletics program.

d. Program Funds – includes revenue generated directly related to the athletic programs, including but not limited to ticket sales/event revenue, tournament/bowl/conference receipts, media/broadcast receipts, concessions/parking/advertisement, game guarantees and foundation/booster donations.

4. Funds allocated and used by athletic program from the above sources are limited as follows:

a. General education funds – ~~General education funds allocated to intercollegiate athletics by the institutions~~ shall not exceed \$665,500 for the universities and \$247,500 for Lewis-Clark State College for Fiscal Year 1987. In subsequent years, the limits shall be computed by an adjustment for the rate of change in the general education funds allocated by the Board. Beginning in FY98, the limits for each institution may be raised by the amounts annually approved and budgeted for implementation of institutional gender equity plans.

b. Institutional funds – shall not exceed $250,000 for Boise State University; $350,000 for Idaho State University; $500,000 for University of Idaho; and $100,000 for Lewis-Clark State College for fiscal year FY2000. In subsequent years, these limits shall be computed by an adjustment for the rate of change in the general education funds allocated by the Board.

e. Student fee revenue – shall not exceed revenue generated from student activity fee dedicated for the athletic program. Increases to the student fee for the athletic program shall be at the same rate of increase as the total student activity fees.

f. Program funds – the institutions can use the program funds generated, without restriction.

The president of each institution is accountable for balancing the budget of the athletic department on an annual basis. In accounting for the athletic programs, a fund balance for the total athletic program must be maintained. In the event that revenue within a fiscal year exceeds expenses, the surplus would increase the fund balance and would be available for future fiscal years. In the event that expenses within a fiscal year exceeds revenue, the deficit would reduce the fund balance. If the fund balance becomes negative, the institutions must submit a plan to the Board that eliminates the deficit within two fiscal years. Reduction in program expenditures and/or increase revenue (program funds only) can be used in an institutional plan to eliminate a negative fund balance. If substantial changes in the budget occur during the year resulting in a deficit for that year, the president shall advise the Board of the situation at the earliest opportunity.

Donation to athletics at an institution must be made reported according to policy. The amount of booster money donated to and used by the athletic department shall be budgeted in the athletic department budget.

~~3.~~4. Financial Reporting.

~~Consequently,~~ Board requires that the institutions adopt certain reporting requirements and common accounting practices in the area of intercollegiate athletic financing. ~~Beginning April 1, 1983,~~ T~~t~~he institutions will submit the following reports to the Board ~~by January 15 of each year~~:

a. At the April Board meeting, the institutions shall submit a budget plan for the upcoming fiscal year beginning July 1. The plans shall detail the sources of revenue by category.

b. At the June Board meeting, the institutions shall submit an operating budget for the upcoming fiscal year beginning July 1 in a format prescribed by the Board office.

c. At the October Board meeting, institutions shall submit
~~a.~~ a statement of current funds, revenues, and expenditures, in the detail prescribed by the Board office, including all revenue earned during a fiscal year. A secondary breakdown of expenditures by sport and the number of participants will also be required. The number and amounts of nonresident tuition waivers and the fund balances as of June 30 of the report year should be included in the report. The general format of the report will be consistent with the format used in recent years. The revenue and expenditures reported on these reports must reconcile to the NCAA Agreed Upon Procedures Reports that are prepared annually and reviewed by the external auditors. The following fiscal year's financial information will be reported by each institution:

(1) Estimated revenues and expenditures for the current fiscal year.

(2) Actual revenues and expenditures for the fiscal year most recently completed.

(3) Proposed operating budget for the next budget year beginning July 1. This report, however, will be submitted to the Board at its June meeting with other institutional operating budgets.

c. An annual report of estimated (for the current year) and actual (for the most recently completed year) revenues and expenditures of the institution's booster organization, requested for submission to the Board for information only.

d. A general narrative paper explaining each institution's policy on grants-in-aid for men and women athletes (including nonresident tuition waivers), procedures for charging or allocating costs for facilities' use to athletic programs, and any allocations of personnel or operating expenses to or from the other departments or units of the institution.

End of the finance section on athletics

THIS PAGE INTENTIONALLY LEFT BLANK

ACTION ITEM **ITEM #5**

SUBJECT:

Final Reading of Policy Change Section V.U. Fee Waivers

BACKGROUND:

In an attempt to increase enrollment in areas of workforce shortages in Idaho, the presidents recommended an increase in the number of nonresident tuition waivers for students enrolled in those fields of study. The final reading of a change in policy increasing the number of nonresident waivers for disadvantaged and deserving students from 1% to 3% of the institutions full-time equivalent enrollment was table in March 1999 until a report on the use of the waivers along with positive and negative implication was presented to the Board. These reports were presented to the Board at the October meeting. The Board deferred the final reading of the policy in October until a definition could be develop that would define the students eligible to receive waivers. Instead of changing the percentage for disadvantaged and deserving students, a new section was added for students enrolled in engineering information technology and related high technology disciplines (Item #5.1).

DISCUSSION:

Per the proposed policy, the institutions have identified the primary fields of study for which tuition waivers can be awarded (Item #5.2).

FISCAL IMPACT:

The fiscal impact would be the loss of nonresident tuition revenue to the institution (assuming the students receiving the waivers would have attended an Idaho institution if they had not received a waiver). In addition, increased general account funds would be required through the Enrollment Workload Adjustment because these students would not be paying nonresident tuition, their credit hours would be included in the EWA.

STAFF COMMENTS:

Determine if definition of eligible students meets the Board's direction. If so, approve the policy change.

COMMITTEE ACTION:

A motion to recommend to the Board for final reading of a change in policy increasing the number of nonresident tuition waivers as detailed in Item #5.1.

Moved by________ Seconded by________ Carried Yes___ No___

BOARD ACTION:

A motion to approve the final reading of a change in policy increasing the number of nonresident tuition waivers as detailed in Item #5.1.

Moved by________ Carried Yes___ No___

THIS PAGE INTENTIONALLY LEFT BLANK

U. FEE WAIVERS

1. Authority for Fee Waivers.

An institution shall not waive any of the applicable fees specified in Section V, Subsection R, unless specifically authorized in this subsection. Special fees are not defined as a fee waiver.

2. Waiver of Nonresident Tuition.

Nonresident tuition may be waived for the following categories:

a. Graduate/Instructional Assistants.

Waivers are authorized for graduate assistants appointed pursuant to Section III, Subsection P.11.c.

b. Intercollegiate Athletics.

For the purpose of improving competitiveness in intercollegiate athletics, the universities are authorized up to 225 waivers per semester and, Lewis-Clark State College is authorized up to 70 waivers per semester. The institutions are authorized to grant additional waivers, not to exceed ten percent (10%) of the above waivers, to be used exclusively for post-eligibility students.

c. Disadvantaged or Deserving Students.

The chief executive officer of each higher education institution is authorized to waive nonresident tuition for disadvantaged or deserving students not to exceed one percent of the institution's full-time equivalent enrollment.

<u>In addition, in order to meet the workforce demands in the fields of engineering, ~~and~~, information technology, and related high technology disciplines, the chief executive officer of each higher education institution is authorized to waive nonresident tuition for students enrolled in these areas (if space is available) not to exceed two percent of the institution’s full-time equivalent enrollment. Students eligible to receive the waiver must select engineering, ~~or~~ information technology, or related high technology disciplines as their primary field of study. Information technology encompasses</u>

scientific and mathematical study of design and building computers and their applications; design and development of operational electronic data storage and processing systems; study and development of electronic systems for transmitting information via networks; analysis and the development of economic and public policy issues; and applying methods and procedures used in the design and writing of computer programs including the problem solving of information network systems.

Each institution must submit a list of the primary fields of study for which tuition waivers can be awarded for Board approval. Any changes to the approved list must be submitted to the Board for their approval.

The institutions will provide an annual report to the Board on the use of these waivers in a format determine by the executive director of the Board.

d. Reciprocity with the State of Washington

Based on a limit approved by the Board, waivers may be allocated on an annual basis by the executive director of the Board to the college and universities in postsecondary education programs for Washington residents. An equal number of opportunities shall be afforded to Idaho residents in Washington postsecondary institutions.

e. Reciprocity with Utah State University.

Based on a limit approved by the Board, Idaho State University is authorized to waive nonresident tuition for residents of the State of Utah when an equal amount of waivers are made available to Idaho residents at Utah State University.

f. College of Mines.

Based on a limit approved by the Board, the College of Mines at the University of Idaho is authorized waivers to encourage enrollment in **mining,** metallurgy, and geology.

g. Reciprocity with the State of Oregon.

Based on a limit approved by the Board, waivers are authorized for undergraduate students who are residents of the State of Oregon and who are majoring in mining engineering, metallurgical engineering, or geological engineering at the University of Idaho. The number of waivers to be awarded annually shall be limited by the number of waivers provided to Idaho residents in Oregon institutions of higher education.

h. Domestic Student Exchange Program.

Waivers are authorized for nonresident students participating in this program.

i. Western Interstate Commission for Higher Education

Waivers are authorized for nonresident students participating in the WICHE Professional Student Exchange Program and the Graduate Student Exchange Program.

3. Reporting Requirements.

Each institution shall submit an annual report on fee waivers on a date and in a format determined by the executive director of the Board.

THIS PAGE INTENTIONALLY LEFT BLANK

Item #5.2

Boise State University

Engineering, Information Technology and Related High Technology Majors
Majors Eligible for Nonresident Tuition Waivers

Engineering

- Civil Engineering
- Electrical Engineering
- Mechanical Engineering
- General Engineering
- Construction Management

Computer Science

- Computer Science
- Mathematics

Science

- Chemistry
- Geophysics
- Geology
- Biology
- Physics
- Earth Science Education

Information Technology

- Computer Information Systems
- Networking and Telecommunications
- Graphic Arts
- Technical Communication

Health Technology

- Health Information Management
- Health Information Technology
- Medical Technology

Applied Technology (space-available basis only)

- Computer Support Technician
- Business Systems and Computer Repair
- Computer Network Support Technician
- Semiconductor Manufacturing
- Broadcast Technology
- Electronics Technology
- Drafting Technology
- Computer Aided Manufacturing

Item #5.2

Idaho State University
Engineering, Information Technology, and Related High Technology Majors
Majors Eligible for Nonresident Tuition Waivers

*Indicates a Graduate Program

Computer Science
Computer Science
Computer Information Systems
Mathematics
*Mathematics

Engineering
Engineering
*Engineering

Information Technology
Computer Software Engineering Technology
Engineering Technology
Design Drafting Technology
Electronic RF/Telecom Technology
Electrical Technology
Electro-mechanical Drafting Technology
Civil Engineering Technology
Electronic Systems Technology
Laser/Electro-Optics Technology
Radiographic Science
Automotive Technology
Construction Technology
Diesel/Electric Technology
Economics
*Instructional Technology
Instrumentation Technology
Mass Communication
Medical Technology
Welding Technology

Environmental Technology
Chemistry
*Chemistry
Geology
*Geology
*Hazardous Waste Management
Health Physics
*Health Physics
Physics
*Physics

Item #5.2

University of Idaho

Engineering, Information Technology, and Related High Technology Majors
Majors Eligible for Nonresident Tuition Waiver

Computer Science
- Computer Engineering
- Computer Science
- Mathematics

Engineering
- Agricultural Engineering
- Biological Systems Engineering
- Chemical Engineering
- Civil Engineering
- Electrical Engineering
- Geological Engineering
- Mechanical Engineering
- Metallurgical Engineering
- Mining Engineering

Information Technology
- Architecture (GIS and CAD)
- Art (Interface Design & Graphic Design)
- Business – Information Systems
- Cartography (GIS and CAD)
- Education Technology
- Industrial Technology
- Interior Architecture (GIS and CAD)
- Landscape Architecture (GIS and CAD)
- Visual Communication

Food and Fiber Production Technology
- Agriculture Ed – Teaching Option
- Agriculture Science and Technology
- Agribusiness
- Agricultural Systems Management
- Animal Science – Production
- Biology
- Botany
- CFCS: Family Life Education Option
- Food / Nutrition – Dietetics Option
- Microbiology
- Plant Science – Management Option
- Science / Pre-Veterinary
- Veterinary Science
- Zoology

Environmental Technology
- Chemistry: General
- Environmental Science
- Fishery Resources
- Forest Products
- Forest Resources
- Forestry, Wildlife and Range Sciences
- Geology
- Natural Resource Ecology and Conservation
- Rangeland Ecology and Management
- Wildlife Resources

Item #5.2

Lewis-Clark State College

Information Technology and Related High Technology Majors
Majors Eligible for Nonresident Tuition Waiver

Information Technology

- Mathematics with a minor in Computer Science
- Information Systems Analysis
- Electronic Communications

High Technology Majors

- Chemistry
- Drafting
- Geology

Action Item **ITEM #6**

SUBJECT:

Optional Retirement Plan – Restate Plan for Submission to IRS

BACKGROUND:

Administration of the Optional Retirement Plan includes the submission of a Plan Document to the Internal Revenue Service (IRS). The IRS reviews the Plan Document to determine if the Plan is considered a Qualified Plan under IRS Code. The original Plan Document was submitted to the IRS in 1990.

DISCUSSION:

The Plan Document must be updated periodically to incorporate new IRS rules and to reflect Board authorized changes to the Plan.

FISCAL IMPACT:

The fee for IRS determination of Qualified status of the updated Plan is $700.

STAFF COMMENTS:

Approve the draft version of the updated Idaho State Board of Education Optional Retirement Plan Document as included in this item and authorize the Board Chief Legal Officer to approve minor changes to this draft Plan Document to ensure compliance with IRS rules and state law.

FINANCE COMMITTEE ACTION:

A motion to recommend to the Board approval of the draft version of the updated Idaho State Board of Education Optional Retirement Plan Document and to authorize the Board Chief Legal Officer to approve minor changes to the draft Plan Document to ensure compliance with IRS rules and state law before submission to the IRS.

Moved by________ Seconded by________ Carried Yes____ No____

BOARD ACTION:

A motion to approve the draft version of the updated Idaho State Board of Education Optional Retirement Plan Document and to authorize the Board Chief Legal Officer to approve minor changes to the draft Plan Document to ensure compliance with IRS rules and state law before submission to the IRS.

Moved by________ Carried Yes____ No____

THIS PAGE INTENTIONALLY LEFT BLANK

Item #6.1

DRAFT

Idaho State Board of Education
Optional
Retirement Plan

A Defined Contribution Retirement Plan

THIS PAGE INTENTIONALLY LEFT BLANK

Item #6.1

DRAFT

Table of Contents

ARTICLE I	Definitions
ARTICLE II	Establishment of Plan
ARTICLE III	Eligibility for Participation
ARTICLE IV	Plan Contributions
ARTICLE V	Funding Vehicles
ARTICLE VI	Vesting
ARTICLE VII	Benefits
ARTICLE VIII	Administration
ARTICLE IX	Amendment and Termination
ARTICLE X	Miscellaneous

THIS PAGE INTENTIONALLY LEFT BLANK

Item #6.1

DRAFT

Article I: Definitions

1.1 ***Accumulation Account*** means the separate account(s) established for each Participant. The current value of a Participant's Accumulation Account includes all Plan Contributions, less expense charges, and reflects credited investment experience.

1.2 ***Annual Additions*** means the sum of the following amounts credited to a Participant's Accumulation Account during the Limitation Year: (a) Plan Contributions; (b) forfeitures, if any; and (c) individual medical account amounts described in section 415(l)(2) and 419A(d)(2) of the Code, if any.

1.3 ***Beneficiary(ies)*** means the individual, institution, trustee, or estate designated by the Participant to receive the Participant's benefits at his or her death.

1.4 ***Board*** means the Idaho State Board of Education and Board of Regents of the University of Idaho as defined in Idaho Code §33-101.

1.5 ***Code*** means the Internal Revenue Code of 1986, as amended.

1.6 ***Compensation*** means the salary stated in the academic year contract for faculty. For all other employees, Compensation means the amount reported as wages on the Participant's Form W-2, excluding compensation not currently includable because of the application of Code Sections 125 or 403(b).

In addition to other applicable limitations stated in the plan, and notwithstanding any other provision of the Plan to the contrary, for Plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the Plan shall not exceed the OBRA '93 annual compensation limit. The OBRA '93 annual compensation limit is $150,000, as adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, not exceeding 12 months, over which compensation is determined (determination period) beginning in such calendar year. If a determination period consists of fewer than 12 months, the OBRA '93 annual compensation limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator of which is 12.

For Plan years beginning on or after January 1, 1996, any reference in this Plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual compensation limit stated in this provision.

Item #6.1

DRAFT

If compensation for any prior determination period is taken into account in determining an employee's benefits accruing in the current Plan Year, the compensation for that prior determination period is subject to the OBRA '93 annual compensation limit in effect for that prior determination period. For this purpose, for determination periods beginning before the first day of the first Plan Year beginning on or after January 1, 1996, the OBRA '93 annual compensation limit is $150,000.

Notwithstanding the above, employees who became Participants in the Plan before the first day of the Plan Year beginning on or after January 1, 1996, will not be subject to the annual compensation limit.

1.7 ***Date of Employment or Reemployment*** means the effective date of the appointment for a faculty member. For all other employees, the Date of Employment or Reemployment is the first day upon which an employee completes an Hour of Service for performance of duties during the employee's most recent period of service with the Institution.

1.8 ***Eligible Employee*** means faculty or nonclassified staff of the Office of the Idaho State Board of Education, Boise State University, Idaho State University, University of Idaho, or Lewis-Clark State College initially appointed or hired between July 1, 1990 and June 30, 1993 who work on a .50 full-time equivalency basis or more and similar employees hired before July 1, 1990 who elected to participate in the Plan during the 90 day period from July 1, 1990 to September 28, 1990; and teaching staff and officers of the Office of the Idaho State Board of Education, Boise State University, Idaho State University, University of Idaho, or Lewis-Clark State College initially appointed or hired on or after July 1, 1993 who work on a .50 full-time equivalency basis or more; and teaching staff and officers of the College of Southern Idaho, North Idaho College, or Eastern Idaho Technical College initially appointed or hired on or after July 1, 1997 who work on a .50 full-time equivalency basis or more and similar employees hired before July 1, 1997 who elected to participate in the Plan during the 150 day period from July 1, 1997 to November 28, 1997. However, "Eligible Employee" shall exclude:

a: an Employee whose employment is expected to be less than five (5) months; and

b. an Employee whose employment is incidental to his or her status as a student at the Institution; and

c. an Employee who is vested in the Public Employee Retirement System of Idaho (PERSI) and who makes a one time irrevocable election to remain a member of that retirement system within 60 days of the date of initial hire or appointment.

Item #6.1

DRAFT

The term Eligible Employee shall not include any leased employee deemed to be an employee of the Institution as provided in Code Section 414(n).

No individual who is deemed to be an independent contractor, as determined by the Plan Administrator in its sole discretion, or individual performing services for the Employer pursuant to an agreement that provides that such individual shall not be eligible to participate in the retirement or other benefit plans of the Employer, shall be an Eligible Employee for purposes of this plan.

1.9 ***Fund Sponsor*** means an insurance, variable annuity or investment company that provides Funding Vehicles available to Participants under this Plan.

1.10 ***Funding Vehicles*** means the annuity contracts or custodial accounts that satisfy the requirements of Code Section 401(f) issued for funding accrued benefits under this Plan and specifically approved by the Institution for use under this Plan.

1.11 ***Hours of Service means:***

(a) Each hour for which an employee is paid, or entitled to payment, for the performance of duties for the Institution.

(b) Each hour for which an employee is paid, or entitled to payment, on account of a period of time during which no duties are performed (regardless of whether employment has terminated) due to vacation, holiday, illness, incapacity (including disability), layoff, jury duty, military duty, leave of absence, or maternity or paternity leave (whether paid or unpaid). However, any period for which a payment is made or due under a plan maintained solely for the purpose of complying with Workers' Compensation or unemployment compensation or disability insurance laws, or solely to reimburse the employee for medical or medically-related expenses is excluded. An employee is directly or indirectly paid, or entitled to payment by the Institution regardless of whether payment is made by or due from the Institution directly or made indirectly through a trust fund, insurer or other entity to which the Institution contributes or pays premium. No more than 501 Hours of Service will be credited under this paragraph. Hours of Service under this paragraph will be calculated and credited pursuant to Section 2530.200b-2 of the Department of Labor Regulations, incorporated herein by reference.

(c) Each hour for which back pay, irrespective of mitigation of damages, is either awarded or agreed to by the Institution, without duplication of hours provided above, and subject to the 501-hour restriction for periods described in (b) above.

Item #6.1

DRAFT

Hours of Service will be credited for employment with other members of an affiliated service group (under Code Section 414(m)), a controlled group of corporations (under Code Section 414(b)), or a group of trades or businesses under common control (under Code Section 414(c)) of which the Institution is a member, and any other entity required to be aggregated with the employer pursuant to Code Section 414(o) and the regulations thereunder. Hours of Service also will be credited for any person considered an employee for this Plan under Code Sections 414(n) or 414(o) and the regulations thereunder.

Hours of Service will be determined on the basis of actual hours that an employee is paid or entitled to payment.

1.12 ***Institution*** means the Board and employment units under its jurisdiction, namely:

The Office of the Idaho State Board of Education
Boise State University
Idaho State University
University of Idaho
Lewis-Clark State College
Eastern Idaho Technical College
College of Southern Idaho
North Idaho College

1.13 ***Institution Plan Contributions*** means contributions made by the Institution under this Plan.

1.14 ***Limitation Year*** means a calendar year.

1.15 ***Normal Retirement Age*** means age 65.

1.16 ***Participant*** means any Eligible Employee of the Institution participating in this Plan.

1.17 ***Participant Plan Contributions*** means contributions made by a Participant under this Plan. Participant Plan Contributions are designated as being picked-up by the Institution in lieu of contributions by the Participant, in accordance with Code Section 414(h)(2). The pick-up amounts cannot be received directly by the Participant and are required to be made.

1.18 ***Plan*** means the Idaho State Board of Education Optional Retirement Plan as set forth in this document, and pursuant to Idaho Code §33-107A and 33-107B.

1.19 ***Plan Contributions*** means the combination of Participant Plan Contributions and Institution Plan Contributions.

Item #6.1

DRAFT

1.20 ***Plan Entry Date*** means the later of the Effective Date of the Plan or the Eligible Employee's Date of Employment or Reemployment.

1.21 ***Plan Year*** means January 1 through December 31.

1.22 ***Year of Service*** means a 12-month period (computation period) during which the Eligible Employee completes 1,000 or more Hours of Service.

Article II: Establishment of Plan

2.1 ***Establishment of Plan.*** The Idaho State Legislature authorized the Board to establish the Plan as of July 1, 1990.

This Plan document sets forth the provisions of this Code Section 401(a) Plan. The Plan was restated as of January 1, 2000. Plan Contributions are invested, at the direction of each Participant, in one or more of the Funding Vehicles available to Participants under the Plan. Plan Contributions shall be held for the exclusive benefit of Participants.

Article III: Eligibility for Participation

3.1 ***Eligibility.*** An Eligible Employee must, as a condition of employment begin participation in this Plan on the Plan Entry Date following employment at the Institution.

3.2 ***Notification.*** The Institution will notify an Eligible Employee when he or she has completed the requirements necessary to become a Participant. An Eligible Employee who complies with the requirements and becomes a Participant is entitled to the benefits and is bound by all the terms, provisions, and conditions of this Plan, including any amendments that, from time to time, may be adopted, and including the terms, provisions and conditions of any Funding Vehicle(s) to which Plan Contributions for the Participant have been applied.

3.3 ***Enrollment in Plan.*** To participate in this Plan, an Eligible Employee must complete the necessary enrollment form(s) and return them to the Institution. An employee who has been notified that he or she is eligible to participate but who fails to return the enrollment forms will be deemed to have waived all of his or her rights under the Plan except the right to enroll at a future date.

Item #6.1

DRAFT

3.4 ***Reemployment.*** A former employee who is reemployed by the Institution will be eligible to participate upon meeting the requirements stated in the "Eligibility" section of Article III. A former employee who satisfied these requirements before termination of employment will be eligible to begin participation immediately after reemployment provided the former employee is an Eligible Employee.

3.5 ***Termination of Participation.*** A Participant will continue to be eligible for the Plan until one of the following conditions occur:

- he or she ceases to be an Eligible Employee;
- the Plan is terminated.

Furthermore, if a Participant begins to receive retirement benefits from the Accumulation Account(s) arising from Plan Contributions under this Plan before termination of employment, he or she will cease to be eligible and no further Institution Plan Contributions will be made on his or her behalf.

Article IV: Plan Contributions

4.1 ***Plan Contributions.*** Plan Contributions will be made for Eligible Employees who have satisfied the requirements of Article III as follows:

Each Institution shall contribute an amount equal to seven and eighty-one hundredths percent (7.81%) of each Participant's Compensation, reduced by any amount necessary, if any, to provide contributions to a total disability program, but in no event less than five percent (5%) of each Participant's Compensation; and

Each Participant shall contribute an amount equal to six and ninety-seven hundredths percent (6.97%) of his or her Compensation.

Plan Contribution rates are defined in Idaho Code §33-107A and are subject to change as that section is amended.

Plan Contributions are considered to be credited to Participants no later than the last day of the Plan Year for which the Plan Contributions are made.

4.2 ***When Contributions Are Made.*** Plan Contributions will begin when the Institution has determined that the Participant has met or will meet the requirements of Article III. Any part of a year's Plan Contributions not contributed before this determination will be included in contributions made for that year after the determination. Plan Contributions will be forwarded to the Fund Sponsor(s) in accordance with the procedures established by the Institution. Institution Plan Contributions will be

Item #6.1

DRAFT

forwarded to the Fund Sponsor(s) at least annually. Participant Plan Contributions will be forwarded by the Institution to the Fund Sponsor(s) as soon as it is administratively feasible for the Institution to segregate contributions, but in any event, within the time required by law.

4.3 ***Allocation of Contributions.*** A Participant may allocate Plan Contributions to the Funding Vehicle(s) in any whole-number percentages that equal 100 percent. A Participant may change his or her allocation of future contributions to the Funding Vehicle(s) according to the administrative procedures of the Fund Sponsor(s). A Participant may direct contributions to only one Fund Sponsor at any given time. However, a Participant may change Fund Sponsors once per calendar year by completing the appropriate forms provided by the Institution.

4.4 ***Leave of Absence.*** During a paid leave of absence, Plan Contributions will continue to be made for a Participant on the basis of Compensation then being paid by the Institution. No Plan Contributions will be made during an unpaid leave of absence.

4.5 ***Transfer of Funds from Another Plan.*** The Fund Sponsor shall accept contributions that are transferred directly from any other plan qualified under sections 401(a) or 403(a) of the Code, whether such plans are funded through a trustee arrangement or through an annuity contract, if such contributions are attributable only to employer and employee contributions and the earnings

thereon and accompanied by instructions showing the respective amounts attributable to
employer and employee contributions. Such funds and the accumulation generated from them shall always be fully vested and nonforfeitable.

4.6 ***Acceptance of Rollover Contributions.*** If a Participant is entitled to receive a distribution from another plan qualified under sections 401(a) or 403(a) of the Code that is an eligible rollover distribution under section 402 of the Code, the Fund Sponsor will accept such amount under this Plan provided the rollover to this Plan is made 1) directly from another plan; or 2) by the Participant within 60 days of the receipt of the distribution.

4.7 ***Uniformed Services.*** Notwithstanding any provision of this Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with §414(u) of the Code.

4.8 ***Maximum Plan Contributions.*** Notwithstanding anything contained in this Plan to the contrary, the total Annual Additions made for any Participant for any year will not exceed the amount permitted under section 415 of the Code. The limitations of Code Section 415 are hereby incorporated by reference.

Item #6.1

DRAFT

For the purpose of calculating the limits of Code Section 415, compensation means a Participant's earned income, wages, salaries, and fees for professional services and other amounts received for personal services actually rendered in the course of employment with the employer maintaining the plan and excluding the following: (a) employer contributions to a plan of deferred compensation that are not includable in the Employee's gross income for the taxable year in which contributed, or employer contributions under a simplified employee pension plan to the extent such contributions are deductible by the Employee, or any distributions from a plan of deferred compensation; and (2) other amount that received special tax benefits, or contributions made by the employer (whether or not under a salary reduction agreement towards the purchase of an annuity described in Code Section 403(b) (whether or not the amounts are actually excludable from the gross income of the Employee). For years beginning after December 31, 1997, compensation shall include any elective deferral (as defined in Code §402(g)(3)) and any amount which is contributed or deferred by the Institution at the election of the Participant and which is not includable in the gross income of the Participant by reason of Code §125 or 457.

To the extent permitted by Code Section 415 and the regulations promulgated thereunder, if the Annual Additions exceed the Section 415 limitations, the excess amounts will be disposed of as follows: (a) any Participant Plan Contributions (plus any gain attributable to the excess), to the extent they would reduce the excess amount, will be returned to the Participant; and, to the extent necessary, (b) if, after the application of (a) an excess still exists, the excess will be held unallocated in a suspense account and will be applied to reduce Institution Plan Contributions in succeeding limitation years.

If the limitations are exceeded because the Participant is also participating in another plan required to be aggregated with this Plan for Code Section 415, then the extent to which annual contributions under this Plan will be reduced, as compared with the extent to which annual benefits or contributions under any other plans will be reduced, will be determined by the Institution in a manner as to maximize the aggregate benefits payable to the Participant from all plans. If the reduction is under this Plan, the Institution will advise affected Participants of any additional limitation on their annual contributions required by this paragraph.

Article V: Funding Vehicles

5.1 ***Funding Vehicles.*** Plan Contributions are invested in one or more Funding Vehicles available to Participants under this Plan. The Fund Sponsors are:

Item #6.1

DRAFT

A. Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF)

B. Variable Annuity Life Insurance Company (VALIC)

Participants may choose any Funding Vehicle offered by a Fund Sponsor. The Institution's current selection of Fund Sponsors isn't intended to limit future additions or deletions of Fund Sponsors. Any additional accounts offered by a Fund Sponsor will automatically be made available to Participants in accordance with the procedures established by the Institution and the Fund Sponsor.

5.2 ***Fund Transfers.*** Subject to a Funding Vehicle's rules for transfers and in accordance with the provisions of the Code for maintaining the tax deferral of the Accumulation Account(s), a Participant may transfer funds accumulated under the Plan among the Plan's approved Funding Vehicles to the extent permitted by the Funding Vehicles.

Article VI: Vesting

6.1 ***Plan Contributions.*** Plan Contributions shall be fully vested and nonforfeitable when such Plan Contributions are made.

Article VII: Benefits

7.1 ***Retirement Benefits.*** A Participant who has terminated employment may elect to receive retirement benefits under any of the forms of benefit, as provided below.

Forms of Benefit. The forms of benefit are the benefit options offered by the Funding Vehicles available under this Plan. These forms are equally available to all Participants choosing the Funding Vehicle. The forms of benefit available under this Plan include:

- Single life annuities as provided under the Funding Vehicle contract.
- Joint and survivor annuities as provided under the Funding Vehicle contract.
- Cash withdrawals (to the extent the Funding Vehicle permits and subject to the limitations in the "Cash Withdrawal" section of this Article).
- Fixed period annuities, as permitted by the Funding Vehicle contract.
- Retirement Transition Benefit.
- Such other annuity and withdrawal options as provided under the Funding Vehicle contract.

Item #6.1

DRAFT

7.2 ***Cash Withdrawals.*** A Participant who has terminated employment may withdraw Participant Plan Contributions or receive benefits in any form the relevant Funding Vehicle permits, including a cash withdrawal. However, only an employee who has terminated employment and has attained age 55 may withdraw Institution Plan Contributions or receive benefits in any form the relevant Funding Vehicle permits, including a cash withdrawal.

Except, following retirement or termination of employment prior to age 55, if total accumulation is less than or equal to $10,000, both Participant and Institution Plan Contributions are available in a cash withdrawal subject to any restrictions of the Funding Vehicles of the Fund Sponsor.

7.3 ***Retirement Transition Benefit.*** Unless the Minimum Distribution Annuity, or the Limited Periodic Withdrawal Option is elected, a Participant may elect to receive a one time lump-sum payment of up to 10 percent of his or her Accumulation Account(s) in TIAA and/or the CREF account(s) at the time annuity income begins, provided the one sum payment from each TIAA contract and/or CREF account(s) doesn't exceed 10 percent of the respective Accumulation Account(s) being converted to retirement income.

7.4 ***Survivor Benefits.*** If a Participant dies before the start of retirement benefit payments, the full current value of the Accumulation Account(s) is payable to the Beneficiary(ies) under the options offered by the Funding Sponsors. Distribution of Survivor Benefits is subject to the required distribution rules set forth in Code Section 401(a)(9).

7.5 ***Application for Benefits.*** Procedures for receipt of benefits are initiated by writing directly to the Fund Sponsor. Benefits will be payable by the Fund Sponsor upon receipt of a satisfactorily completed application for benefits and supporting documents. The necessary forms will be provided to the Participant, the surviving spouse, or the Beneficiary(ies) by the Fund Sponsor.

7.6 ***Minimum Distribution Requirements.*** The requirements of this section shall apply to any distribution of a Participant's vested Accumulation Account(s) and will take precedence over any inconsistent provisions of this Plan . Distributions in all cases will be made in accordance with Code Section 401(a)(9) and the regulations promulgated thereunder, including the minimum distribution incidental benefit requirement of Section 1.401(a)(9)-2 of the proposed regulations.

Item #6.1

DRAFT

(a) Limits on Settlement Options. Distributions may only be made over one of the following periods (or a combination thereof):

i) the life of the Participant;
ii) the life of the Participant and a designated Beneficiary(ies);
iii) a period certain not extending beyond the life expectancy of the Participant; or
iv) a period certain not extending beyond the joint and last survivor life expectancy of the Participant and designated Beneficiary(ies).

(b) Required Beginning Date. The entire interest of a Participant must be distributed or begin to be distributed no later than the Participant's Required Beginning Date. The Required Beginning Date of a Participant is April 1 following the calendar year in which the Participant attains age 70-1/2 or, if later, April 1 following the calendar year that the Participant retires.

i) Any Participant attaining age 70½ in years after 1995 may elect by April 1 of the calendar year following the year in which the Participant attained age 70½ (or by December 31, 1997 in the case of a Participant attaining age 70½ in 1996) to defer distributions until the calendar year following the calendar year in which the Participant retires. If no such election is made, the Participant will begin receiving distributions by the April 1 of the calendar year in which the Participant attained age 70½ (or December 31, 1997 in the case of a Participant attaining age 70½ in 1996).

ii) Any Participant attaining Age 70½ in years prior to 1997 may elect to stop distributions and recommence by the April 1 of the calendar year in which the Participant retires. There is no new annuity starting date upon recommencement.

iii) The preretirement age 70½ distribution date is eliminated with respect to Participants who reach age 70½ after December 31, 1998. The preretirement age 70½ distribution option is an optional distribution form of benefit under which benefits payable in a particular distribution form (including any modification that may be elected after benefit commencement) commence at a time during the period that begins on or after January 1, of the calendar year in which a Participant attains age 70½ and ends April 1 of the immediately following calendar year.

Item #6.1

DRAFT

(c) Death Distribution Provisions. Upon the death of the Participant, the following distribution provisions will take effect:

i) If the Participant dies after distribution of his or her vested Accumulation Account has begun, the remaining portion of the vested Accumulation Account(s) will continue to be distributed at least as rapidly as under the method of distribution being used before the Participant's death;

ii) If the Participant dies before distribution of his or her vested Accumulation Account(s) begins, distribution of the Participant's entire vested Accumulation Account(s) shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death except where an election is made to receive distributions in accordance with (1) or (2) below:

(1) If any portion of the Participant's vested Accumulation Account is payable to a designated Beneficiary(ies), distributions may be made over a period certain not greater than the life expectancy of the designated Beneficiary(ies)commencing by December 31 of the calendar year immediately following the calendar year in which the Participant died;

(2) If the designated Beneficiary(ies) is the Participant's surviving spouse, the date distributions are required to begin in accordance with (1) above must not be earlier than the later of

(a) December 31 of the calendar year immediately following the calendar year in which the Participant died and

(b) December 31 of the calendar year in which the Participant would have attained age 70 1/2.

If the Participant has not made an election pursuant to this section by the time of his or her death, the Participant's designated Beneficiary(ies) must elect the method of distribution no later than the earlier of (1) December 31 of the calendar year in which distributions would be required to begin under this section, or (2) December 31 of the calendar year that contains the fifth anniversary of the date of death of the Participant. If the Participant has no designated Beneficiary(ies), or if the designated Beneficiary(ies) does not elect a method of distribution, distribution of the Participant's entire vested Accumulation Account(s) must be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

Item #6.1

DRAFT

7.7 ***Small Sum Payments.*** A participant's accumulations may be received in a single sum if certain conditions are met. If a Participant in this Plan terminates employment with the Institution and requests that the Fund Sponsor pay his or her Group Retirement Annuity accumulation in a single sum, the Institution will approve such request if, at the time of the request, the following conditions apply:

1. The total Accumulation Account is $2,000 or less.
2. The total accumulation Account attributable to Plan Contributions is not more than $4,000.

Upon request for the small sum payment, the total Accumulation Account will be payable by the Fund Sponsor to the Participant in a lump sum and will be in full satisfaction of the Participant's rights and his or her spouse's rights to retirement or survivor benefits.

7.8 ***Direct Rollovers.*** This section applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this section, a distributee may elect, at the time and in the manner prescribed by the plan administrator, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

For this section, the following definitions apply:

1) Eligible rollover distribution: An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Section 401(a)(9); and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

2) Eligible retirement plan: An eligible retirement plan is an individual retirement account described in Code Section 408(a), an individual retirement annuity described in section 408(b) of the Code, or a qualified retirement plan described in Code Section 401(a) or 403(a) of the Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

Item #6.1

DRAFT

3) Distributee: A distributee includes an employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in section 414(p) of the Code, are distributees with regard to the interest of the spouse or former spouse.

4) Direct rollover: A direct rollover is a payment by the Plan to the eligible retirement plan specified by the distributee.

Article VIII: Administration

8.1 ***Plan Administrator.*** The Idaho State Board of Education, located at 650 W. State Street Boise, Idaho 83720, is the administrator of this Plan and has designated the following as responsible for enrolling Participants, sending Plan contributions for each Participant to the Fund Sponsor(s) selected by a Participant, and for performing other duties required for the operation of the Plan:

The Chief Fiscal Officer
The Office of the Idaho State Board of Education

The Financial Vice President
Boise State University

The Financial Vice President
Idaho State University

The Financial Vice President
University of Idaho

The Financial Vice President
Lewis-Clark State College

The Financial Vice President
Eastern Idaho Technical College

The Financial Vice President
College of Southern Idaho

The Financial Vice President
North Idaho College

Item #6.1

DRAFT

8.2 ***Authority of the Institution.*** The Institution has all the powers and authority expressly conferred upon it herein and further shall have discretionary and final authority to determine all questions concerning eligibility and contributions under the Plan, to interpret and construe all terms of the Plan, including any uncertain terms, and to determine any disputes arising under and all questions concerning administration of the Plan. Any determination made by the Institution shall be given deference, if it is subject to judicial review, and shall be overturned only if it is arbitrary or capricious. In exercising these powers and authority, the Institution will always exercise good faith, apply standards of uniform application, and refrain from arbitrary action. The Institution may employ attorneys, agents, and accountants as it finds necessary or advisable to assist it in carrying out its duties. The Institution, by action of the Board, may designate a person or persons other than the Institution to carry out any of its powers, authority, or responsibilities. Any delegation will be set forth in writing.

8.3 ***Action of the Institution.*** Any act authorized, permitted, or required to be taken by the Institution under the Plan, which has not been delegated in accordance with the "Authority of the Institution" section of Article VIII, may be taken by a majority of the members of the Board, by vote at a meeting. All notices, advice, directions, certifications, approvals, and instructions required or authorized to be given by the Institution under the Plan will be in writing and signed by either (i) a majority of the members of the Board, or by any member or members as may be designated by the Board, as having authority to execute the documents on its behalf, or ii) a person who becomes authorized to act for the Institution in accordance with the provisions of the "Authority of the Institution" section of Article VIII. Any action taken by the Institution that is authorized, permitted, or required under the Plan and is in accordance with Funding Vehicles contractual obligations are final and binding upon the Institution, and all persons who have or who claim an interest under the Plan, and all third parties dealing with the Institution.

8.4 ***Indemnification.*** Subject to the limits of the Idaho Tort Claims Act, Idaho Code §6-901 et. seq.,The Institution will satisfy any liability actually and reasonably incurred by any members of the Board or any person to whom any power, authority or responsibility of the Institution is delegated pursuant to the "Authority of the Institution" section of Article VIII (other than the Fund Sponsors). These liabilities include expenses, attorney's fees, judgments, fines, and amounts paid in connection with any threatened, pending or completed action, suit or proceeding related to the exercise (or failure to exercise) of this authority. This is in addition to whatever rights of indemnification exist under the articles of incorporation, regulations or by-laws of the Institution, under any provision of law, or under any other agreement.

Item #6.1

DRAFT

8.5 ***No Reversion.*** Under no circumstances or conditions will any Plan Contributions of the Institution revert to, be paid to, or inure to the benefit of, directly or indirectly, the Institution. However, if Plan Contributions are made by the Institution by mistake of fact, these amounts may be returned to the Institution within one year of the date that they were made, at the option of the Institution.

8.6 ***Statements.*** The Institution will determine the total amount of contributions to be made for each Participant from time to time on the basis of its records and in accordance with the provisions of this Article. When each contribution payment is made by the Institution, the Institution will prepare a statement showing the name of each Participant and the portion of the payment that is made for him or her, and will deliver the statement to the appropriate Fund Sponsors with the contributions payment. Any determination by the Institution, evidenced by a statement delivered to the Fund Sponsors, is final and binding on all Participants, their Beneficiaries or contingent annuitants, or any other person or persons claiming an interest in or derived from the contribution's payment.

8.7 ***Reporting.*** Records for each Participant under this Plan are maintained on the basis of the Plan Year. At least once a year the Fund Sponsors will send each Participant a report summarizing the status of his or her Accumulation Account(s) as of December 31 each year. Similar reports or illustrations may be obtained by a Participant upon termination of employment or at any other time by writing directly to the Fund Sponsors.

Article IX: Amendment and Termination

9.1 ***Amendment and Termination.*** While it is expected that this Plan will continue indefinitely, the Institution reserves the right to amend, otherwise modify, or terminate the Plan, or to discontinue any further contributions or payments under the Plan, by resolution of its Board. In the event of a termination of the Plan or complete discontinuance of Plan Contributions, the Institution will notify all Participants of the termination. As of the date of complete or partial termination, all Accumulation Accounts will become nonforfeitable to the extent that benefits are accrued.

9.2 ***Limitation.*** Notwithstanding the provisions of the "Amendment and Termination" section of Article IX, the following conditions and limitations apply:

(a) No amendment will be made which will operate to recapture for the Institution any contributions previously made under this Plan. However, Plan Contributions made based on a mistake of fact may be returned to the Institution within one year of the date on which the Plan Contribution was made. Also, Plan Contributions made in contemplation of approval by the

Item #6.1

DRAFT

Internal Revenue Service may be returned to the Institution if the Internal Revenue Service fails to approve the Plan.

(b) No amendment will deprive, take away, or alter any then accrued right of any Participant insofar as Plan Contributions are concerned.

Article X: Miscellaneous

10.1 ***Plan Non-Contractual.*** Nothing in this Plan will be construed as a commitment or agreement on the part of any person to continue his or her employment with the Institution, and nothing in this Plan will be construed as a commitment on the part of the Institution to continue the employment or the rate of compensation of any person for any period, and all employees of the Institution will remain subject to discharge to the same extent as if the Plan had never been put into effect.

10.2 ***Claims of Other Persons.*** The provisions of the Plan will not be construed as giving any Participant or any other person, firm, entity, or corporation, any legal or equitable right against the Institution, its officers, employees, or directors, except the rights as specifically provided for in this Plan or created in accordance with the terms and provisions of this Plan.

10.3 ***Merger, Consolidation, or Transfers of Plan Assets.*** In the event of a merger or consolidation with, or transfer of assets to, another plan, each Participant will receive immediately after such action a benefit under the plan that is equal to or greater than the benefit he or she would have received immediately before a merger, consolidation, or transfer of assets or liabilities.

10.4 ***Finality of Determination.*** All determinations with respect to the crediting of Years of Service under the Plan are made on the basis of the records of the Institution, and all determinations made are final and conclusive upon employees, former employees, and all other persons claiming a benefit interest under the Plan. Notwithstanding anything to the contrary contained in this Plan, there will be no duplication of Years of Service credited to an employee for any one period of his or her employment.

10.5 ***Non-Alienation of Retirement Rights or Benefits.*** No benefit under the Plan may, at any time, be subject in any manner to alienation, encumbrance, the claims of creditors or legal process to the fullest extent permitted by law. No person will have power in any manner to transfer, assign, alienate, or in any way encumber his or her benefits under the Plan, or any part thereof, and any attempt to do so will be void and of no effect. However, this Plan will comply with any judgment, decree or order which establishes the rights of another person to all or a portion of a Participant's benefit under this Plan to the extent that it is a "qualified domestic relations order" under section 414(p) of the Code.

Item #6.1

DRAFT

10.6 *Governing Law.* Except as provided under federal law, the provisions of the Plan are governed by and construed in accordance with the laws of the State of Idaho.

Employer Identification Number: -
Plan Number: 001

____
(Signature of Plan Administrator)