

House File 2568 - Introduced

HOUSE FILE 2568

BY THOMSON

A BILL FOR

1 An Act establishing a temporary independent fiscal restructuring
2 authority to provide oversight of institutions of higher
3 education governed by the state board of regents, providing
4 penalties, and making appropriations.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. LEGISLATIVE FINDINGS AND INTENT. The general
2 assembly finds and declares all of the following:

3 1. Public purpose and long-term state interest. The
4 institutions governed by the state board of regents exist to
5 advance the long-term educational, economic, cultural, and civic
6 vitality of the people of Iowa, including the preparation of
7 Iowa's future leaders across every profession, industry, and
8 community. The fiscal stability, operational integrity, and
9 faithful alignment of those institutions with their founding
10 purposes is therefore a matter of vital statewide concern
11 and a proper subject of legislative action under the police
12 power of this state. The general assembly has both the
13 constitutional authority and the solemn duty to ensure that
14 public resources entrusted to these institutions are deployed
15 efficiently, transparently, and in furtherance of the purposes
16 for which the people of Iowa created them.

17 2. Regents as creatures of statute — no tolerance for
18 insubordination. The state board of regents is a creature of
19 statute, established by legislative enactment and exercising
20 only such authority as has been delegated to it by the
21 general assembly. The board is subordinate to statutes
22 duly enacted, and must implement legislative mandates fully,
23 faithfully, and promptly. Any willful refusal, delay,
24 obstruction, circumvention, or noncompliance with statutory
25 directives, whether by the board itself or by university
26 administrators, employees, or agents, constitutes ultra vires
27 conduct incompatible with the delegated status of the board's
28 enterprise and will not be tolerated by the general assembly.
29 Recent events have demonstrated that elements within the
30 regents institutions have engaged in deliberate efforts to
31 evade or undermine legislative mandates, including documented
32 instances in which university personnel have openly discussed
33 strategies to circumvent duly enacted laws while maintaining
34 superficial compliance. Such conduct betrays the public trust
35 and necessitates enhanced legislative oversight mechanisms.

1 3. Tuition and revenue growth outpacing inflation. Tuition,
2 mandatory fees, and related charges at regents institutions have
3 increased at rates substantially exceeding general inflation over
4 extended periods, imposing mounting and often crushing burdens
5 on Iowa families and taxpayers. The cost of attendance at
6 Iowa's public universities has increased by more than two hundred
7 percent over the past two decades, far outstripping the growth
8 in median family income and the general consumer price index.
9 Where in 1981 state appropriations accounted for seventy-seven
10 percent of the universities' general education budgets and
11 tuition accounted for twenty-one percent, those proportions have
12 effectively reversed. Today, tuition accounts for approximately
13 sixty-four percent of general education funding while state
14 appropriations account for approximately thirty-one percent.
15 This structural inversion signals cost drivers that have not
16 been sufficiently constrained by ordinary budget processes and
17 demonstrates the failure of the current governance framework to
18 protect Iowa families from relentless cost escalation.

19 4. Federal credit expansion has weakened market
20 discipline. The general assembly finds that the widespread
21 availability of federal student loans and related financing
22 mechanisms has substantially weakened ordinary consumer price
23 discipline in higher education, contributing to tuition and cost
24 escalation and reducing institutional incentives to constrain
25 cost growth. This dynamic is especially acute where the
26 borrowers are young adults and first-time financial actors
27 who often lack the mature price sensitivity that normally
28 constrains consumer markets. The availability of easily
29 accessible credit has insulated regents institutions from the
30 market discipline that would ordinarily punish inefficiency,
31 bloat, and mission drift. Research from the federal reserve
32 bank of Richmond and the federal reserve bank of New York
33 confirms the relationship between expanded federal student aid
34 and rising tuition. This validates what has become known as
35 the Bennett hypothesis, which states that federal financial

1 aid policies, while well-intentioned, have enabled institutions
2 to raise tuition with confidence that loan subsidies would
3 absorb the increases. The general assembly concludes that
4 absent external discipline imposed by legislative action, regents
5 institutions have insufficient internal incentive to constrain
6 costs.

7 5. Absence of true audit discipline and intrusive performance
8 scrutiny. Regents institutions have not been compelled to
9 submit, on a routine and system-wide basis, to the type
10 of intrusive, independent, performance-oriented, forensic audit
11 discipline commonly imposed in private-sector restructuring
12 or receivership contexts. While compliance and financial
13 audits have been conducted, these have proven insufficient to
14 identify structural inefficiencies, administrative bloat, or
15 misalignment with legislative intent. Internal audit functions
16 have experienced chronic workforce challenges, with audit
17 plans regularly falling short of completion due to staffing
18 vacancies and resource constraints. Recent audit findings
19 have revealed unacceptable weaknesses in operational controls,
20 including weaknesses at units that had been the subject of prior
21 investigations and should have implemented comprehensive reforms.
22 The general assembly finds that the existing audit framework
23 lacks the forensic intensity and independence necessary to impose
24 genuine fiscal discipline on institutions that control billions
25 of dollars of public resources.

26 6. Cost growth contrary to legislative intent — human
27 burden. The general assembly finds that major cost increases in
28 tuition, fees, and institution-provided services have proceeded
29 in ways fundamentally inconsistent with legislative intent
30 in creating and funding regents institutions, which is to
31 provide accessible, high-value public education for Iowans at a
32 reasonable cost. The financial burden imposed on Iowa families
33 has become unreasonable and, in effect, inhumane. Students
34 report needing to work multiple jobs to afford attendance.
35 Graduate students describe tuition increases as dollars diverted

1 from rent, utilities, child care, and basic necessities. The
2 general assembly created these institutions to serve Iowans,
3 not to extract from them ever-increasing resources while
4 delivering services of uncertain value. The disconnect between
5 institutional cost growth and the financial capacity of ordinary
6 Iowa families represents a betrayal of the foundational compact
7 between the people and their public universities.

8 7. Programmatic drift from measurable Iowa benefit. The
9 general assembly finds that, over time, substantial portions of
10 instruction, research, and administrative activity at regents
11 institutions have drifted away from measurable benefit to
12 Iowa's public interests, workforce needs, civic health, and
13 economic priorities. Programs have proliferated without rigorous
14 assessment of their contribution to the state's needs.
15 Administrative positions have multiplied while faculty numbers
16 have declined relative to enrollment. Academic offerings have
17 expanded into areas of questionable relevance to Iowa's economy
18 and workforce requirements. The general assembly concludes that
19 comprehensive rejustification of all expenditures is necessary
20 to restore alignment with the public purpose for which these
21 institutions were created and for which they continue to receive
22 public appropriations.

23 8. Fiscal opacity encourages institutional monoculture and
24 diminishes excellence. The general assembly finds that prolonged
25 insulation from rigorous fiscal scrutiny can contribute to
26 institutional monoculture, reduced intellectual competitiveness,
27 and diminished robustness and value. A durable and excellent
28 public university system requires diversity of thought, viewpoint
29 pluralism, and competitive excellence rather than unchallenged
30 uniformity enforced through administrative orthodoxy. The
31 general assembly is concerned that fiscal opacity and lack
32 of accountability have enabled ideological conformity to
33 take root in ways that undermine the intellectual vitality,
34 competitive position, and long-term institutional health of
35 Iowa's universities. Fiscal discipline is a legitimate and

1 necessary tool to restore institutional health, encourage
2 intellectual diversity, and ensure that Iowa's universities
3 remain competitive with peer institutions rather than declining
4 into comfortable mediocrity.

5 9. Recent capital projects demonstrate scrutiny
6 failures. The general assembly finds that recent major proposals
7 affecting regents-related facilities and long-term financial
8 obligations have been advanced without adequate, independently
9 validated justification. Proposals involving expenditures
10 exceeding two billion dollars were at risk of proceeding
11 without sufficient scrutiny until individual board members
12 raised objections questioning the adequacy of the underlying
13 analysis and the reliability of key assumptions. That such
14 objections had to come from a single board member, rather
15 than emerging naturally from robust institutional processes,
16 reveals the failure of existing oversight mechanisms. Prior
17 major construction projects have experienced significant cost
18 overruns, design disputes, and budget escalations that might have
19 been avoided with more rigorous initial scrutiny. The general
20 assembly concludes that current capital planning and approval
21 processes provide insufficient protection for the state's fiscal
22 interests.

23 10. Regents budget process lacks adequate transparency and
24 detail. The general assembly finds that the budget formation
25 and approval process employed by the state board of regents
26 has proven inadequate to ensure meaningful oversight by board
27 members themselves, let alone by the general assembly or the
28 public. Members of the board have expressed concern that they
29 receive proposed budgets with insufficient time for review,
30 without access to actual expenditure data from prior years,
31 without adequate information about contingency planning, and
32 without opportunity for substantive committee discussion before
33 approval votes. When board members charged with fiduciary
34 responsibility for billions of dollars of public resources vote
35 against budget approval as a protest against the inadequacy

1 of the process itself, the general assembly concludes that
2 the process has fundamentally failed and requires legislative
3 intervention to establish minimum standards for transparency,
4 detail, and deliberation.

5 11. Need for extraordinary oversight tools. The general
6 assembly finds that ordinary oversight methods have proven
7 inadequate to impose timely, system-wide fiscal discipline on
8 regents institutions. Incremental reforms, voluntary compliance
9 initiatives, and traditional appropriations processes have failed
10 to arrest cost growth, restore alignment with legislative intent,
11 or ensure accountability. Extraordinary temporary restructuring
12 authority is therefore necessary to restore lawful, transparent,
13 accountable, and efficient operations and to protect legislative
14 appropriations and the interests of Iowa taxpayers. The general
15 assembly intends by this Act to establish mechanisms capable of
16 compelling the systemic reform that normal processes have failed
17 to achieve.

18 12. Zero-based budgeting is independently beneficial
19 regardless of disputed facts. The general assembly finds that
20 even if any specific contested factual premise regarding
21 particular programs, costs, or administrative decisions were
22 later disputed or shown to be incomplete, periodic system-wide,
23 zero-based budgeting and external restructuring review are
24 independently beneficial governance tools for large institutions
25 that have not previously been subjected to such intrusive
26 scrutiny. Zero-based budgeting requires each expenditure to be
27 justified anew rather than carried forward automatically, thereby
28 forcing institutions to articulate the continuing necessity
29 and value of each program and function. Such processes have
30 proven valuable in both public and private sector contexts,
31 enabling organizations to identify inefficiencies, eliminate
32 redundancies, and reallocate resources to higher-value functions.
33 The general assembly concludes that zero-based budgeting is a
34 sound governance practice that should be applied to regents
35 institutions regardless of any particular factual controversies,

1 and that such application is reasonably expected to reveal
2 substantial savings and efficiency opportunities.

3 13. Anticipated savings magnitude and reinvestment
4 potential. The general assembly finds, based on restructuring
5 experience in other large organizations and budget-reset
6 methodologies, that substantial savings, potentially in the
7 range of fifteen percent or more of current expenditures,
8 are often identified when zero-based budgeting and intrusive
9 restructuring tools are imposed on systems previously insulated
10 from such scrutiny. In 2003, the state of Texas faced a
11 projected ten billion dollar budget shortfall. By requiring
12 state agencies to justify every expenditure from a zero base,
13 the legislature identified opportunities to consolidate agencies
14 and reduce costs, achieving approximately one billion dollars
15 in annual savings without tax increases. Private sector
16 applications of zero-based budgeting have identified comparable
17 efficiencies. The general assembly concludes that achieving
18 such efficiencies within the regents system will enable these
19 institutions to redirect substantial resources toward their
20 highest-value educational and research functions, which are the
21 truly excellent programs and faculty that likely have been
22 suffering from inadequate funding due to bloat, administrative
23 overhead, and mission drift in other areas of the enterprise.

24 14. Federal funds preservation — no immunity from state
25 oversight. The general assembly finds that preservation of
26 federal funds and compliance with mandatory federal grant
27 conditions are important public interests that this Act is
28 designed to protect. However, receipt of federal funds does not
29 immunize regents institutions from state fiscal oversight, audit,
30 and restructuring. The state of Iowa retains full authority to
31 condition, structure, and oversee institutional fiscal operations
32 while directing compliance with mandatory federal requirements.
33 Nothing in this Act shall be construed to require any action
34 that would violate binding federal law or result in forfeiture
35 of federal funds to which regents institutions would otherwise be

1 entitled. However, neither shall federal funding relationships
2 serve as a shield against legitimate state oversight or as an
3 excuse for failing to implement lawful state directives in areas
4 where federal requirements do not apply.

5 15. Construction of Act. This Act shall be construed broadly
6 to effectuate its purposes, including the restoration of fiscal
7 integrity, transparency, accountability, and alignment with the
8 public purpose of regents institutions. Any ambiguity in the
9 provisions of this Act shall be resolved in favor of the
10 authority granted herein to obtain data, impose restructuring
11 requirements, mandate zero-based budgeting, and protect state
12 fiscal stability. The general assembly declares that the
13 findings set forth in this section reflect its considered
14 legislative judgment based on extensive review of institutional
15 operations, public testimony, media reports, academic research,
16 and the experience of other jurisdictions, and that these
17 findings shall inform the interpretation and application of all
18 provisions of this Act.

19 Sec. 2. NEW SECTION. **262C.1 Short title.**

20 This chapter shall be known and may be cited as the
21 "*Independent Fiscal Restructuring Authority Act*".

22 Sec. 3. NEW SECTION. **262C.2 Purpose, findings, and**
23 **declarations.**

24 1. *Public purpose, police power, and constitutional*
25 *authority.* The general assembly finds and declares all of the
26 following:

27 a. Regents institutions exist to educate Iowa's future
28 leaders and sustain state economic and civic health.

29 b. Fiscal integrity, affordability, and durability of these
30 institutions are matters of compelling statewide concern.

31 c. This chapter constitutes a valid exercise of the state's
32 police power to preserve fiscal stability, protect taxpayers, and
33 ensure efficient operation of public institutions.

34 d. The fiscal condition of regents institutions requires
35 extraordinary legislative intervention.

1 e. This chapter exercises the general assembly's
2 appropriations power under Article III, section 24, of the
3 Constitution of the State of Iowa.

4 f. Contract modifications authorized herein are necessary
5 and reasonable means to serve a significant public purpose,
6 representing the least impairing means available to achieve
7 fiscal stability while respecting contract rights to the maximum
8 extent feasible.

9 2. *Ministerial execution framework.* The general assembly
10 finds and declares all of the following:

11 a. This chapter establishes fixed statutory policy regarding
12 fiscal objectives, performance metrics, metric weights, reduction
13 targets, and procedural requirements.

14 b. The independent fiscal restructuring authority exercises
15 ministerial authority to apply criteria and execute policies
16 established by statute.

17 c. The independent fiscal restructuring authority does not
18 formulate new fiscal, academic, or institutional policy; the
19 authority implements policy choices made by the general assembly.

20 d. The metrics, weights, targets, timelines, and procedures
21 in this chapter constitute an intelligible principle sufficient
22 to guide action by the independent fiscal restructuring authority
23 and permit judicial review.

24 e. Powers exercised by the independent fiscal restructuring
25 authority are bounded by statutory criteria and subject to
26 legislative override, ensuring accountability to the legislative
27 branch.

28 3. *Legislative supremacy.* The general assembly finds and
29 declares all of the following:

30 a. The state board of regents is a statutory body with no
31 inherent constitutional authority.

32 b. All the board's authority is delegated by the general
33 assembly and subject to legislative revision or revocation.

34 c. Conduct inconsistent with legislative directives
35 constitutes ultra vires action.

1 4. *State subsidy neutrality.* The general assembly finds and
2 declares all of the following:

3 a. The state does not penalize receipt of federal funds.

4 b. The state declines to provide duplicative state subsidies
5 for administrative functions that are shielded from state
6 oversight by federal requirements.

7 c. Regents institutions remain free to accept federal funds
8 on federal terms. The state may adjust only its own independent
9 financial contributions.

10 d. Such action by the state represents a neutral exercise of
11 appropriation authority, not retaliation or coercion.

12 5. *Meaningful judicial review.* The general assembly finds
13 and declares all of the following:

14 a. The procedural provisions of this chapter regulate the
15 process of judicial review to ensure efficiency, finality, and
16 protection of state fiscal interests.

17 b. Such provisions preserve meaningful access to courts
18 consistent with due process.

19 c. Nothing in this chapter eliminates judicial review. This
20 chapter channels and expedites such review.

21 d. Bond and standing requirements serve legitimate state
22 interests and are proportionally calibrated in this chapter.

23 6. *Additional findings.* The detailed findings regarding
24 absence of fiscal discipline, tuition growth, federal loan market
25 distortion, institutional drift, capital planning deficiencies,
26 internal audit capacity, and zero-based budgeting benefits set
27 forth in section 1 of this Act are incorporated by reference.

28 7. *Construction.* This chapter shall be construed broadly
29 to effectuate its purposes. Ambiguity shall be resolved in
30 favor of the functions of the independent fiscal restructuring
31 authority provided in this chapter consistent with constitutional
32 limitations.

33 Sec. 4. NEW SECTION. **262.3 Definitions.**

34 As used in this chapter, unless the context otherwise
35 requires:

1 1. "Authority" means the independent fiscal restructuring
2 authority.

3 2. "Board" means the state board of regents.

4 3. "Contract" does not include a collective bargaining
5 agreement entered into pursuant to chapter 20.

6 4. "Department" means the department of management.

7 5. "Institution" means an institution specified in section
8 262.7, subsections 1 through 3.

9 6. "Major directive" means a directive of the authority that
10 requires the board, an institution, or an individual not employed
11 by the authority to carry out or not carry out an action.

12 Sec. 5. NEW SECTION. **262C.4 Independent fiscal**
13 **restructuring authority — functions and limitations —**
14 **reports.**

15 1. The independent fiscal restructuring authority is created
16 as a temporary instrumentality of the general assembly exercising
17 ministerial authority to apply statutory criteria to the board
18 and institutions.

19 2. The authority shall commence operations on July 1, 2027,
20 and shall cease operations on July 1, 2032. The authority is
21 dissolved on the date it ceases operations and shall exercise no
22 further authority unless otherwise provided by law.

23 3. A directive of the authority, issued as provided in this
24 chapter, is controlling, notwithstanding any provision of law,
25 including but not limited to chapter 17A, 21, 22, 70A, or 262, or
26 of a board or institution policy, or of a contract entered into
27 by the board or an institution to the contrary.

28 4. The board shall serve as the implementing body for
29 directives of the authority. The board shall not countermand,
30 delay, or interfere with the implementation or enforcement of
31 such directives.

32 5. The authority shall submit quarterly reports on its
33 activities to the general assembly.

34 6. The general assembly, by joint resolution subject to
35 approval by the governor, may override any directive of the

1 authority by a vote of at least two-thirds of the members of both
2 chambers of the general assembly.

3 7. Each major directive of the authority shall expressly
4 state all of the following in writing, and a major directive that
5 fails to state all of the following is voidable upon a timely
6 challenge in district court:

7 a. The specific statutory objective being served, which shall
8 be one or more of affordability, fiscal integrity, workforce
9 alignment, operational efficiency, or taxpayer protection.

10 b. The exact metric or metrics from section 262C.7 that
11 triggered the action, including weights applied and final score.

12 c. The specific statutory authority under which the authority
13 acts.

14 Sec. 6. NEW SECTION. **262C.5 Composition.**

15 1. The authority shall consist of the following three
16 members:

17 a. One member be appointed by the speaker of the house of
18 representatives.

19 b. One member appointed by the majority leader of the senate.

20 c. One member jointly selected by the other two members, who
21 shall serve as chairperson. If the other two members cannot
22 agree on the selection of the third member within thirty days
23 of the later of their appointments, the speaker of the house
24 of representatives and the majority leader of the senate shall
25 jointly select the third member.

26 2. A member shall have demonstrated experience in one
27 or more of public finance, higher education administration,
28 organizational restructuring, public sector management, or law.
29 A member need not be a member of the general assembly.

30 3. A member shall not have been employed by an institution or
31 the board within the five years preceding appointment or have a
32 spouse, parent, or child currently employed by an institution or
33 the board.

34 4. The members specified in subsection 1, paragraphs "a" and
35 "b", serve at the pleasure of the appointing authority. The

1 chairperson may be removed by agreement of the speaker of the
2 house and the majority leader of the senate or by agreement of
3 the other two members with the concurrence of either the speaker
4 of the house or the majority leader of the senate.

5 5. A vacancy of the members specified in subsection 1,
6 paragraphs "a" and "b", shall be filled in the same manner as
7 the original appointment. A vacancy of the member specified in
8 subsection 1, paragraph "c", shall be filled by agreement of the
9 remaining two members, or if they cannot agree within fifteen
10 days, by agreement of the speaker of the house and the majority
11 leader of the senate.

12 6. Two members constitute a quorum. Action by the authority
13 requires the affirmative vote of at least two members.

14 7. Members shall be compensated at a salary determined by
15 the legislative council to be commensurate with the expertise
16 and acumen required for the position, taking into account the
17 compensation of comparable positions in state government and the
18 private sector. Members shall be reimbursed for actual and
19 necessary expenses incurred in the performance of their duties.

20 8. Members and staff of the authority are not state employees
21 for purposes of chapter 8A, subchapter IV, or public employees
22 for purposes of chapter 20, but are considered public officers
23 for purposes of chapter 68B.

24 9. The authority may employ staff, retain consultants, and
25 contract for services necessary to carry out its duties. Staff
26 of the authority serve at the pleasure of the authority.

27 Sec. 7. NEW SECTION. **262C.6 Zero-based budgeting.**

28 For the fiscal year beginning July 1, 2027, and the
29 four subsequent fiscal years, an institution shall establish
30 its budget from a zero baseline annually. The institution
31 shall not presume in favor of continuation of any program,
32 position, or expenditure. The requirement applies to all
33 expenditures regardless of funding source, including general
34 fund appropriations, tuition, federal funds, gifts, and auxiliary
35 enterprises.

1 Sec. 8. NEW SECTION. **262C.7 Reduction of positions —**
2 **limitation on reclassification.**

3 1. Each institution shall achieve a fifteen percent reduction
4 in administrative full-time equivalent positions, relative to the
5 number of such positions on July 1, 2027, no later than January
6 1, 2029. Each institution shall achieve a twenty-five percent
7 reduction in managerial and executive full-time equivalent
8 positions, relative to the number of such positions on July 1,
9 2027, no later than July 1, 2030.

10 2. Following achievement of reductions required by subsection
11 1, any increase in the number of such positions in an academic
12 year shall be capped annually at the lesser of the annual
13 increase in the consumer price index announced by the federal
14 bureau of labor statistics in the previous academic year or
15 enrollment growth in the previous academic year. This subsection
16 applies for five years after the authority ceases operations.

17 3. An institution shall not reclassify a position as
18 administrative, managerial, or executive, or remove such
19 a classification, without prior written approval from the
20 authority. This subsection applies until the authority ceases
21 operations.

22 4. For purposes of this section, each position at an
23 institution shall be classified according to the integrated
24 postsecondary education data system human resources survey
25 functional categories. Administrative positions are those
26 classified under institutional support and the nondirect portions
27 of academic support and student services. The baseline shall be
28 the institution's most recent integrated postsecondary education
29 data system submission prior to July 1, 2027.

30 5. Attempts to evade the requirements of this section through
31 reclassification of a position constitutes obstruction under
32 section 262C.15.

33 Sec. 9. NEW SECTION. **262C.8 Evaluation of academic programs**
34 **— metrics and weights.**

35 1. The authority shall evaluate each academic program by

1 audit at each institution with a score using the following
2 metrics and weights:

3 a. Economic and workforce metrics, constituting a minimum of
4 fifty percent of the total score, including the following:

5 (1) Iowa workforce placement rate, calculated as the
6 percentage of graduates employed in Iowa within two years of
7 graduation, with a weight of twenty percent.

8 (2) Workforce alignment score, calculated by correlation with
9 the list of high-wage and high-demand jobs and corresponding
10 academic majors created pursuant to section 84A.1B, subsection 5,
11 with a weight of fifteen percent.

12 (3) Cost per degree, calculated as the total program cost
13 divided by the number of degrees conferred, compared to similar
14 programs at peer institutions, with a weight of fifteen percent.

15 b. Academic performance metrics, constituting twenty-five to
16 thirty-five percent of the total score, including the following:

17 (1) Graduation and completion rate, calculated as a
18 comparison to institutional and national benchmarks, with a
19 weight of fifteen percent.

20 (2) Enrollment trends, calculated based on the trajectory
21 of enrollment over the previous five years, or the period of
22 existence of the program if less than five years, with a weight
23 of ten to twenty percent as determined by the authority.

24 c. External validation metrics, constituting fifteen to
25 twenty-five percent of the total score, including the following:

26 (1) External funding ratio, calculated by the net dollar
27 amount of grants, contracts, and gifts per program dollar, with a
28 weight of ten to fifteen percent as determined by the authority.

29 (2) Accreditation status, determined based on whether
30 accreditation is required for professional licensure,
31 accreditation is voluntary, or accreditation is not involved,
32 with a weight of five percent to ten percent as determined by the
33 authority.

34 2. The general assembly declares that Iowa taxpayers fund
35 higher education primarily for workforce development and economic

1 benefit to the state. The fifty percent weight of metrics
2 provided in subsection 1, paragraph "a", reflects this policy
3 determination.

4 3. The authority shall publish its scoring methodology on
5 the general assembly's internet site within sixty days of
6 commencing operations, including specification of exact weights
7 within ranges established in subsection 2. Using the scoring
8 methodology, the authority shall assign each academic program a
9 composite score from zero to one hundred.

10 4. Standards for scoring of academic programs shall be as
11 follows:

12 a. Programs scoring below fifty shall be presumptively
13 subject to elimination.

14 b. Programs scoring from fifty to sixty-five shall be subject
15 to restructuring review.

16 c. Programs scoring above sixty-five shall be presumptively
17 retained absent extraordinary circumstances.

18 Sec. 10. NEW SECTION. **262C.9 Standards for audit of**
19 **academic programs.**

20 1. The authority shall not audit individual academic programs
21 in isolation. The authority shall conduct audits by academic
22 college or equivalent administrative unit. The authority shall
23 audit all programs within a college or unit simultaneously before
24 issuing any elimination orders for that college or unit. The
25 authority shall not issue elimination orders for any academic
26 program until the complete audit of the corresponding college or
27 unit is complete and the authority has documented a comparative
28 analysis of all academic programs in the college or unit, to
29 ensure elimination orders result from comparative analysis across
30 peer programs within each college or unit.

31 2. A decision by the authority to eliminate, reduce, or
32 restructure an academic program that scores below fifty in the
33 scoring methodology is presumptively based on legitimate fiscal
34 and educational grounds. This presumption may be rebutted only
35 by clear and convincing evidence that the score was pretextual

1 and that the actual motivation was based on the viewpoint or
2 ideological content of the program. Any statistical disparity
3 in outcomes across academic disciplines shall not rebut the
4 presumption absent direct evidence of discriminatory intent. A
5 challenging party shall have the burden of proving pretextual
6 scoring. If the authority complies with the requirements of
7 section 262C.8 and subsection 1 of this section, a decision by
8 the authority shall be presumed to have been made in good faith.

9 3. a. The authority shall publish quarterly summaries on
10 the general assembly's internet site showing the distribution
11 of program elimination, reduction, and restructuring across the
12 following categories:

13 (1) Science, technology, engineering, and mathematics.

14 (2) Humanities and social sciences.

15 (3) Professional programs including business, law, and
16 education.

17 (4) Health sciences.

18 (5) Arts and communications.

19 b. A summary shall include the number of programs reviewed;
20 the number eliminated, reduced, or restructured; and the
21 aggregate savings by category. If the authority materially
22 deviates from the requirements of section 262C.8 or subsection
23 1 of this section in any respect, the authority shall include
24 justification of the deviation in the summary.

25 4. The authority shall apply only the metrics and weights
26 provided in section 262C.8 when conducting audits of academic
27 programs. The authority shall not consider the ideological or
28 political content of a program.

29 5. All audit materials of the authority, including but not
30 limited to scoring materials for each academic program, are
31 public records under chapter 22.

32 **Sec. 11. NEW SECTION. 262C.10 Programs and positions —**
33 **authority orders and procedures.**

34 1. After providing notice and an opportunity to respond
35 pursuant to subsection 2, the authority may order an institution

1 to do any of the following:

2 a. Eliminate, consolidate, or restructure an academic
3 program.

4 b. Eliminate a specific employment position or a specified
5 number of positions.

6 c. Merge administrative functions.

7 d. Establish or modify an operational standard.

8 e. Establish or modify a procurement standard, including
9 but not limited to consolidating purchasing across institutions
10 or, where efficiency requires, waiving competitive bidding
11 requirements.

12 2. Before issuing an order pursuant to subsection 1, the
13 authority must provide written notice to the affected institution
14 any affected individual specifying the proposed order, the
15 information required by section 262C.4, subsection 7, and the
16 deadline for response. An affected institution or individual
17 shall have thirty days to respond.

18 3. a. Before ordering the elimination, consolidation, or
19 restructuring of any academic program, the authority shall
20 certify in writing that compliance with the order does not result
21 in any of the following outcomes:

22 (1) Breach any interstate compact to which Iowa is a party,
23 including the midwest higher education compact.

24 (2) Violate the terms of any multi-state research consortium
25 agreement.

26 (3) Trigger liability under any multi-jurisdictional contract
27 or memorandum of understanding.

28 b. If compliance with the order would result in any of the
29 outcomes provided in paragraph "a", the authority shall obtain
30 release from the relevant obligation, negotiate an amendment
31 thereto, or defer elimination until the obligation expires. This
32 paragraph shall not be construed to prohibit compliance with the
33 other, but rather to require that the relevant obligation be
34 appropriately managed before compliance occurs.

35 4. If compliance with an order under this section would

1 jeopardize receipt of federal funds, the authority shall pursue
2 equivalent savings from sources not impacted by the federal
3 requirement or direct an offset pursuant to section 262C.14.

4 Sec. 12. NEW SECTION. **262C.11 Contracts — authority orders**
5 **and procedures.**

6 1. a. The general assembly finds and declares the following:

7 (1) A significant public problem exists regarding the
8 contracting practices of the board and institutions that requires
9 a legislative response.

10 (2) Modification, suspension, or termination of such
11 contracts is necessary to address this problem.

12 (3) Such actions are reasonable and appropriate due to
13 inclusion of mandatory compensation.

14 (4) This chapter represents the least impairing means to
15 achieve fiscal stability.

16 (5) The state may exercise its police power to protect the
17 public fisc.

18 b. With respect to tenure, the general assembly further finds
19 and declares the following:

20 (1) Tenure constitutes contractual protection against
21 termination without cause but does not guarantee the continued
22 existence of any position or program.

23 (2) Bona fide program discontinuation based on fiscal or
24 educational grounds is a permissible basis for elimination of a
25 position.

26 (3) This chapter codifies principles recognized in guidelines
27 of the American association of university professors and
28 judicial precedent regarding financial exigency and program
29 discontinuation.

30 2. The authority may order the modification, suspension, or
31 termination of any contract entered into by the board or an
32 institution where necessary to achieve the statutory objectives
33 of this chapter.

34 3. Before ordering the modification, suspension, or
35 termination of a contract, the authority shall do all of the

1 following:

2 a. Issue a notice of intent specifying the contract at issue,
3 the proposed modification, suspension, or termination, the fiscal
4 savings required, and the information required by section 262C.4,
5 subsection 7.

6 b. Provide a counterparty fifteen calendar days to propose an
7 alternative means of achieving equivalent fiscal savings.

8 c. Respond in writing within ten days to any counterparty
9 proposal by accepting, rejecting with specific reasons, or
10 offering a counterproposal.

11 d. Document the complete negotiation exchange in the
12 authority's administrative record.

13 4. The authority may proceed to the order only after
14 the fifteen-day period expires without a counterparty proposal
15 or good-faith negotiation fails to produce an acceptable
16 alternative. Subsection 3, paragraphs "b", "c", and "d", do
17 not apply if a counterparty cannot be located after reasonable
18 effort, delay would cause imminent harm to students or patients,
19 or the counterparty has materially breached the contract.

20 Sec. 13. NEW SECTION. **262C.12 Contracts — compensation.**

21 1. Upon issuing an order pursuant to section 262C.11,
22 the authority shall authorize reasonable compensation for
23 counterparties whose contracts are modified, suspended, or
24 terminated. Compensation shall be mandatory.

25 2. Standards for compensation shall be as follows:

26 a. For service contracts, compensation shall be the
27 documented costs incurred plus a reasonable margin, or the
28 remaining contract value, whichever is less.

29 b. (1) For employment contracts, compensation shall be a
30 maximum of six months' salary.

31 (2) If the employment contract covers a tenured position,
32 compensation shall also include a good-faith effort to reassign
33 the employee for twelve months.

34 c. For construction contracts, compensation shall be the
35 documented costs plus demobilization expenses.

1 3. Compensation authorized under this section constitutes a
2 vested statutory entitlement. The state's obligation to pay is
3 not discretionary and constitutes a binding obligation. A claim
4 for compensation may be brought in district court.

5 4. If payment of compensation authorized by this section is
6 delayed beyond ninety days from issuance of an order pursuant to
7 section 262C.11, interest shall accrue at the prime rate plus two
8 percent per year. Interest shall accrue without the need for a
9 separate claim.

10 5. A counterparty must file a claim for compensation no later
11 than ninety days from issuance of an order pursuant to section
12 262C.11. The authority shall issue a written decision on a claim
13 no later than sixty days after it is filed.

14 6. A counterparty may seek judicial review of the authority's
15 decision in Polk county district court. A petition must be filed
16 within thirty days. The standard of review shall be whether the
17 authority's decision was arbitrary and capricious. The court
18 may award additional compensation but may not enjoin contract
19 modification, suspension, or termination.

20 Sec. 14. NEW SECTION. **262C.13 Withholding of appropriations**
21 **and tuition — moneys.**

22 1. Each fiscal quarter beginning on or after July 1, 2027,
23 until the quarter in which the authority ceases operations,
24 the department shall withhold twenty percent of the moneys
25 appropriated to an institution from the general fund of the
26 state that would otherwise be released to the institution in that
27 quarter.

28 2. a. A tuition withholding fund is established in the
29 state treasury under the control of the department for each
30 institution.

31 b. Each fiscal quarter beginning on or after July 1, 2027,
32 until the quarter in which the authority ceases operations, an
33 institution shall remit twenty percent of tuition moneys received
34 each fiscal quarter to the department for deposit in its tuition
35 withholding fund.

1 3. The department shall release moneys withheld pursuant to
2 subsection 1 or deposited pursuant to subsection 2 for a fiscal
3 quarter upon receiving written certification from the authority
4 that the institution has done of all of the following during the
5 quarter:

6 a. Complied with all authority directives.

7 b. Made adequate progress toward reduction of positions
8 required by section 262C.7.

9 c. Provided complete and accurate documentation required
10 pursuant to this chapter.

11 4. a. An institution may petition for early release of
12 moneys based on hardship.

13 b. Only the following shall be considered grounds for
14 hardship. Impairment of any other function does not constitute
15 hardship.

16 (1) Documented inability to meet payroll for direct
17 instructional faculty within thirty days.

18 (2) Documented inability to maintain essential patient care
19 functions at a health system facility within thirty days.

20 (3) Documented inability to perform federally mandated safety
21 functions within thirty days.

22 5. A petition for hardship shall include all relevant
23 certified financial statements, a ninety-day cash flow
24 projection, a list of all nonessential expenditures that have
25 been suspended, and a certification that all discretionary
26 spending has been suspended.

27 Sec. 15. NEW SECTION. **262C.14 Oversight of federal funds.**

28 1. The authority shall not order any action that would
29 constitute a mandatory violation of binding requirements of
30 federal law. However, federal pass-through moneys, indirect cost
31 recovery, and quasi-endowment moneys derived from federal sources
32 shall be subject to oversight by the authority the maximum extent
33 permitted by federal law.

34 2. a. If an institution claims that federal grant conditions
35 prohibit oversight by the authority of specific moneys or

1 programs, the institution shall provide the authority with a
2 written determination of federal agency supporting the claim.

3 b. If the authority determines the claim is valid in a fiscal
4 year, the authority shall direct the department to offset moneys
5 appropriated to the institution from the general fund of the
6 state for the fiscal year that would otherwise be released by
7 an amount equal to the amount of moneys the institution has
8 received or will receive in the fiscal year from the federal
9 grant. The institution shall cooperate fully with the authority
10 and department in the determination of the amount of moneys to
11 be offset. The department shall terminate the offset for a
12 fiscal year, and release any moneys offset in the fiscal year,
13 if the institution facilitates oversight by the authority of the
14 moneys or programs subject to the claim to the satisfaction of
15 the authority and the authority so certifies in writing to the
16 department.

17 c. If the authority determines the claim is invalid, the
18 moneys or programs subject to the claim shall be subject to
19 oversight by the authority as provided in this chapter.

20 3. Before directing an offset pursuant to subsection 2,
21 paragraph "b", the authority shall certify all of the following
22 in writing to the department:

23 a. The offset is the least restrictive means to achieve
24 fiscal equivalence.

25 b. The offset does not impair federally required program
26 outputs.

27 c. Alternative approaches were considered and found
28 insufficient.

29 Sec. 16. NEW SECTION. **262C.15 Obstruction — penalties.**

30 1. An institution employee or official found to have
31 obstructed any function of the authority shall be subject to
32 state employment disqualification scaled to the severity of
33 misconduct as follows, and such disqualification extends to all
34 positions funded by state appropriations, including institutions,
35 community colleges, state agencies, and contractors deriving more

1 than twenty-five percent of their revenue from sources funded by
2 state appropriations:

3 a. Negligent noncompliance, which is defined as failure to
4 exercise reasonable care, a one-year disqualification.

5 b. Knowing obstruction, which is defined as intentional
6 delay, interference, or evasion, a three-year disqualification.

7 c. For intentional falsification, or destruction, including
8 false certification, fraud, or record destruction, a five-year
9 disqualification.

10 2. Before imposing an employment disqualification, the
11 authority shall do all of the following:

12 a. Provide written notice to the employee or official
13 specifying the alleged conduct, the severity classification, and
14 the applicable disqualification period.

15 b. Allow the employee or official at least fourteen days to
16 respond.

17 c. (1) Provide a thirty-day cure period during which the
18 individual may remedy the deficiency, provide evidence of
19 compliance, or demonstrate the conduct was not as alleged. The
20 authority shall issue a final written determination only after
21 the cure period expires or is waived in writing.

22 (2) If the alleged conduct is fraud, intentional destruction
23 of records, or ongoing harm requiring immediate action, no cure
24 period is required. The authority may issue a final written
25 determination in a time period determined by the authority and
26 shall schedule a hearing at which the employee or official may be
27 heard within fourteen days of imposition of disqualification.

28 d. Good-faith disputes regarding interpretation or compliance
29 shall not constitute obstruction.

30 **Sec. 17. NEW SECTION. 262C.16 Annual certification of**
31 **compliance — penalty.**

32 1. The president and chief financial officer of each
33 institution shall certify annually under oath that the
34 institution is in compliance with all directives of the authority
35 and that all information provided to the authority in the

1 previous year is accurate, truthful, and complete.

2 2. If the authority determines a president or chief financial
3 officer made a false certification under this section, the
4 authority may prohibit any increase in the individual's salary,
5 impose forfeiture of any performance bonus, or refer the
6 individual for discipline under chapter 70A or to the attorney
7 general for investigation. The authority shall give due
8 consideration to the severity of the falsehood and impose a
9 proportional penalty.

10 3. Good-faith reliance on information provided by
11 subordinates combined with reasonable diligence, and prompt
12 correction upon discovery of any error, constitutes a defense
13 under this section.

14 Sec. 18. NEW SECTION. **262C.17 Whistleblower protection.**

15 1. For purposes of this section, "employee" means an employee
16 of an institution, of a contractor with the institution, or of an
17 entity affiliated with the institution.

18 2. An employee who reports conduct to the authority
19 reasonably believed to constitute obstruction, evasion, or
20 noncompliance with this chapter shall not be subject to
21 retaliation. Retaliation against such an employee constitutes
22 obstruction under section 262C.15.

23 3. The authority shall establish a confidential means for
24 employees to report to the authority under subsection 1. The
25 identity of an employee who makes a confidential report shall
26 remain confidential unless the authority determines that due
27 process requires disclosure.

28 4. An employee whose report leads to identification of
29 savings exceeding one hundred thousand dollars may be eligible
30 for a recognition payment not to exceed five percent of savings
31 achieved in the first year of implementation, but not more than
32 fifty thousand dollars, as determined by the authority.

33 Sec. 19. NEW SECTION. **262C.18 Subpoena power and**
34 **information access — penalty.**

35 1. The authority may subpoena documents, data, and testimony

1 as it determines necessary to carry out its functions.

2 A document shall not be withheld based on proprietary
3 interest, as a trade secret, or based on a nondisclosure
4 agreement. Proprietary information shall be protected through
5 confidentiality protocols established by the authority rather
6 than denial of access.

7 2. The following university-affiliated entities are subject
8 to access of information and subpoena by the authority:

9 a. Any tax-exempt organization under section 501(c)(3) of the
10 Internal Revenue Code using the name, branding, or trademarks of
11 an institution.

12 b. Any entity employing personnel whose compensation is
13 funded in whole or in part by state appropriations.

14 c. Any entity managing, holding, or administering assets
15 related to state-funded facilities, programs, or operations.

16 d. Any entity receiving pass-through funding from an
17 institution.

18 e. Any institution foundation, research park, alumni
19 association, athletics fundraising entity, and faculty practice
20 plan.

21 3. A response to a subpoena of the authority shall include
22 a sworn certification of the search methodology employed. The
23 authority may subpoena the chief information officer or records
24 officer of the subject of a subpoena for testimony regarding the
25 search methodology.

26 4. A subpoenaed document shall be produced within sixty
27 days unless the authority grants a written extension. If the
28 subject of the subpoena does not produce the document within the
29 deadline, such action creates a presumption of noncompliance.

30 5. Any claim of privilege shall be accompanied by a privilege
31 log submitted simultaneously with the first production to the
32 authority. Failure to provide a timely privilege log constitutes
33 waiver of privilege.

34 6. Knowing and willful provision of materially false
35 information to the authority, or knowing and willful destruction

1 of records responsive to an authority subpoena, constitutes an
2 aggravated misdemeanor. The authority shall refer the matter to
3 the attorney general for investigation.

4 Sec. 20. NEW SECTION. **262C.19 Litigation management.**

5 1. Standing to challenge action of the authority shall be
6 limited to persons with direct, personal, and particularized
7 harm. Generalized grievances do not confer standing.

8 Institutions have standing only for direct institutional
9 interests.

10 2. Polk county district court shall be the primary venue
11 for challenges to action of the authority. Alternative venue
12 is available for parties with no connection to Polk county as
13 determined by the district court.

14 3. Dispositive motions shall be decided by the court within
15 thirty days. Trial shall occur within one hundred twenty days of
16 filing of the answer.

17 4. Granting of preliminary relief shall require clear and
18 convincing evidence of likelihood of success on the merits,
19 irreparable harm, and a balance of equities favoring the movant.
20 The public interest is presumptively served by implementation of
21 the duties of the authority provided in this chapter.

22 5. a. For an as-applied challenge to a specific action of
23 the authority, the court shall set a bond to equal the greater of
24 twenty-five thousand dollars or one percent of the annual savings
25 projected from the challenged action, not to exceed five hundred
26 thousand dollars. The court shall determine projected savings
27 based on the authority's administrative record.

28 b. For a facial constitutional challenge to the validity of
29 this Act or a portion thereof, the court may in its discretion
30 reduce or waive the bond requirement provided in paragraph "a".

31 6. Authority members and staff shall have qualified official
32 immunity for actions within the scope of their authority
33 under section 669.14A. Sovereign immunity is preserved except as
34 expressly waived for compensation claims under section 262C.12.

35 Sec. 21. NEW SECTION. **262C.20 Reinstatement of academic**

1 **programs .**

2 1. An academic program eliminated by the authority shall not
3 be reinstated for whichever period is shorter absent express
4 legislative authorization by statute:

5 a. Five years from the date of elimination.

6 b. Two years from the date the authority ceases operations.

7 2. a. An academic program eliminated by the authority
8 shall be associated by the board with its code in the
9 federal classification of instructional programs at the time of
10 elimination.

11 b. A proposed new academic program with the same six-digit
12 classification of instructional programs code as an eliminated
13 program is conclusively substantially similar to the eliminated
14 program and shall be subject to subsection 1.

15 c. (1) A proposed new academic program with the same
16 four-digit classification of instructional programs code prefix
17 as an eliminated program is presumptively substantially similar
18 to the eliminated program. Eliminated academic programs proposed
19 under different names, proposed to be implemented by a different
20 part of the institution, or proposed with reorganized structure
21 or content presumptively substantially similar to the eliminated
22 program regardless of the classification of instructional
23 programs code.

24 (2) The presumption of substantial similarity may be rebutted
25 by clear and convincing evidence that the proposed new program
26 serves fundamentally different educational objectives. If the
27 presumption is not successfully rebutted, the new program shall
28 be subject to subsection 1.

29 3. A proposed new program is also substantially similar to an
30 eliminated program and subject to subsection 1 if any two of the
31 following apply:

32 a. The two programs overlap more than fifty percent in course
33 content, research focus, or programmatic activities.

34 b. More than fifty percent of personnel for the proposed new
35 academic program are drawn from the eliminated program.

1 c. More than fifty percent of the budget for the proposed
2 new academic program is derived from reallocated funds from the
3 eliminated program.

4 d. The proposed new academic program primarily serves
5 students who would have enrolled in the eliminated program.

6 e. The new program was proposed by personnel from the
7 eliminated program, or personnel in the new program report to
8 personnel from the eliminated program.

9 4. An institution may petition for a determination that a
10 proposed new academic program is not substantially similar to an
11 eliminated program. The determination shall be made in writing
12 within sixty days. A petition shall be made to the authority
13 unless it has ceased operations, in which case it shall be made
14 to the auditor of state. Judicial review of the determination
15 may be sought in district court.

16 5. Subsection 1 does not apply to academic programs required
17 by federal law, required for accreditation necessary for federal
18 financial aid eligibility, or required by court order. The
19 institution shall document the applicable requirement as required
20 by the authority, or by the auditor of state if the authority has
21 ceased operations.

22 Sec. 22. NEW SECTION. **262C.21 Compliance audits.**

23 The auditor of state shall conduct annual compliance audits to
24 determine if the board and institutions are in compliance with
25 this chapter. An audit shall be conducted in each fiscal year
26 the authority is in operation and the two fiscal years after it
27 ceases operations. The auditor shall report the results of each
28 audit to the general assembly.

29 Sec. 23. NEW SECTION. **262C.22 Certification of savings.**

30 1. As part of the annual audit conducted pursuant to section
31 262C.21, the auditor of state shall certify the dollar amount of
32 total savings across all institutions each fiscal year achieved
33 as a result of implementation of this chapter. Savings shall be
34 determined by comparison to spending in the fiscal year beginning
35 July 1, 2026.

1 2. If the amount of savings certified in any fiscal year is
2 less than fifteen percent, the auditor of state shall include
3 this in the report required by section 262C.21. The board shall
4 establish a remediation plan to increase the amount of savings
5 for the next fiscal year to at least fifteen percent and submit
6 the plan to the general assembly and the auditor.

7 Sec. 24. NEW SECTION. **262C.23 Use of savings —**
8 **appropriations.**

9 1. Moneys saved by an institution as a result of
10 implementation of this chapter, as certified pursuant to section
11 262C.22, subsection 1, in the fiscal year beginning July 1, 2027,
12 and the four subsequent fiscal years, are appropriated to the
13 authority to cover the costs associated with the implementation
14 of this chapter.

15 2. Upon certification by the authority to the department each
16 fiscal year, in a manner provided by the department, that no
17 further funding is required by the authority for the fiscal
18 year, the remainder of such moneys are appropriated to the
19 respective institutions at which the savings accrued to be used
20 for the purposes of tuition reduction, need-based financial aid,
21 high-priority academic programs meeting demonstrated workforce
22 needs, and deferred maintenance. In no case shall such moneys
23 be used to restore an academic program or position eliminated by
24 the authority.

25 3. If the moneys appropriated to the authority in subsection
26 1 are insufficient to fully cover the costs of the authority
27 associated with the implementation of this chapter in a fiscal
28 year, an amount of moneys appropriated to the institutions from
29 the general fund of the state in the fiscal year is appropriated
30 to the authority for that purpose in the fiscal year. The
31 authority shall certify the amount of moneys needed for the
32 fiscal year to the department in a manner provided by the
33 department. The amount appropriated shall be divided evenly
34 across the institutions.

35 Sec. 25. NEW SECTION. **262C.24 Limitation on auditor**

1 **authority.**

2 The auditor of state shall have no authority under this
3 chapter that is not expressly provided for in this chapter.

4 Sec. 26. NEW SECTION. **262C.25 Accreditation — construction**
5 **of chapter.**

6 1. This chapter shall not be construed to require any action
7 that would cause loss of regional or specialized accreditation
8 required for federal financial aid eligibility.

9 2. The authority shall consult with relevant accrediting
10 bodies before taking any action that may implicate accreditation
11 standards.

12 3. If an accrediting body provides written notice that a
13 proposed action by the authority would jeopardize accreditation,
14 the authority shall modify the action to preserve accreditation
15 or submit to the accrediting body a written explanation of why
16 the action is necessary and certification that alternative means
17 were unavailable.

18 Sec. 27. NEW SECTION. **262C.26 Severability.**

19 1. Pursuant to section 4.12, if any provision of this chapter
20 is held invalid, the invalidity shall not affect other provisions
21 that can operate independently.

22 2. Severability extends to individual enforcement mechanisms
23 provided in this chapter; to individual metrics; to individual
24 reduction targets; to procedural mechanisms including notice
25 periods, cure periods, and negotiation periods; and to individual
26 definitions. A court shall sever provisions of this chapter at
27 the most granular level consistent with the legislative intent
28 expressed in this Act.

29 3. The general assembly declares that it would have enacted
30 this Act and each provision thereof independently.

31 **EXPLANATION**

32 The inclusion of this explanation does not constitute agreement with
33 the explanation's substance by the members of the general assembly.

34 This bill establishes a temporary independent fiscal
35 restructuring authority (authority) to provide oversight of

1 institutions of higher education (institutions) governed by the
2 state board of regents (board).

3 The authority is created as a temporary instrumentality of
4 the general assembly exercising ministerial authority to apply
5 statutory criteria to the board and institutions. The authority
6 shall commence operations on July 1, 2027, and shall cease
7 operations on July 1, 2032.

8 A directive of the authority, issued as provided in the bill,
9 is controlling, notwithstanding any provision of law, or of a
10 board or institution policy, or of a contract entered into by the
11 board or an institution to the contrary. The bill provides that
12 the board shall serve as the implementing body for directives
13 of the authority and prohibits the board from countermanding,
14 delaying, or interfering with the implementation or enforcement
15 of such directives. The bill requires the authority to submit
16 quarterly reports on its activities to the general assembly.

17 The bill authorizes the general assembly, by joint resolution
18 subject to approval by the governor, to override any directive
19 of the authority by a vote of at least two-thirds of the
20 members of both chambers of the general assembly. The bill
21 specifies required content of major directives of the authority
22 and provides that such directives are voidable upon a timely
23 challenge in district court if the required content is not
24 included. The bill provides for judicial review of board
25 activities.

26 The authority shall consist of a member appointed by the
27 speaker of the house of representatives, a member appointed by
28 the majority leader of the senate, and a member jointly selected
29 by the other two members, who shall serve as chairperson. The
30 bill provides additional requirements and procedures for the
31 membership of the authority.

32 The bill requires an institution, for the fiscal year
33 beginning July 1, 2027, and the four subsequent fiscal years,
34 to establish its budget from a zero baseline annually. The
35 institution shall not presume in favor of continuation of any

1 program, position, or expenditure. The requirement applies to
2 all expenditures.

3 The bill requires each institution to achieve a 15 percent
4 reduction in administrative full-time equivalent positions,
5 relative to the number of such positions on July 1, 2027, no
6 later than January 1, 2029. The bill requires each institution
7 to achieve a 25 percent reduction in managerial and executive
8 full-time equivalent positions, relative to the number of such
9 positions on July 1, 2027, no later than July 1, 2030. The
10 bill provides for capped increases in the number of such
11 positions for a period thereafter. The bill prohibits changes in
12 classification relating to such positions without prior written
13 approval from the authority.

14 The bill requires the authority to evaluate each academic
15 program by audit at each institution with a score using metrics
16 and weights specified in the bill and a scoring methodology
17 specified and published by the board. The bill provides
18 procedures and standards for the authority to audit academic
19 programs based on the scoring methodology, with a higher scoring
20 indicating a program shall be presumptively retained and a lower
21 score indicating the program shall be presumptively subject to
22 elimination.

23 The bill provides procedures for the authority to order an
24 institution to eliminate, consolidate, or restructure an academic
25 program; eliminate a specific employment position or a specified
26 number of positions; merge administrative functions; establish
27 or modify an operational standard; and establish or modify a
28 procurement standard. The bill provides for notice and an
29 opportunity to respond and other procedures for such orders.
30 The bill requires the authority to publish quarterly summaries
31 showing the distribution of program elimination, reduction, and
32 restructuring.

33 The bill authorizes the authority to order the modification,
34 suspension, or termination of any contract, other than a
35 collective bargaining agreement, entered into by the board

1 or an institution where necessary to achieve the statutory
2 objectives of the bill. The bill provides procedures for such
3 orders. The bill requires that counterparties be provided
4 reasonable compensation when a contract is modified, suspended,
5 or terminated. The bill provides standards and procedures for
6 such compensation. The bill specifies that such compensation is
7 not discretionary and constitutes a binding obligation.

8 The bill requires the department of management (department) to
9 withhold 20 percent of the moneys appropriated to an institution
10 from the general fund that would otherwise be released to the
11 institution in that quarter, in each fiscal quarter beginning on
12 or after July 1, 2027, until the quarter in which the authority
13 ceases operations. In each fiscal quarter, an institution is
14 required to remit 20 percent of tuition moneys received to the
15 department. The bill provides for the release of general fund
16 and tuition moneys when the authority certifies to the department
17 that an institution has carried out specified actions to comply
18 with the bill. An institution may petition for early release of
19 moneys based on hardship as specified in the bill.

20 The bill prohibits the authority from ordering any action that
21 would constitute a mandatory violation of binding requirements
22 of federal law. The bill provides that federal pass-through
23 funds, indirect cost recovery, and quasi-endowment funds derived
24 from federal sources shall be subject to oversight by the
25 authority the maximum extent permitted by federal law. The
26 bill establishes a process whereby an institution's general fund
27 appropriations are offset by the department in an amount equal to
28 federal funds not subject to oversight by the authority.

29 The bill provides that an institution employee or official
30 found to have obstructed any function of the authority
31 shall be subject to state employment disqualification. The
32 period of disqualification increases based on the severity
33 of the obstruction. Disqualification includes employment by
34 institutions, community colleges, state agencies, and certain
35 contractors. The bill provides for notice, an opportunity to

1 respond, and other procedures for such disqualification. The
2 bill specifies other activities that also constitute obstruction.

3 The bill requires the president and chief financial officer
4 of each institution to certify annually under oath that
5 the institution is in compliance with all directives of the
6 authority and that all information provided to the authority
7 in the previous year is accurate, truthful, and complete.
8 The bill provides penalties including prohibition of salary
9 increases, forfeiture of performance bonuses, and referral for
10 discipline under Code chapter 70A or to the attorney general for
11 investigation.

12 The bill prohibits retaliation against an employee who reports
13 conduct to the authority reasonably believed to constitute
14 obstruction, evasion, or noncompliance with the bill. The bill
15 provides for confidential reporting to the authority. The bill
16 provides for a recognition payment to such an employee whose
17 report results in a specified amount of savings.

18 The bill authorizes the authority to subpoena documents,
19 data, and testimony as it determines necessary to carry out
20 its functions. The bill provides procedures for subpoenas.
21 University-affiliated entities subject to subpoena include
22 any tax-exempt organization using the name, branding, or
23 trademarks of an institution; any entity employing personnel
24 whose compensation is funded in whole or in part by state
25 appropriations; any entity managing, holding, or administering
26 assets related to state-funded facilities, programs, or
27 operations; any entity receiving pass-through funding from an
28 institution; and any institution foundation, research park,
29 alumni association, athletics fundraising entity, and faculty
30 practice plan. Knowing and willful provision of materially false
31 information to the authority, or knowing and willful destruction
32 of records responsive to an authority subpoena, constitutes an
33 aggravated misdemeanor. An aggravated misdemeanor is punishable
34 by confinement for no more than two years and a fine of at least
35 \$855 but not more than \$8,540.

1 The bill provides procedures for judicial review of action by
2 the authority, including standing, venue, timelines, the standard
3 of review, bonding requirements, and qualified immunity for
4 authority members and staff.

5 The bill prohibits reinstatement of an academic program
6 eliminated by the authority for five years from the date of
7 elimination or two years from the date the authority ceases
8 operations, whichever is shorter. The bill provides procedures
9 and standards for an institution to petition for a determination
10 that a proposed new academic program is not substantially similar
11 to an eliminated program. A proposed new academic program found
12 to be substantially similar to an eliminated program is subject
13 to the prohibition on reinstatement. A petition shall be made to
14 the authority unless it has ceased operations, in which case it
15 shall be made to the auditor of state (auditor). The prohibition
16 does not apply to academic programs required by federal law,
17 required for accreditation necessary for federal financial aid
18 eligibility, or required by court order.

19 The bill requires the auditor to conduct annual compliance
20 audits to determine if the board and institutions are in
21 compliance with the bill. An audit shall be conducted in each
22 fiscal year the authority is in operation and the two fiscal
23 years after it ceases operations. The auditor shall report the
24 results of each audit to the general assembly.

25 As part of the annual audit, the auditor is also required
26 to certify the dollar amount of total savings across all
27 institutions each fiscal year achieved as a result of
28 implementation of the bill. If the amount of savings certified
29 in any fiscal year is less than 15 percent, the board shall
30 establish a remediation plan to increase the amount of savings
31 for the next fiscal year to at least 15 percent.

32 The bill appropriates moneys saved by an institution as
33 a result of implementation of the bill, in the fiscal year
34 beginning July 1, 2027, and the four subsequent fiscal years,
35 to the authority to cover the costs associated with the

1 implementation of the bill.

2 Upon certification by the authority to the department each
3 fiscal year that no further funding is required by the authority
4 for the fiscal year, the bill appropriates the remainder of
5 such funds to the respective institutions at which the savings
6 accrued to be used for the purposes of tuition reduction,
7 need-based financial aid, high-priority academic programs meeting
8 demonstrated workforce needs, and deferred maintenance.

9 If the funds appropriated to the authority are insufficient to
10 fully cover the costs of the authority in a fiscal year, the bill
11 appropriates an amount of moneys appropriated to the institutions
12 from the general fund in the fiscal year to the authority for
13 that purpose. The amount appropriated shall be divided evenly
14 across the institutions.

15 The bill shall not be construed to require any action
16 that would cause loss of regional or specialized accreditation
17 required for federal financial aid eligibility. The bill
18 requires the authority to consult with relevant accrediting
19 bodies before taking any action that may implicate accreditation
20 standards. If an accrediting body provides written notice that a
21 proposed action by the authority would jeopardize accreditation,
22 the authority is required to modify the action to preserve
23 accreditation or submit to the accrediting body an explanation
24 of why the action is necessary and certification that alternative
25 means were unavailable.

26 The bill includes legislative findings and rules of
27 construction.

28 The bill provides for severability.