

# MINUTES OF THE REGULAR MEETING

of the

## BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

Held in room 1820 Van Hise Hall  
Friday August 23, 1996  
8:00 a.m.

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- President Grebe presiding -

PRESENT: Regents Barry, Benson, Boyle, Brandes, Brown, DeBraska, DeSimone, Grebe, Hempel, James, Krutsch, Lubar, MacNeil, Orr, Randall, Smith, and Steil

ABSENT: None

### APPROVAL OF MINUTES

Upon motion by Regent MacNeil, seconded by Regent Hempel, minutes of the meeting of the Board of Regents held on June 7, 1996, were unanimously approved as distributed.

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### REPORT OF THE PRESIDENT OF THE BOARD

#### Welcome to New Regents

#### *Patrick Boyle*

Regent President Grebe began his report by welcoming two new regents to the Board. He introduced Regent Patrick Boyle, who received a Bachelor's degree from UW-Platteville and Master's and Ph.D. degrees from UW-Madison; he later served as the Chancellor of UW-Extension for 10 years (1983 to 1993). Thanking the Board and System Administration staff for the warm welcome he had received, Regent Boyle also took this opportunity to thank Governor Thompson for nominating him for this "very

important role.” He added that he has “great respect” for the Board of Regents, which he believes performs an essential function for higher education as they represent the people of the State in making major policy decisions.

\*

***JoAnne Brandes***

Regent Grebe then introduced Regent JoAnne Brandes, a graduate of UW-Eau Claire who holds a law degree from Willamette University College of Law; she is the Vice President for Corporate Communications Worldwide with S.C. Johnson & Son in Racine. Observing that it was “nice to be involved in a System which you’ve been committed to for so long,” she commented that this appointment was “like coming home.” She was involved in the United Council at the time of the merger of the UW System and has visited every campus in the System, and is looking forward to serving on the Board, which will be, for her, particularly meaningful given her background in participating in the study of shared governance.

**Regent Standing Committee Assignments**

Regent Grebe noted that the next item on the agenda regarded restructuring the standing committees of the Board, and that final committee assignments had not been determined pending restructuring and Regent assignment requests.

**Amendment of Board of Regents Bylaws pertaining to committee structure**

Regent Grebe introduced Resolution 7252, which was moved by Regent Krutsch, seconded by Regent Steil, and was unanimously approved by the Board.

Resolution 7152: That Chapter III, Sections 1.c., 1.d, 3 and 4, and Chapter V, Section 3, of the Bylaws of the Board of Regents be amended as set forth in the attached document.  
(See Exhibit A.)

**Report on Educational Communications Board meeting of June 14 and August 9, 1996**

Noting that reports of the June 14 and August 9 meetings of the Educational Communications Board had been distributed, Regent Grebe asked Senior Vice

President Sanders to respond questions concerning those reports. He added that Regent Pat Boyle had been appointed to serve as a member of that Board.

**Report of the Regent member of the Wisconsin Technical College System Board meeting of June 17, 1996**

Regent Grebe invited Regent Barry to comment on his report of the Wisconsin Technical College System Board meeting of June 17, 1996. Calling attention to the WTCS Board's request for biennial budget that includes a 4.5% increase in each year of the biennium and previous action of that Board that approved a 6.5% tuition increase, Regent Barry explained that these requests follow several years of low requests and added that this system is supported by property taxes, which may also be reflected in the request. Regent MacNeil added that Ed Chin had been appointed as the new director for the system.

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**REPORT OF THE PRESIDENT OF THE SYSTEM**

**Greetings to the New Regents and Chancellors**

President Lyall began her report by offering her congratulations to and welcoming the new Regents; she added that three new chancellors were attending the meeting as well, introducing Chancellors Julius Erlenbach (UW-Superior), David Markee (UW-Platteville) and Thomas George (UW-Stevens Point).

**Introduction to the UW System**

President Lyall noted that the annual *Introduction to the University of Wisconsin System* had been distributed, explaining that this publication helps the UW System communicate with high school students and their parents about UW System institutions and the opportunities they offer for students all across the state. Calling it a "concise compendium of information," she listed a variety of details *Introduction* contains: admission requirements for each institution, statistical profiles of campuses and their student bodies, information about locating and applying for financial aid, and tips on paying for college. She added that, in addition to the full color photos and modern design of the document -- a significant advance over the black and white, newsprint

first edition of 1971, the greatest signal of the current day is that the 1996-97 edition contains World Wide Web and E-mail addresses for resources and campuses.

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**Change in WSJ Coverage**

President Lyall concluded her remarks by welcoming Jennifer Galloway of the Wisconsin State Journal, who will be replacing Phil McDade, the reporter who covered the university for several years.

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**REPORT OF THE EXECUTIVE COMMITTEE**

Minutes of the July 1, 1996 meeting of the Executive Committee had been distributed to the Board, and were unanimously approved on a motion by Regent Randall, seconded by Regent Lubar.

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**1997-99 BIENNIAL OPERATING BUDGET REQUEST**

Regent Grebe asked President Lyall to introduce the 1997-99 Biennial Operating Budget Request. She began by explaining that the budget is "Student-Oriented," retaining the highest priority for the UW System, the teaching of students, striving to meet their needs by investing in today's technology, and by improving advising and career planning services. Since most of the tools sought for this initiative already exist, she added that "it's time we put those tools in the hands of the people who need them." The result will be students and faculty who are "undaunted" by computers, who use the Internet as easily as others use library cards, and who will see the classroom to be bounded only by the imagination.

President Lyall observed that this budget request comes at a critical moment in the history of the state and the UW System; fortunately, she noted, the request is being made at a time when Wisconsin's economy is robust, unemployment is low, personal income is increasing, and annual growth in tax revenue exceeds 5%. In light of these factors, and while recognizing that the state must also maintain its commitment to provide two-thirds of the cost of school aids and will face other important demands, she

called the request for a 3% budget increase over two years is “both urgent and reasonable.” Noting that both the state and public higher education would be celebrating their sesquicentennial anniversaries, she observed that the successful partnership between the state and its university system during those 150 years has helped “make Wisconsin what it is today.”

The state and university share a common purpose: “to change and improve the lives of everyone they serve, wherever they happen to be, throughout Wisconsin.” The proposed budget re-emphasizes that partnership, seeking to enhance already strong academic programs while preserving access to UW System institutions at affordable tuition levels. To effect this, new technologies will be used in traditional classrooms as well as in distance education programs; Wisconsin will be a national leader in the effective use of technology, both on the UW System campuses and in “seamless” partnerships with K-12 schools across the state. (President Lyall noted that this budgetary goal is derived from recommendations of the Board of Regents’ *Study of the UW System in the 21<sup>st</sup> Century*.) She added, however, that the UW System will end the current biennium with a permanent reduction of \$33 million in state support, as well as 527 fewer faculty and staff; she stressed that it is “essential that the state fund costs-to-continue and, as its share of this partnership, also maintain our base, fund these modest new initiatives, and provide a market-based pay plan for faculty and staff.”

On behalf of the UW System, President Lyall pledged that it will serve more students and serve them better. In this budget, targeted investments will help students plan their academic programs and careers more efficiently, stretch the reach and effectiveness of the remaining faculty and staff, and knit the UW System more closely to the K-12 schools and the public libraries. This budget requests a renewal of the partnership with the state to help students learn in new and different ways, enable them to complete their studies promptly, maintain the integrity of a college degree, and ensure the affordability of college opportunity; it also preserves access to the UW System for 4,000 additional qualified students who will be seeking admission, provided the state fully funds costs-to-continue and offers a compensation package that is competitive with peer institutions. President Lyall added that additional state dollars will not be sought to fund access for these students; rather, they will be accommodated through productivity increases and base reallocations.

Summarizing other aspects of this budget proposal, President Lyall noted that it proposes modest increases (3% over the biennium) in GPR funding for new initiatives, applies available new learning technologies to update and improve the quality of educational programs, and continues administrative streamlining. (Observing that the UW System is the low-cost provider of quality higher education among its peers, spending 20% less per undergraduate on instruction-related expenses, and 33% less per student on administration, compared to the national average, she concluded that this budget request will continue this efficiency.) The budget request contains six major initiatives which, in the spirit of partnership, requested GPR increases with base reallocations and private sector contributions. These initiatives range from investments in technology, advising and program improvement to maintaining the commitment to diversity, student aid and affordability. President Lyall highlighted the following:

1. **Instructional technology and distance education:** \$31.7 million in GPR/fees is requested for these purposes and for a new Regents' Incentive Fund. Institutions will also contribute an annual matching base investment of \$6 million. Observing that these efforts are already under way, President Lyall stated that these investments will provide access to the university and its resources wherever there is a fiber optic connection or satellite downlink, in homes, K-12 schools, libraries and workplaces throughout Wisconsin. However, she added that while significant advances have been made, thanks to a special student fee assessed for this purpose, students should not be expected to pay the entire bill for this essential infrastructure. The instructional technology/distance education request seeks support for new curricula, upgraded campus computer networks, site support for distance education, a World Wide Web-based Student Information System to serve the needs of current and prospective students, and asks for funding to place all of UW System campuses on the state's new fiber telecommunications network for voice, video and data traffic. Achieving this goal will require an investment in infrastructure, equipment and training, all of which will help prepare students for the high-tech workplace they will encounter when they graduate.
2. **Extending the UW System's assets to the K-12 system:** The proposed budget initiatives respond to Governor Thompson's challenge to extend the university's assets statewide through instructional technology, K-12 access to library materials, on-line admissions applications, and computer-assisted distance education. President Lyall noted that improvements in instructional technology (including ensuring faculty and staff access to current technology) will bring teaching techniques in line with a generation of students accustomed to computers and their new learning styles.
3. **Improving advising and career planning:** \$4 million in GPR and fees are being sought to add advisers and to update the training of existing advisers in order to expand pre-college advising, improve general education and transfer advising, and start career advising with freshmen and sophomores. These improvements will help implement four-year graduation contracts and a reduction in average credits-to-degree while also lowering students' costs and maximizing their academic and career success. Students, who contributed to this initiative by demanding better advising through their participation in the Board of Regents Study of the UW System in the 21<sup>st</sup> Century, are being asked to help identify "best practices" that can be applied throughout the UW System.
4. **Increasing the number of graduates from Physical and Occupational Therapy Programs:** \$2.25 million in GPR and fees is being sought to increase the number of graduates from our physical therapy and occupational therapy programs at UW-La Crosse and UW-Milwaukee; this will help meet an identified statewide shortage of these skills that are needed in order to help injured workers return to work sooner and help the growing number of elderly citizens remain self-sufficient longer.
5. **Diversity:** This budget continues the UW System's commitment to diversity by seeking \$2.15 million in state funding for the Lawton Undergraduate Minority

Retention Grant program and the Advanced Opportunity Program. These funds would cover tuition increases and enable new awards, thus reducing the financial aid burden for minority and disadvantaged students. A separate request seeks \$450,000 to provide minority and disadvantaged youth with a year-round follow-up to existing pre-college programs that are now offered in the summer at all UW System campuses. Maintaining advising and other contacts with these students throughout the school year will enhance their chances for college entrance and success.

- 6. Student Aid and Maintaining Affordability:** Finally, a separate resolution urges increases in GPR-funded financial aid that match tuition increases and reflect the growing number of aid-eligible students. President Lyall noted that federal support for student financial aid is uncertain while the increasing student reliance on loans makes this request both timely and imperative. In addition, preserving affordability was a goal defined in the Board of Regents Study of the UW System in the 21<sup>st</sup> Century; this budget proposes a state investment that keeps tuition increases moderate and resident UW System tuition among the lowest in the country.

President Lyall noted that, using the traditional 65/35% funding formula for state and student contributions, the current budget initiatives would increase tuition by an average of about 3.2% each year, exclusive of compensation. The tuition share of any increase in compensation will add roughly 0.7% for every 1.0% increase in compensation. (The compensation request will be presented to the Board of Regents in November, for submission to the Secretary of Employment Relations.) The anticipated increase for faculty and academic staff is somewhat above the overall state pay plan, since the 1995-97 increases of 1% and 2% were well below the market. Turning to the costs-to-continue portion of the budget, President Lyall explained that it is based on DOA instructions and covers full funding of the current pay plan and benefits. Overall, this budget seeks an average, annual, GPR increase of 2.1%, which is well below the 5% projected increase in state revenues; of the total proposed increase, it is important to note that only 17% would come from State Tax funds. Tuition and fees provide 16%, while two thirds of the total requests would be raised or earned in non-tax dollars by the UW System institutions.

This budget addresses more than money, President Lyall added, since it includes recommendations for a number of changes in statutory language that would increase the management flexibility of the UW System and enable it to move more quickly in making changes that better serve the needs of the state. Currently, the UW System has the lowest administrative costs among its peers while it has one of the highest levels of state regulation and reporting requirements. Noting that most comparable institutions can spend tuition dollars as they are earned without further appropriation; most operate their own unclassified personnel systems; most lack separate constraints on continuing education revenues and positions, and that no other institution in the Big Ten has position control, she argued that these are examples of 20th century management tools that need to change as the system enters the 21st Century. Furthermore, the UW System has cut its already low administrative costs significantly during the current biennium; changes in statutory language would do much to help manage the impact of

those cuts, and position the UW System to adopt "best practices" from around the nation while maintaining accountability for outcomes and results. President Lyall concluded that a budget represents decisions made about the choices and directions, and that this budget was determined "within the limits of what is possible, desirable and prudent," in order to invest in technology, focus on instruction, enhance the success of students and society, maintain access and affordability, and seek the management flexibility that will help make all the rest possible. These choices, President Lyall stated are good for the students, good for the institutions, and good for the state.

Regent President Grebe reminded the board that it had had significant involvement in shaping this budget. He believes that this budget reflects recommendations of the Board of Regents Study of the UW System in the 21<sup>st</sup> Century, noting, in particular, that it reflects the Board's sense of the need to reconfirm the commitment to the 150 year old partnership between the State and its public university system and calls upon the State to recommit to that partnership, in part, through a significant investment in infrastructure and the improvement of technology. This budget also focuses on essential items, such as the investment in technology, commitment to improving advising for students, and the need for significantly greater management flexibility. Regent Grebe expressed his belief that the requested increase is reasonable, modest and urgently needed to permit the system to move ahead and meet the needs of a greater number of Wisconsin high school students who are earning the right to college opportunity.

Regent Grebe then called on Regent Hempel, Chair of the Business and Finance Committee, who expressed her strong support for these budget requests. This budget, she noted, acknowledges the importance of technology to the future of the UW System. She also expressed her belief that, the parents of most of the students that the system will see over the next few years would prefer to pay for the enhanced benefit of knowing how technology will help them meet the 21<sup>st</sup> Century than for making up for a state budget cut. Calling this budget "creative and effective," Regent Hempel praised the way it addresses issues raised in the Board of Regents Study of the UW System in the 21<sup>st</sup> Century, including efficiency, access and distance education, and moved the adoption of Resolution 7253. Her motion was seconded by Regent Steil, and was unanimously adopted following discussion in which regents expressed support for the overall budget, as well as for particular aspects of it.

### **1997-99 UW SYSTEM BIENNIAL OPERATING BUDGET REQUEST**

Resolution 7253: In compliance with directives issued by the State Department of Administration and upon recommendation of the President of the University of Wisconsin System,

the biennial operating budget increase request (over a total all-funds base of \$2,492.9 million) for new Initiatives, Cost-to-Continue, and other Program Revenue funded items be approved for submission to the Governor, Department of Administration, and the Legislature:

<u>Budget Category</u>	<u>Biennial Amount</u>	<u>Average Annual Increase</u>
GPR	\$54,465,700	2.1%
Academic Fees/Tuition	\$51,886,900	4.2%
Subtotal GPR/Fees	\$106,352,600	2.7%
Other Program Revenue	\$206,928,400	4.6%
<b>TOTAL BIENNIAL INCREASE</b>	<b>\$313,281,000</b>	<b>3.7%</b>

Regent Lubar called this a "very fiscally responsible budget" which was also "ambitious," containing the innovative aspects of management flexibility, revenue bonding and concern for student financial aid; "anything less," he suggested, "would really be depriving the State of a large part its future." Regent Smith was impressed by the attention paid to improving advising, noting that the implications of these changes are great, particularly as programs to reduce credits-to-degree and offer opportunities for four-year graduation agreements are brought forward, since these are driven by proper advising. Regent Boyle asked whether the budget request will satisfy the needs for improvements in instructional technology; President Lyall responded that this request will help the System arrive at a point where it can begin to use faculty resources with maximum effectiveness across the System, as it has been designed to help faculty be more productive by using those resources more broadly between campuses, from the campuses to K-12 system, and throughout the state. Regent Krutsch also praised the fiscal responsibility and focus of this budget, stressing the importance of management flexibility and of increasing the rate of graduation within four years as a way to increase access and affordability for all students. Regent Orr reminded his colleagues that the instructional technology initiative proposed in the last biennium was deleted in the Legislative process, which he believes inhibited the UW System's ability to effectively utilize its limited resources; he also reminded the Board that it had heard testimony from knowledgeable professionals on instructional technology regarding its potential, as well as from citizens who understand that it has great potential and who want the UW System to employ it. "If this initiative is approved through the Legislative process," he concluded, "it will enable a very talented faculty to provide even more effective education for our students and will enable us to employ limited resources much more effectively." Adding that the Board should commit itself to furthering this budget, Regent Barry noted that it should also support the compensation plan which will be introduced in November, so that salaries can "keep pace" and not fall behind. Regent Benson concluded this discussion by expressing his appreciation, on behalf of the K-12 system, for the budget initiatives that improve the relationship between the UW and K-12 systems, and reiterated the fact that students who enter the UW System do, indeed, earn their places there.

Regent Hempel introduced Resolution 7254, which was seconded by Regent Lubar. Prior to voting on this resolution, Regent Krutsch inquired whether financial aid increases should keep up with increases in the full cost of college attendance, which often was less than tuition increases on a percentage basis. President Lyall noted the

Board policy which states that "financial aid should increase at a rate no less than that of tuition while staying commensurate with increased student budget needs"; thus, if student costs rise faster than tuition, increases in financial aid would be sought at a rate higher than tuition. Resolution 7254 was then voted on and was unanimously adopted.

### **1997-99 UW SYSTEM BIENNIAL OPERATING BUDGET SUPPORT FOR FINANCIAL AID**

Resolution 7254: The Board of Regents reaffirms current Board policy that "GPR financial aid and graduate assistant support should increase at a rate no less than that of tuition while staying commensurate with the increased student budget needs of students attending the UW System. In addition, support should also reflect increases in the number of aid eligible students" in recognition of the important role financial aid plays in keeping college affordable for Wisconsin students and families and encourages the Governor and Legislature to adequately fund state-supported financial aid programs.

In addition to increasing funds in UW System minority and disadvantaged student grant programs, it is also recommended that the Governor and Legislature increase the Wisconsin Higher Education Grant (WHEG) program (administered by the Higher Education Aids Board) by the proposed percentage increases in 1997-99 tuition. Similarly, we encourage the Governor and Legislature to consider increasing program funds to reflect 1995-97 tuition increases since the program did not receive additional funding in that budget to be used to fund additional students and/or increase the amount of awards.

### **Presentation on Student Information System**

Senior Vice President Ward was asked to introduce the presentation on the Student Information System which will be launched this fall. He noted that it demonstrates the application of some of the technology principals just approved in the budget, of which one of the most important is the student information system (SIS), which will soon provide access to information and services available to current and future students via the Internet. Dr. Ward stressed three points about SIS: first, it provides a flexible, expandable platform for cooperation and partnership with K-12 schools, providing information to help guidance counselors give consistent and current advice to K-12 students as well as give UW System institutions an opportunity to begin its advising process to help prepare future students for success in the university; second, SIS responds to Governor Thompson's challenge to the UW to use technology

to link its campuses and create a system which offers citizens a wide range of services and educational opportunities, including electronic application; finally, SIS captures the energy and advantages of the state wide UW System of higher education, beginning with the cooperative partnership between UW-Extension and UW System Administration and extending to all of the campuses. Using this state-wide information and service network, students will be able to view and contact every UW institution in the state.

Larry Rubin (System Administration) and Kris McGrew (UW-Extension) then provided an overview and demonstration of SIS, highlighting a number of services offered. Among these are hypertext links to all UW System institution homepages, as well as to information on Admission to the UW System, paying (and saving) for College, the Transfer Information System, as well as an on-line application form. SIS also offers students assistance in selecting which UW System institution best meets their needs, provides them with information on majors offered, helps them learn about and gain access to pre-college opportunities, and facilitates planning for college and making career choices. Many elements are interactive, allowing students, parents, and counselors to seek answers to their particular questions; where necessary, e-mail addresses are provided for individual advising and response forms are supplied for ordering additional materials. Among the benefits offered to parents, students and counselors by this "one-stop-shop" of information is access to timely, current information; in addition, SIS offers greater access to a broad spectrum of students, including distance learners, multicultural students, pre-college students, and adult or non-traditional students. UW System institutions will also benefit from increased exposure to prospective students and the enhanced partnership with both K-12 and WTCS colleagues through this "efficient and professional method" of integrating information for students.

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## **1997-99 BIENNIAL CAPITAL BUDGET REQUEST**

Regent Barry, Chair of the Physical Planning and Development Committee, presented the Resolutions forming the 1997-99 Biennial Capital Budget Request. In his overview, he reminded the Board that, a year ago, they had established specific criteria for ranking projects for the 1997-99 biennium. Those criteria focused on better use of existing space, rehabilitation, safety improvements, code improvements as a priority over new space, and on integrating the capital budget with academic needs. Special emphasis was given to projects which support the Regents' goals for improved instructional technology. He stated that this budget addresses this issue, and added that it will be a "challenging task" to address the needs of the approximately 1,800 classrooms throughout the UW System, many of which lack the technological assets of

a reasonably modern high school classroom. Adding his consideration that, in addition to being "prudent and responsible," this budget is also "forthright," Regent Barry reiterated his belief that it expressed the need for the partners in the shared responsibility for the UW System "to recommit." Noting that this budget was developed with the Department of Administration and that it has been discussed with Secretary Klauser, he expressed his belief that there has been a developing partnership in the discussion of this budget and in its forthright nature.

Raising the subject of its connections with the Board of Regents Study of the UW System in the 21<sup>st</sup> Century, Regent Barry said that this budget reflects the study's conclusion that improvements in the efficiency of the system and the development of cost effective measures to preserve and enhance the quality of our educational experience are necessary, and that there is an "over-arching need" for the system to have flexibility in effecting and implementing capital budgeting. After the evaluation of numerous projects and alternatives, the best solutions had been proposed, with continuing emphasis on maintenance, and new or replacement spaces recommended only when no viable alternative exists. Regent Barry added that the addition of a defined mechanism for funding the university's capital budget will enhance the system's ability to coordinate academic changes with the facility changes needed to support them. With the infrastructure in place, the UW System will be able to move forward academically; furthermore, the proposed conversion to revenue bonding offers signal advantages both for the UW institutions' prospective partners as well as for the state.

Regarding maintenance funding, Regent Barry reported that the budget requests \$82.3 million in all-agency funds. Noting that, of last year's request only \$35 million was received, he raised the issue of the backlog of deferred maintenance projects. The current request is for about 1% of the value of the infrastructure, the amount considered the "rule of thumb" for annual maintenance. In addition, he added that the month to month approval process is "cumbersome" and has a negative impact on academic planning; therefore, in planning for needed maintenance the budget requests a "block grant approach" from the Department of Administration and the Building Commission; thus, projects that are typically below \$250 thousand may be addressed by planned use of pre-approved all-agency funds. After again expressing his support for this budget's prudent and forthright nature, Regent Barry asked President Lyall to provide an overview of this budget request.

President Lyall, agreeing that this budget reflects the goals and supports policy decisions made in the Board's Study, added that it also reinforces the operating budget request by focusing on quality instruction, research and public service. The Capital Budget request improves efficiency by maximizing utilization of existing space, prepares facilities for increased application of contemporary instructional technologies including distance education, and increases management flexibility by proposing to establish the capital budget as a revenue bonding program. This budget also helps implement existing policies related to lateral reviews of academic programs, enrollment management and various accountability measures that are reported every year to the public. Finally, it underscores specific steps taken by the Regents regarding

facilities in the recent past, such as the elimination of the deferred maintenance backlog, the review of long-range development plans for all campuses, and the requirement for comprehensive space use planning to make better use of existing space. Observing that the UW System has a "stewardship responsibility" for about 1600 facilities with a replacement value in excess of \$4.7 billion, President Lyall commented that this is a complex investment portfolio that must be managed in a way that will protect the state's investment and foster progress.

Facilities that provide a safe and contemporary learning environment are needed; however, 70% of the UW System's facilities are over 25 years old and 30% are over 35 years old. The 1997-99 Capital Budget request is focused on providing appropriate facilities to meet the educational needs of the growing number of students, working professionals, businesses and industries that are vital to Wisconsin. This comprehensive approach allows buildings and space to be used at maximum efficiency in an era of very scarce resources. President Lyall noted that there are a number of different funding sources for state capital projects: some state funding is provided through bonding authority assigned to a particular agency for specific projects (such as academic facilities); some state funds are set aside in a pool for which all agencies can compete (mostly maintenance projects); user fees and other program revenues are used to fund some facilities (such as food service, residence halls, and student unions); and grants and private gifts are raised by the institutions for projects requiring an outside match.

Explaining that, like the operating budget, the capital budget request is designed to leverage investment of non-tax dollars, President Lyall explained that it requires institutions to generate \$1 in non-tax contributions for every \$4 of state investment in university facilities. In addition, the Regents have placed a high priority on making better use of existing space, and a lower priority on building new space. The projects proposed in this budget are aimed at satisfying those priorities, in addition to supporting increased application of instructional technologies and distance education initiatives throughout Wisconsin. Finally, this budget will continue to meet the accountability goal calling for the elimination of the deferred maintenance backlog by the year 2000.

Summarizing the budget expenditures, President Lyall reported that over 80% of the GPR dollars in this request will be spent on fixing or replacing existing facilities; new space has been recommended only after exhaustive evaluation of all alternatives, and its cost will be offset with outside funding. This Capital Budget request also includes a Revenue Bonding Program, an important new initiative endorsed by the Board of Regents as part of the Study of the UW System in the 21st Century. This program offers a way to reduce future UW System demands on the state's increasingly tight General Obligation bonding cap while simultaneously streamline the UWS capital process and priority setting. Explaining that, currently, the state seeks to maintain a cap on total General Obligation Bonding authority to ensure its credit rating, President Lyall predicted that future competition for those funds will intensify as UW System buildings age and require more dollars for maintenance and renovation, while research and other specialized space needs increase, and other state borrowing needs grow.

Citing the disparity between General Fund Supported Borrowing target amounts and the amounts received as an example of the intensified competition for funds, President Lyall noted that this growing uncertainty in current state capital budget allocations makes it difficult to plan for academic program changes and new technologies that require space modifications. There is a need for a capital planning process that can track and assist these changes in an orderly and predictable fashion. In that regard, she argued, a Revenue Bonding Program could:

- Stabilize UW System capital resources
- Keep private matching opportunities alive (because the Regents and campuses could tell donors when a project could be built with some certainty)
- Enhance long-term academic and facilities planning
- Shorten project turnaround time by about 2 years (and thus reduce costs significantly)
- Relieve pressure on overall state debt

President Lyall summarized the key components for the establishment of a UW System revenue bonding program. The Board of Regents would be authorized to determine priorities and undertake projects within its overall ability to pay for them. The state would cap its GPR contribution to university system debt service at the amount needed to pay off existing debt (plus debt authorized but not yet issued), and continue to provide that amount of GPR in future years. The legislature would establish a statutory Revenue Bonding limit for the UW that could not be exceeded without additional legislative approval. The Board of Regents would then establish capital budget priorities within that limit and schedule the projects as our academic planning suggests and requires. The Board would not request additional GPR for debt service purposes above the established cap. Finally, the Regents would determine private matching requirements and opportunities for projects, and verify the availability of revenues to amortize bonds. The State Building Commission and DOA would review Board of Regents Capital Budget priorities, authorize construction, and issue revenue bonds for UW System projects. Any debt service obligations for academic purposes above the continuing GPR allocation of \$65 million would be funded from other university sources, including gifts, grants and contracts.

Concluding that this proposal comes at a good time for both the UW System and the State, President Lyall noted that the state gains a predictable debt service level for the UW System and frees up approximately \$100 million per year in General Obligation Bonding, while the UW System gains a stable capital planning environment that assists academic program changes, lowers costs, and enhances its ability to attract private matching funds.

President Lyall then called on Vice President Paul Brown to present details on the Capital Budget request. He noted that the recommended projects fall into four major areas: Maintenance which is funded from all-agency funds, GPR major projects which are generally using GPR bonding, the WISTAR program which used GPR

bonding and gifts and grants the non-GPR projects which are funded by program revenues and gifts.

Regarding the first of those areas, Vice President Brown reviewed the history of the deferred maintenance backlog, noting that UW System's stewardship of its substantial investment in facilities is "challenged" by this sizable backlog, defined in 1990 as about \$364 million. In the 1991-93 biennium, the Board of Regents established a 10-year plan to eliminate that backlog. In the six years since then, about \$194 million in GPR has been directed toward the backlog, with about \$170 million remaining unfunded, while new maintenance needs have been accruing. Over the next biennium, a method for reevaluating all facilities and determining maintenance needs will be developed to address this ongoing concern. The budget under consideration continues to emphasize the Regents' high priority on the stewardship of its facilities by recommending over \$126 million GPR for maintenance projects. Vice President Brown noted that, like other state agencies, the UW System must get funding approved on a project-by-project, monthly basis. The current budget proposes UW System projects recommended for funding, through all-agency appropriations, a total of \$82.3 million (about 1% per year of the \$4.7 million replacement value of our facilities) to be used for hundreds of smaller projects (generally under \$250,000) related to maintenance of existing buildings and utilities, as well as code compliance issues. To assist in the UW System's planning efforts, there is a request to be advanced to the Building Commission to consider providing these all-agency funds -- if approved -- as a "block grant."

With regard to GPR major projects, Vice President Brown explained that State Statutes require the specific enumeration of new construction, remodeling and improvement projects with estimated costs exceeding \$250,000. The Department of Administration requires that each state agency prioritize major projects that would use GPR funding. System Administration has ranked all 1997-99 GPR major project requests consistent with priorities established in October 1995 by the Board of Regents (including evaluating existing conditions, benefit to students, academic significance, operating efficiencies, improved space use, instructional technology, previous action, and institutional priority) and in context of the guidance received from the Division of Facilities Development, both of which emphasize maximizing the life of existing facilities. Fourteen projects have been defined and prioritized; of these, nine were supported by the Regents during the 1995-97 biennium but were not approved by the Building Commission; seven involve comprehensive renovation to undertake needed major maintenance and remodeling to improve existing space; two are for replacement of obsolete facilities; and one provides needed utility support. Three of the 14 projects involve additional space, because no reasonable alternative exists.

Of the 14 GPR projects, one (a recommended \$10 million request for a Classroom Renovation and Instructional Technology Improvement) has a significant System-wide impact; this request complements the operating budget request for improved technology, and is a continuation of an initiative launched in the 1995-97 biennium. At that time, the Board of Regents requested \$25 million to upgrade classrooms, purchase equipment for distance education, and complete in-building

telecommunications wiring. However, only \$8.5 million of that \$25 million request was approved, \$4.6 million of which was used to complete telecommunication wiring and leaving only \$3.9 million to begin the classroom modernization. An extensive system-wide survey of existing and desired level of technology in classrooms has determined that 81% of the UW System's 1,800 classrooms have very little, if any, advanced technology, while the institutional goals are that only about 21% of the 1800 classrooms should be at this minimum level of technology; 12% of the classrooms have some video capability and in-room control of lighting and HVAC systems, and campuses want to increase this to 47%; 6% of existing classrooms have high levels of technology, with instructor controls at a teaching station, and the goal is to increase that category to 25%; finally, only 1% of current classrooms are capable of video and distance education, and there is a need to increase that level to 7%. Thus, 84% of the general assignment classrooms need equipment enhancements to enable contemporary teaching and learning to take place; in addition, the survey indicated that nearly half of the classrooms need remodeling to upgrade seating, lighting, acoustics, and/or room configuration. Vice President Brown stressed that this high priority must be given to providing funding in each of the next several biennia to undertake this task.

Noting that the Department of Administration has continued the practice begun in 1993-95 of placing a limit on the amount of GPR bonding each agency may request for major projects and that there is no assurance that the state will provide the targeted amount, Vice President Brown observed that, under the 1997-99 bonding limit of approximately \$71 million, only the first six projects listed in Resolution 7256 would be funded, and there would be no known time frame for implementing the other eight. Under the proposed revenue bonding program, the entire list of \$122 million could be advanced with a schedule for implementing the projects in priority order, and within the bonding level established by the legislature. Under this proposal, Chancellors would have a known time frame for the availability of appropriate facilities needed to support academic changes and meet the needs of students. Vice President Brown also noted that System Administration recommends the deferral (for a variety of reasons) of 17 other major project requests totaling over \$104 million; the 14 projects proposed in Resolution 7256 are those considered to be of highest priority.

Regarding Resolution 7257, Vice President Brown then introduced the "extremely successful" Wisconsin Initiative for State Technology and Applied Research (WISTAR) program, established in 1991 as an 8-year partnership between the state and the University to provide needed facilities to support state technology and applied research. State bonding has enabled the institutions to raise over \$112 million in outside funds to match the state's contribution of \$150 million. When the program was established, the State required only \$75 million in outside funds; however, since that time, many projects have been added to the WISTAR program without additional state funding, and the list of projects for the program exceeds available state funding. While it has been concluded that other funding will be sought for the majority of those projects, \$13.6 million is required in 1997-99 to fund projects already in design. Two projects in particular are being supported: a request for \$15 million to supplement the \$30 million approved in 1995-97 for a new School of Pharmacy at UW-Madison, and a request for \$15.6 million to remodel the Biotron at UW-Madison to provide plant and

animal biocontainment areas, improve utilization and reduce energy consumption in that facility. With funding in place to cover the existing shortfall and these other two projects, the WISTAR program will conclude at the end of the 1997-99 biennium, as initially envisioned in 1991. On behalf of the UW System, Vice President Brown expressed gratitude to the State, Governor Thompson, the Building Commission, and the Legislature for the strong support the WISTAR program has received.

Concluding his discussion of the 1997-99 Capital Budget, Vice President Brown discussed the non-GPR projects, which are funded entirely by gifts, grants and Program Revenues. There are 16 projects in this category, totaling nearly \$39 million and including facilities for a variety of programs, including academic, food service, parking and site development, student center renovation; recreation and other student programs. There is also a placeholder for state construction or purchase of student housing at UW-Eau Claire, in case the Request for Proposals for private development and ownership is unsuccessful. \$20 million in Program Revenue Supported Borrowing has been included, to continue maintenance and renovation efforts in these self-supported facilities. Overall, the Non-GPR funds in the proposed capital budget total about \$61 million, or about 20% of the total.

President Lyall the introduced the final component of the budget, a UW-Madison initiative to address serious problems related to the quality and quantity of facilities for various interdisciplinary health education and research programs. The Healthstar initiative proposes raising \$100 million in outside funds to match a \$50 million state contribution. Healthstar projects which normally would have gone through WISTAR now need to be considered on their own; she added that Chancellor David Ward and Dean Farrell would be available to respond to questions about the Healthstar initiative.

At this time, Regent Barry moved that Resolutions 7255 - 7260 be adopted; his motion was seconded by Regent DeSimone, and, following discussion, passed unanimously.

**Authority to Seek Legislative Approval of a Revenue Bonding Program for the UW System Capital Budget**

Resolution 7255: That, upon recommendation of the President of the University of Wisconsin System, and consistent with the conclusions reached by the Board of Regents in its Study of the University of Wisconsin System in the 21st Century, that System Administration be authorized to pursue legislative establishment of a revenue obligation bonding program for the capital budget of the University of Wisconsin System.

**Approval of Academic Major Projects, listed in priority order, for 1997-99**  
**Construction Funding, UW System**

Resolution 7256: That, upon the recommendation of the President of the University of Wisconsin System and the several Chancellors, the following academic major projects, to be funded by revenue obligation bonds in the priority order listed, be approved and System Administration be authorized to submit the requests to the State Department of Administration and the State Building Commission as part of the 1997-99 Capital Budget:

RANK	INST	PROJECT	EST. COST
1	MSN	Utility Upgrades	\$14,950,000
2	SYS	Classroom Renovation/Instructional Tech. Imprv.	10,000,000
3	PLV	Russell Hall Remodeling	8,494,000
4	GBY	Academic Building	15,379,000
5	STO	Communication Center Replacement	9,117,000
6	OSH	Halsey Science Center Renovation	13,185,000
7	MIL	Sabin Hall Remodeling	6,950,000
8	PKS	Phy. Ed. Fieldhouse Addition - Phase 2	5,494,400
		(Total \$6,464,000, includes \$969,600 Gifts/PRSB)	
9	LAC	Wing Communication Center Remodeling	6,400,000
10	MIL	Lapham Hall South Wing Renovation	7,800,000
11	RVF	Dairy Science Teaching Facility	2,862,000
12	EAU	Phillips Hall Renovation	10,551,000
13	SUP	Old Main Systems Renovation and Upgrade	2,726,000
14	WTW	Williams Center Fieldhouse Addition	7,650,000
		(Total \$9,000,000, includes \$1,350,000 PRSB)	

TOTAL ACADEMIC MAJOR PROJECTS:

GFSB: \$121,558,400  
 Gift/Grant: \$ 484,800  
 PRSB: \$ 1,834,800

**Approval of WISTAR Major Projects, listed in priority order, for 1997-99**  
**Construction Funding, UW System**

Resolution 7257: That, upon the recommendation of the President of the University of Wisconsin System and the several Chancellors, the following items, listed in priority order to be funded as increases in General Fund Supported Borrowing under the Wisconsin Initiative for State Technology and Applied Research program (WISTAR), be approved and System Administration be authorized to submit the requests to the State Department of Administration and the State Building Commission as part of the 1997-99 Capital Budget:

<u>INST</u>	<u>PROJECT</u>	<u>AMOUNT</u>
SYS	Program Shortfall	\$13,600,000
MSN	School of Pharmacy Completion	\$15,000,000
MSN	Biotron Remodeling	<u>15,600,000</u>
<b>TOTAL WISTAR PROJECTS:</b>		<b>\$44,200,000</b>

**Approval to Seek an Allocation of All-Agency Funding for 1997-99 Construction,  
Based on Projects Totaling \$82.3 million, UW System**

Resolution 7258: That, to enhance the ability of the University of Wisconsin System institutions to plan, schedule and prioritize maintenance and other infrastructure needs, and upon the recommendation of the President of the University of Wisconsin System and the various Chancellors, that System Administration be authorized to seek an up-front allocation of funds from the various All Agency appropriations as part of the 1997-99 Capital Budget.

That, to demonstrate need, System Administration be authorized to advance to the Department of Administration lists of projects totaling approximately \$82.3 million, as prioritized by the various Chancellors.

**Deferral of Major Projects, UW System**

Resolution 7259: In recognition of fiscal constraints and other planning considerations, the following academic major projects, totaling \$104,662,100, are deferred from further consideration in the 1997-99 biennium, and will not be reconsidered unless resubmitted in future biennia by the respective Chancellors:

<u>INST</u>	<u>PROJECT</u>	<u>DEFERRED</u>
EAU	Hibbard Hall Capital Renewal	\$ 3,577,000
EAU	Boiler Capacity Increase	2,924,000
MSN	Utilities Distribution Upgrade	5,000,000
MIL	EMS Building Addition & Remodeling	18,200,000
MIL	Klotsche Center Addition/Remodeling	14,000,000
MIL	Christian Science Church Acq./Restoration	8,000,000
MIL	Cogeneration Facility	8,000,000
MIL	Greene Museum Remodeling	850,000
PLV	Karrmann Library Addition	9,245,000
STP	Fine Arts Remodeling & Addition	8,808,000
STP	Nelson Hall Occupant Relocation - Phase 2	1,500,000
SUP	Gates P.E. Remodeling & Addition	9,070,000
SUP	Holden Fine & Applied Arts Capital Renewal	1,732,000

WTW	Upham Hall Capital Renewal	8,572,000
EXT	Radio Hall Capital Renewal	717,000
EXT	Geological Survey Storage Facility	467,100
SYS	GLRF Challenger Learning Center	<u>4,000,000</u>

TOTAL DEFERRED PROJECTS: \$104,662,100

**Approval of Gift/Grant and Program Revenue Projects for 1997-99 Construction Funding, UW System**

Resolution 7260: That, upon the recommendation of the President of the University of Wisconsin System and the several Chancellors, the following projects be approved using Gift/Grant funding and Program Revenue Supported Borrowing; and System Administration be authorized to submit the requests to the State Department of Administration and the State Building Commission as part of the 1997-99 Capital Budget:

UNIV	PROJECT	GIFT/GRANT	PROGRAM REVENUE BONDING
EAU	Student Residence Hall		\$11,198,000
EAU	Crest Wellness Center Rmdlg.		557,000
GBY	Housing Service Center Addn.		450,000
LAC	Student Life Center Addn.		2,837,000
LAC	Whitney Center Dining Room Rmdlg.		1,287,000
LAC	Parking Lot C7 Improvements		478,000
MSN	Crew House Renovation	\$ 1,100,000	
MSN	Softball Grandstand Facility	3,043,000	
MSN	WARF Remodeling for Med School	4,950,000	
MSN	Psychiatric Inst./Clinics Rmdlg.	700,000	
MSN	Eagle Heights Comm. Ctr. Addn.	1,603,000	
MSN	CSC Parking Ramp Addition		3,426,000
PLV	Auxiliary Storage/Maint. Fac.		772,000
STP	Univ. Ctr. Renovation & Addn.		3,900,000
WTW	Esker Dining Hall Remodeling		1,895,000
WTW	Campus Info. Ctr. & Site Devel.		426,000
TOTAL GIFT/GRANT AND PRSB PROJECTS:		\$11,396,000	\$27,226,000

After the motion and second to approve these Resolutions, Regent Kruttsch asked if other members of the Board would offer their views on the Revenue Bonding Program. Regent Lubar stated his belief that it is "a necessary step" that offers significant financial savings by "shortening the cycle of building by two years." He concurred with President Lyall's assessment of this strategy as one that creates a "win-win" situation for the state and the UW System, since the AA rating is limited to \$200

million of bonding annually, of which the UW System will receive \$100 million which will eventually go to the State for its own use; at the same time, the university gains flexibility and ability to move projects forward. Overall, he anticipates that it will have an "enormously positive impact." Regent Barry said that his attention had been captured by the "give and take" between the State and System, adding that the ability to cap debt service at the present \$65 million and retire it will make a difference; while it won't allow every project to be achieved, it will provide stability and enhance academic planning. Regent Lubar stressed that the availability of Revenue Bonding would not foster spending, which had been one of Regent Krutsch's concerns; instead, UW System projects could move more promptly and benefit from improved long-term planning. Regent Orr added that he had investigated the Revenue Bonding issue with independent investment advisors who assured him that, "given this state and this university," the cost penalty will "be very minimal."

Regent Krutsch expressed concern that there would be "some lean years;" Regent Barry noted that bonding capacity could be spaced to cover those years and that fundraising would be added. Overall, the figures indicate a "reasonable level of bonding ability." Regent Smith stated that he found the proposal to be "very interesting" and agreed that the long term effects could be positive, but noted that it will need to be carefully presented to the State. He also felt it is uncertain how the bonding authorities will rate this new bonding. Regent Orr cited assurances he had received from people who sell and rate such bonds that "this isn't a problem." Regent Smith concluded this discussion by noting that this proposal has a strong, positive influence for the System.

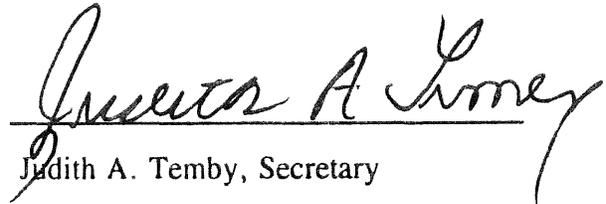
#### UW-Madison: Approval to pursue establishment of a Healthstar Program

Regent Barry then made a motion to approve Resolution 7261; his motion was seconded by Regent Steil and carried unanimously.

Resolution 7261: That, to support the ongoing vitality of the University of Wisconsin-Madison Medical School, to promote interdisciplinary research and education needed to advance health care in the 21st Century, and to facilitate fundraising efforts to offset the costs of providing needed facilities, System Administration and the UW-Madison Chancellor be authorized to pursue legislative approval of a multi-year Healthstar Program, which would utilize \$50 million in state funding and at least \$100 million in outside funding.

No other business being before the Board, the meeting was adjourned at 10:00 a.m.

Submitted by

  
Judith A. Temby, Secretary

4 September 1996