

MINUTES OF THE MEETING  
of the  
BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM  
Madison, Wisconsin  
Held in 1820 Van Hise Hall  
March 8, 2001  
1:00 p.m.

UW Day.....1  
UW Budget in Context.....1  
Governor’s 2001-03 Recommendation for the UW System.....3  
Economic Stimulus Package.....6  
    Resolution: Economic Stimulus Package.....10  
    Resolution: Reaffirm the Financial Aid Funding Principle from  
    its Tuition Policy Principles.....10

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Present: Regents Alexander, Axtell, Barry, Benson, Boyle, Brandes, DeSimone, Gottschalk, Gracz, Krutsch, Marcovich, Mohs, Olivieri, Randall, Schneiders, and Smith

Absent: Regent James

#### UW Day

Stating that UW Day, held on March 7, was a wonderful success, Regent President Smith reported that attendance far exceeded expectations, visits with state legislators were very positive, the exhibits and music from across the UW System were excellent, and it was very much appreciated that Governor McCallum could join the celebration.

He thanked all of the Regents who participated, along with key people who made it possible – Vice President Linda Weimer, whose idea it was to have UW Day; David Miller who coordinated the effort, and Regent Fred Mohs, who raised private funds to finance the event. He also extended appreciation to the Chancellors and staff across the state who worked to make the event a success. UW Day had made a very positive impression on state leaders.

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#### UW Budget in Context

Noting that Governor McCallum is a strong supporter of the University of Wisconsin, Regent President Smith added that the Governor had said he would work to make the university a priority if more state money becomes available. In putting together this state budget, the Governor had to make tough choices. In the first place, revenue projections are down and getting lower. There is a one-half billion dollar structural deficit, accompanied by rising state obligations to K-12 education, corrections, health and family services.

On February 20, the Governor unveiled his budget and reiterated his priorities for the state which included “the need to invest more money in education” and “the goal of keeping Wisconsin’s economy strong and growing”. He announced in his budget “new money to grow and build Wisconsin’s economy and to help create more high-skill . high-wage jobs. In other words. . . more opportunities for our citizens to improve their lives by moving up the economic ladder.” Noting that these are things that the UW cares about too, Regent President Smith commented that Governor McCallum’s budget is fiscally responsible and conservative.

In the budget, Regent Smith continued, Governor McCallum protected the university by:

- Sparing the UW the deep cuts that some state agencies received;
- Providing new money for important programs like the Madison Initiative and the Milwaukee Idea;
- Providing money to pay rising utility bills and meet debt service;
- Funding instructional technology programs;
- Including the student fee portion of new initiatives, as the UW requested;
- Announcing that 52% of new capital money will be coming to the UW.

In meeting with President Lyall and Regent President Smith, Governor McCallum had indicated his regret that he cannot do more for the university; that he will work with the UW if the fiscal picture improves; that he wants to work together with the UW as a team; and that this is only the beginning of the budget process.

Noting that the Governor’s budget is built on projections, Regent President Smith expressed optimism that the state’s fiscal situation will improve. If it does, the UW must be ready to answer these questions:

- What can the university do to help the state’s economy?
- What does the university need to help its students?
- What investments should the state make in higher education?

Therefore, Regent President Smith had asked President Lyall to report on the Governor’s budget proposal as it pertains to the UW and to give the Board a sense of which initiatives are most critical to the state and to the students if dollars become available. It is clear, he emphasized, that the Board’s original budget request is unrealistic at this point and it also is clear that there is support downtown for the UW’s new economy initiatives.

President Lyall recalled that the budget planning process began more than a year ago with EM 21 plans and with Governor Thompson’s three key priorities: teacher education, economic development, and technology transfer. The focus of the final budget request was established around helping Wisconsin make the transition to the new economy by graduating more students in high-demand fields, converting the UW’s cutting-edge advantage in biotechnology into spin-off firms with new high-wage jobs, by increasing the transfer opportunities for students between the UW and WTCS institutions, by preparing more teachers, and by serving adult students better. Overall, the UW sought

an average annual increase of 3.7% in the base budget to accomplish these outcomes for the state.

After Governor Thompson left for Washington, D.C., Governor McCallum had only a few weeks to put his own stamp on the budget. In doing so, he set tough parameters and made addressing the structural deficit, fiscal responsibility, and developing a cushion for possible declines in tax revenues, key themes of his budget. President Lyall recognized and expressed appreciation to Governor McCallum and the Department of Administration for working closely with the UW in the final days of budget development to provide as much funding as possible for some key initiatives within these tough parameters.

While she was aware that many state agencies fared more poorly than the UW did in terms of overall funding, at the same time she recognized that Wisconsin finds itself at a critical turning point. Without careful investment, the state faces a rapidly fading opportunity to move into the column of states positioning themselves for the next economy and long-term economic health. The Economic Summit underscored this; and Governor McCallum reinforced it in his remarks to the Venture Capital Summit recently.

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#### Governor's 2001-03 Recommendation for the UW-System

The Governor's budget proposal increases GPR spending for the whole of state government by 3.9% and 2.9% in each of the next two fiscal years. The largest GPR increases go to maintaining the 2/3 school funding formula, Corrections, and Medical Assistance. The UW System's proposed GPR increase is 2.9% in the first year and -.3% in the second year, for an average annual 1.6% increase in GPR fees. This provides \$59.6 million GPR earmarked for costs-to-continue, debt service, and utilities, but a negative -\$4 million for new initiatives after a \$12 million base budget cut is taken, for an overall biennial increase of \$55.6 million GPR.

While the UW is grateful, the President said, for funding ongoing costs, and appreciative that the base cut was less than it might have been, there was disappointment that GPR investment in a state brain gain strategy is negative. The requested \$48 million annually would have enabled the UW to prepare 8,300 more students in high-demand skills areas, leveraged \$20 million in matching private funds for the Madison Plan, boosted research and spin-off developments in biotechnology and other key fields, enabled UW-Milwaukee to double the number of teachers prepared for urban schools, funded high technology and training in the Chippewa Valley, enabled UW Colleges to expand services to working adults, provided SBDC high-tech business development centers in three regions of the state, and other efforts statewide. Governor McCallum recognizes these opportunities and has indicated that workforce development should be among the state's priorities for additional investment if the revenue picture brightens.

President Lyall also recognized the Governor's effort to provide critical IT funding (\$7.25 million) for distance education through Learning Innovations, to connect all UW campuses to Internet 2, and for wireless connections, from WATF funds. While it is one-time funding, this support for learning technology in the next biennium is urgently needed, and the Governor's efforts to help in this critical effort are greatly appreciated.

The UW also is pleased, the President continued, that the Governor was able to provide partial GPR funding for the Madison Initiative, the Milwaukee Idea, the Workforce Development Initiative, and the Agricultural Stewardship Initiative totaling \$8.7 million. At her urging, the President said, he included the tuition share of these initiatives. Unfortunately, however, after the base cut, there is not enough funding to jump-start the brain gain strategy that the state needs for the long term. Noting that there is some urgency about this matter, President Lyall explained that Wisconsin is projected to have a 100,000 person shortfall in skilled workforce by 2010. Since it takes four to five years to produce a qualified graduate, it is necessary to start now in order to be in the running for the future.

President Lyall was aware of student concerns that they are paying a disproportionate share of these initiatives. The solution, she felt, is not to cut the initiatives further, but to restore the GPR match to the traditional two-thirds/one-third ratio. The Governor's budget contains an average annual 2% tuition increase (compared to 3.2% in the Regents' request). It should be noted that tuition was frozen this year and that recent state pay plans have required funding a larger-than-usual portion from fees in order to maintain competitive salaries for faculty and staff. At this point it is too early to know what final tuition increases will be. She expressed the hope that there will be a competitive pay plan that is funded with the traditional GPR/fee split and that funding of this plan not fall unfairly on students.

The President was disappointed that there was no provision in the Governor's budget for any increase in financial aid. To maintain affordability and access, she said, the state should provide increases in WHEG, Lawton and AOP grants that parallel anticipated tuition increases. Without this assistance, she was concerned that low-income students, including many students of color, will find their college aspirations unattainable.

Finally, the budget left the university desperately short of positions, providing only two additional GPR positions systemwide to serve 825 additional students and deliver the research and service items in the Madison and Milwaukee plans. Since 1994-95, the UW System has declined by more than 300 faculty and staff positions, even as enrollments have grown by 5,500. The UW cannot, the President said, deliver the additional services funded in the Governor's budget without having the people to do so.

Language in the budget would give the university flexibility to create GPR positions once a year with DOA approval. However, the university would be required to absorb all future compensation costs for new GPR positions from its base budget, thus creating two classes of state-funded employees – those with full state funding and those without. This arrangement currently exists for PR positions because those positions have a separate source of funding. To create subgroups of GPR positions, however, seemed to her unwise. She urged that the state either provide the GPR positions necessary to deliver services to the 825 additional FTE students and carry out the other initiatives in the budget, or exempt the UW from position counts so that the university can operate and be fiscally accountable on the same basis as all other Big Ten universities.

Finally, President Lyall commented on several statutory language items in the Governor's budget that would create difficulties for the university.

- The budget would create a state department of e-government, the head of which would have the authority to transfer IT positions and funding from the UW at any time. It would be difficult to plan and effectively run distance education, train faculty to use IT in the classroom, and maintain equipment for them if the status of IT staff and funding are always uncertain. Noting that the UW and DoIT work regularly with DOA to collaborate on administrative systems as appropriate, the President suggested that this collaboration should continue through the means of professional association.
- The budget contains language that would remove the UW's broadcast licenses for WHA and other university run television and radio stations and place them in a separate corporation, but without funding for digital conversion or other needs. President Lyall felt strongly that the Regents should continue to hold these broadcast licenses both to ensure the long historical connection to the university's knowledge resources and to ensure editorial independence.
- The budget also institutes several chargebacks for services that currently are provided internally, including a proposed chargeback for purchasing. University purchasing now is done partly through DOA's blanket contracts and partly by staff for research and instructional materials specific to higher education. The University currently is eligible for deep educational discounts on computing and other purchases and would not want to sacrifice these benefits by doing purchasing through another state agency.

President Lyall noted that she had discussed these and other items with Secretary Lightbourn and hoped that they could be modified, or the UW exempted from proposals that would impede the ability to serve students well.

### Economic Stimulus Package

President Lyall stated that the UW cannot abandon its advocacy of a Brain Gain strategy for the state. The budget process is at an early stage; legislators in both houses and both parties must weigh the choices for Wisconsin's future that are embodied in the budget; and new revenue estimates later in the spring and summer will further inform these choices. Finally, she noted, it is necessary to consider what other states are investing in their futures and how this may impact Wisconsin's competitive position in attracting next economy jobs and growing (and retaining) the next economy workforce.

When the Regents decided on the 2001-03 request for a 3.7% increase, the President continued, they did not include many good proposals that would have cost at least twice that amount. In order to help focus attention further, she proposed identifying as top priorities among the remaining requests an Economic Stimulus Package that would invest \$20 million in:

- More high technology graduates for the workforce through the Chippewa Valley Initiative, the Fox Valley engineering collaborative, Bioinformatics at UW-Parkside, and MIS and information sciences programs at other campuses;
- Completing the Madison and Milwaukee initiatives;
- Establishing the 2+2 programs that will facilitate transfer of students between the UW and WTCS;
- Financial aid to parallel tuition increases in the AOP and Lawton programs;
- Completing the library restoration initiative begun last biennium; and
- Extending study abroad opportunities for UW students.

Commenting that these priorities are most urgent for moving towards the next economy now, President Lyall added that the Economic Stimulus Package would leave to the next biennium another \$55 million of requests that also could produce important benefits for the state:

- The stewardship initiative for preventive maintenance on university buildings;
- \$10 million of IT that is needed to replace computing equipment on a regular cycle;
- All of the UW's teacher preparation initiatives;
- All of the Plan 2008 initiatives except for financial aid.

Noting that these choices are painful, President Lyall said each one deferred would set the UW back in its ability to contribute as much as it might to students and the state. However, it is necessary to focus efforts to make others aware of opportunities foregone. Students whose opportunity for college is sacrificed today, she pointed out, are unlikely to wait for a financially or politically more convenient time. They will give up their dreams or pursue those dreams outside of Wisconsin. That is why, President Lyall concluded, it is important to continue advocacy for Wisconsin's future.

In discussion following the presentation, Regent Alexander noted that the ratio between GPR and fee funding in the Governor's budget is very different from what has been the case in the past. He asked if there is an intention to request that, if more money becomes available, that ratio be brought into line with what students expect.

Reapplying in the affirmative, President Lyall indicated that the Economic Stimulus Package would propose that the GPR/fee mix be rebalanced to the two-thirds/one third ratio.

Stating that the President's proposal is reasonable, Regent Boyle added two points of emphasis. First, he pointed out that the foundation of a great university is its faculty and staff and that it is necessary to maintain a competitive edge in the market in order to maintain the quality that has always existed in this state. Noting that the Board has always placed quality above access, he stated that it should be made clear that the request for a 4.2% increase in compensation in each year of the biennium is still a high priority and extremely important for the university and the state.

Secondly, he noted that the Board's request that the UW's leadership be removed from the executive pay plan was not included in the Governor's budget. If the UW is to have a competitive edge in the market, he stated, the flexibility is needed to compensate leadership at a level that will maintain excellence. He hoped that the importance of this statutory change would be emphasized as the budget process continued.

Regent Krutsch concurred with the need to compensate leadership competitively in order to accomplish what is necessary for the university to succeed in carrying out its mission. She also thought it would be helpful to encourage the institutions to use effectively flexibility that exists to create positions with program revenue. Noting that businesses are very interested in keeping graduates in Wisconsin, particularly those in high-tech fields, she suggested that businesses might be willing to contribute toward a position that would set up student internships and part-time work in those businesses. Students with such experiences, she noted, are more likely to remain after graduation.

She also encouraged empowering chancellors to find ways to be even more responsive to high priorities in a timely way. She suggested informal discussions with chancellors or perhaps creating a task force as means toward that end.



Regent Olivieri commended the effort to set priorities in terms of the budget request. Noting that instructional technology items were among those being deferred, he urged that aggressive reallocation be continued in order to meet those needs on an ongoing basis. Without new money, he thought it even more important to track carefully how funds are reallocated to make most effective use of resources in this area.

He was very pleased that the Milwaukee Idea is recognized within the Governor's budget and that it is included in the Economic Stimulus package. It is important, he felt, to continue advocating that these initiatives be funded.

Stating appreciation for the Governor's statement that the UW would have priority if additional money becomes available, Regent Olivieri commented that it also is important to continue discussion of the allocation of moneys that already are in the budget. At the Economic Summit, he recalled, there was considerable discussion of targeting investment in education versus tax-free zones and other initiatives. Noting that a keynote speaker made the point that investments in the University System could be a much better stimulus than other investments, he pointed out that the UW needs to participate in the debate about policy judgments on these matters that are part of the state budget.

With respect to financial aid, he emphasized that commensurate financial aid needs to be a component of the increased tuition reliance in the budget. With regard to position control, he noted that while some flexibility has been granted, it will be important to have all possible flexibility to deal with the constraints that are in the budget.

In conclusion, Regent Olivieri pointed out that the UW has shown that it is possible to have excellence and broad student access at the same time. Stating that it is important to ensure that one is not traded for the other, he urged that the UW continue to make clear the importance of carrying forward the tradition of both academic excellence and broad student access.

Regent Axtell commented that it will be a major communication task in the coming months to remind decision makers and the public that the UW's budget is not only for education, but also for economic development. Noting that it is a budget designed to put a "plug in the brain drain," he remarked that continuing to export the state's future is a very worrisome problem and one that must be communicated across the state.

Speaking on the subject of funding for libraries, Regent Mohs noted that the need was partially met in the last budget and the funding that was provided had been very helpful. With regard to efficiencies that had been implemented, he cited the elimination of journal subscriptions and movement into electronic publishing of journals in collaboration with other universities, at great savings in cost. In response to funding shortage, UW libraries have risen to the occasion and continue to innovate. The fact

remains, he noted, that there is no great university that does not have a great library. It is one of the criteria on which universities are ranked, and having deep and rich library resource is important to scholars in considering whether to come to the UW. To finish what was started in the last biennium, Regent Mohs emphasized, the UW needs the \$4.7 million that was not funded in the last budget in order to properly fund a resource that is close to the heart of the academic enterprise.

Regent Randall spoke in support of President Lyall's request for additional financial aid to offset higher tuition costs, particularly through the Lawton and AOP grant programs. Noting that the Higher Education Aids Board also is advocating for funding of aid programs, he emphasized that the university cannot be competitive in attracting and retaining the brightest students in Wisconsin without this additional support.

Many private institutions, he continued, have adopted a policy of high tuition offset by high aid packages, much of which comes in the form of loans which only momentarily address student financial needs. Low-income students and students of color, he pointed out, are particularly stressed by a policy that does not provide additional support through grants. Further, he emphasized the need of addressing the need to support graduate and non-traditional students who will contribute to the development of Wisconsin's new economy as adult learners.

Regent Gottschalk expressed concern that the Governor's budget backs away somewhat from the Madison Initiative partnership formed in the last biennium with the UW Foundation and the Wisconsin Alumni Research Foundation. Noting the imbalance in the current budget between GPR and tuition components, he felt concerned that UW donors in the future may resist contributing to substitute for, instead of supplement the state's obligation to its public university. It was his hope that, if additional monies can be found, the innovative partnership among the state, the UW, and its donors can be fulfilled for both the Madison Initiative and the Milwaukee Idea.

Regent Schneiders called attention to the fact that this is only the second phase of the budget process. The UW had developed a prudent budget and the Governor presented his budget based on the amount of money judged to be available at that time. Noting that the Joint Committee on Finance will be holding hearings across the state, she pointed out that those hearings will present the opportunity for the public, university staff and students to make the case for the items they consider essential to their campuses. The Committee then will produce a document that may differ from the Governor's proposal, after which each house of the Legislature will do its own version of the budget. After a budget is passed by the Legislature, the Governor can exercise his veto power and the Legislature may override vetoes. This long process, she observed, provides multiple opportunities for input and alterations in the budget.

Regent DeSimone noted that his many years of fund-raising experience in the Kenosha area had shown that matching public dollars with private contributions is an effective way to finance programs that improve the quality of life. As a member of the

Board of the UW Foundation, he was pleased to be part of the Madison Initiative, which deals with decreasing availability of GPR by matching public and private funding. He emphasized that it is important to remind legislators about the improvements that can be made in education through this public/private partnership.

Regent President Smith stated that it is critically important for the Board to articulate its priorities and for the Regents, Chancellors and staff to work as a team to promote that agenda. In the Economic Stimulus Package, he thought President Lyall had set forth a common sense approach that incorporate items in the UW budget that most directly benefit the students and the state.

Regent Marcovich presented the following resolution and moved its adoption by the Board of Regents. The motion was seconded by Regent Axtell and adopted unanimously.

### **Economic Stimulus Package**

Resolution 8315:                      That, upon the recommendation of the President of The University of Wisconsin system, the Board of Regents endorses the Economic Stimulus Package (\$59,972,100 GPR/Fees biennially), which specifies the Board of Regents' priorities for increased funding from the legislature for 2001-03. The Economic Stimulus Package would help the State of Wisconsin by increasing the number of students in high tech, high paying fields and by providing funding for student priorities.

Regent Boyle presented the following resolution and moved its adoption by the Board of Regents. The motion was seconded by Regents Randall and Olivier, and adopted unanimously.

### **Reaffirm the Financial Aid Funding Principle from its Tuition Policy Principles**

Resolution 8316:                      The Board of Regents reaffirms the financial aid funding principle from its Tuition Policy Principles:

- GPR financial aid and graduate assistant support increase should be kept commensurate with general tuition increases.

The meeting was adjourned at 1:55 p.m.

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Judith A. Temby, Secretary