

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
Thursday, August 22, 2002

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MINUTES OF THE REGULAR MEETING
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Madison, Wisconsin

Held in room 1820 Van Hise Hall
Thursday, August 22, 2002
10:30 a.m.

- President Gottschalk presiding -

PRESENT: Regents Axtell, Barry, Boyle, Brandes, Burmaster, DeSimone, Gottschalk, Gracz, Jones, Klauser, Krutsch, Marcovich, Mohs, Olivieri, Schneiders, Randall and Smith

ABSENT: None

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Statement by Regent President Gottschalk

Regent President Gottschalk made the following statement: "Everyone here is aware that immediately following our last meeting in June a previous matter that I had naively considered personal became public. Since that time I have been as forthright as I know how to be. But I sense that there are lingering and legitimate questions or concerns that deserve open, honest answers, and I want to take this, my first opportunity to speak to you since June, to address these matters.

"First, there may be questions that focus on me personally. Am I suitably contrite following my grievous error? Have I been adequately punished for my transgression and have I taken substantive actions to ensure that it never happens again? The answer to all three of these questions is categorical, yes. I am aware that my fellow Regents and perhaps Chancellors have been subjected to repeated embarrassing questions over this matter and for this I have been filled with remorse.

“At the end of life, the best that any of us can hope for, far more important than money, is our reputation and our good name. And after a lifetime of striving to do good works, one act of impaired judgment has placed a huge stain on mine. But my moral compass is strong. It still points true north and it will not waver.

“In addition to the prescribed penalties for my offense, the fines, the assessments and restricted driving privileges, I have paid a price which for me has been far greater, widespread public humiliation and disgrace. For me, a private person by nature, this kind of introduction into the public spotlight has been extremely difficult and cathartic. But I am determined that this experience, that I would not wish on anyone, will make me stronger rather than weaker. It has served as a wakeup call for me that is too loud to ignore. For months now I have drastically modified my behavior with respect to alcohol consumption. I have placed myself on zero tolerance, whenever there is the slightest chance that I will be driving and when in public. From now on, the strongest thing you will see in my hand is a glass of cranberry juice. And for the benefit for your personal health and beauty, I recommend the same course of action to each of you.

“The second set of questions, I think revolve around the judgment of the Board in electing me and on my ability to lead going forward. Let no one ever doubt or question my dedication to the University of Wisconsin. I have demonstrated this abiding commitment time and again going back decades. My contribution of time, money and in kind have not been inconsequential and will continue for as long as I am able. I have been selected to lead as President or Chairman of four of the six boards related to the University on which I have served or serve. By chairing the Business and Finance Committee of this Board, I have gained insights into our budget process and an understanding of how the university relates to its public and private resources. Lastly, I have structured my personal affairs so that I can devote whatever time is necessary and then some to the affairs of the University. With the fiscal challenges we all face in the future this ability may prove to be critical. Perhaps some of these factors were on the minds of the Regents back in June.

“We can all agree that my predecessor was a great Regent President. But Jay was not a great President on day one of his term, or because of his considerable oratorical skills. Rather, he became a great leader by using skills from his business life, his ability to listen, to get his arms around a problem, to build consensus and to lead the Board toward the best course of action for the University. I share some of these same qualities with Jay and have the same commitment that we be successful. And even in light of the challenges we face, I’m resolved to match his high standard of excellence. Perhaps the Regents know this as well.

“In the days of turmoil back in June, I received a phone call of support from a valued friend who said something I will always remember. He said that it is not how low a person sinks in his or her darkest hours that matters, but rather how high that person arises afterward that is important. I am absolutely determined to prove the truth of that proposition.

“Long before he rose so magnificently to the challenges facing his city and the nation on September the 11th, then Mayor Rudolph Giuliani was locked in a hotly

contested race for the UW Senate with then first lady, Senator Hillary Clinton. The mayor was accused by his critics of several character flaws and was then confronted with the greatest crisis of his life, a diagnosis of cancer. After he had begun treatment for the disease, he called a press conference to withdraw from the race. He spoke poignantly about life, and toward the end was asked if, as a result of his experience, he felt closer to God. Taken aback, Mayor Giuliani thought for a moment and then said with a smile, "I don't know, but I sure hope that He is closer to me." My prayer is that God is closer to me and to each of you as together we strive to maintain and enhance the great University of Wisconsin System. Thank you."

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APPROVAL OF THE MINUTES

The minutes of the June 6th, June 7th, and July 8th meetings of the Board stood approved as distributed.

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REPORT OF THE PRESIDENT OF THE BOARD

Report on the July 24th meeting of the Wisconsin Technical College System Board

Supplementing a written report on the July 24th meeting, Regent Barry, President of the WTCS Board, explained that the Board will delay action on its biennial budget until completion of the work of a Governor's committee on health care matters. The WTCS Board, he noted, wished to coordinate nursing education initiatives with the UW.

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Report on the June 21st meeting of the Educational Communications Board

A written report on the June 21st meeting of the Educational Communications Board was provided to the Regents.

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Report on the July 10th meeting of the Hospital Authority Board

The Regents received a written report on the July 10th meeting of the Hospital Authority Board.

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REPORT OF THE PRESIDENT OF THE SYSTEM

UW Day at the State Fair

President Lyall thanked Vice President Weimer and her staff, the Chancellors and their staffs, the Regents, and WHA radio for making UW Day at the State Fair a great success. Thousands of people on the main concourse stopped at university exhibits and were made more aware that the UW is working for them every day.

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Introduction to the UW System

Referring to the new edition of *Introduction to the UW System*, President Lyall noted that 20,000 copies each year are sent to the parents of all eighth graders in the state, to all high school counselors and to prospective students. Included are profiles of UW institutions, admission requirements, transfer arrangements, directions for using the Transfer Information System, a matrix of all programs available in the UW System, information on costs and financial aid, information on campus housing, and a list of campus contacts. This valuable reference, she indicated, is a cooperative effort of all UW institutions, the Higher Education Location Program, and UW System staff.

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2003-05 BIENNIAL BUDGET

Regent President Gottschalk began his remarks by indicating that the state's fiscal outlook presents unprecedented challenges to fulfillment of the UW's mission, which includes planning for the future needs of the state for university education, preservation and enhancement of educational quality, sound financial management, and prudent stewardship of university assets. In addition, he pointed out that a healthy university is vital to the state's economic future and that increasing the number of college-educated citizens – and thus the average per capita income – will require a renewed commitment to higher education by the state.

The operating budget presented at this meeting, he remarked, is a “bare-bones” budget that includes no new program funding and that will provide necessary but minimal funds to enable fulfillment of the university's mission and the Board's obligations.

Given the state's fiscal condition, Regent Gottschalk emphasized that it will require unprecedented advocacy by chancellors, faculty, staff, students, parents, alumni and friends in the executive and legislative branches to preserved the UW's ability to serve Wisconsin students.

President Lyall concurred that the challenge will be unusually difficult, with dim prospects for GPR funding increases. At the same time, more students will continue to seek higher education opportunities and Wisconsin will need UW graduates more than ever.

She recalled that the current biennium began with a commitment, in partnership with state government, to an economic stimulus package for Wisconsin that would enable UW campuses to enroll 2,557 additional full-time students in high-demand fields to meet state workforce needs. The state budget provided about \$40 million GPR for this program and a variety of campus-business partnerships to stimulate regional economic development. The state then began deliberations on a budget repair bill that proposed, at times, more than \$100 million in cuts to the UW's \$890 million GPR budget.

The extraordinary uncertainty this situation created and its potential effects on students caused the Board to direct a pause in admissions in March until assurance was received that cuts would go no deeper than the Governor's original proposal. The final result was a \$44 million budget reduction to the UW – a loss that represents state support for more than 6,000 FTE students. As a result, each UW student this fall will have \$1,000 less in state-supported services than will counterparts around the country.

While universities in other states had major cutbacks in state support, they were able to preserve quality with offsetting tuition increases. Here, however, the budget was cut and tuition increases were capped at about \$150 per semester. This left no way to cushion the impact on students except through adjusting future enrollments to bring them into balance with the budget. With the budget cuts that had been made, President Lyall stated, the UW and its students have contributed more than their fair share to the budget repair process.

Tobacco settlement money of \$830 million made up for most of the shortfall in this year's state budget and there was about \$164 million in new spending. Of the \$189 million in direct cuts to state spending, \$44.2 million were from the UW budget. Cuts to the UW budget amounted to almost one-fourth of state spending reductions, although funding for the UW is only 9% of the state budget.

Early in the process, she noted, a commitment had been made to the Governor to manage the cuts he proposed without reducing enrollment. While enrollment commitments will be met, she pointed out that the cuts will have a strong impact on students. There will be fewer faculty to teach them, larger classes, fewer course sections, less access to majors, longer waits for advising and student services, less instructional technology and reduced maintenance of buildings.

With regard to the economic stimulus package, the President stated that the UW will move ahead with about half of the program, with the remainder awaiting the 2003-05 budget outcome.

Looking forward to the next biennium, she observed that the environment has changed markedly.

1. The state budget deficit continues, with no more tobacco money to fill it. Thus further cuts in funding for state agencies appear likely. If the largest areas of state spending, amounting to 76% of the total, remain protected from any reduction, cuts to the university may be harsher and deeper than would otherwise be the case.
2. Federal funding for higher education is lagging as the federal budget is under pressure and the Higher Education Act is up for reauthorization next year, raising further uncertainties about the amount of financial aid and other support universities can expect.
3. Endowments have been reduced by the plunge in capital markets, which also has adversely affected gift giving capacity of alumni and supporters. This means that ability to ameliorate further state cuts with private funding will be greatly reduced. Students will receive lower scholarship and program support, and faculty will receive less funding for research. Private contributions for building projects will be harder to obtain.
4. The plunge in capital markets also is causing a surge in applications to public universities from students who had previously planned to attend private or out-of-state institutions. Thus, moderate tuition for resident students in Wisconsin is driving up the number of applications at the same time that state support is eroding.

The President then made the following observations as to where the UW currently stands:

1. The UW has become a lower priority in the state budget, slipping from almost 11% in 1994-95 to about 9% in 2001-02.
2. Enrollments have grown by 8600 FTE in the same period, while faculty numbers have declined by 499 FTE. The difference has been partially made up by ad hoc instructional staff who now teach almost 40% of student credit hours. These staff frequently are not available to advise students, participate in share governance or contribute in other ways to campus communities. Faculty workloads have increased by 15%, and the benchmark 17:1 student:faculty ratio has been exceeded by a wide margin.
3. Students now have \$1000 less GPR available to them than their counterparts across the nation.

Predicting that the next few years will determine the future course of the UW, President Lyall said there is no doubt in her mind that if state funding continues on its current path, coupled with constraints on the university's ability to manage, it will not be possible to maintain the quality of the campuses and the network of universities that represent such an invaluable asset to Wisconsin and its communities. It also means, she

pointed out, that the UW will be hard pressed to maintain its place as one of the most accessible university systems in the nation.

In the years ahead, she emphasized, the highest priority must continue to be students and ensuring that they have the tools needed to succeed. Stating that the quality of their education must be protected, she noted that graduates are the university's most important contribution to Wisconsin and represent the greatest economic impact. Almost a million people in Wisconsin – one in five – have been educated at a UW institution, representing great breadth of service to the state.

Asking what it will take to meet this commitment to students, President Lyall stated her strong feeling that the UW has come to the end of its capacity to maintain quality with growing enrollments and declining base resources. Over the past decade, the university has absorbed almost \$100 million in base cuts while continuing to admit more students in response to enrollment pressures.

Any future base budget reductions, she emphasized, must either be offset by tuition increases or by enrollment reductions.

Referring to the question of whether more flexibility would make up for additional cuts, she replied that technical changes in state processes that increase efficiency would not come close to offsetting the magnitude of cuts experienced in recent years. On the other hand, flexibilities that enable the Board to raise more revenue or to benefit from earnings on revenues would be helpful. She cited as examples ability to keep interest on earnings of tuition dollars and authority for the Board to set resident tuition without statutory caps.

Another pressure on the university, the President pointed out, has been the sharp increase in costs shifted to the university by the state and other entities. To meet national standards and to stay competitive in the national market for faculty and staff, the UW has to cover costs through reallocation that previously were provided from GPR. As examples, she cited the following:

1. The state funded only 1% of the UW's pay plan this year, requiring the university to reallocate \$29 million to keep faculty and staff pay competitive. This is funding that would have come from GPR in previous years.
2. The UW also reallocated \$2 million to pay for length-of-service payments, market factor adjustments and other commitments made by the Department of Employment Relations for classified staff but not funded by the state.
3. Unionized classified staff have had no pay plan adjustments in this biennium, and it is anticipated that, when an agreement is reached, the university will be required to fund some of the catch-up pay from reallocation.
4. As cuts to other agencies grow deeper, some of them are being passed along to the university as charge-backs and discontinued support. For example, the Division of Vocational Rehabilitation has decided to eliminate funding of services for disabled UW students. This will cost the university about \$162,000 this year, and next year the costs will soar to \$812,000.

A further type of erosion, she continued, has been lack of state support for basic needs, such as instructional technology. While the state has invested more than \$300 million in IT for K-12 education, university campuses have received almost no state funding for this purpose. That also is the case in other vital areas, including library funding, supplies and equipment, and building maintenance.

These shifted costs and reallocations total almost \$60 million per year, on top of the \$44 million cut. Such reallocations, she pointed out, move dollars from place to place, but do nothing to narrow the \$1,000 gap in state support per student.

Therefore, she explained, the university cannot continue simply to reallocate to meet further cuts. Instead, it will be necessary to prepare to scale enrollments and programs to meet the level of available resources, even if it means a smaller university system.

While the UW will continue its commitment to efficiency, she pointed that there are limits in this area as well. Noting that the UW already leads the nation with the lowest administrative costs (5.8%) of any public university system, she said this efficiency allows the UW to educate about 20,000 more students than peer institutions for the same money.

It is necessary, President Lyall commented, to address how much the UW can accomplish with the funding that is provided. Understanding that the state must manage a very difficult financial situation, she said the UW must be realistic about the future, must consider how many students a slimmer university can accommodate, and must communicate enrollment policies clearly and publicly so that there would be no surprises. She asked that legislators also be realistic and not expect rising enrollments without matching state resources.

At the same time, she continued, the UW must continue, in the tradition of the Wisconsin Idea, to offer solutions to the state's most pressing problems. This tradition, she observed, has served the state well and has distinguished the UW from all other public universities across the nation.

In this spirit, the UW will offer the third statewide Economic Summit in October. In addition, the budget proposal offers programs to address pressing state needs in nursing, teacher training and economic development. These programs are being developed as collaborations – with the Wisconsin Technical College System, the Department of Public Instruction and local and regional businesses and communities. In accordance with Department of Administration instructions, these proposals will not be submitted formally at this time, but they remain an integral part of the budget package and match many of the themes Governor McCallum has articulated for the coming biennium.

President Lyall called on Senior Vice President for Academic Affairs, Cora Marrett, to describe these initiatives.

Dr. Marrett began her presentation by noting that higher education in Wisconsin traditionally has been a doorway to advancement and the foundation of economic prosperity – a tradition that continues with economic development activities currently under way through out the system. With additional funding from the state, she remarked, the UW can accelerate its contributions to the state through investments in areas of high priority, such as health care, teacher education, the economy and quality of the workforce.

In the area of economic development, she recalled that the Legislature and Governor last summer approved an ambitious program of initiatives that UW institutions had designed to help the state's economy. However, state budget deficits caused the program to be scaled back by about \$17 million. She remarked that reinstatement of these funds would provide many benefits to the economy, as indicated by the promise and achievements of projects already launched. These projects have spawned new proposals focused on regional economic development and have attracted partners, including businesses, technical colleges and local governments.

With regard to workforce needs, she cited severe shortages in nursing and some areas of teaching. With regard to nursing, she pointed out that almost half of the state's nurses will reach retirement age in the next 15 years, while jobs for nurses will grow by 25%. Both the UW and WTC systems currently have waiting lists for nursing programs, a sign of need for expansion that must be accompanied by an increase in the numbers of nursing instructors. With funding from the state, the UW would collaborate with the WTC System to prepare more nurses and nurse educators.

Areas of shortage in the teaching profession include special education, mathematics, science and reading, and additional resources could be used to augment the workforce in these fields. Further, UW institutions could meet requirements of new state teacher education rules that make higher education pivotal in the professional development of new teachers. Noting that 60% of the state's teachers hold UW degrees, she added that, if resources are available, the UW can do even more to meet pressing demands.

Turning to another area of need, Dr. Marrett noted that the UW contributes to the state primarily through the people it educates and that the quality of the educational environment for students is key to this contribution. Two important features of this environment are libraries and instructional technology.

Observing that libraries are central to the universities and communities of the state, she noted that they must be properly equipped in order to provide services needed by students, businesses, schoolchildren, teachers and community residents. Unfortunately, she indicated, the state budget does not include inflationary increases for libraries, even though the costs of journal subscriptions and books climb every year. In a recent ranking of research libraries, UW-Madison stood as the 14th largest in the nation, but it ranked 29th in volumes added. An institution cannot remain at the top, she pointed out, if its collections continue to fall below those held elsewhere, nor can libraries offer the first-rate service that students and citizens expect when the costs of materials greatly outstrip budgets.

While technology can help institutions share collections, she indicated that funding for technology has lagged the need. The UW has had no new state funding for technology since July 2000, which has hampered efforts to expand access to courses offered online. Although institutions reallocate substantial sums to fund technology, she noted that not all needs can be met in this way.

With regard to the UW's commitment to enhance retention and graduation rates, Dr. Marrett indicated that, with more state funding, several activities could be taken to advance toward that goal, including strengthening of advising and counseling services, expansion of learning communities, augmentation of first-year seminars, and increased research and internship opportunities.

Noting that students must be prepared for the world beyond their own borders, she said that support for the collaborative language program could provide students with skills they will need to enlarge their international experiences.

In conclusion, Dr. Marrett emphasized that the UW has played a great role in enlightening students, cultivating ideas and enriching the state. Future success on these fronts depends heavily on the resources that can be acquired. Without sustained funding for libraries, technology, student services and initiatives on state priorities, the UW cannot adequately fulfill its obligations to the people of Wisconsin.

She then introduced Acting Associate Vice President Fredda Harris to provide further detail on the proposed operating budget.

In opening remarks, Mr. Harris indicated that the key feature of this budget is that it asks for no increase in state funds for new initiatives.

State statutes require that the budget be approved by August 31st and submitted to the Department of Administration and the Legislative Fiscal Bureau by September 15th. This year, the budget repair process delayed the timeline for developing base-level funding amounts and DOA's ability to issue budget instructions until the beginning of this month. Therefore, she noted, the budget is still a work in progress. Information needed to determine which costs would be accepted as standard budget adjustments and the base level upon which to calculate certain of those costs is not yet available. Standard budget adjustment items include funding for pay plan increases for the 2001-03 biennium and adjustments for fringe benefit costs.

For program revenue increases, approval is sought for up to \$150 million average annual increase. This category does not include any taxpayer dollars. It is composed of gift and trust funds, segregated funding, federal grants and contracts, auxiliary operations, and adjustments to tuition and fee appropriations. A report will be provided to the Board in September of the actual amounts designated by DOA for both standard budget adjustments and program revenue.

Included in this request are a number of non-standard items. 1) Funding increases for minority and disadvantaged financial aid programs, which were linked to tuition increases as part of the budget reform bill; 2) Funding for services for students with disabilities that previously were paid by the Division of Vocational Rehabilitation; 3) Smith-Lever pay plan requests, as allowed by statute, to allow UW-Extension to fully support pay increases of employees whose salaries are split-funded by the state, county and federal government when federal funding is insufficient to cover the federal share; and 4) funding from tribal gaming funds to support operation of the UW System Aquaculture Facility after construction is completed.

While the budget does not include a funding request for new programs, Ms. Harris continued, it does include a list of initiatives to address state needs. These would continue to be developed by staff for consideration by the Governor and the Department of Administration. President Lyall would report to the Board in November on the final form of these initiatives and the amount recommended. They would be designed to be compatible with the Governor's initiatives for building Wisconsin.

Turning to another section of the budget, Ms. Harris indicated that the budget includes requests to change Wisconsin statutes to allow the UW to use resources more efficiently, streamline procedures, eliminate costly duplication, and make technical corrections.

President Lyall discussed the Performance Measures section of the budget, noting that three measures with specific goals have been established for the current biennium:

- 1) Access – with the goal of serving 32% of Wisconsin high school graduates,
- 2) Retention from the first to second year – with the goal of reaching 82% by 2005-06; and
- 3) Graduation rate – with the goal of reaching 64% by 2010-11.

Performance goals for 2000-01 and 2001-02 had been exceeded, she pointed out, despite budget reductions and required reallocations of more than \$50 million. In 2001-02, the UW served 32.6% of Wisconsin high school graduates; enrolled 2,400 more students than the targeted enrollment; improved second-year persistence to 78.8%; improved graduation rates to 60.5%; and added \$356 million to the Wisconsin economy through new graduates.

In light of the reduced base budget and large anticipated reallocation requirements for 2003-05, it was proposed to change the first measure for the next biennium from a 32% service rate to enrollment at Board established enrollment targets. This change, the President explained, would recognize the Board's prerogative to adjust enrollments as base resources change and incorporate the Board's commitment to maintaining educational quality. The preceding year's enrollment level of 2,400 over target would need to be held steady through 2005 to meet EM21 goals. In addition, she concluded, the

annual accountability report will continue to measure performance on many other indicators.

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Capital Budget

Presenting 2003-05 capital budget proposals, President Lyall noted the wide-reaching impact of facilities on the quality of teaching, learning, research and student life on campus. The majority of UW facilities, she pointed out, are more than 30 years old and must be adapted to provide the type of spaces needed for the 21st century. Thus, steps must be taken to extend the useful life of the UW's 1,600 buildings and to protect this \$6 billion state investment.

In developing the capital budget for the next biennium, the President stated that, in accordance with the Board's directive, emphasis is placed on renovation and renewal of existing facilities. Only 10% of GPR funds requested for major projects would be used to build additional space. As a result of the focus on existing space, the proposed projects would have minimal impact on the future operating budget – an increase of about \$190,000 per year for custodial work, preventive maintenance and utilities. The recommended projects are the top institutional priorities that flow from campuses' long-range plans. Noting that projects currently identified in six-year campus plans total approximately \$1.5 billion in GPR bonding, she indicated that, in light of anticipated fiscal constraints, only about 10% of these requests were recommended for construction during 2003-05.

President Lyall explained that projects have been prioritized using criteria, developed by the Board, that focus on making the best possible use of existing space through renovation and maintenance, and students are increasingly involved in all types of facility planning.

She then introduced Assistant Vice President Nancy Ives to provide more detail on the capital budget.

Beginning her presentation, Ms. Ives noted that, by statute, each project for remodeling or building new space costing over \$500,000 must be specifically enumerated in the budget, regardless of funding source. Most funding for the building program comes from bonding, supported by either GPR for academic facilities or by program revenues for facilities that generate user fees.

Approximately \$346 million is recommended for major projects, including \$143 million GPR and \$203 million (58%) program revenues and gifts/grants. This is about \$80 million less than the amount of GPR bonding requested for 2001-03, and the percentage of non-GPR funding is considerably higher than the usual one-third of the proposed budget.

Ms. Ives then described three categories of construction projects:

- 1) Six carry-over projects, advanced by the Board during 2001-03 or earlier, totaling approximately \$71.3 million (\$50.9 million GPR and \$20.4 million gifts, grants and program revenue). These projects serve a variety of academic programs, including the sciences, fine arts, libraries, and student services. Four of the requests are for final phases of projects begun in previous biennia.
- 2) Fourteen new major projects funded in whole or in part by GPR, totaling approximately \$124 million, including 25% from gifts, grants and program revenues. Each project is supported by detailed institutional academic and facilities plans to improve the learning environment and make the most effective use of existing space. This category includes \$15 million to continue to improve the learning environment in classrooms across the state. Funds also are sought to equip construction projects to be undertaken by municipalities serving seven of the UW Colleges and for equipment for digital production of WHA-TV. Significant funding is needed to improve utilities at seven institutions. Less than \$2 million GPR in this category would be used for small amounts of additional space in two projects, and the GPR would be offset by more than \$21 million in program revenues.
- 3) Eighteen non-GPR major projects totaling about \$151 million, funded entirely by gifts, grants and program revenues. These projects address facility needs for self-supporting activities, such as student unions, food service, student housing, parking, recreation, and various other programs. Where appropriate, approval of student governments would be secured prior to implementation.

Turning to GPR planning and design recommendations, Ms. Ives indicated that eight projects are included in this category for 2003-05, with construction planned for the following biennium.

Whereas construction is funded through bonding, she explained, design is funded through the State Building Trust Fund, a revolving cash account administered by the State Building Commission. All of the projects recommended for design during 2003-05 were also requested by the Board in 2001-03, but were not approved by the Building Commission. They remain high priorities for the affected institutions.

Most of these projects, Ms. Ives pointed out, are relatively costly and would involve construction of new space that would likely carry operating budget impacts. The UW's comprehensive facilities planning process had determined that many programmatic and facility issues would need to be resolved through construction of additional and/or replacement space as a result of the evolution of teaching/learning, as well as the age and condition of existing facilities.

She explained that the planning and design process usually takes at least a full biennium and is important for several reasons: 1) to determine whether it is possible to phase the work and spread the costs over more than one biennium; 2) to determine ongoing maintenance and operating costs; and 3) to facilitate fundraising to offset GPR costs where appropriate.

The capital budget also included a request for all-agency funds administered by the State Building Commission. These funds, Ms. Ives explained, are used for repair and renovation of all state-owned facilities and utilities and for projects related to health, safety and the environment.

Noting that the Board adopted a long-range plan to address deferred and cyclical maintenance, she said the concept also was endorsed by the Department of Administration and the Building Commission; and the Legislature set aside an additional \$30 million effective July 2003 as a down payment on the UW's 2003-05 needs. Proposed GPR major projects included \$54 million in maintenance, and an additional \$170 million will be needed to stay even with cyclical needs during the biennium.

The Building Commission also was being asked to re-establish an all-agency account for land acquisition, Ms. Ives added. Several UW institutions had identified important parcels of land within campus boundaries that would be available for purchase. If funding were not available when the parcels are offered for sale, opportunities would be lost to address campus needs.

President Lyall pointed out that the UW's capital budget proposals would have a direct impact on the economy by supporting more than 4,400 jobs in the construction industry and returning \$16 million to the state through income taxes.

In conclusion, President Lyall reiterated that the UW is nearing the end of its capacity to "make do" and maintain services with fewer base resources. Stating that this is a watershed moment for the State of Wisconsin, President Lyall said that in the months ahead state leaders will set forth the priorities that will govern the state's future. It is vitally important, she emphasized, that public higher education be among those priorities.

Adoption by the Board of Regents of the following resolution was moved by Regent Klauser and seconded by Regent Barry.

2003-05 UW System Biennial Operating Budget Request

Resolution 8580: That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves for submission to the Department of Administration, a request for standard budget adjustments to the UW System 2003-05 base budget that funds costs-to-continue and maintains current investments in UW libraries, supplies and equipment, instructional technology and building maintenance at an amount not to exceed an average annual increase of \$30 million. The Board of

Regents also approves Program Revenue items, at an amount not to exceed an average annual increase of \$150 million for submission to the Department of Administration. The Board of Regents directs the UW System President, after consultation with the Department of Administration, to report in September on the items submitted and the dollar amount requested for standard budget adjustments.

The Board approves the submission of supplemental initiatives addressing State needs in nursing, teacher education, economic development, quality and access for the consideration of the Department of Administration and the Governor. The Board authorizes the UW System President to proceed with developing these initiatives with appropriate partners. The UW System President will report to the Board in November on the final form of these initiatives and the dollar amounts recommended.

Further, the Board approves the submission of the statutory language requests to the Department of Administration.

Regent Klauser commended President Lyall and UW staff for presenting a thoughtful and prudent budget proposal, and he emphasized the importance of maintaining educational excellence.

Regent Axtell agreed, noting that the Regents had spent considerable time in advance of this meeting studying the proposed budget. He considered it a responsible, reasonable, bare-bones request.

Regent Marcovich asked how much money could be obtained by retaining interest on tuition, and Vice President Durcan replied that the amount would be about \$2.5 million per year.

Regent Boyle was pleased that the proposal set forth priorities and needs for the future, even in difficult budgetary circumstances.

Stating his support for the proposed budget, Regent Mohs noted that the state is facing unprecedented budget challenges, with a \$1.5 billion shortfall estimated by the Department of Revenue. Noting that UW is competing with powerful interests for state funds, he expressed concern that the university might receive an even more severe cut in the next budget cycle.

He recalled that last spring's suspension of admissions was commonly thought to be a means of sending a message to the Legislature, but that it actually was an effort to handle the unexpected fiscal problem presented to the university by the proposed budget cuts. What was learned, he reflected, was that this turned out to be an overly broad means of handling the problem, since some campuses were more fully enrolled than others. While it is hoped that the fiscal situation will not require enrollment reductions in the future, he suggested that careful planning be undertaken so that any necessary reductions be accomplished in a fair and conservative manner.

Regent Krutsch commented that, while it is important to continue to look for means of revenue enhancement from a variety of sources and to advocate on behalf of the university, attention also should be devoted to examining costs in greater detail and in relation to Board priorities.

With regard to measuring contributions to the state's economy, she asked if consideration is given to the number of graduates who stay in Wisconsin and contribute to the workforce, to which President Lyall replied that the computation recognizes that about 85% of UW graduates stay in Wisconsin, and that the \$420 million goal is based on those in-state workers.

Regent Smith commented that the pause in admissions had clarified the issue that university funding involves a formula consisting of three elements: quality, revenue, and enrollments. The Board has consistently taken a strong position that educational quality must be maintained, leaving revenue and enrollments as the only variables. During the past year, the Board has given thorough consideration to enhancing revenues from various sources. If it is not possible to obtain enough revenues to provide quality education, he said, the only alternative is to decrease enrollments. He cautioned that if this should become necessary, it must be done in a careful and fair manner.

Stating support for the proposed budget, Regent Burmaster commented that it is a prudent way to proceed. She was pleased that initiatives would be developed in the areas of nursing and teacher education and she encouraged enhanced collaboration among WTCS and UW institutions and the Department of Public Instruction to show that PK-16 educational investment will become an engine for driving recovery of the economy.

Regent Olivieri pointed out that changing performance measures to incorporate enrollment targets rather than service rates would still result in a service rate of about 32% since numbers of high school graduates are projected to remain level. This, he emphasized is a very high level of access when compared with national figures. He noted that other universities, like Minnesota, were able to deal with negative GPR impacts by substantial increases in tuition, which is something the UW was not in a position to do.

Stating his support for the proposed budget, he felt it would be a mistake to discuss reducing enrollments at this time and suggested instead focusing on strategies to obtain adequate state support so that there would not be a need to make such reductions.

Regent Schneiders stated her support for the proposed budget as a realistic and prudent request. While she agreed that educational quality should not be allowed to deteriorate, she noted that it is early in the budget cycle and that alternatives to enrollment reductions should be sought.

Regent DeSimone urged that the Badger Action Network and other UW constituencies and alumni get in touch with their legislative representatives to convey broad and strong support for providing the UW with an adequate budget.

Regent Barry, pointed out that enrollments in the technical colleges are increasing by double digits and that these institutions therefore cannot serve as a safety valve for the UW in terms of enrollments. He urged that enrollment issues be addressed at this time, including identification of campuses and colleges where enrollments could be increased in a cost-effective manner.

Regent Klauser cited the university's responsibility to educate the students of the state and pointed out that the proposed budget is a responsible submission and maintains access for these students. He noted that the Board is committed to educational quality and that high tuition raises and reduced student access are not desirable options. Therefore, GPR support is needed. He agreed that UW alumni and other constituencies need to make clear to decision makers the consequences of providing inadequate state support and persuade them that this is not the time to reduce funding for the university.

The question was put on Resolution 8580, and it was adopted unanimously.

Adoption of Resolution 8582 was moved by Regent Randall and seconded by Regent Axtell.

2003-05 UW System Biennial Capital Budget Request

Resolution 8582: That, upon the recommendation of the President of the University of Wisconsin System, the 2003-05 Capital Budget request including \$345.9 million for enumerated major projects (\$143.4 million General Fund Supported Borrowing and \$202.5 million Gifts, Grants and Program Revenues) and \$183 million General Fund Supported Borrowing - All Agency Funds for maintenance, renovation and land acquisition be submitted to the Department of Administration and the State Building Commission. The 2003-05 Capital Budget request includes the following major components:

1. Enumeration of six carryover projects for a total cost of \$71.3 million (\$50.9 million GPR and \$20.4 million Non-GPR). These projects were approved for planning in 2001-03 or earlier.
2. Enumeration of fourteen new major projects requested by the campuses and recommended for construction at a total cost of \$123.8 million (\$92.5 million GPR and \$31.3 million Non-GPR).
3. Enumeration of eighteen projects funded entirely by \$150.8 million Non-GPR sources (\$1.5 million Gifts/Grants, etc. and \$149.3 million Program Revenue).
4. Planning and design of eight projects that will become the basis of the University of Wisconsin System's 2005-07 Capital Budget considerations.

Regent Klauser commented that the land acquisition request is important because it is necessary to acquire lands when they become available. He also pointed out the construction projects will have positive effects on the state's economy.

Stating her support for the proposed capital budget, Regent Schneiders observed that it is a conservation and prudent request. She stated her strong support for adequate facility maintenance funding.

Put to the vote, resolution 8582 was adopted unanimously.

Adoption by the Board of Regents of Resolution 8583 was moved by Regent Boyle and seconded by Regent DeSimone.

Regent Smith suggested that feedback be sought from elected officials on accountability results.

The question was put on resolution 8583 and it was adopted unanimously.

2003-05 UW System Performance Indicators

Resolution 8583: That, upon recommendation of the President of the University of Wisconsin system, the Board of Regents approves the submission of updates to the Performance Indicators determined by the Board in 2001-03 in response to Department of Administration instructions. The Performance Indicators for 2001-03 were:

access: percentage of Wisconsin high school graduates served by the UW System

retention: to second year

graduation rates: percentage of students who earn a degree from any UW System institution
contribution to Wisconsin income: number of graduates times the average income of graduates (traditional aged and adult) available for the Wisconsin economy

In addition, the Board approves the following Performance Measures for 2003-05:

enrollment: enroll the number of FTE students approved by the Board in Enrollment Management 21 (EM21), adjusted to reflect subsequent Regent action.

retention: to second year

graduation rates: percentage of students who earn a degree from any UW System institution
contribution to Wisconsin Income: number of graduates times the average income of graduates (traditional aged and adult) available for the Wisconsin economy

It should be noted that the UW System issues an annual Accountability Report tracking performance on over a dozen indicators against national and other appropriate higher education benchmarks.

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MEMBERSHIP OF PUBLIC AND COMMUNITY HEALTH OVERSIGHT AND ADVISORY COMMITTEE

In introductory comments, Regent President Gottschalk noted that the matter was considered on August 6th by the Executive Committee, and that the Committee recommended adoption by the Board of Regents of Resolution 8583. He remarked that Regent Boyle had served admirably as the Board's liaison on this subject and had devoted a great deal of time and effort to selection of members for the Public and Community Health Oversight and Advisory Committee. He thanked Regent Boyle on behalf of the Board for the excellent work he had done.

Regent Boyle noted that included in the Board's agenda packets were materials related to the history of the Blue Cross/Blue Shield gift, the process that was used in electing members of the oversight committee and information about each of the members.

He explained that the Executive Committee had acted to approve Resolution 8583 on August 6th in order to capture all the time available to proceed with the committee. He

thought it very important to bring the resolution to the full Board of Regents for action to enhance understanding of the process that was used and the potential of the gift as future actions are taken on this project.

The Insurance Commissioner had ordered specific responsibilities for the Regents, he noted, and the Board had previously approved acceptance of the gift and the bylaws for the oversight committee. In addition, the Dean of the Medical School had presented a description of the process to be used in the selection of committee members.

Stating that the process outlined by the Insurance Commissioner had been followed exactly, he indicated that the oversight committee is composed of nine members – four health advocate members, four members from the Medical School and one member appointed by the Insurance Commissioner. Requests for nominations were circulated broadly. For the health advocate members, 36 nominations were received. Each resume was diligently reviewed and 14 were selected for interviews. From this group, four members were selected. For the Medical School members, 14 applications were received and eight interviews were conducted. From that group, four members were selected.

Noting that the screening group was broadly representative, he said the open and inclusive process that was followed led to the selection of outstanding people for the oversight committee. The Insurance Commissioner's order provided for selecting members in different categories, and the members chosen are diverse in terms of expertise and interests.

Regent Boyle pointed out that the Dean of the Medical School is included in the membership and as initial chair because of broad experience in the field of public health and his deep knowledge regarding the resources of the Medical School. It is important, he indicated, that the expertise of the Medical School be integrated into this effort.

In conclusion, he emphasized that the selection process was open and objective with no undue influence by any individual or group. He expressed confidence that the eight outstanding individuals chosen for membership will serve with commitment and distinction. He thanked Project Director Eileen Smith for her excellent work in shepherding the process to a successful conclusion

Adoption of Resolution 8584 was moved by Regent Boyle and seconded by Regent Mohs.

Regent Mohs commented that, as a member of the Hospital Authority Board, he had followed the process carefully. Noting that the Blue Cross/Blue Shield gift was an impressive amount of money, he commended Regent Boyle for the outstanding work he had done, bringing with him long experience in implementing programs as Chancellor of UW-Extension. As initial chair of the committee, he added, Dean Farrell has an excellent background to move the process forward.

Put to the vote, Resolution 8584 was adopted unanimously.

Board of Regents Resolution on Selection and Appointment of Public and Community Health Oversight and Advisory Committee

Resolution 8584: That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents selects and appoints the UW-Madison Medical School Public and Community Health Oversight and Advisory Committee in accordance with the Insurance Commissioner’s Order authorizing the conversion of the Blue Cross & Blue Shield United of Wisconsin and the distribution of the proceeds from the sale of stock to the two Wisconsin medical schools:

Health Advocate Members:

Name	Category of Representation	Term
Margaret MacLeod Brahm, MA	Urban or other community health advocate	2 Years
Nancy Miller-Korth, MSN	Minority health care advocate	4 Years
Douglas N. Mormann, MS	Statewide health care advocate	4 Years
Gregory Nycz, BS	Rural health advocate	2 Years

UW Medical School Members:

Name	Term
Philip Farrell, MD, PhD	2 Years
Patricia Kokotailo, MD, MPH	4 Years
Patrick E. McBride, MD, MPH	2 Years
Patrick L. Remington, MD, MPH	4 Years

Furthermore, be it resolved that Dr. Philip Farrell, Dean of the UW Medical School and Vice Chancellor for Medical Affairs, be appointed as the initial chair of the UW-Madison Medical School Public and Community Health Oversight and Advisory Committee for the purpose of presiding over the election of a permanent chair of the Oversight and Advisory Committee in accordance with the Insurance Commissioner's Order.

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UPDATE ON ANNEXATION OF UW-MADISON ARBORETUM LAND

Regent President Gottschalk noted that Chancellor Wiley had provided a written update to the Regents. He asked the Chancellor for any comments about the annexation matter.

The Chancellor indicated that UW-Madison had been surprised by the move by Fitchburg to annex the Arboretum land. Portions of the Arboretum, he explained, lie in three different municipalities, with most of the land being in the Town of Madison. In addition to working with the three municipalities, the university must deal with Dane County on zoning matters and with the state on matters involving the Beltline highway, which has Arboretum lands on both sides. Having to work with all these different entities, he noted, results in many inefficiencies.

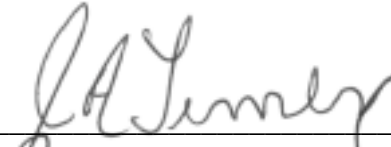
While the university's goal always had been to annex the arboretum to the City of Madison, the petition for annexation from Fitchburg had lent some urgency to the situation. He hoped to return to the Board at a later meeting for authorization to take the necessary steps.

Regent Barry considered the Chancellor's argument persuasive, noting that it would be sensible to reduce the number of jurisdictions with which the university must work and that annexation to the City of Madison also would address storm water and engineering issues. In addition, he pointed out that residences in the arboretum should be connected to the city sewer system. Therefore, he felt annexation to the City of Madison would be a matter of good governance, even though the Town of Madison provides good services and law enforcement.

Resolution of the matter, he said in conclusion, would require leadership and negotiation, during which the university would need to protect its interests.

There being no objection it was the consensus of the Board to support the Chancellor's recommendation, leaving formal action to a later time.

Upon motion by Regent Burmaster, seconded by Regent Jones, the meeting was adjourned at 12:45 p.m.



Judith A. Temby, Secretary