

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

UW-Madison
Held in the 1820 Van Hise Hall
Thursday, March 6, 2003
10:30 a.m.

- President Gottschalk presiding -

PRESENT: Regents Axtell, Barry, Boyle, Burmaster, Davis, Gottschalk, Jones,
Marcovich, Mohs, Olivieri, Randall, Rosenzweig, Salas, Smith and Walsh

ABSENT: Regents Brandes and Gracz

- - -

UPDATE ON PROPOSED CUT FOR 2002-2003

Noting that on February 18th Governor Doyle unveiled his state budget proposal for 2003-05, Regent President Gottschalk stated that the UW recognizes the seriousness of the budget constraints facing the state and the difficult job that the Governor and his staff face in balancing the budget. It was expected that the UW would be called upon to do its fair share to help close the budget gap.

At the same time, Regent Gottschalk pointed out, the cuts presented for the university are of an unprecedented magnitude - \$250 million over a two-year period. Indicating that the Governor proposed tuition increases to offset part of that cut, he stated that addition of financial aid to help offset tuition hikes for those who need it most is greatly appreciated.

Even with the full tuition increase, the university will be left with a huge hole in its budget, he noted, adding that there are no easy ways to close the gap, especially given the fact that demand for services is rising while state support is falling.

Stating that the regents take very seriously their role as stewards of public higher education, he said that the university is in jeopardy of becoming less accessible, less affordable, of lower quality, or all three. In that regard, he pointed out that the trends of the past decade are worrisome in terms of state commitment to higher education. These trends show enrollments rising, relative GPR support declining, and tuition rising. State appropriations when adjusted for inflation have been flat, while tuition, fees, and other sources of revenue have increased.

At the same time, Regent Gottschalk indicated, overall state spending has risen about 70% with the major areas of increase being corrections and K-12 education. He commented that regents must continue to raise questions about the state's priorities, given the vital role that the university plays both in training the workforce of tomorrow and in direct economic benefit to the citizens of the state. Budgets in the past decade have been especially difficult to manage, he noted, because increases for the university have been followed by cuts, sometimes within a few months.

While the university's GPR budget has risen during this time, he explained that the increase has barely kept up with the rate of inflation while the cost of doing business has risen at least at the rate of inflation. Many of the increases have gone toward costs such as debt service. Further, the UW has reallocated to meet almost all of instructional technology costs, amounting to tens of millions of dollars. Budget cuts have come out of the operating budget and have challenged the university's capacity to maintain access and excellence; for example, the UW now has 700 fewer faculty than a decade ago.

Referring to a chart showing the UW System operating budget for this year, Regent Gottschalk pointed out that, although the state appropriation is \$1.08 billion, the money that the university has flexibility to spend – the funding that supports instruction – is about \$910 million, divided among 15 institutions in support of more than 160,000 students.

Compounding the problem, he continued, is the fact that, during this decade, UW enrollment has grown by more than 10,000 FTE students. As GPR support has remained static and enrollments have grown, Wisconsin has lost ground to other states, with GPR support per student now \$1,000 below the national average.

Regent President Gottschalk observed that these funding trends in the face of unprecedented demand raise long-term issues that will need to be addressed in the coming months by the board, the Governor and the legislature. These issues relate to concerns about what public higher education in Wisconsin will look like a decade from now; about maintaining the UW's capacity to help the state's economy recover; about not pricing students out of higher education; and about the capacity to maintain the high student access of which Wisconsin is so proud.

To begin these deliberations, he announced a series of listening sessions, the first to be held at UW-Eau Claire on March 11th. Other sessions will be on March 13th at UW-Green Bay, March 25th at UW-Stevens Point, March 26th at UW-Waukesha, and March 31st in Madison. The purpose of the sessions will be to hear from constituents and community representatives about the impact of past and proposed cuts on their campuses and local economies and to discuss the future of the university with them.

President Lyall began her remarks by reporting that the Governor had directed state agencies to cut a further \$161 million from current year budgets, the UW's share being \$6.9 million. The Legislature increased that cut to \$8.3 million, stipulating that the funds come from institutional support accounts. Since the fiscal year is two-thirds complete, she explained, this constitutes a cut of nearly 20% of remaining funds and would require significant and immediate layoffs. A request has been submitted to the Department of Administration and the Joint Finance Committee to take these cuts from a somewhat broader base of administrative accounts, while still protecting instruction and research so that immediate layoffs will not be required this year.

To accomplish these cuts so late in the fiscal year, she said, campuses are having to eliminate positions in business services, accounting, auditing, human resources, computer and instructional technology support, bursars' offices, legal affairs and police/safety. Touchtone registration for UW-Madison students will be eliminated; university/alumni outreach staff and publications will be cut with predictable impacts on fundraising; travel and professional training have been cut everywhere; and travel and hiring restrictions have been in place for the past year.

The \$8.3 million cut, the President continued, brings to \$49 million the total cuts made to the UW's GPR base since the beginning of the biennium – a biennium in which enrollments are the highest in a decade. Campuses have cut administrative services, supplies, and expenses, and are operating with 300 fewer positions than a year ago in order to manage the \$49 million in cuts without affecting student access. At this point, she emphasized, they are stretched to or beyond the point of meeting standards of service and quality that students expect.

President Lyall referred to the four steps for reductions that she had outlined the preceding month: 1) administrative cuts; 2) program consolidations; 3) tuition increases; and 4) enrollment adjustments. She pointed out that the first step has been accomplished in managing the cuts already made. The next round of cuts will necessarily affect academic programs, student-teacher ratios, access to sections, and perhaps admissions for fall 2004 and beyond.

With regard to the 2003-05 budget, the President noted that the proposed additional cut of \$250 million would take away about \$1,800 per FTE student. The budget also would authorize the board to offset up to \$150 million with tuition increases not to exceed \$350 per semester at the doctoral campuses and \$250 per semester at the comprehensive campuses and the UW Colleges. To cushion the impact of the increases, the budget would use \$23 million of UW auxiliary funds for student financial aid. Even with the tuition offsets, the UW would have to cut another \$100 million from GPR resources, on top of this year's \$49 million reduction.

Stating that a reduction of \$250 million is the largest cut the UW System has even sustained, President Lyall added that it represents 38% of the Governor's total cuts in state spending, even though the UW is less than 9% of the state GPR budget. The UW share of state GPR would decline to 7.1% by the end of the next biennium – a decline from \$1.08 billion today to \$830 million in 2005.

At the same time, she continued, the overall state budget would grow by about 5% over the biennium, primarily through increases in health care and shared revenue. Thus, the UW would not just share in closing a deficit, but in contributing to growth in other state programs. Noting that the falling priority for higher education is a long-term trend, she observed that the time has come to ponder seriously where that trend will take the state and how to maintain educational opportunity for students in the future.

If allocated according to current funding levels, the cuts would range from \$23 million for UW-Madison to \$865,000 for UW-Superior, President Lyall reported, cautioning that the impact will be even worse in terms of access for future students if cuts go deeper or if tuition is kept lower.

Reporting that the budget also proposed to cut 650 faculty and staff, she observed that every position eliminated also reduces the capacity to teach students, do important research and provide help to agriculture, business, and other units of government throughout the state. While such reductions may be necessary, she emphasized that they are far from costless in terms of what the university can accomplish for students and the state.

With respect to tuition, the President pointed out that, even with the proposed increase, UW tuition would remain \$700 - \$1,100 below the midpoint of peer institutions. While current students and their families would prefer not to face steep tuition increases, she felt that future students would be more supportive of increases that would preserve their access to the UW. Without the proposed tuition dollars, she emphasized, cuts of the proposed magnitude could not be made without reducing course offerings, reducing student services, reducing fields of study and reducing student access to the UW System.

Stating that the proposed \$23 million financial aid increase is needed to cushion the impact of substantial tuition increases on the neediest students, she explained that these aid dollars would be one time funds and would come from student fees paid for maintenance and replacement of residence halls, student unions, and related projects. She expressed hope that the Legislature could find a way to stabilize the financial aid commitment by funding it from GPR to insure that it is preserved into the future. The Governor's proposal also would lift the \$1,800 cap on Wisconsin Higher Education Grants, so that these grants could rise along with the proposed tuition increases.

Turning to the capital budget, President Lyall noted that all capital projects submitted for the 2003-05 biennium are being reviewed project-by-project by the Division of Facilities Development and the Building Commission. The UW is urging that carryover projects from 2001-03 and projects with significant private contributions be released so that commitments to donors can be met. It also is hoped that additional funding will be released to continue progress on renovation projects needed to preserve buildings and serve instructional programs.

Another provision of the budget proposes shifting responsibility for administering state financial aid from the Higher Educational Aids Board to the UW System. The purpose is to streamline the process, save students from having to make aid applications to both the UW and HEAB, and facilitate a tighter fit between state aid and tuition policy. The UW would manage data collection and reporting for the university, the technical

colleges and the private colleges. Funds for the technical and private colleges would be administered through the Department of Administration.

In summary, President Lyall stated that the major challenge is to manage the 2003-05 cuts in such a way as to preserve the university's capacity to carry out its mission for the future, which will require balanced choices and continued investment in human resources even if there must be fewer of them. In that regard, she observed that great universities are built gradually over many decades and, once dismantled, cannot be rebuilt quickly, if at all. It is the UW's duty, she stated, to conscientiously seek and maintain that balance so that, at the end of the coming biennium, the university is smaller but better, not smaller and poorer. She asked the chancellors to comment on plans for undertaking the cuts on their campuses.

Chancellor Wells said the campus community recognizes the negative impacts of the cuts, with students paying more for less in terms of educational programs and service. The campus is being asked to be creative in attempting to serve as many students as possible without seriously compromising educational quality. There will be further reduction in already very low administrative costs. In addition, at least two academic programs will need to be cut from an already thin program array. In the area of athletic programs, tennis and men's wrestling are likely to be eliminated – a proposal that already is generating considerable opposition. There also will be fewer courses, fewer sections, larger class sizes, less selection and longer waiting lists. Already, he noted, it is not possible to admit qualified applicants into the nursing program, at a time when there is a severe nursing shortage; and there are not enough openings in education programs to meet student demand.

In response to a question by Regent Davis, Chancellor Wells indicated that the music therapy and pre-engineering programs are likely to be eliminated.

Regent Walsh inquired about economic and community impacts, to which Chancellor Wells replied that there will be a negative economic impact of about \$14 million over the biennium. Indicating that UW-Oshkosh has an economic benefit of \$350-\$400 million per year in the area, the Chancellor said that the university's 11,000 students spend about \$50 million a year in Oshkosh, visitors spend about \$25 million, the university spends about \$130 million and has a \$100 million annual payroll, with 16,000 jobs. Indirectly, the university creates an additional 3,000 jobs.

Chancellor Reilly observed that, over the last 100 years, Wisconsin has built a university outreach and extension network that is the envy of the nation. Counties contribute \$20 million a year to sustain faculty and staff in all 72 counties, while UW-Extension contributes \$30 million. Because of the coming budget cuts, he said, the university and counties may not be able to contribute enough to maintain those positions and replace retiring faculty. There are similar networks in public broadcasting, small business development and continuing education that are likely to be affected; and over time, those networks may deteriorate so far that they cannot be rebuilt. Therefore, he stated, the effort will be to try to sustain the core infrastructure for those networks so that, when the economy rebounds, they will be in place to help drive the state's economy forward in the 21st century. He pointed out that these networks, which will be difficult to

sustain in the next years, are very important to the 1.5 million people reached by UW-Extension every year, most of whom could not come to campus to enroll in traditional degree programs.

Regent Jones asked how the budget cuts will affect the small business development centers that help create so many new jobs in the state. Chancellor Reilly replied that creative means are being tried to maintain service, such as a system of call lines, rather than personal visits for initial counseling. Even with such efficiencies, he emphasized that there will be a diminution of service resulting in limitation of access to entrepreneurs and small businesses, which will result in slowing economic growth.

Regent Davis asked if there will be a listening session in Milwaukee, to which President Lyall replied that the intent is for the Waukesha session to cover the Milwaukee metropolitan area. Regent Davis felt UW-Milwaukee might be a good location for such a session.

Regent Axtell inquired about whether the budget would affect nonresident tuition, to which Assistant Vice President Freda Harris replied that there are no provisions related to nonresident tuition in the proposed budget. Regent Axtell asked where the UW ranks in comparison to other states with regard to nonresident tuition rates. In response, President Lyall indicated that the UW ranks near the top of peer institutions.

Chancellor Wiley expressed the hope that nonresident tuition would not be raised much, noting that UW-Madison lost \$2.7 million from that source this year which would have subsidized Wisconsin resident students.

Regent Olivieri asked if the board would have flexibility in setting nonresident tuition. President Lyall replied that the board does have flexibility to set nonresident tuition but that there are \$250 and \$350 caps in the budget for resident undergraduate tuition.

Noting that the university has been making budget reductions for years, Chancellor Wiley said that positions have been consolidated and eliminated, and departments have been merged. In the last 10 years, 47 degree programs have been eliminated, while 15 have been added. Thirty-eight centers and institutes have been closed. In that time more than \$50 million has been reallocated to high priority needs.

Four years ago, the Chancellor recalled, the Madison Initiative was begun as a public/private partnership, with the state to provide an initial \$32 million over the biennium and the Wisconsin Alumni Research Foundation and the UW Foundation to provide \$40 million. While the state provided \$20 million in the first year, no more had been forthcoming; and the foundation and WARF could not continue to support what was intended to be a matching program.

In all these cuts, he continued, more has been taken from administration than any other source, and the UW is the leanest system in terms of administration of any that he knows. For the next cuts, instructional positions will be eliminated, class sizes will be increased, more non-instructional positions will be cut, more than 100 courses will be eliminated, there will be cut-backs in student support services, career services, learning

centers and advising. There also will be decreased and delayed expenditures for computers and other equipment.

Regent Rosenzweig requested information on graduate and professional school tuition, as compared to peer institutions and geographic neighbors.

Chancellor Wiley indicated that graduate tuition is high in comparison to peers and that much of this tuition is paid by remissions for students serving research and teaching assistantships. This raises the cost of research without necessarily generating more revenue.

Noting that nonresident undergraduate tuition pays about 166% of the cost of educating those students, Regent Marcovich said he would oppose increasing it further because that would result in further diminishing revenues from that source.

Referring to proposed amendments to UW-Madison academic staff policies and procedures, Regent Salas urged regents to review carefully whether the proposed changes are appropriate at this time in view of the fact that layoffs may be forthcoming due to budget cuts.

General Counsel Brady advised that the regents have 90 days to review the changes. Any objections would be addressed by subsequent proceedings at the campus level.

Regent Salas requested additional information about the cuts being made in the current year as compared to base budgets.

Regent Olivieri inquired about the impact of nonresident tuition increases on campuses other than UW-Madison and asked if there could be different tuition levels on different campuses. Given the large tuition increases in other states, he observed that those tuition levels could have an impact on the economic judgment of students considering whether or not to come to Wisconsin. At this point, he was not prepared to close the door to using nonresident tuition as a source of revenue going forward.

With regard to budget cuts, Regent Olivieri felt it is important for the board to understand the formula being applied for reductions by campus, whether it is proportional to current budgets, and what other factors might be involved. Noting that demand and economic background of students are different at UW-Madison and UW-Milwaukee, he suggested exploring whether there should be a difference in terms of the amount of tuition increase on those campuses.

Recognizing that the Governor and Legislature have a very difficult budgetary situation with which to contend, Regent Olivieri said that, if the substantial proposed cuts are to be approved, then the proposed tuition increases are needed as a partial offset to the cuts. Stating that the increased financial aid should remain in place, he noted that it is important to address the question of whether funding will be found in future years, since the proposed increase is from a one-time source. If there is other funding from one-time sources, he felt those items would need to be addressed as well.

Commenting from a business point of view, Regent Smith pointed out that there are both short-term and long-term issues to be addressed. In the short term, there is a \$250 million cut to be offset in part by \$150 in revenue from the people the university serves. While these cuts are challenging and painful, he felt confident that they will be handled with resilience. Noting that administrative cuts have been made repeatedly over the past decade, he recalled that, when a large budget cut was required in the middle of the past biennium, tuition was capped and programs could not be changed in that short a time frame, leaving access as the only option. The coming cuts, although very painful, can be made with better preparation.

Turning to the longer term, Regent Smith emphasized the importance of planning for the future beyond the next biennium. From a business point of view, he observed that the university is being spun off by its major partner over a long period of time; and it is necessary to address what the intentions of the state are and where the university needs to go in the future. Eventually, he noted, the university could reach the point at which administrative and program cut options are exhausted and tuition can be raised no further, leaving only access restrictions.

For years, he pointed out, there had been a consistent downward trend in state support. What changed in the last year, he commented, is that a \$250 million step has been taken and the trend line is now sharply down. Using a business analysis to look forward to the next decade, he was not sure that university's state partner would be willing to return to a higher percentage of funding. The result could be little state funding with a full range of state control. Therefore, he emphasized, it is necessary to do long term planning in order to stabilize the situation and understand where the university will be in the future. In that regard, he thought the state's economic recovery will be a long-term process; and he did not foresee growth in state support.

While he agreed with the need for a long-term focus, Regent Barry stated that in the short term tuition increases will be needed to offset the coming budget cuts in order to avoid reducing student access. He referred to a recent poll showing 72% public opposition for tuition increases and noted the important task of educating students, the public and elected representatives about why the increase is needed. The worst case, he pointed out, would be to have to absorb the proposed cuts with existing state controls and a cap on tuition.

On another issue, Regent Barry indicated that the Technical Colleges have some concerns about the transfer of the Higher Education Board to the UW. WTCS does not oppose the initiative, recognizing that there are efficiencies to be garnered in the reconfiguration. However, he urged the UW to work with the WTCS and private colleges to ensure that financial aid for all categories of students is properly addressed.

President Lyall indicated that an agreement on these matters has been reached by all sectors. The UW is interested in administering financial aid for its own students and does not intend to take money from others.

Regent Jones stated that students understand the budget problem and recognize that difficult decisions will have to be made. They are pleased with bipartisan support for linking financial aid with tuition increases and with the financial aid component included

in the Governor's budget. He expressed the hope that a permanent source of funding can be found in order to keep higher education affordable. While nonresident tuition increases have the most impact at UW-Madison, he believed there to be a trickle-down effect on other campuses as well.

In considering long-term solutions, Regent Jones urged that all concerned parties be made part of the discussion, including students, faculty, staff, alumni and the K-12 community.

Regent Rosenzweig thought that it would be helpful for the regents to hear the same information that is being provided to the Legislature and suggested that the Legislative Fiscal Bureau might be asked to brief the board on the budget as it relates to higher education so that regents could better understand legislative views on the situation.

Noting that she is a former customer whose five sons graduated from the UW, she expressed support for the proposed tuition increases because of the importance of preserving the educational quality that students need for their futures.

Stating agreement with Regent Rosenzweig, Regent Mohs noted that the state once had a vision that supported expanding the UW to educate all of its citizens who wanted that opportunity. Since then, large increases in spending for corrections, medical services, and K-12 education have presented competing needs and changed that vision, giving the university a lower priority. He related a conversation with a professor who told him that he needed to give multiple choice exams because he does not have the time or resources to grade large numbers of essays. He felt this type of situation is occurring throughout UW campuses, lessening the opportunity for students to receive the personal attention that makes a difference in their lives. He stressed the importance of convincing decision makers who are struggling to meet many competing needs of the importance of re-establishing Wisconsin's traditional vision that gives priority to providing its people with quality education.

Regent Davis noted that the budgetary problems being experienced in Wisconsin are also evident in other states and inquired about whether they are raising nonresident tuition as had been done in Wisconsin. She felt there is some comfort in knowing that competitors are in the same financial predicament and suggested that solutions being found elsewhere might present helpful options for Wisconsin. She agreed with Regent Olivieri's comment that the UW's doctoral institutions have different student populations and with his question about whether the tuition increase need to be the same for both of them.

Regent Olivieri observed that some legislators believe there is waste within university spending and that it is a challenge to persuade them that such is not the case. In that regard, he felt the pending Legislative Audit Bureau analysis might be helpful. He also noted the Governor's judgment that the UW is able to absorb another \$100 million cut and indicated that it would be helpful to know how that analysis was made, given that the Governor did not indicate that he expected the university to reduce quality or serve fewer students.

Regent Randall expressed the hope that budget cuts would continue to be made with the UW's priorities in mind. He indicated that pre-college programs and service to non-traditional students could be adversely affected, which would be harmful to maintaining access for students and improving campus diversity.

With regard to securing funding from other sources, he pointed out that the environment on the national level is not very supportive of higher education and does not link K-12 and higher education very well. To address this issue concretely, he suggested a task force on the impact of federal policies, noting that cuts in federal aid for pre-college and TRIO programs and lack of adequate financial aid increases would adversely affect the UW's ability to attract students of color and meet Plan 2008 goals.

Regent Walsh noted that it is the state's economic problems that caused the \$3.2 billion deficit and resulted in the need for huge budget cuts. He suggested that the matter be addressed by communicating the UW's key role in the state's economic recovery.

Regent Axtell expressed support for Regent Smith's call to do strategic planning. In the last ten years, he observed, the state had asked the UW to do more with less and the university had responded with continuing success in high national rankings, winning awards, securing research dollars and receiving high satisfaction ratings. The point has been reached, he said, at which success can no longer continue with less funding, and that message must be communicated to decision makers. He suggested the possibility of a compact arrangement regarding levels of support in future years but felt this might not be feasible because of lack of strong advocacy for the UW in the Legislature.

Regent Burmaster thought the only way to get through a crisis of this magnitude is to have a sense of vision for the future and a strategic plan for maintaining access and quality in one of the best university systems in the country. Noting that the university could not do this alone, she emphasized that collaboration with the Governor and Legislature will be necessary and that it is the university's role to lead and facilitate discussion about making education a top priority. It is necessary to foster the understanding, she said, that the university, which is the engine for the state's economic growth, now has been placed at risk.

Regent Marcovich noted that the university's budget had been cut repeatedly over the last decade, including reductions when the economy was strong. Noting the university's large role in dealing with the current deficit, he suggested that now is the time to negotiate with the state as to how the university would be paid back when the economy recovers.

Regent Walsh emphasized the importance of recognizing the strong competition for public dollars and of persuading decision makers that the university is an important part of the solution for the state's economic problems.

Noting that the chancellors are in agreement with what was being said by the regents, Chancellor Zimpher commented that, after getting through the current budget crisis, the UW needs to be creative in thinking about what kinds of structural adjustments might best position the university for the future, perhaps with assistance of design teams. Next, partners need to be found in the private sector and elsewhere. It is much more

helpful, she said, to look toward a future in which the university can be successful, rather than continuing to bleed from a thousand cuts.

Regent Burmaster pointed out that there is a sharing of pain throughout the state, noting that the K-12 schools will lose \$350 million in funding. Through collaboration of the entire KP-16 community, she felt focus could be placed on a long-term vision of education as a top priority and engine for economic security.

Regent President Gottschalk reported that he had conversations with his counterpart at the State University of New York System, which also had experienced funding problems. In response, an exercise called "Rethinking SUNY" was undertaken, which was a comprehensive approach, including all constituencies. In the coming months, he hoped to bring that approach to the board as a model, adjusted for Wisconsin's own circumstances, with the hope that it could be used as a process for reaching agreement as to the relationship between the university and the state in the future.

Concurring with the approach suggested by Regent Gottschalk, Regent Davis added that there is some urgency in starting what will be a challenging assignment.

Regent President Gottschalk called on Stephanie Hilton, who had asked to speak on behalf of the United Council of UW Students. She reported that, after the Governor announced his budget proposal, students across the state launched a campaign to fund Wisconsin's future with press conferences responding to the cuts. The campaign will continue with legislative visits, statewide lobby days, a post-card campaign and testimony at Joint Finance Committee hearings. The effort is to bring home the impact of the cuts and let legislators see the faces of students who might not be able to continue their educations next year. Those efforts will lead to a statewide day of action on April 3rd, with 800 to 1,000 students gathering in Madison to march from the Library Mall to the Capitol, ending with a rally and press conference. Throughout the campaign the message will be that students oppose further cuts to the UW's budget and support a lower tuition cap, offset by increased GPR support. In that regard, she noted that access means affordability, as well as availability of classes.

Chancellor Miller pointed out that there are problems related to the capital budget, as well as the operating budget. For example, he cited a project to renovate the science building at UW-Whitewater, which was split into two phases. The first phase, which is under way, involved moving building occupants elsewhere on campus while a new wing was built. Now, with all building projects on hold, there is the possibility of not being able to complete that building and no permanent locations for the people who worked there.

Chancellor Wells expressed concern about any reduction in the proposed tuition increase, noting that a further shift of the burden to the university could mean that the campus would need to declare financial exigency. It would not be possible, he said, to replace those revenues with money from any other source.

Regent Smith pointed out that the \$150 million tuition increase is consistent with the goal established last year by the board to move tuition to 95% of the peer median.

Chancellor Keating concluded the discussion by pointing out that financial exigency is only invoked as a last resort in order to deal with the need for layoffs. When that happens, he observed, the reputation of a university is harmed, it is difficult to recruit faculty, and the university does not recover for many years.

The meeting was recessed at 12:45 p.m., and reconvened at 1:10 p.m.

- - -

HIGHER EDUCATION IN THE FUTURE: SURVIVING AND THRIVING THROUGH DISRUPTIVE INNOVATION

In introductory remarks, President Lyall noted that the past few years have seen the rise, and in many instances, the fall of Internet-based learning companies. Non-profit university-founded efforts have not fared well, with a number of them launched by major university consortia meeting with failure. At the same time, all of higher education was investing in the same online teaching and learning technologies to support their own students without the separate business structure.

Given the dramatic downturn of the technology market and uncertain future for online learning, she said the question arises as to whether the investments made by the UW have been wise and whether, in view of the upcoming budget reductions, continued investments should be reduced or deferred to a more opportune time.

To speak about where technology is likely to go in the next years and what others are likely to do with it, President Lyall introduced Wayne Hodgins, Director of Worldwide Learning Strategies for Autodesk, an industry leader in PC design software and multimedia tools. Mr. Hodgins is a preeminent authority on the convergence of technology, standards, knowledge creation, and learning across the globe and sits on educational advisory boards for industry and government groups in Canada, the United States, Latin America, Asia and Europe. He is a past president of the Computer Education Management Association, co-founder of the Learnativity Alliance, and chair of one of the Institute of Electrical and Electronic Engineers' online learning standards organizations. He also developed the National Governors' Association's technology and adult learning vision paper, "Into the Future" in February 2000.

Mr. Hodgins began by explaining that, when there is a disruptive innovation, the incumbents in existence before the innovation almost always disappear after it. As an example, he said that, when refrigerators replaced iceboxes, ice delivery companies did not move into the refrigeration business; instead, they closed down. However, he said, disruptive innovation can be turned into a strategy and an asset.

He noted that disruptive innovation is in most cases technology oriented and explained that in every case he had examined disruption caused elimination of incumbents because they confused their value proposition with their activities. For example, delivering ice is an activity, while food preservation is a value.

He advised the board to consider what value higher education delivers to those it serves and not to confuse the university's activities with its value proposition to its customers. Stating that value propositions are enduring, he noted that there will be no end to people's need to learn. Referring to the term "focused diversity", he said it means that, when the focus is on the value proposition, then innovations can be seen as new ways to deliver that value, rather than as competition.

Noting that learning is the single highest competency of the 21st century, he asked why, then, the university is not being better funded. While the university's current \$250 million cut is based on problems in the economy, he commented that the broader issue relates to how learning can best be delivered in the future, there being a diversity of ways that can be done. In that regard, he cautioned against thinking of education as a campus, curricular materials or classrooms. Rather, he said, those are activities through which learning has been delivered over a long period of time and will continue to be delivered, although in formats that may be changed.

Noting that learners have more choice today than ever, he pointed out that choice can become a problem if there is not a way to make good decisions quickly and easily. He intended to share some strategies to help make those kinds of decisions.

Turning to the matter of technology, he explained that technology itself is neutral and has no predicted behaviors. Its effects are determined by how it is deployed. What is missing, he felt, does not relate to technology per se, but instead involves the question of what the technology should enable people to do. In that regard, he suggested forming a next generation advisory board composed of young people who can provide information about what kind of innovations they find of value. For example, he noted that teenagers are very adept at using technology for collaborating and socializing.

Noting that for most of history, people were engaged primarily with augmenting their physical abilities and overcoming physical limitations, Mr. Hodgins predicted that efforts in the future would be focused on augmenting cognitive capabilities and he urged that those involved in higher education demand that technology provide means of doing that for students. Currently, he noted, decisions about what technology can enable people to do are primarily left to vendors. Instead, he encouraged consumers in the education community to take control through purchasing activities and other means of letting technology companies know what is needed to extend learner's cognitive capacities.

Mr. Hodgins commented that educational content is an area that warrants particular attention because students often do not find the subject matter to be cognitively compelling. Noting that it now is possible to break content down into small pieces of information and store it digitally, he explained that the information then can be extracted on demand in whatever form is desired. In that regard, he showed as an example a digital pen that records in its memory everything that is written. Digital paper also is available. This kind of technology, he indicated, means that personalized learning is now possible –

that the capacity exists for getting the right material to the right person at the right time. This capability, he said, is something that should be taken into account in thinking about higher education's value proposition.

In closing, he reiterated that it is the role of the higher education community to take the long view in deciding how to use the technology that is available to advance learning and that short-term decisions, such as the university's severe budget cuts, should be made with the long view in mind.

- - -

TEACHING AND LEARNING WITH TECHNOLOGY: UW SYSTEM MODELS

President Lyall introduced Dr. Greg Moses, Professor of Engineering Physics at UW-Madison and co-leader of the Education, Outreach and Training Initiative of the National Science Foundation's Partnership for Advanced Computing Infrastructure. Noting that Dr. Moses has developed technology to improve instruction for engineering students taking required computing courses, the President remarked that his effort is one of many examples of how technology is being used to improve student success.

Stating that his primary focus in using technology is to provide a richer educational experience for students, Dr. Moses cautioned that technology is not a "silver bullet"; that it is necessary first to have a plan and then to figure out what technology can do to help implement that plan.

Referring to the large and impersonal lecture classes that are prevalent at many universities, Dr. Moses indicated that eTEACH software is being used to provide an alternative format for accomplishing the same goals as a lecture. It permits, for example, replacing lecture sections with lab sections in which students work in teams and are taught by faculty. This is much different, he noted, from the traditional model in which faculty give lectures and teaching assistants teach the lab or discussion sections.

Through eTEACH, the live lecture is replaced by recorded lectures that can be viewed any time by the student. The student also is able to find additional information about particular concepts or topics and re-listen to part or all of a lecture. In addition, there is closed captioning for those with hearing impairments and for students who learn more readily by reading; and adaptations for those with vision impairments are being developed. Students also can access quiz questions that, if answered incorrectly, refer the student to parts of lectures that discuss those topics.

Indicating that eTEACH is used in a variety of courses, Dr. Moses explained that it also has benefits for courses without high enrollments in that it promotes student collaboration, allows students to take quizzes online that are graded automatically, and also contains course notes and syllabi.

Surveys show that 78% of students found it more convenient to watch eTEACH lectures than to attend live lectures and that 67% of students consider it more effective to take notes and understand eTEACH lectures compared to live lectures. Comparison of student course evaluations show a significantly higher level of satisfaction with courses using eTEACH lectures.

Concluding his remarks, Dr. Moses indicated that eTEACH is being used for distance education courses, as well as for on-campus courses.

President Lyall introduced Dr. Robert Kaleta, Director of the UW-Milwaukee Learning Technology Center that instructs faculty and staff in the use of web-based instruction.

Dr. Kaleta described a new hybrid course model that combines traditional education with online learning. Sponsored by a UW curricular redesign grant, work on the hybrid model was done through collaboration between UW-Milwaukee and the UW Colleges. The model has become internationally recognized, and a significant web resource has been established.

In a hybrid course, he explained, a significant amount of learning has been moved online, making it possible for reduction of the amount of time spent in the classroom. In that regard, the effort is to combine the best elements of traditional face-to-face instruction with the best aspects of distance education. He pointed out that hybrid courses differ from traditional distance education courses in that they are not entirely online, and they differ from traditional classes with a website in that online time replaces some classroom time. Further, he indicated that they involve extensive course redesign, rather than just transferring information to the web.

In place of time spent in the classroom, students spend more time working individually and collaboratively on assignments, projects and activities; and they spend less time listening to lectures. Faculty spend less time lecturing and more time reviewing and evaluating student work, while guiding and interacting with students. While less time is spent in class, he noted, both students and faculty put more time and effort into the courses overall.

Turning to the benefits of hybrid courses, Dr. Kaleta said faculty consistently report that students in these courses learn more, understand the material better, and are better able to apply the material. Discussions of concepts are deeper, more students are involved in the discussion, and they retain the material better. In addition, research at the University of Central Florida showed students earned better grades in hybrid courses than in either traditional face-to-face courses or online courses.

A second benefit is that there is more discussion, interaction and student engagement in the hybrid course model; and faculty feel more connected to their students. In a traditional classroom, he noted, the same few students usually do most of the talking. In a hybrid course, on the other hand, students who may be too shy to speak in the classroom or who may need time to formulate what they want to say get involved in

online interactions. Faculty get to know their students better because students produce more work and faculty have more opportunity to evaluate and discuss their work.

A third benefit is that hybrid courses are learning centered, with students doing more and listening less. Instead of simply listening to faculty opinions, they are developing their own and are able to justify and defend them.

Another benefit, Dr. Kaleta continued, is that the hybrid model allows faculty to teach in new ways and accomplish new objectives. For example, service learning or other activities can take the place of some classroom meetings; and students can engage in more hands-on activities in class because of the work they are doing online. Presenting material in different ways helps to address the different learning styles of students.

Finally, students are more accountable for their learning. With a web site as a repository for their students' work, faculty are able to look at the entire learning process, rather than just the final product, and better determine where students might need help.

Dr. Kaleta indicated that, in addition to learning benefits, there are potential institutional benefits in offering hybrid courses. First, there may be the ability to accommodate more students on campus without building more classrooms or parking structures. Because class meetings in hybrid courses are held less frequently, more courses can be taught in the same amount of space. This benefit has been demonstrated at the University of Central Florida, which was able to reduce off-campus space rental through use of hybrid courses.

There also is the potential to reach new student markets by serving working adult students who take courses in the evening and on weekends. It often is inconvenient for these students to commute to campus, and hybrid courses reduce the number of trips to campus that they must make. UW-Milwaukee's School of Education offers these type of courses to area teachers, and the UW Colleges are in the process of converting more courses for evening students to the hybrid model.

Another possible benefit, he said, is that students may be able to complete programs and degrees sooner. If hybrid courses help students achieve better grades, fewer of them will have to repeat courses and fewer will drop out.

In conclusion, Dr. Kaleta reported that, according to surveys, 100% of faculty who taught hybrid courses would use the model again, and 80% of students would recommend hybrid courses to others.

- - -

COURSE MANAGEMENT SYSTEM USE IN THE UW SYSTEM

President Lyall introduced Glenda Morgan, of the Office of Learning and Information Technology and recipient of an Educause grant to study how faculty use web based course management tools.

Dr. Morgan explained that course management systems are suites of software tools organized around a class or unit of instruction. They contain in one place the major functions that faculty need in order to teach online. These include content presentation and organization tools, communication tools like discussion boards, assessment tools like online quizzing, grade books, and class management tools. Examples of course management systems include Blackboard and WebCT.

Noting that increasing numbers of faculty are using these systems, she stated the need to use these tools effectively, particularly in view of the cost involved. In performing the study, she interviewed more than 140 faculty and staff at every UW institution, did an online survey of 740 faculty, and analyzed actual usage over several semesters.

The study showed extensive use across the UW System and a rapid rate of growth, with usage doubling from year to year.

With regard to how the systems are being used, she indicated that the vast majority of use is to enhance face-to-face classes. They also are used for online and hybrid courses, as well as for other purposes, such as supervising students in the field, organization or departmental support, support for compressed video courses, as a secure and confidential means of providing grades to students, and for cost reduction efforts.

With regard to pedagogical uses of course management systems, Dr. Morgan indicated that the largest usage is to supplement lecture material. This is especially helpful in reducing the need for commuter students to come to campus to pick up materials or use libraries. Through increased access to materials, faculty indicate that students spend more time on task and have improved learning outcomes.

Another major use is to improve communications with students. In that regard, faculty indicate that, with grades and assignments available on the course management system, students need not spend time asking faculty about these types of matters. Instead, they can interact with faculty about their understanding of the content of the course. In addition, the systems permit faculty to set up and monitor online student discussions. While this increases the workload for faculty, she noted, they willingly expend the additional effort because of the improved learning that results.

Another finding was that a majority of faculty found that course management systems increase students' time on task, increase the interactivity between students and content and among students, increase faculty/student communication, and help to accommodate diverse learning styles.

In conclusion, Dr. Morgan indicated changes that would encourage more faculty use of course management systems. Greater ease of use, more features, more training for faculty and students, and further improvements in infrastructure and support.

In discussion following the presentation, Regent Davis asked to what the presenters would attribute the rapid increase in use of technology. Dr. Morgan replied that faculty learn about the benefits of course management systems in a variety of ways,

including training seminars, online instruction, and peer interaction. Dr. Kaleta added that, once use of technology was started by a group of early adopters, there has been increasing student demand for other faculty to use it as well.

Regent Jones related that in his experience there has been considerable and increasing use of course management systems such as Blackboard.

Stating his belief in the benefits of instructional technology use, Regent Walsh asked if faculty are being overworked by the increased amount of time they spend in teaching these courses. Dr. Kaleta replied that the amount of increased time depends in part on how much class time is cancelled. While both faculty and students spend more time on these courses, he indicated that both are willing to do so and are enthusiastic about the results.

The discussion was concluded and the meeting was adjourned at 3:00 p.m.

Judith A. Temby, Secretary