

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

UW-Madison

Held in Room 1820 Van Hise Hall

March 5, 2004

9:00 a.m.

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9:00 a.m.

- President Marcovich presiding -

PRESENT: Regents Amato, Axtell, Bradley, Connolly-Keesler, Davis, Gottschalk, Gracz, Marcovich, Mohs, Olivieri, Pruitt, Randall, Richlen, Rosenzweig, Salas and Walsh

ABSENT: Regent Burmaster

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APPROVAL OF THE MINUTES

The minutes of the February 5th and 6th meetings stood approved as distributed.

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REPORT OF THE PRESIDENT OF THE BOARD

Higher Educational Aids Board Report

A written report on the Higher Educational Aids Board was provided.

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Report of the Hospital Authority Board

The Regents received a written report on the March 3rd meeting of the Hospital Authority Board.

Wisconsin Technical College System Update

A written report on the Wisconsin Technical College System was provided to the Board.

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President of the UW System Search and Screen and Selection Committees

Membership lists of the Search and Screen Committee and Selection Committee for the position of UW System President were distributed.

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REPORT OF THE PRESIDENT OF THE SYSTEM

Update on State Fiscal Situation

President Lyall reported that, on February 20th, the Legislative Fiscal Bureau released revenue and expenditure estimates projecting the state balance at the end of the biennium to be a negative \$72 million, comprised of a \$32 million budget imbalance and a \$40 million required cushion. These projections do not include funding shortfalls projected for four areas, the largest of which is Medicaid assistance. The Fiscal Bureau noted that, if the state is unable to secure additional matching federal funds, \$400 million in additional state funding would be needed to support projected Medicaid benefits through June 2005.

The Legislature in the preceding week passed a bill to restructure the state's debt, yielding a one-time saving sufficient to eliminate the projected deficit for the year; and the Governor and Legislature have agreed to work on a long-term solution. The bill also reduces the amount of public debt that the Building Commission can issue by about \$18 million, which will affect the amount of funding available from All-Agency funds for building maintenance.

She expressed the hope that these actions will solve the state deficit for the remainder of the biennium and allow the UW's base budget to hold steady for the coming year. As UW campuses are already admitting next fall's freshman class, she noted that this would be a particularly hard time to experience further budget lapses.

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2005-07 Biennial Budget Initiatives: Financial Aid

In opening remarks, President Lyall observed that the economic recovery is not yet robust and that the state must focus scarce resources on those investments that will contribute most to Wisconsin's economic revitalization. Noting that UW campuses have

made extraordinary efforts to maintain access for students while cutting \$250 million, she pointed out that in 2005-07 there will be 650 fewer faculty and staff to serve students and that the financial aid taken from auxiliary reserves will be gone. If the UW is to continue to provide 29,000 graduates for Wisconsin annually, she stated, it will be necessary to focus on affordability, especially for those from low-income families.

Noting that Wisconsin is moving from a low-tuition, low-aid situation to one of average tuition and low aid, President Lyall indicated that, in addition to finding a way to continue the financial aid being provided this biennium from a one-time reserve, it also is necessary to increase aid to parallel tuition increases and find a way to protect low-income students from future tuition increases.

Associate Vice President Freda Harris presented a draft proposal to begin to address student financial aid needs in 2005-07. The proposed includes three components:

1. A request for GPR funding to continue the financial aid that was provided in this biennium from UW auxiliary reserve balances;
2. A request for GPR funding to increase financial aid at the same rate that tuition increased in the prior years; and
3. A request for GPR funding to develop a new financial aid program that matches grant funds dollar for dollar with increases in tuition for the lowest-income students.

As background for the proposals, Ms. Harris summarized some points that had been made in recent presentations to the Board:

1. Since 1992, the mix of financial aid has shifted dramatically from grants to loans. Today, 40% of aid is in the form of grants and 54% is in the form of loans.
2. While the percentage of family income needed for tuition at public 4-year institutions has increased for students at all income levels, the most dramatic shift has occurred for the lowest-income students. In 1980, tuition required 13% of family income for students in this group. By 2002, the percentage was 33%.
3. Higher proportions of African American and Hispanic families have income in the lowest income quintile. In 2002, 35% of African American and Hispanic families were in the lowest quintile, compared to 18% for white families and 15% for Asians.
4. From 1998-2001 Wisconsin's participation rate for low-income students declined by 15 percentage points, the 4th largest drop in the nation. The average decline was 3.5 percentage points. This time period does not include the large 2003-05 tuition increases.
5. For resident undergraduates in the UW System, 64% of all financial aid is in the form of loans, while 25% is in the form of need-based grants. For low-income students (those with less than \$30,000 in family income), 45% of aid comes from need based grants and 46% comes from loans.

6. Larger proportions of resident undergraduate minority students in the UW System receive financial aid (83%). However, the vast majority (89%) of financial aid recipients are either in the white or unknown categories. While financial aid affects students from all groups, minority students are more dependent upon financial aid to attend school in the UW System.
7. In a 2001 report to Congress, the Advisory committee on Student Financial Aid projected an increase of more than 16% in the college-age population by 2005 – an increase of 5 million people, with 1.6 million projected to enroll in college. This new cohort is expected to be more ethnically diverse than the general population: 80% are expected to be non-white and almost 50% Hispanic. Of this group, 45% are projected to be from families with the lowest expected family contributions and high unmet need. This will necessitate a greater increase in financial aid to guarantee both access and diversity.
8. The percentage of new freshmen in the UW System who come from families in the lowest income quintile has decreased from 14.7% in 1992 to 11.2% in 2002.
9. Pell Grant levels could be frozen for next year, even though the cost of education will continue to rise.

Ms. Harris reported that the Partnership with the State Working Group has been addressing the issue of financial aid as part of its Charting a New Course plan and recommends adoption of the following three policy goals for financial aid:

- Ensure equal access to a UW System institution for all qualified Wisconsin high school graduates, regardless of income.
- Reduce the financial barriers for low-income UW students, allowing them to remain in school and complete their degrees in a timely fashion.
- Use financial aid incentives to encourage UW graduates to work in Wisconsin after graduation.

To help achieve these goals, the working group developed the following priorities for financial aid funding:

- Replacement of the financial aid provided in 2003-05 through auxiliary funds with GPR on an ongoing basis, which also is a top-student priority articulated by United Council. This would require that the UW System request \$3.5 million annually to maintain funding for the Lawton and Advanced Opportunity programs in 2005-06 and that the Higher Educational Aids Board request \$15.1 million for the Wisconsin Higher Education Grant.
- Maintaining the statutory link between tuition increases and financial aid programs that was passed by the Legislature in 2001. This link increases funding for financial aid by the highest undergraduate rate increase for the prior year. The draft request assumed that tuition would increase by

15.8% in 2004-05 for Lawton grants, the highest increase possible under Act 33, and assumed a 10% increase for 2005-06. It assumed 10% increases each year for the Advanced Opportunity Program. These percentages are placeholders that would be adjusted by the Department of Administration to reflect actual tuition increases passed by the Board of Regents. Under these assumptions, the UW would request \$5.6 million biennially for AOP and Lawton, and the Higher Educational Aids Board would need to request about \$15 biennially for WHEG increases.

- Address the issue of access to Wisconsin residents regardless of income and reverse the trend of decreasing access for low income students. As a starting point, the draft proposal suggested development of a program to match tuition increases dollar for dollar with grant aid for the lowest income students, preventing erosion of a student's ability to pay for tuition. This program would be only a first step and would not accomplish the goal of increasing access for lowest-income students. While more ambitious initiatives were considered, the reality of the amount of funding needed simply to fill the hole left from use of auxiliary funds seemed to require a step-by-step plan. Bolder initiatives could be taken in future years as part of the long-term strategy for Charting a New Course. If a dollar match is requested for the lowest quintile students, it would cost about \$14.1 million biennially, and extending the match to the second lowest quintile would cost an additional \$12 million for the biennium. This "hold harmless" program would be needed even though the state already provides increases for financial aid at the same percentage as tuition increases. In 2002-03 state funding for the WHEG program increased by \$2 million – more than the amount required by statute. While tuition increased by \$224 at the UW comprehensive institutions, the average WHEG award increased only by \$71, leaving the average student with an increase need of \$153. Under the "hold harmless" proposal, the \$153 would be provided to maintain the student's ability to pay tuition.
- Development of a loan forgiveness program as a strategy for increasing retention in Wisconsin and/or increasing access by decreasing the loan burden for low-income students. Many questions must be addressed before this initiative can begin, and work will continue to prepare a longer-term strategy dealing with access and loan forgiveness.

In discussion following the presentation, Regent Amato remarked that the percentage of new freshmen has been decreasing for medium income, as well as low income families. Noting that the average debt of a student after graduation is \$16,000, he did not feel comfortable that the proposed request was sufficient to address the magnitude of the problem.

Regent Olivieri noted that, while the proposal targets the lowest income quintile, the question remains to whether it should be expanded to cover other students in need,

and Regent Amato suggested that it be expanded to include the low-medium quintile as well.

While she agreed that the next quintile would be an important priority, Regent Rosenzweig cautioned that the Board would need to be mindful of the dollar amounts to be requested.

Regent Walsh asked if the \$30,000 income figure was adjusted for inflation between 1992 and 2002. Replying in the affirmative, Ms. Harris indicated that, for each year studied, the state's population was divided into five groups based on income.

In response to a question by Regent Gottschalk, Ms. Harris explained that \$18.6 million would be needed in each year of the biennium to fill the gap created by one-time use of student reserves. In addition, \$12 to \$15 million would be needed to maintain the link between tuition increases and financial aid, for a total of about \$50 million. Matching tuition increases with grant aid for the lowest income quintile would add \$14 million, and adding the next quintile would cost another \$12 million.

Recognizing that other budget initiatives would be brought forward, Regent Olivieri indicated that he would likely favor putting some of those aside in order to maximize the impact of funding for financial aid.

Regent Axtell noted that the figures used for future tuition increases were tentative and were not actual proposals at this time.

Regent Pruitt commended President Lyall for the student focus in budget preparations and for presenting financial aid as an urgent issue at the outset. While he was not taking a position on relative budget priorities at this time, he noted that the gap in education between students from low and high income groups would only become greater without more financial aid..

Acknowledging the importance of the financial aid issue, Regent Mohs indicated, however, that he was not willing to rank it as more important than other needs, such as faculty salaries, that are critical to maintaining quality.

Regent Salas felt that the financial aid proposal is relatively modest, but that it serves as a starting point in addressing the urgent needs that exist. He felt the message should be that the Board would consider tuition increases only after taking all other possible measures.

Regent Marcovich observed that, because many efficiencies already had been taken, there might not be a great deal more money to be saved in that area without adversely affecting quality.

Regent Davis commented that making education affordable should be a key priority and one around which the Board would unite. Her own view was that it should be the top priority.

Concurring with Regent Davis, Regent Amato felt that it is possible to maintain both quality and access and that access should be the highest priority.

Good News

Woman of Distinction

President Lyall congratulated UW-Rock County Dean Janet Philipps on being named this year's Woman of Distinction for the Janesville area.

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Four-year Engineering Program

It was reported by President Lyall that the Assembly and Senate had approved Representative Towne's proposal to create a four-year engineering program at UW-Rock County, provided by UW-Platteville. The bill was awaiting the Governor's signature.

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UW-Madison Professor Elected to National Academy of Engineering

President Lyall congratulated UW-Madison Professor John Perepezki on being elected to the National Academy of Engineering for his innovation in processes that produce nanostructured and amorphous materials. One of the most prestigious professional associations, the academy has 2,100 members world-wide. Professor Perepezko was one of 76 members from the United States elected this year.

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Legislature Helps UW Save Costs

President Lyall expressed appreciation to Representative Jeskewitz and Senator Harsdorf and their staffs for their successful efforts to pass Senate Bill 247, which will enable the UW to save administrative costs by providing information on sexual assault to students electronically, rather than through print materials.

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UW-Oshkosh Business Students Score

It was reported by President Lyall that UW-Oshkosh business students scored in the top five percent of students from nearly 80 schools who took the Educational Testing Service major field test in business last fall.

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UW-Madison Gets \$10 Million Grant

President Lyall reported that UW-Madison psychologist Rich Davidson had received a \$10 million five-year grant from the National Institute of Mental Health to explore what makes particular individuals more emotionally resilient to adversity. Using brain-imaging technology, he and fellow researchers will investigate the mechanisms underlying brain regulation of both positive and negative emotions. The work builds on interdisciplinary strengths of UW-Madison faculty in several fields and has captured national attention.

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New Voters Project

It was reported by President Lyall that Campus Compact, United Council and the New Voters Project would be meeting later in the day to establish plans for a student voter mobilization drive on campuses statewide. She expressed her support for this important effort to equip students to become active participants in democracy.

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Regent Appointments Confirmed

Regent President Marcovich reported that all new Regent nominees had been confirmed by the State Senate.

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UPDATE ON CHARTING A NEW COURSE FOR THE UW SYSTEM

Regent Gottschalk, Chair of charting a New Course for the UW System, presented a summary of the preceding day's working group meetings.

Revenue Authority and Other Opportunities Working Group

Risk Management

The Revenue Authority and Other Opportunities Working Group approved the amended risk management proposal after minor adjustments. The proposal states the working group's recommendation that the Board of Regents ask the UW System to contract for an actuarial study to determine whether a captive insurance company would result in financial savings. It also recommends that the Board ask that the UW be added to the team that negotiates the state's insurance policies.

Cohort Tuition

The group concluded that cohort tuition should only be considered as a means to provide predictable tuition rates for nonresident undergraduate and professional students and that it should not be considered for resident students.

Per-Credit Tuition

The group heard concerns regarding per-credit tuition from United Council but was reminded that the per-credit proposal does not call for a system-wide change and only recommends experimentation initially. The point was made that per-credit tuition could improve access for low-income, part-time students.

Non-Resident Tuition

An update was presented on the progress of UW-Platteville's plan to increase the number of nonresident engineering students.

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Achieving Operating Efficiencies Working Group

Capacity

As to the UW's capacity to accommodate additional students, the Achieving Operating Efficiencies Working Group heard a presentation about the relationship between human resources, resources for delivering instruction, and the mission of the institution. It was explained that a change in any one of these areas affects the other two, so that adjusting just one of the factors would not necessarily allow for increased capacity. Constraints in the areas of physical facilities, technology and student services also were discussed, and it was noted that any discussion about increased capacity would need to take into account all of these factors.

Access

Regent Gottschalk had asked the group to examine three access-related areas: general education, opportunities for high school students to earn college credits, and distance education. Operations Review and Audit Director Ron Yates presented reports on each of these areas, including general education requirements at UW institutions, the types of programs available to high school students and the advantages of these programs, and the range of distance education programs that the UW operates.

Recommendations

Included are recommendations related to administrative efficiencies and cost savings, collaborative academic program pilots, and an educational quality investment fund. In order to accomplish transformational change, the group determined that it would develop a new recommendation that the UW engage in an in-depth strategic planning process.

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Re-Defining Educational Quality

Regents Mohs, Chair, reminded the Working Group on Re-Defining Educational Quality of the need to present recommendations and budget requests in a credible, persuasive manner that will elicit the support of decision makers and the public. The group was informed that staff to the working groups will be meeting to bring budget themes together into a coordinated document to inform the budget process.

As to draft budget recommendations, Regent Mohs commented on the importance of addressing faculty/student ratios; faculty and staff salaries; advising; and student aid.

Regent Emeritus Boyle noted the difficulty of developing a plan for the future and budget recommendations simultaneously, rather than basing budget recommendations on a completed plan. He suggested that separate documents be prepared in order to avoid confusion. Chancellor Wells indicated that the part of the study leading up to budget recommendations serves as a precursor to more extensive planning. He suggested that a marketing firm might be engaged to write the document once the working groups and Board have determined the content. The student representative to the group, Kory Kozlowski, suggested that planning documents be forwarded to the campuses for input.

It was agreed by the group that the focus of budget themes should be on student needs, such as financial aid and advising; attracting and retaining quality faculty, as related to needs of students and the state's economy; and programs, including innovation and student engagement.

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Research and Public Service Working Group

In response to a memo to the Board from Regent Amato, President of the WTCS Board, the Research and Public Service Working Group discussed the concerns expressed by the WTCS Board about the proposals to create a Center for Adult Access and UW-Stout's expansion of bachelor degree options for students. The group reiterated its commitment to work in partnership with the Technical College System to enhance access for underserved Wisconsin residents in order to move a larger number of students toward a four-year degree.

Research Recommendation

The group decided to include statistics on loss of faculty in the preamble to the research recommendation. Language was revised to include separation of funding to retain top researchers and to incorporate release time for faculty and summer salaries with training. Acknowledging the existence of the Industrial Economic Development Research Fund, the group asked that the recommendation be amended to indicate that this is a model that could be used for creating a Wisconsin Research Opportunities Fund.

Public Service Recommendations

Public service recommendations included communication, community and civic engagement, diversity and brain gain, and economic development. In the area of communication, the group's interviews with business leaders across the state led to the recommendation that the university find more effective ways to inform and assist local businesses in accessing faculty and staff expertise. The value of a liberal arts education and the importance of diversity also were acknowledged. A comprehensive recommendation on diversity will be forwarded for consideration.

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Our Partnership with the State Working Group

The Working Group on Our Partnership with the State had extensive discussions on various aspects of financial aid, including the three goals of access, retention, and brain gain. It also focused on how best to improve communications with state government for both the short and longer terms. Financial aid and enhanced communication with the state are the group's priorities.

Regent Axtell added that an amendment to the Board's tuition policy would be brought to the next meeting to reflect the need to keep nonresident tuition competitive.

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REPORT OF THE EDUCATION COMMITTEE

The report of the Education Committee was presented by Regent Axtell.

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Report of the Senior Vice President for Academic Affairs

General Education Revisited

Senior Vice President Cora Marrett noted that the history of general education was a distinctly American innovation in higher education. General education throughout the UW System is defined and practiced differently at each institution. The Board's role in determining the course of General Education has been in part advisory. In 1997, the Board recommended, but did not require a set of "Essential Outcomes for the Baccalaureate Degree." The Board also has a supervisory role. Each UW institution reports to the Board of Regents on a ten year cycle regarding their philosophy, goals, outcomes and means of assessing their General Education programs.

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NCA Accreditation Report and Institutional Report on General Education, UW-Parkside

Chancellor Keating reported that UW- Parkside received an unconditional re-accreditation for the next ten years. The NCA review team commended the institution on redressing every concern that had been raised at the last accreditation in 1993. UW- Parkside was commended on its revised mission, its work on stabilizing and growing enrollment, its institution-wide new model for teacher education, and its commitment to diversity. Finally, the NCA team commended Chancellor Keating for his visionary leadership and the trust and confidence he inspired in his faculty, staff and students. Chancellor Keating was recognized with a standing ovation.

The General Education Committee, UW-Parkside's Provost Martin explained, is embarking on an effort to think more intentionally about outcomes for student learning, assessment and student success. Involvement in several national initiatives for improving student learning is a contributing factor in reconsideration of General Education.

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UW-Milwaukee Carnegie Corporation Initiative on *Teachers for a New Era*

Regent Axtell pointed out that UW-Milwaukee has been awarded a \$5 million grant from the Carnegie Corporation in New York with a \$5 million match from the institution. With Stanford, Michigan State and the University of Virginia also designated as grant recipients, the honor and prestige for UW-Milwaukee is apparent. Emphasizing that this grant focuses on assessment, evidence based teaching and learning, and clinical competence for teachers, UW- Milwaukee Provost Wanat noted that Carnegie's plan is to commit resources to redesigning teacher education.

Citing the importance of the correlation between people of color in the city of Milwaukee and the state's economy, Dr. Cora Marrett reiterated Regent Randall's concern regarding the 40% dropout rate in Milwaukee's Public Schools and the higher percentage of the prison population without high school diplomas. Regent Randall had urged the Board to make the connection between this fundamental social issue - the failure of Milwaukee's population of color to get an education and the state's economic development. This grant, Regent Axtell commented, will address these issues.

Regent Burmaster pointed out the power of such partnerships across educational sectors.

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Authorization to Recruit, Dean of Letters and Science, UW-Madison

Provost Peter Spear informed the Committee that a national search for the Dean of Letters and Science at UW-Madison was underway, and an outstanding pool of candidates is expected to apply for one of the nation's largest and premier colleges of letters and science.

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The following resolutions were approved by the Education Committee and presented to the Board of Regents as consent agenda items. Regent Axtell made a motion to approve Resolutions 8799 – 8800. Seconded by Regent Randall, it carried unanimously.

UW-Milwaukee: Carnegie Corporation Initiative on *Teachers for a New Era*

Resolution 8799: That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the proposal *Teachers for a New Era*, a grant initiative funded by the Carnegie Corporation to elevate the quality of teacher education in the United States.

UW-Madison: Authorization to Recruit: Dean, College of Letters and Science

Resolution 8800: That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Chancellor be authorized to recruit and appoint a Dean, College of Letters and Science, within a salary range that exceeds 75 percent of the President's current salary.

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REPORT OF THE PHYSICAL PLANNING AND FUNDING COMMITTEE

Regent Gracz, Chair, presented the report of the Physical Planning and Funding Committee.

Report of the Assistant Vice President

Building Commission Actions

Assistant Vice President Nancy Ives reported that the Building Commission approved about \$74 million for various projects at their February meeting. Governor Doyle presented awards in recognition of excellence for design and construction in the State Building Program to: Potter Lawson, Inc. for their architectural design of the UW-Madison Biochemistry Building; Arnold & O'Sheridan, Inc. for their engineering design of the Utility Phase of the Camp Randall Renovation project at UW-Madison; and Market and Johnson, for construction of the Chancellor's Hall project at UW-Eau Claire.

Criteria for ranking GPR major projects will emphasize maintenance, improving the quality of education, incorporating contemporary technology into the learning environment and expanding collaborative efforts of educational enterprises. Also in consideration is recognition of documented situations for space shortage. These criteria will result in a new priority list to address the greatest needs, highest academic priorities and most cost-effective solutions to facility problems.

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UW-Madison: Land Exchange at University Research Park

The following resolution was approved by the committee with Regent Amato abstaining. Regent Gracz moved adoption by the Board of Regents. It was seconded by Regent Randall and the motion carried with Regent Amato abstaining.

UW-Madison: Authority to Exchange Land and Modify an Option

Resolution 8801: That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to: (1) exchange two university-owned sites of land totaling 12.4 acres located on Mineral Point Road adjacent to University Research Park (URP) at an average appraised value of \$3,800,000, for one twenty-acre parcel of land adjacent to University Research Park along Mineral Point Road at an average appraised value of \$4,355,000 owned by

CUNA Mutual Investment Corporation (CUNA), and (2) modify the existing University Research Park, Inc. option to acquire University Research Park sites to include the twenty acres of Lot 2 of Certified Survey Map No. 4896 and eliminate the University Research Park payment obligations for the remaining parcels to be acquired in the park.

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UW-System: 2005-07 Criteria for Ranking GPR Major Projects

Regent Gracz pointed out that the criteria for ranking GPR major projects supports the goals of improving the quality of education, incorporating technology into the learning environment and expanding collaborative efforts of educational enterprises. Charting a New Course study will result in a new priority list addressing the greatest needs, highest academic priorities, and most cost-effective solution to facility problems.

The following resolution was moved by Regent Gracz, seconded by Regent Davis and it carried unanimously.

UW System: Approval of GPR Ranking Criteria for the 2005-07 Capital Budget

Resolution 8802: That, upon the recommendation of the President of the University of Wisconsin System, emphasis of facilities maintenance, academic and strategic significance, and operating efficiencies be adopted as the basis for prioritizing and categorizing GPR major projects for inclusion in the System's 2005-07 Capital Budget, as supported through the use of the ranking criteria attached as Appendix A;

That, other factors may be considered by System Administration and the Board of Regents in ranking GPR major projects to address unique circumstances such as accreditation requirements, historic value of facilities, and outside funding opportunities;

That, all GPR projects requiring enumeration must be supported by a completed Campus Space Use Plan;

That, at all stages of the priority setting process, consideration be given to the institutional priority established by each Chancellor; and

That, additional guidelines, which may be established by the Department of Administration, will be addressed in the context of the foregoing framework.

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Regent Gracz presented Resolutions 8803-8807 as consent agenda items to the Board of Regents. Seconded by Regent Rosenzweig, it carried unanimously.

UW-Madison: Authority to Construct a 21st Century Telecommunications Phase I Project

Resolution 8803: That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to construct a 21st Century Telecommunications Phase I project at a total project cost of \$4,233,000 (\$1,000,000 General Fund Supported Borrowing - 2003-05 UW System Classroom Renovation & Instructional Technology Improvements, \$2,486,000 General Fund Supported Borrowing - Facility Maintenance and Repair, and \$747,000 General Fund Supported Borrowing – Utilities).

UW Colleges: Authority to Acquire Movable and Special Equipment

Resolution 8804: That, upon the recommendation of the UW Colleges Chancellor and the President of the University of Wisconsin System, authority be granted to acquire Movable and Special Equipment for the UW Colleges, at an estimated total cost of \$1,765,700 (\$1,500,000 General Fund Supported Borrowing and \$265,700 of equipment project balances).

UW-Madison: Authority to Construct a Science Hall Remodeling Project

Resolution 8805: That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to: (1) construct a Science Hall Nelson Institute for Environmental Studies Remodeling Project at an estimated total project budget of \$339,200 Institutional non-GPR Funds, and (2) seek a waiver of s.16.855 under s.13.48(19) to allow delegation of design and construction to UW-Madison.

UW-River Falls: Authority to Construct a Prucha Hall Window Replacement Project

Resolution 8806: That, upon the recommendation of the UW-River Falls Chancellor and the President of the University of Wisconsin System, authority be granted to construct a Prucha Hall Window Replacement project, at estimated total project cost of \$200,000 of Program Revenue-Cash.

UW-Stevens Point: Authority to Seek a Waiver and Construct a DeBot Center Kitchen and Dining Upgrade Project

Resolution 8807: That, upon the recommendation of the UW-Stevens Point Interim Chancellor and the President of the University of Wisconsin System, authority be granted to: (1) seek a waiver of s.16.855 under s.13.48(19) to allow a single contract for design-build remodeling of the DeBot Residential Center Convenience Store at a cost not to exceed \$227,500 Program Revenue Cash and (2) construct a DeBot Center Kitchen and Dining Upgrade project at an estimated project cost of \$584,700 Program Revenue Cash.

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REPORT OF THE BUSINESS AND FINANCE COMMITTEE

The report of the Business and Finance Committee was presented by Regent Bradley, Chair.

Implications of the Taxpayer Bill of Rights (TABOR) for the UW System

Regent Bradley noted that the committee is continuing its efforts to gather information from Legislators on the effects the proposed Tax Payer Bill of Rights will have on higher education in Wisconsin. Assembly Speaker John Gard stated at the meeting that the purpose of this bill is a response to the tax burden the state faces, which is out of line with personal income. Speaker Gard added that the state needs to control its spending in order to be more competitive for employers so their businesses continue to grow and they remain in the state.

President Lyall reviewed an analysis on the impact of this legislation on the UW System. If the initial proposed bill had been in effect the past ten years, she stated that there would have been about one to two billion dollars less per year of state spending. If the UW System absorbed a quarter to a third of those cuts, GPR support for the UW System could have dropped to zero, and public support of higher education would have been eliminated.

The committee, Regent Bradley added, will continue to discuss with members of the Legislature how tuition, bonding, financial aid, gifts and contracts fit under this proposal, as well as how a budget stabilization reserve would effect the UW System. As the TABOR plan has not yet been finalized, it is too early to draw any conclusions.

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Definition of Differential Tuition and Guidelines for Student Involvement

Assistant Vice President Andrew Richards presented a set of guidelines for differential tuition noting that it is an attempt to clarify how the Board's policies will be administered thereby giving institutions and students a clearer picture of the types of differential tuition and the expectations for student involvement.

United Council members Stephanie Hilton and Brian Tanner explained to the committee that students need to be consulted on differential tuition plans. Students are opposed to using differential tuition to fill state budget cuts and to supplement what should be provided by state support.

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Trust Funds

Annual Endowment Peer Comparison Report

The report on Trust Funds and the Annual Endowment Peer Comparison Report was presented by Assistant Trust Officer Doug Hoerr. Outlining the highlights of an annual NACUBO Endowment Study, Mr. Hoerr pointed out that while investment performance has lagged average peer performance over recent timeframes, performance has been comparable to peer institutions over longer periods. He noted that more recent under performance is probably attributable to a lower allocation made in alternative asset classes.

Regarding investment related fees and our staffing commitment, Mr. Hoerr reported that UW Trust Funds is very much in line with the peer averages.

Regent Gottschalk noted that only 9% of the public universities covered by this study have a written policy regarding how they take into consideration socially responsible factors when they make investments. He pointed out that we are also ahead

of most public universities with regard to our policy on proxy voting and our annual public forum which is unique among the peer institutions.

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Report of the Vice President

Debbie Durcan, Vice President introduced Associate Vice President George Brooks who responded to a question regarding the number of actual Systemwide layoffs or contract non-renewals as a result of budget cuts. Mr. Brooks stated that 103 persons lost their jobs to date; however, the challenge will be next year when an additional 325 position reductions must be made systemwide.

Vice President Durcan stated that the System's DOA budget analyst recently requested information from the System on the anticipated year end cash balances we may have in several program revenue funds.

Ms. Durcan noted that in the Return to Wisconsin program, the committee agreed to a broader interpretation of who is eligible for the program. Parents of students will be defined as biological parents, adoptive parents, step-parents, biological grandparents and adoptive grandparents.

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Regent Bradley moved adoption of Resolutions 8808-8811 as consent agenda items. The motion was seconded by Regent Gottschalk and it passed unanimously.

2004-05 Annual Budget Allocation Decision Rules

Resolution 8808: That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2004-05 annual budget allocation decision rules.

Blue Cross Blue Shield Agreement between WUHF, UWF, and Regents

Resolution 8809 That upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the UW-Madison, the Board of Regents:

- Approves the “Agreement Between the Wisconsin United for Health Foundation, Inc., the University of Wisconsin Foundation and the University of Wisconsin System Board of Regents” which includes changes from the last draft of the agreement, made at the request of WUHF, and which are in compliance with the Insurance Commissioner’s Order of March, 2000.

- Approves the “Review Process for the Determination of Non-Supplanting” which will be conducted by the UW-Madison and the UW Medical School to ensure compliance with the prohibition on supplanting in the Insurance Commissioner’s Order of March, 2000.
- Authorizes Darrell Bazzell, Vice Chancellor for Administration, UW-Madison to sign the “Agreement” on behalf of the Board of Regents, and to agree to any minor or technical changes to the “Agreement.”

Voting of 2004 Non-Routine Proxy Proposals

Resolution 8810: That, upon recommendation of the President of the University of Wisconsin System, the non-routine shareholder proxy proposals for UW System Trust Funds, as presented in the attachment, be voted in the affirmative.

Authorization to use Regents' Discretionary Trust Funds for Presidential Search Expenses

Resolution 8811: That, upon recommendation of the President of the Board of Regents of the University of Wisconsin System, to the extent additional resources are necessary, above and beyond available general program operations funding, to provide for payment of the expenses incurred in the search and screen process for selecting a new System President, then UW System Trust Fund monies available for use at the Board's discretion be used as supplemental funding.

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Differential Tuition

Regent Olivieri asked if there would be any change in how differential tuition will be handled going forward, and Regent Bradley replied that guidelines had been provided regarding student involvement. Associate Vice President Harris added that no changes were made to those guidelines, but steps were provided to outline how the process actually will work.

Regent Olivieri expressed his concern about placing any additional obstacles in the already-difficult differential tuition process, noting that the Regents have spoken clearly about their wish to encourage experimentation in that area.

Ms. Harris explained that work was done with United Council to draft a definition of differential tuition because there was a need for clarity about how to define it at the program and institutional levels. In addition, processes used by the institutions were put in writing. While the process was clarified, no additional restrictions were added.

Regent Axtell added that an amendment to the Board's tuition policy would be brought to the next meeting to reflect the need to keep nonresident tuition competitive.

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Impact of Budget Cuts

Regent Mohs pointed out that the recent budget cuts are taking their toll and that signs of decline are emerging, such as diminution in numbers of faculty/staff and lack of competitive salaries. With regard to the latter, he noted that the university is still attracting good people but is having trouble with retention. For example, there are department chairs recruiting replacement faculty at salaries higher than their own. He expressed the hope that it could be clearly communicated to decision makers and the public what would have to be done if the university is left without sufficient funding, so that it would not come as a surprise when needed actions had to be taken.

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ADDITIONAL RESOLUTIONS

Adoption of Resolution 8812 was moved by Regent Dracz, seconded and carried with no dissenting votes.

2005 Meeting Schedule

Resolution 8812: That the attached 2005 Board of Regents meeting schedule be adopted.

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Bill to Add a Second Student Regent

Distributing the following resolution, Regent Richlen explained that the bill had been passed by the State Senate and was waiting to be scheduled for a vote in the Assembly. She indicated that students had worked hard to promote the bill and asked that the Board take action in support of it.

Adoption of the resolution was moved by Regent Richlen and seconded by Regent Randall.

Resolution:

WHEREAS, the Board of Regents is the governing body of the University of Wisconsin System; and

WHEREAS, the current Board of Regents only has one student member out of 17; and

WHEREAS, Wisconsin has a strong history and commitment to shared governance, which guarantees that students, as stakeholders in the University, are active participants in all levels of decision-making; and

WHEREAS, having only one student on the Board of Regents often creates problems due to turnover and transition, leaving the student regent position vacant during critical times such as approval of tuition; and

WHEREAS, having two students appointed for two-year terms on a rotation will guarantee there will always be a student voice on the Board of Regents; and

WHEREAS, at a time when state support for higher education is diminishing and the Board of Regents is examining extraordinary measures to ensure a future for the UW System it is more important than ever that students are adequately represented in the Board of Regents; and

WHEREAS, Senate Bill 85 in the state legislature would change current law so that the composition of the Board of Regents would consist of two students, one traditional and one non-traditional; and

WHEREAS, the State Senate passed SB 85 on Tuesday, Sept. 23, 2003 and the Assembly Committee on Colleges and Universities approved SB 85 on February 10; and

WHEREAS, the legislative floor period is scheduled to end on March 11; and

THEREFORE BE IT RESOLVED, that the Board of Regents of the University of Wisconsin System encourages Representative Foti to schedule SB 85 for a floor vote as soon as possible; and

BE IT FINALLY RESOLVED, that the Board of Regents of the University of Wisconsin System strongly encourages the Assembly to approve this measure and for the Governor to sign it into law.

Regent Olivieri asked if it was appropriate under the open meetings law to consider the resolution since it had not been listed on the agenda, and General Counsel Brady responded that it would be proper to consider it under the agenda listing for additional resolutions.

Regent Rosenzweig asked if there were guidelines on the subject of considering resolutions that had not been distributed in advance, to which Regent President Marcovich replied that there was no policy that would prohibit such consideration, noting that issues sometimes arise on short notice.

Stating his opposition to the resolution, Regent Mohs observed that members of the Board bring to the table differing backgrounds and interests but join together in governing the university. Noting that there are other constituent groups who also could have an interest in membership on the Board, he commented that students do not need an additional voice because they are effectively represented by United Council and because the members of the Board communicate regularly with students on campus and elsewhere.

In response to a question by Regent Connolly-Keesler about the reasons for the students' request, Jeff Pertl, President of United Council indicated that there have been problems with transition between student regents, sometimes leaving the Board without student representation. Because students only serve a two-year term, the legislation would provide staggered terms so that there always would be one experienced student regent on the Board. The bill would give students a stronger voice and also would bring the perspective of nontraditional students to the Board.

In response to a question by Regent Marcovich, Mr. Pertl indicated that United Council represents all types of students, including nontraditional students.

Regent Axtell asked how the bill defined nontraditional students, to which Mr. Pertl replied that the bill would require the student to be at least 24 years old and an undergraduate.

Stating his strong support for the resolution, Regent Axtell noted that students pay the largest share of university costs and thus are deserving of another representative on the Board. In addition, he pointed out that educating more nontraditional students represents a growth opportunity for the university and serves to promote the state's economic development. In that regard, he thought the voice of a nontraditional student on the Board would be helpful. He noted that having an 18-member Board could allow for tie votes to occur but thought that leadership could overcome that minor concern.

Regent Davis concurred, stating that another student member on the Board is a position that she would support. She also thought a nontraditional student perspective would add value to the Board.

Urging support for the resolution, Regent Gracz asked what better guidance the Board could receive than from the people who are its customers as well as the state's future.

Regent Marcovich expressed concern about a precedent of representing particular constituencies on the Board. While he had not made up his mind about whether or not to support the resolution, he had questions that arose from that policy perspective. In addition, he noted that regent presidents have worked hard to place student regents in important positions on the Board and that United Council has been very effective in representing student interests.

Regent Walsh pointed out that, under the law, it is up to the Legislature to determine the composition of the Board and that the Board itself does not have a role in that process. He expressed concern about the definition of nontraditional student and about adding a member, rather than replacing an existing seat on the board with another student. He also was troubled about being asked to vote on a resolution on such short notice and without having an opportunity to read the bill.

Regent Gottschalk stated that he opposed the resolution for the reasons voiced by Regents Mohs, Marcovich, and Walsh. He thought that students already have excellent input to the Board, perhaps more than other constituent groups.

In response to a question by Regent Rosenzweig, Associate Vice President Lewis explained that the bill had a number of public hearings and that no position has been taken by the university because it has been considered legislative prerogative to determine the membership of the Board. The bill had been passed by the Senate and was awaiting scheduling in the Assembly after receiving unanimous support in committee.

Regent Rosenzweig asked if there had been discussion about limiting the size of the Board to 17 and replacing a current member with a student, to which Ms. Lewis replied that, while some concern was raised about the possibility of tie votes, the current language would add another member.

Regent Marcovich pointed out that, under current law, the Governor could, if he wished, appoint additional students to positions as they became available when terms expired.

Regent Walsh inquired about the process through which positions are taken on legislation. President Lyall responded that the administration provides the Board with recommended positions, which the Board can change if it so decides. In this case, the recommendation was to take a neutral position.

Regent Amato noted that the district boards in the Technical College System are composed of members that represent particular constituencies and that this model has worked well. He agreed with Regent Axtell that the share of university costs paid by students is a clear indication that they should be at the table, as well as the value of their

perspective as customers. Stating his hope that the Board would pass the resolution, he expressed the view that an additional student member would strengthen the Board.

Urging members of the Board to vote for the resolution, Regent Salas noted that adding another student would not expand the number of constituencies represented on the Board. He pointed out that, if the Board voted against the resolution, it would send a negative message about student representation to the Legislature and the Governor.

Regent Bradley stated that he is in favor of adding one or more students to the Board and would be willing to escort United Council to a meeting with the Governor to talk with him about the wisdom of additional student membership for the reasons voiced by Regent Axtell. He was opposed, however, to changing the statute on membership of the Board.

Regent Mohs observed that the Board hears from many groups and listens carefully to what is said. He did not consider student membership on the Board necessary to having their voices heard. Instead, he suggested that students continue to pursue the vigorous communication that they historically have had with the Board.

Regent Davis moved to delete the last paragraph of the resolution, so that the board would be asking for action by the Assembly, but would not take a position on the bill. The motion was seconded by Regents Pruitt and Axtell.

Regent Amato spoke in opposition to the amendment, believing that the board should take a position in favor of the bill.

Speaking in support of the amendment, Regent Pruitt said that, while he would welcome additional student members to the board, he believed that composition of the board is the province of the Governor and Legislature and the board should not become involved.

Noting that the amendment is a compromise, Regent Axtell said it would simply ask that the Assembly make a decision without taking position on the bill, since board members were undecided about that matter.

Regent Gracz urged the regents to take a position in support of the bill and let the Legislature know where the board stands on this issue.

Put to a roll-call vote, the amendment to the resolution was adopted, with Regents Walsh, Rosenzweig, Pruitt, Olivieri, Mohs, Marcovich, Gottschalk, Davis, Connolly-Keesler, and Axtell (10) voting “Aye”; and Regents Salas, Richlen, Randall, Gracz, Bradley, and Amato (6) voting “No”.

Adoption of the resolution as amended was then moved by Regent Axtell and seconded by Regent Richlen.

Resolution 8813: WHEREAS, the Board of Regents is the governing body of the University of Wisconsin System; and

WHEREAS, the current Board of Regents only has one student member out of 17; and

WHEREAS, Wisconsin has a strong history and commitment to shared governance, which guarantees that students, as stakeholders in the University, are active participants in all levels of decision-making; and

WHEREAS, having only one student on the Board of Regents often creates problems due to turnover and transition, leaving the student regent position vacant during critical times such as approval of tuition; and

WHEREAS, having two students appointed for two-year terms on a rotation will guarantee there will always be a student voice on the Board of Regents; and

WHEREAS, at a time where state support for higher education is diminishing and the Board of Regents is examining extraordinary measures to ensure a future for the UW System it is more important than ever that students are adequately represented in the Board of Regents; and

WHEREAS, Senate Bill 85 in the state legislature would change current law so that the composition of the Board of Regents would consist of two students, one traditional and one non-traditional; and

WHEREAS, the State Senate passed SB 85 on Tuesday, Sept. 23, 2003 and the Assembly Committee on Colleges and Universities approved SB 85 on February 10; and

WHEREAS, the legislative floor period is scheduled to end on March 11; and

THEREFORE BE IT RESOLVED, that the Board of Regents of the University of Wisconsin System encourages Representative Foti to schedule SB 85 for a floor vote as soon as possible.

Regent Bradley asked about the accuracy of the resolution's statement that "having one student on the Board often creates problems due to turnover and transition".

Recalling that he had served with five student regents, Regent Randall noted that they are appointed for only a two-year term and that it takes some time to attain the same knowledge level as other board members about issues and governance so that they can effectively represent students. Due to the shortness of the term, student regents must make this transition more frequently than other members of the board. While student representation is encoded in the statute, he observed that Governors have been sensitive in making appointments to other forms of representation, including persons of color, union representation, and geographical distribution.

Regent Mohs noted that a difficulty for a student regent is lack of time to have developed the management and governance experience that other members of the board have attained.

Referring to a copy of the bill, regent Walsh reported that a non-traditional student must be an undergraduate, must be at least 24 years old and must represent the views of nontraditional students, such as those who are employed or are parents.

Put to a roll-call vote, the resolution as amended was adopted, with Regents Amato, Axtell, Connolly-Keesler, Davis, Gracz, Olivieri, Pruitt, Randall, Richlen, Rosenzweig, Salas, and Walsh (12), voting "Aye", and Regents Bradley, Gottschalk, Marcovich, and Mohs (4), voting "No".

It was moved by Regent Gracz and seconded by Regent Amato that the Board go on record in support of SB 85.

Regents Walsh and Davis questioned whether supporters of the bill would want a vote of the Board that might not be in favor of the bill, and Regent Salas urged withdrawal of the motion to avoid sending a negative message to the Legislature.

Regent Richlen concurred, adding that students would be pleased with the Board's favorable vote on Resolution 8813. She suggested that the Board spend more time at future meetings discussing pending legislation on issues of importance to students.

Regent Gracz then withdrew the motion, with concurrence by Regent Amato.

Expressing agreement with Regent Richlen, Regent Walsh said he would like consideration of such legislation to proceed to the Board through committee, with opportunity to read the bill in advance and opportunity for students and others to be heard. He supported having a nontraditional student on the board but would recommend changing the language about representing particular views. Regent Marcovich stated his agreement with Regent Walsh.

In response to a question by Regent Amato, Regent President Marcovich explained that, while the board does not have a committee on legislation, regents are provided with summaries of recommended positions on bills that affect the university and students, so that members of the board could discuss them at the meeting if they wished.

Regent Axtell asked that resolutions be provided to board members as far as possible in advance of the meeting at which they will be considered in order to allow time for study, and Regent Rosenzweig suggested that regents receive at least 24 hours advance notice of such resolutions except in emergency situations.

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Appreciation to those involved in UW-Milwaukee Chancellor Search

Regent President Marcovich thanked Regent Olivieri, Chair, and the members of the Regent Selection Committee – Regent Burmaster, Regent Davis, Regent Pruitt, and Regent Richlen, along with President Lyall for their achievement in recommending Carlos Santiago, an outstanding individual to head UW-Milwaukee. He expressed special appreciation to Regent Olivieri for the great amount of time and energy he had devoted to the search and selection process.

Dr. Santiago, he noted, brings the experience of managing a large, complex urban research university – much like UW-Milwaukee. He has helped build SUNY-Albany's research activity, has formed ties with local businesses, and is recognized as a thoughtful, collaborative, principled leader. Dr. Santiago will become the first Puerto Rican to lead an urban research university, a bonus for Wisconsin because of UW-Milwaukee's importance as a portal for students of color. From every vantage point, he stated, Dr. Santiago is an outstanding choice to carry on the fine work at UW-Milwaukee to strengthen scholarship and research, play a strong role in regional economic development and reach out to address community needs.

On behalf of the Board of Regents, Regent President Marcovich thanked Professor William Holahan, Chair, and the members of the Search and Screen Committee for the many hours devoted to evaluating candidates for the position, noting that they had advanced excellent people for the regents to consider.

Regent President Marcovich expressed appreciation, on behalf of the Board, to Interim Chancellor Bob Greenstreet, for his outstanding work, along with Provost John Wanta, in leading UW-Milwaukee through this period of transition.

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Presidential Search

Regent President Marcovich noted that a search consultant had been retained; that a search and screen committee, headed by Regent Vice President Walsh, had been appointed; and that a Regent Selection Committee, headed by Regents Marcovich and Gottschalk, had been named. It was his prediction that today's regents, looking back on their tenure, would consider this appointment as one of their most important achievements. This, he noted, proved true for regents involved in President Lyall's appointment in 1992, who considered her selection as one of their greatest contributions.

For the current search, he pointed out, competition for the best candidates will be fierce, with open system presidencies in Illinois, Florida, Tennessee and Nebraska; and open searches for leaders at some of the nation's most prestigious public campuses, including the University of California at Berkeley. Stating that it will require the resolve of the board and the state to offer a competitive compensation package, he remarked that Wisconsin cannot afford to settle for the cheapest or most available candidate to lead this \$3.6 million enterprise.

In closing, he expressed appreciation to the regents and the Search and Screen Committee for the time and energy they are about to invest in this important effort.

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CLOSED SESSION

The meeting was recessed at 11:55 a.m. and reconvened at 12:15 p.m., at which time, the following resolution, moved by Regent Walsh and seconded by Regent Bradley, was adopted on a unanimous roll-call vote, with Regents Walsh, Salas, Rosenzweig, Richlen, Randall, Pruitt, Olivieri, Mohs, Marcovich, Gracz, Davis, Connolly-Keesler, Bradley, Axtell and Amato (15) voting in the affirmative. There were no dissenting votes and no abstentions.

Resolution 8814: That, the Board of Regents recess into Closed Session, to consider personal histories of finalists and appointment of a UW-Milwaukee Chancellor, as permitted by s.19.85(1)(c), *Wis. Stats.*, to consider UW-Oshkosh Honorary Degree Nominations, as permitted by s.19.85(1)(f), *Wis. Stats.*, and to confer with Legal Counsel concerning pending and potential litigation, as permitted by s.19.85(1)(g), *Wis. Stats.*

The board arose from closed session at 12:40 p.m., having adopted the following resolution:

UW-Milwaukee: Authorization to Appoint Chancellor

Resolution 8815: Upon the recommendation of the Special Regent Committee and the President of the University of Wisconsin System, Carlos E. Santiago be appointed Chancellor of the University of Wisconsin-Milwaukee, effective July 15, 2004, at an annual salary of \$250,000.

Further, that Dr. Santiago shall be permitted to enter into a contract with the University of Wisconsin-Milwaukee Foundation for the provision of personal services in conjunction with a capital campaign to be undertaken by the Foundation, which services

substantially exceed the traditional fundraising duties of the Chancellor's position.

Further, upon the affirmative recommendation of the University of Wisconsin-Milwaukee Department of Economics, Executive Committee of the Division of Social Science, and the Provost and Vice Chancellor, Dr. Santiago is granted a tenure appointment as Professor of Economics in the Department of Economics at the University of Wisconsin-Milwaukee.

The meeting was adjourned at 12:40 p.m.

Submitted by:

Judith A. Temby, Secretary