

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

Held in the 1820 Van Hise Hall

UW-Madison

Friday, November 5, 2004

9:00 a.m.

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- President Marcovich presiding -

**PRESENT:** Regents Axtell, Bradley, Connolly-Keesler, Burmaster, Davis, Gottschalk, Marcovich, McPike, Olivieri, Pruitt, Randall, Richlen, Rosenzweig, Salas, Smith and Walsh

**ABSENT:** Regent Gracz

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**APPROVAL OF THE MINUTES**

The minutes of October 8, 2004 meeting were approved as distributed, upon motion by Regent Bradley, seconded by Regent McPike.

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**REPORT OF THE PRESIDENT OF THE BOARD**

**Regent Listening Sessions**

Regent President Marcovich reported on listening sessions held on October 18<sup>th</sup> at UW-Eau Claire and October 25<sup>th</sup> at UW-Oshkosh. The purpose of the sessions was to hear public input on three issues currently challenging the UW System:

- Affordability of a UW education
- Recruitment and retention of top quality faculty, staff and academic leaders
- The role of UW campuses in driving the state's economy.

Regents attending one or both of the sessions were Regent President Marcovich, Regent Bradley, Regent Connolly-Keesler, Regent Gottschalk, Regent McPike, Regent Pruitt, Regent Rosenzweig and Regent Vice President Walsh.

Remarking that the regents were impressed by the number of people who attended and the power of their statements, Regent President Marcovich indicated that those who spoke included students, faculty, staff, alumni, parents, community leaders, business owners and government officials, all of whom felt strongly about their local campus, their alma maters, the entire UW System and its role in the quality of the state.

The sessions were attended by more than 150 people and many more listened over the Internet. More than 60 offered their opinions, in which they made the following points:

Public higher education is a key element to the long-term economic future of the state.

The UW needs to pay faculty and staff competitive salaries in order to attract and keep the best faculty, staff and academic leaders. It was pointed out that it is less expensive to compensate employees adequately than to pay turnover and recruitment costs.

The Board should endorse state group health insurance for domestic partners of UW employees and should work with the Governor and Legislature to provide that benefit.

There should be no compromise on maintaining the quality of a UW education – a poor quality education is not worth the price.

Despite best efforts, the quality of education is eroding. Students cannot get the classes they need; campuses are without crucial faculty; and the physical plant is in need of upgrading.

Students expressed concern about tuition increases and spoke movingly about the personal hardships they have endured. A UW-Eau Claire student senator summed up the feelings of many by saying that students would accept a slight tuition increase, but they do not want to pay more for less.

There is strong support for financial aid increases, but students do not feel that it is fair to take money for aid from student reserves. They urge working with the state to find another, more stable funding source. There is special concern for the most disadvantaged students and for those in the middle who are not wealthy but do not qualify for financial aid. Many participants cited the economic impact of the university and its importance to regional and state growth. From their personal experience as business owners, county board members and local economic development directors, they consider it very important for the university to preserve the ability to drive economic recovery by

providing UW graduates to the workforce, supporting research spin-offs and assisting communities, business owners and entrepreneurs.

In conclusion, Regent President Marcovich thanked Chancellors Mash and Wells and their staffs for helping to host the listening sessions and thanked all participants for their time and valuable suggestions.

### **Appearance by UW-Madison Students**

A group of UW-Madison students entered the meeting and were given an opportunity to speak by Regent President Marcovich.

Lauren Woods presented the board with an imitation check from the proceeds of a bake sale and some additional cash. In return, she asked the board to not increase the salaries of academic leaders, to give any raises to faculty and teaching assistants, and to add classes so that students can graduate on time. She noted that students have to take on extra jobs in order to pay tuition.

Regent President Marcovich noted that the board's budget request would restore 300 positions which would make it possible to offer more classes. While the board does not wish to raise tuition any more than necessary, he pointed out that the only sources available to fund instruction are money that the state provides and money paid by students. Noting that the large tuition increases of the past two years were necessitated by a \$250 million budget cut, he told the students that university leaders are working as hard as they can to provide as much education as possible with the amount of money that they have.

Another student, Gabrella Varela, stated that students and regents should work together and asked the board to raise awareness on the part of legislators about the need for more funding.

Regent President Marcovich agreed, noting that the first step in that process was submission of the budget request to restore some of the cuts. He asked the students for help in talking to legislators about their needs.

Zach Smith, a senior in Sociology, stated his pride in being able to attend an outstanding public university like UW-Madison. As a student who has to rely on grants and loans to pay his way, he noted that there are others more disadvantaged than he who deserve this kind of education but are unable to afford it. He asked the board to place priority on students in considering funding decisions such as pay raises versus tuition increases.

Jeremy Holliday, a UW-Madison teaching assistant, asked the board to fight harder to obtain more state money for the university as an investment in the future. While he is proud to attend the UW, he felt the Wisconsin Idea is now in jeopardy.

Regent President Marcovich thanked the students for their comments and assured them that the board understands and agrees with their message.

Referring to a handout that the students distributed, Regent Bradley asked if the board was changing Chancellor Wiley's salary or was proposing an 11% tuition increase over the next two years, to which Regent President Marcovich replied that the board was doing neither of those things and that there was no tuition increase before the board at this time.

**Presentation by Tom Still, President of the Wisconsin Technology Council, on the Council's recent report: "The Economic Value of Academic Research and Development in Wisconsin"**

Introducing Mr. Still, Regent President Marcovich thanked him for his many contributions and long-standing support for the university. As associate editor for the *Wisconsin State Journal*, he had always been a supportive voice for a strong public university system. In addition, he had moderated the UW's four highly successful statewide Economic Summits.

Regent Marcovich also expressed appreciation to Mr. Still, his staff and the Wisconsin Technology Council for their fine work in studying the economic value of academic research and development in Wisconsin. The Technology Council is an independent, non-profit organization that serves as science and technology advisor to the Governor, Legislature and as a catalyst for technology-based economic development in Wisconsin.

Prior to assuming the council presidency, Mr. Still was the associate editor of the *Wisconsin State Journal* and continues to write a weekly column for *Corporate Report/Wisconsin* magazine. He also contributes to *Madison* magazine and *Wispolitics*.

Mr. Still was the founder and president of "We the People/Wisconsin, Inc.", a successful partnership among Wisconsin Public Television, Wisconsin Public Radio, WISC-TV and the Wood Communications Group. Together, they sponsored more than 45 rounds of citizen forums on important public issues in Wisconsin.

A native of Alexandria, Virginia, Mr. Still graduated from Drake University and attended UW-Madison's Law School.

In conclusion Regent President Marcovich noted that the council's study is very timely as the UW seeks to grow Wisconsin's economy and to educate the public about the importance of the university in that regard. Economic development, he pointed out, will increase revenues which then will make more GPR funds available for support of the university and will help to maintain lower tuition.

Mr. Still began his presentation by observing that the student comments form an important segue to his message that the percentage of state support for the university has declined over time, affecting tuition and financial aid issues, and that Wisconsin needs a

growing economy to make sure that the great resource that the state has in the UW System is adequately supported.

The council's study showed \$696 million in research and development spending by UW institutions in 2002, out of a total of \$883 million in academic R&D statewide. Of the UW total, \$662 million was spent at UW-Madison and about \$25 million at UW-Milwaukee. The remaining spending on research and development was done by private colleges and institutions, the Marshfield Clinic, and Veterans Administration hospitals. Wisconsin ranks 15<sup>th</sup> among the states in total academic R&D spending.

Using a conservative U.S. Department of Commerce multiplier of 36 jobs created for every \$1 million spent, academic R&D spending in Wisconsin created almost 32,000 jobs, comparable to those created by paper manufacturing, printing, plastics and building construction. Per capita average R&D spending in Wisconsin was \$148, well above the national average of \$126.

Wisconsin ranks 22nd in total R&D spending of \$2.7 billion, primarily because Wisconsin lags the nation in industrial R&D (40<sup>th</sup> per capita). Were it not for the strong academic sector, Wisconsin would slip out of the top half of states in R&D spending. The fastest growing states in the country are also those that rank highest in R&D spending. The study found that 10 states account for two-thirds of all R&D spending in the United States: California, Michigan, New York, New Jersey, Massachusetts, Illinois, Texas, Washington, Pennsylvania, and Maryland. California alone accounts for almost half. Wisconsin's share of total R&D spending is 1.1%.

Among the top universities in receiving patents, the University of California System leads the way with about 440 a year. Wisconsin ranks 6<sup>th</sup>, with 84 per year, just behind Stanford and ahead of Johns Hopkins. While the Wisconsin patents are mostly from UW-Madison, Mr. Still noted that the WiSys project is helping other campuses move ahead in that area.

With regard to human embryonic stem cell research and the remarkable discoveries of James Thomson and colleagues at UW-Madison, Mr. Still noted that California had just passed a \$3 billion ballot initiative that could be used to challenge Wisconsin's lead in this important area. However, he pointed out, the council's study found that: "Few states have the infrastructure, the prestige and the talent to support stem cell research over the long run. Wisconsin is one such state." This is one area, he commented, where continued investment is likely to pay off in the long run.

Another advantage of academic research and development, Mr. Still continued, is that it helps to create the underpinnings for a workforce that is more educated and more able to adapt and absorb new ideas that move the economy forward. In that regard, the report pointed out that the driving force of economic growth is investment in human capital – skills and ideas – rather than investment only in machines and buildings.

The study found a 25 year trend toward weaker public support for higher education in Wisconsin, with the state's higher education effort, as measured by per capita public spending, declining faster than the U.S. average and more sharply than all but one of the eight Big Ten Conference states. Wisconsin has reduced its higher education spending effort by 47.6% since 1978, making it 40<sup>th</sup> among the 50 states (with 50<sup>th</sup> representing the

weakest effort by Colorado) and 7<sup>th</sup> lowest of the Big Ten Conference states of Iowa, Illinois, Indiana, Ohio, Michigan, Minnesota, Pennsylvania, and Wisconsin.

In addition, Wisconsin ranks 27<sup>th</sup> nationally in appropriations of state tax funds for operating expenses of higher education per \$1,000 of personal income, or fifth lowest among the eight Big Ten states. There was no category in which Wisconsin ranked in the top half of these states.

Noting that the 2003-05 budget exacerbated this situation, he commented that it will be very important to bring the message to the Legislature that investment in higher education is going to result in jobs for a growing state economy.

Other findings of the study showed Wisconsin to be 36<sup>th</sup> nationally in the change in state tax fund appropriations per \$1,000 of state personal income between fiscal 2001-04, and sixth among the eight Big Ten states. Based on current trends, Wisconsin would stop spending state dollars on higher education in the year 2040, the 16<sup>th</sup> fastest rate among the 50 states. In 1995, Wisconsin ranked third highest among 12 Midwestern states in total funding for higher education. By 2002, it had fallen to sixth. Between 1994 and 2004, Wisconsin ranked 46<sup>th</sup> out of 50 states in the percentage change in state tax-funded spending on higher education – the lowest ranking among the eight Big Ten states.

The study found that, at UW-Madison, numbers of faculty funded by GPR/fees decreased by 1.9% from 2002-03 to 2003-04, and numbers of instructional academic staff decreased 5.4%. Group instruction sections were down 1.9%; lecture section for undergraduates decreased by 3.1%; and laboratory sections for undergraduates decreased by 5%. This took place at the same time that enrollment on campus increased by a small amount.

The report concluded that: “If the slide in higher education funding effort continues, the academic R&D infrastructure in Wisconsin could deteriorate.” In that regard it was noted that ¾ of R&D funding comes from federal sources, most of it merit based, and that federal agencies consider infrastructure and talent across the country in making funding decisions. If the infrastructure is not maintained, the study warned, federal funds will be less likely to flow to Wisconsin, which also means there are likely to be fewer private research dollars and fewer companies that spin off.

The report made the following recommendations:

- Continue to invest in capital improvement programs such as BioStar and HealthStar, which leverage the assets of the UW-Madison and create spinout companies and jobs.
- Reverse the long slide in public support for the UW system, beginning in the 2005-07 state budget bill.
- Encourage more interdisciplinary research cooperation between the UW-Madison, the Medical College of Wisconsin and the Marshfield Clinic, similar to the Minnesota approach.
- Establish a commission, such as the Michigan Commission on Higher Education and Economic Growth, to explore other options and to more deliberately track best practices in other states.



- Create a Wisconsin Innovation and Research Fund to help secure federal and corporate grants by providing small matching grants to faculty who collaborate with business on R&D.

In response to a question by Regent Axtell about the likely impact of the California initiative on stem cell research, Mr. Still explained that the initiative approved bonding authority of \$3 billion over 10 years. Elected officials will need to determine how much is spent, when and where. He considered the initiative potential threat, over time, to Wisconsin's efforts in this area because not only could California attempt to attract Wisconsin's talented researchers, but it could also be more difficult for Wisconsin to hire researchers in the future because of California's large pot of resources and the limited number of scientists who can do this work. He thought it important to consider a Wisconsin response on how the state can invest more in stem cell research.

Regent Axtell asked if California could have adopted such an initiative if the state had a TABOR amendment in place, and Mr. Still said that would have been very difficult, if not impossible.

In response to a question by Regent Rosenzweig, Mr. Still indicated that academic research and development constitutes one-third to one-half of total R&D in the state, while in other states industrial R&D is a much larger share of the total. It is important, he said, for campuses to continue to forge more linkages with businesses in order to leverage job creation and economic growth. This effort would be promoted by creation of the type of Innovation and Research Fund recommended by the council.

Regent Smith inquired about the possible effects of a TABOR amendment on the issues Mr. Still had raised.

In reply, Mr. Still noted that Colorado, a TABOR state, has fallen very far behind others in public higher education spending. While the Technology Council has not taken a formal position on TABOR, Mr. Still considered TABOR to be a "one size fits all" type of solution that takes management flexibility away from decision makers. He thought there should be a better way to reform the state's tax system to accord with a 21<sup>st</sup> century economy.

Regent Walsh noted that students had spoken passionately about the importance to them of investing in higher education, while Mr. Still addressed the same issue from the standpoint of the economy. He asked Mr. Still to comment on competition for faculty around the country, what would happen if the UW does not remain competitive in that arena, and how best to spread research infrastructure to the comprehensive universities.

Mr. Still said that the council had looked at 15 states around the country as well as national documents from sources such as the Association of American Universities and The Association of University Technology Managers that referenced competition for faculty among universities and with private industry. If all indicators are correct, he thought that the UW would be in the bottom half of the Big Ten states in terms of salaries and pointed out that other states are being more aggressive, with specific initiatives aimed at attracting and retaining talented faculty in R&D areas. These efforts, he

remarked, are similar to the Madison Initiative of a few years ago which brought cluster hires of talented faculty to campus. At this time, he commented, Wisconsin is not as competitive as it needs to be.

With regard to spreading research around the system, he remarked that the work of WiSys, a subsidiary of the Wisconsin Alumni Research Foundation, has been a very important initiative that is bearing fruit, with disclosures up sharply, some of which should result in patents. In addition, he noted that Chancellor Santiago at UW-Milwaukee has a background in working extensively with private industries to build research and that there is much research on campuses across the state that match as well with market needs. The Council's recommendation of an Innovation Research Fund would do more to give faculty the tools they need to make more partnerships with business.

Regent Bradley observed that the Technology Council Report and the comments made by students and others today and at listening sessions reflect the magnitude of the problems caused by systematic disinvestment in higher education. For students, the impacts are very personal, such as having to work another job, or having to take longer to graduate. Noting a remark by Mr. Still that the UW should be complimented for managing the huge budget cuts so effectively, he remarked that great credit should be given to chancellors and other campus leaders who had to absorb those cuts, while still managing to keep the doors open and educate 160,000 students. These people, he noted, could speak about the issue just as passionately as the students have.

Regent President Marcovich concurred and thanked Mr. Still for his presentation. He commented that losing the Madison Initiative in the budget reductions was penny wise and pound foolish, since it brought in much more money than it cost, and he expressed hope that it could be restored in the future.

**Report on the October 29, 2004, meeting of the Educational Communications Board**

The board received a written report on the October 29, 2004, meeting of the Educational Communications Board.

**Report on the November 3, 2004, meeting of the Hospital Authority Board**

A written report on the November 3, 2004, meeting of the Hospital Authority Board was provided to the regents.

**Report on the October 15, 2004, meeting of the Higher Educational Aids Board**

The board received a written report on the October 15, 2004, meeting of the Higher Educational Aids Board.

## **REPORT OF THE PRESIDENT OF THE SYSTEM**

### **Tribute to Nancy Westrum**

President Reilly presented a tribute to Nancy Westrum who was retiring after working at the UW for 40 years. She was recognized for her contributions to the pre-merger Wisconsin State University System and to the University of Wisconsin System, as well as for her services in working for President Emerita Lyall for more than 20 years, during her entire tenure as Vice President for Academic Affairs, Executive Vice President, and President. In short, he said, she has been the person who, in a tireless and devoted way, helped the office of the President respond to all who came to call.

### **Thanks to Tom Still**

Expressing appreciation to Mr. Still for presenting the Technology Council's report, President Reilly said that it has never been more vital for Wisconsin citizens to understand what the UW contributes to the state. He also thanked Mr. Still for presenting the report's findings to the Legislative Audit Committee and at the listening session in Eau Claire.

### **Presentation by James Cook, University Distinguished Professor at UW-Milwaukee**

Professor Cook explained that the effort of his research team is to design anxiolytic agents to replace medications like Valium, Xanax and Librium. This would allow effective treatment of anxiety disorders without harmful side effects, such as addiction. He commended the WiSys group for spending a great deal of time on obtaining license agreements for these discoveries and estimated the economic impact of replacing current drugs to be in the billions of dollars. His team also is designing drugs to treat alcohol abuse and working on new ways to treat Alzheimer's Disease.

Dr. Cook's research is federally funded, bringing in about \$2.4 million in the last five years. He indicated that 60 undergraduates have done research in his laboratory, many of whom have gone on to become medical doctors to or obtain degrees in other scientific fields. In addition, 50 graduate students and 26 postdoctoral students have been employed in his lab, many of whom have remained in Wisconsin to live and work. Comparing his research group to a baseball team, he remarked that it is his job to make sure, through education, that they have a bat in their hands every time they come up to

the plate. When one of them hits a home run, the economic benefit for the state can be huge.

**Presentation by Professor Laura Kiessling and Professor Ron Raines, UW-Madison**

Introducing the presenters, President Reilly indicated that Dr. Kiessling has pioneered studies about causes of inflammation and Dr. Raines studies the molecular makeup of proteins in the body. Their research could lead to new treatments for disorders like arthritis. Together, they founded Quintessence Biosciences, a company that is developing technologies that are furthering the search for a cure for cancer. Their technologies are patented through the Wisconsin Alumni Research Foundation, which returns profits back to the university.

Professor Kiessling commented that she was drawn to UW-Madison by the quality of the science and interactions with colleagues that take place on that campus. She especially values providing educational opportunities for students and economic impact for the community and state.

Her research group is working with Professor James Thomson's group on strategies to grow embryonic stem cells and learn how to turn them into other types of cells. Bringing investigators together in this type of manner, she noted, helps to leverage resources and advance discovery.

Beginning his presentation, Professor Ron Raines noted that Professor Kiessling is one of two faculty members at UW-Madison who has won a MacArthur genius award for her work. Twenty-two people are employed in her laboratory and 20 more in his, for a total of 42 employed by their research grants, which bring in about \$2.5 million a year.

They also founded a company called Quintessence BioSciences, located in the University Research Park and developed from technology licensed by the Wisconsin Alumni Research Foundation, that currently employs ten people and is growing. The company has raised about \$3 million in private money and is seeking institutional investment as well. One exciting technology being developed is manipulation of ribonucleic proteins to make them toxic specifically to cancer cells. Results in mice have been excellent and human clinical trials are expected in 2006. In conclusion, he noted that neither he nor Professor Kiessling are officers of the company.

Dr. Kiessling observed that many talented graduate students are leaving UW laboratories to seek employment in other states because there are not enough pharmaceutical or biotechnology companies to employ them in Wisconsin. Noting that these people go to high-paying jobs, she remarked that investment in more companies with that kind of focus would help to grow the state's economy. That is one reason that they had located their company in Wisconsin.

### **Committee on Baccalaureate Degree Expansion progress report**

In opening remarks, President Reilly noted that, just as academic research and development helps to grow the state's economy, so too does the number of people in the state who hold baccalaureate degrees. He introduced Regent Pruitt, co-chair of the Committee on Baccalaureate Degree Expansion, for an update on the committee's work.

Regent Pruitt commented that the challenge facing Wisconsin of trying to reach the national average in terms of the percentage of college degree holders in the population is a daunting but very important one in its impact on economic growth in the state. To reach the national average, Wisconsin would need to add 70,000 new college degree holders.

He thanked Regents Axtell, Connolly-Keesler, and co-chair Regent Smith for their contributions to the committee's work.

The committee, Regent Pruitt reported, has developed at least 13 strategies to increase the number of baccalaureate degree holders. These have been shared with the campuses, which have shown a great deal of interest in participating in them.

## **REPORT OF THE BUSINESS AND FINANCE COMMITTEE**

The Committee's report was presented by Regent Bradley, Chair.

### **UW System Trust Funds Discussion - Guidelines for Expenditure of Principal**

Regent Bradley reported that the committee continued a discussion on guidelines for expenditure of principal and recommended raising from \$50,000 to \$250,000 the threshold at which gifts would be managed so that the principal stays intact and only the earnings are available for expenditure. The amount of \$250,000 was recommended by the UW Foundation which also is dealing with this issue.

Regent Bradley moved the adoption of the following resolution, with a revision to substitute the word "institution" for the word "university" in the 10<sup>th</sup>, 13<sup>th</sup>, and 15<sup>th</sup> lines.

The motion was seconded by Regent Pruitt and carried on a unanimous voice vote.

### **Policy on Quasi-Endowments** **UW System Trust Funds**

Resolution 8930:           That, upon recommendation of the President of the University of Wisconsin System, all new quasi-endowments greater than \$250,000 where the donor is

silent as to the expenditure of principal be identified as designated endowments, with only the income from the trust available for expenditure in accordance with the terms of the trust agreement. (However, where the donor explicitly states that the principal of the gift be made available for expenditure, this policy will not apply.) If a institution wants an exception to this proposed rule, the request for exception, with appropriate justification, should be contained in the institution's recommendation for acceptance and be incorporated in the Regent resolution. If at a later date, the institution wishes to seek an exception to the Regent imposed restriction, it should submit a request to the Office of the Vice President for Finance for consideration at the next meeting of the Business and Finance Committee.

As the revised policy replaces that provided under Resolution 5631 of October 5, 1990, Resolution 5631 is hereby rescinded.

### **Annual Sick Leave Report**

It was reported by Regent Bradley that Susan Chamberlain, Assistant Vice President for Human Resources Information Services, reviewed with the committee a statutorily required annual report on sick leave usage by faculty and academic staff. Compiled for the last 13 years, the report has remained virtually the same and this year's results again are within the normal range of experience. The committee suggested that the university may wish to seek to eliminate this report.

Regent Bradley recalled that, at the Eau Claire listening session, Representative Kreibich had pointed to the need to look for more efficiencies and to seek additional flexibilities. In that regard, he considered the UW System to be intensely micro-managed compared to other systems. He also wanted to convey the message that the Legislature has connected the dots between economic development and higher education.

### **Annual Gifts-In Kind Report and Quarterly Gifts, Grants and Contracts Report**

Vice President Durcan presented to the committee the statutorily required annual Gifts-In-Kind Report and the quarterly Gifts, Grants, and Contracts Report. The latter showed that, for the first quarter of 2004-05 total gifts, grants and contracts were \$434 million, an increase of \$40 million over the same period last year. Federal awards increased \$60 million, while non-federal awards decreased \$20 million.

### **Annual Broadcast Report**

The committee received the Annual Broadcast Report on the board's 14 non-commercial educational broadcast stations. It is an FCC requirement that this report be made to the board annually. Regent Randall inquired about the status of conversion to a digital format, and Malcolm Brett, Director of Wisconsin Public Television, noted their compliance with the timeline for federally mandated conversion.

### **Report on Administration Base Cut Exercise**

Vice President Durcan reported to the committee that the system was working on a response that was being prepared to meet the requirement to submit a plan to reduce all non-federally-funded state administrative operations by 10% as outlined in the Governor's biennial budget instructions. Similar to past reports, this response will be general in nature and will identify the process by which budget reductions would be made if necessary.

### **Report of the Vice President**

#### ***Report on Contractual Expenditures***

Vice President Durcan advised the committee that the recently released report on contractual expenditures was overstated for the UW System. Work is being done to have the numbers corrected.

#### ***Utility budget shortfall***

Vice President Durcan reported on the estimated \$31 million utility budget shortfall for the current fiscal year which is due to a number of factors, including a pre-existing structural deficit of \$6.4 million, a transfer of fiscal year 2005 budget authority to cover last year's deficit of \$10.7 million, and increasing utility prices of \$9.1 million. UW System staff are to meet with the Department of Administration to discuss how this issue can be resolved and are required to return to the Joint Committee on Finance in January with the projected shortfall as well as energy efficiency measures.

#### ***Leadership in national association***

Regent Bradley commended Vice President Durcan and Tom Sonnleitner, UW-Oshkosh Vice Chancellor for Administration, for serving in leadership roles with the National Association of College and University Business Officers. They recently attended a meeting directed at identifying key critical issues facing higher education finance officers across the country. The chief business officers of all UW institutions will meet at the beginning of December to discuss many of these issues, as well as ways to achieve

administrative efficiency and work more effectively with the Department of Administration.

### **Annual Trust Funds Public Forum**

Meeting in Grainger Hall for the annual forum on trust funds investments, the committee heard from nine speakers who asked the board to be more active in following its guidelines on social responsibility and to consider proactive screening of companies in which trust funds are invested. The trust funds, which total about \$300 million, consist of private gifts and contain no tax monies.

Speakers asked the board to take a more active role in divestiture and commented on investments in Caterpillar Company, Halliburton, Walmart, and Tyson Foods. They expressed support for having the annual forum, for proxy voting arrangements, and for the fact that UW investments are posted on the Internet.

### **Report and Action on Salary Ranges, Salaries, and Pay Plan Recommendations for Faculty, Staff and Academic Leaders**

Noting that all regents were invited to discussion of this item the preceding day, Regent Bradley reported that the committee amended the final paragraph of Resolution 8931 so that the salaries of two UW System vice presidents in senior executive group 2 would not immediately be raised to the minimum of the recommended range. With that amendment, the committee unanimously approved the resolution, with Regent Randall abstaining.

Adoption of Resolutions 8931 and 8933 was moved by Regent Bradley and seconded by Regent Pruitt.

Resolution:8931

Whereas, s. 20.923 (4g), *Wis. Stats.*, gives the Board of Regents the authority to establish salary ranges for: System President; Senior Vice Presidents; Chancellors; UW-Madison Vice Chancellor; and, UW-Milwaukee Vice Chancellor; and

Whereas, s. 20.923 (4g), also provides that the Board of Regents must recommend the salary ranges for vice presidents and non-doctoral institution vice chancellors/provosts; and

Whereas, s. 20.923 (4g), goes on to state; “The board of regents shall set the salaries for these positions within the ranges to which the positions are assigned to reflect



the hierarchical structure of the system, to recognize merit, to permit orderly salary progression and to recognize competitive factors;” and

Whereas, on October 10, 2003, the Board adopted Resolution 8736 to amend the Senior Executive Salary Policy (Regent Policy Document 94-4) “to reflect current law regarding the Board of Regents authority to determine executive salary ranges and set executive salaries, and to specify that salary ranges for an ensuing fiscal year will be adopted by resolution by a majority of the full membership of the Board in open session by roll call at a regularly scheduled meeting;” and

Whereas, during the 2003-04 fiscal year the Board of Regents did not adopt executive salary ranges pursuant to RPD 94-4 for the ensuing (2004-05) fiscal year; and

Whereas, the proposed salary range dollar values noted in the attached table (Appendix A) of proposed executive salary ranges are constructed according to RPD 94-4, with the midpoints of the ranges set at 95% of the 2004-05 predicted peer medians and the minimums set at 90% and the maximums set at 110% of those midpoints; and

Whereas, senior executives did not receive consideration for the 2.1% increase that all other unclassified staff were considered for as part of Phase II of the 2002-03 pay plan to be effective January 1, 2003; and

Whereas, our academic leaders are 16% below predicted peer group median salaries this fiscal year; and

Whereas, the Legislative Audit Bureau, Report 04-10, September 2004, acknowledged that based on data available through the College and University Professional Association for Human Resources annual survey, “the salaries of 20 UW System senior executives are below the national median for universities with comparable budgets.”

Now, therefore be it resolved;

That, in accordance with Regents Executive Salary Policy, the Board adopts 2004-05 salary ranges for academic leaders in senior executive salary groups as set forth in Appendix A; and

That, again in accordance with Regents Executive Salary Policy, the Board directs that those salaries of the seven Chancellors of comprehensive institutions who are not serving interim appointments who are all below the range minimums established in this resolution be raised to those minimums effective November 1, 2004.

At the request of Regent Randall to consider the resolutions separately, the motion was withdrawn, and adoption of Resolution 8931 was moved by Regent Bradley and seconded by Regent Pruitt.

Regent Gottschalk moved to amend the resolution to add the salary group 2 positions that were deleted by the committee. Commenting that it is a matter of fairness, he pointed out that one of the individuals involved has 25 years of loyal service to the UW System. In addition, he noted that these positions require a larger percentage increase because they were left out the last time adjustments were made and that to leave them out again would exacerbate the problem. The motion was seconded by Regent Randall.

Regent Bradley agreed that there is an issue of fairness and that it is a problem to let people fall behind. However, he opposed the amendment for two reasons. First, seven people in salary group three are below the legal minimum, while those in group two are not, although they are below the board's recommended minimum. Second, more time is needed to study Mr. Peterson's report and work further with the Audit Bureau on administrative cost matters. For those reasons, he recommended that action on the group two salaries be deferred – not denied.

Regent Gottschalk responded that the legal minimum for salary group two is based on figures established in 2001-03 – not for the current biennium. By any standard of analysis, he felt that leaving these people behind would be unfair.

Stating his inclination to vote against the amendment, Regent Axtell observed that, while the individuals involved are highly valued, it is prudent to defer action while more information is gathered and President Reilly has time to evaluate the Peterson report.

Regent Walsh commented that, while moving the chancellors' salaries to the legal minimum is a matter of law, moving the vice presidents' salaries up at this time is a matter of discretion. He had said that no position should be taken on tuition until the Governor and Legislature have determined the GPR component and pay plan, and he felt that, to be consistent, decisions on the vice presidents salaries should be deferred as well.

Put to a roll-call vote, the amendment failed, with Regents Walsh, Smith, Salas, Rosenzweig, Richlen, Pruitt, Olivieri, McPike, Marcovich, Davis, Connolly-Keesler, Burmaster, Bradley, and Axtell (14) voting against it, and Regents Randall and Gottschalk (2) voting in favor.

Regent Olivieri asked if it would not be preferable to defer the other salary actions as well until the report on administrative efficiencies is made to the Legislative Audit Committee in February.

Regent Pruitt indicated that he felt that the combination of the Peterson report, which focused on System Administration, and the Legislative Audit Bureau issues argued for deferring action on the vice presidents' salaries. He viewed the chancellors' salaries as a separate matter.

Noting that, at the preceding day's meeting, a student had commented that the President's first initiative should not be to increase salaries of those at the highest levels, Regent Olivieri felt it would be appropriate to take action in the context of a presentation that shows initiatives being made in terms of administrative expenses

Regent Olivieri therefore moved to table the resolution until the February meeting in order to act on it in the context of the report on administrative efficiencies. The motion was lost for lack of a second.

Noting that President Reilly has made administrative efficiencies a key objective of his administration, Regent Bradley pointed out that the effort to bring the chancellors' salaries to the legal minimum of their ranges is entirely a regent effort and that President Reilly had not been involved in making the recommendation.

Regent Axtell asked if the board is required by statute to make these adjustments in the chancellors' salaries, and Regent Bradley replied in the affirmative.

Regent Richlen pointed out that the UW-Madison chancellor's salary would not be increased by the resolution and that student government leaders at the seven universities involved are willing to make this small investment to retain chancellors that they want to keep and to avoid the major costs of recruiting a new chancellor. She asked Regent Bradley to clarify what the meaning of salary ranges, noting that some students believe that the resolution would raise all salaries to the maximum and take money from other biennial budget priorities.

In response, Regent Bradley explained that salary ranges included minimums, below which individuals could not be paid, and target midpoints. Data in establishing these ranges is taken from sets of peer institutions that were approved by the Legislature in 1984. The goal of regent policy is to pay academic leaders 95% of the midpoint, taking into consideration the fact that the cost of living is lower in Wisconsin than in some other places. The ranges need to be kept up to date so that state leaders have accurate information.

At this time, seven people are below the minimum – not the midpoint – of their ranges. The resolution calls for raising their salaries to the minimum to be in compliance with state law. Noting that this still is significantly short of the board's goal, he observed that

the situation illustrates the seriousness of the pay problem for the leaders on which the UW must depend most heavily.

Regent President Marcovich added that there is a difference between setting a range and setting a salary. Ranges simply specify the area within which salaries may be set and do not automatically increase anyone's pay. After the ranges are set, the board decides what amount, within the range, to pay people. The resolution would bring seven chancellors to the bottom of the range, which is the board's legal obligation.

Regent Salas asked if the President of the System could change the salaries of any of the other chancellors without board action, and Regent President Marcovich replied in the negative.

The question was put on Resolution 8931 and it was adopted on a unanimous roll-call vote, with Regents Axtell, Bradley, Burmaster, Connolly-Keesler, Davis, Gottschalk, Marcovich, McPike, Olivieri, Pruitt, Randall, Richlen, Rosenzweig, Salas, Smith, and Walsh (16) voting in the affirmative.

It was moved by Regent Bradley and seconded by Regent Pruitt that Resolution 8933 be adopted by the board. At the request of Regent Rosenzweig, who wished to introduce another resolution first, the motion and second were withdrawn.

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

Resolution :

Whereas, the Board of Regents is mindful of the concerns of students, parents, members of the public and others regarding the impact of any pay plan adjustment on tuition; and

Whereas, the Board of Regents recognize that the final result of a pay plan adjustment from JCOER is unknown; and

Whereas, it is important for the Board of Regents to reassure students, parents, members of the public and others of its strong commitment to access to the UW System.

Now, therefore be it further resolved;

We, the Board of Regents, affirm our commitment to our 2005-07 budget proposal and priorities which sets forth a 4.3% tuition increase and a 7.2% increase in GPR as well as a hold harmless financial aid package.

Regent Walsh moved to amend the last paragraph to read: "We, the Board of Regents, affirm our commitment to our 2005-07 budget proposal, including a hold harmless financial aids package and a 4.3% tuition increase, assuming a 7.2% increase in GPR." The motion was seconded by Regent Randall.

Regent Olivieri pointed out that a request to increase compensation without further increasing tuition would require either additional GPR or modification of the budget request.

Regent Gottschalk noted that the resolution reaffirms the board's operating budget request, while the pay plan submission is separate and follows a different process.

Regent Rosenzweig commented that the two issues are connected and cannot be separated. The resolution restates the board's priorities and would be included, along with pay plan recommendations, in discussions going forward.

Regent Gottschalk cautioned that the resolution should not be misunderstood to mean that tuition would be held to a maximum increase of 4.3%.

Regent Richlen explained that the intent of the resolution is to reaffirm, in solidarity with students, the board's budget request for tuition increases of 4.3% coupled with a GPR increase of 7.2%. While her preference would be to stay with those percentages through the process, the resolution did not state that. The intent, she added, is not to lock the board into a particular GPR or tuition percentage.

Regent Walsh commented that the board could not be tied to 4.3% and 7.2% numbers because the Governor's budget, the Joint Finance Committee and the Joint Committee on Employment Relations could make substantial changes to what was requested. At this time, however, he was willing to reaffirm the board's original request.

Regent President Marcovich noted that the resolution simply reaffirms the board's position and that decisions will be made in the future as the budget process proceeds that the board will need to use in determining how much to finance with tuition, GPR, efficiencies and other sources of revenue.

Regent Bradley suggested that the amendment be changed to include deletion of the word "further" from the fourth paragraph and it was agreed that the amendment be so revised.

Put to a voice vote, the amendment was adopted, with Regent Olivieri voting in opposition.

The question then was put on the resolution as amended, and it was adopted on a voice vote, with Regent Olivieri voting in opposition.

Resolution 8932:           Whereas, the Board of Regents is very mindful of the concerns of students, parents, members of the public and others regarding the impact of any pay plan adjustment of tuition; and

Whereas, the Board of Regents recognizes that the final result of a pay plan adjustment from JCOER is unknown; and

Whereas, it is important for the Board of Regents to reassure students, parents, members of the public and others of its strong commitment to access to the UW System.

Now, therefore be it resolved;

We, the Board of Regents, affirm our commitment to our 2005-07 budget proposal, including a hold harmless financial aids package and a 4.3% tuition increase, assuming a 7.2% increase in GPR.

Regent Gottschalk moved to delete all language relating to domestic partner benefits from the resolution because of concern that this language would put the entire recommendation at risk politically. The motion was seconded by Regent Randall.

Adoption of the following resolution was moved by Regent Bradley and seconded by Regent Pruitt.

Resolution:

Whereas, pursuant to s. 230.12(3)(e) *Wis. Stats.*, the Regents are charged with the responsibility to recommend to the Director, Office of State Employment Relations a proposal for adjusting compensation and employee benefits for university faculty, academic staff, and senior executives for the 2005-07 biennium; and,

Whereas, the Director shall submit a proposal for same, which shall be based upon the competitive ability of the Board of Regents to recruit and retain qualified faculty and academic staff, data collected as to rates of pay for comparable work in other public services, universities and commercial and industrial establishments, recommendations of the Board of Regents and any special studies carried on as to the need for any changes in compensation and employee benefits to cover each year of the biennium; and,

Whereas, the Board of Regents has considered those factors and heard from constituents in two public listening sessions and concluded that to recruit and retain faculty and academic staff a salary increase of 6.3 percent each year is needed; and,

Whereas, the Board of Regents recognizes a 6.3 percent salary increase is needed in order to obtain competitive faculty salaries by the end of the biennium but will only cut the market gap for academic staff by less than half of what is needed to bring us to competitive academic staff salaries; and,

Whereas, the Board of Regents is cognizant of the difficulty of funding the needed pay plan in the current fiscal climate including lack of availability of full funding in the compensation reserve, of tuition revenue sources, and of base budget reallocation capabilities, our combined request of 5 percent in each year of the 2005-07 biennium from all sources is less than what is needed as noted above; and,

Whereas, the Board of Regents is acutely aware of the negative impact that a lack of domestic partner health care benefits has on our ability to attract and retain not just individuals who would take advantage of this benefit but all faculty and academic staff.

Now, therefore be it resolved;

That the Board of Regents directs the UW System President to notify the Governor and the Legislature that the UW System has identified a need for a 6.3 percent salary increase each year of the 2005-07 biennium for faculty, academic staff and university senior executives in order to obtain competitive faculty salaries and to begin to close the gap with academic staff salaries by the end of the biennium; and

That the Board of Regents directs the UW System President to transmit to the Director of the Office of State Employment Relations, currently available information on unclassified salaries for UW System peer institutions and related economic indices, and request that the Director recommend to the Joint Committee on Employment Relations (JCOER) a salary

increase of two percent each year provided sufficient funds are placed in the biennial budget to distribute at least three percent each year to address market adjusted salary needs of the faculty and academic staff; and

That the Board of Regents directs the UW System President to recommend to the Director of the Office of State Employment Relations for transmission to JCOER that:

The UW System be authorized to increase the academic staff salary ranges by the full amount of the pay plan and monies provided to address market adjusted salary needs each year; and,

The salary ranges for university senior executive salary groups one (Vice Chancellors at non-doctoral institutions) and two (Vice Presidents) set by the Board of Regents pursuant to their Executive Salary Policy be adopted; (see Appendix A) and,

The Board of Regents endorses state group health insurance for domestic partners of all state employees and encourages the Governor and the Legislature to amend state statutes to provide that benefit and directs the UW System President to work with the Governor and the Legislature toward that end; and

That the Board of Regents adopts the 2003-05 pay plan distribution guidelines for 2005-07 if the pay plan exceeds two percent each year. However, the Board suspends those pay plan distribution guidelines if the authorized amount for an unclassified pay plan is two percent or less in any year, and directs that in such instance the pay plan percentage be distributed across-the-board to all those who have at least a solid performance rating, with any unused funds distributed by the Chancellor in consultation with the governance bodies to address salary needs specific to their institution; and

That the Board of Regents directs that any and all monies provided to address market adjusted salary needs that may be provided in the biennial budget shall



be distributed to correct market needs and salary needs specific to each institution with due regard to establishing average salaries at peer group medians.

Regent Gottschalk moved to delete all language relating to domestic partner benefits from the resolution because of concern that this language would put the entire recommendation at risk politically. The motion was seconded by Regent Randall.

Regent Connolly-Keesler asked if that matter could be voted on separately, and Regent Randall indicated that he would be prepared to sponsor such a resolution.

Stating his opposition to the amendment, Regent Pruitt commented that domestic partner benefits are closely enmeshed with the issue of competitiveness. He thought they should remain in the resolution as part of the compensation proposal.

In response to a question by Regent Olivieri, George Brooks, Associate Vice President for Human Resources, indicated that domestic partner benefits are calculated by the Department of Employee Trust Funds as 2% of the total health insurance premium. That would amount to about \$5 million for the UW System for same sex and opposite sex partners.

Regent Olivieri asked if such a fringe benefit change is of greatest importance in terms of making the UW more competitive, and Mr. Brooks replied in the affirmative.

Regent Rosenzweig suggested that, rather than promoting such benefits for all state employees, it would be more appropriate for the board to support granting them specifically for UW System employees.

The question was put on the amendment, and it failed on a voice vote.

It was moved by Regent Olivieri and seconded by Regent Rosenzweig that the resolution be amended to endorse domestic partner benefits for UW System employees, rather than for all state employees.

Put to a voice vote, the amendment was adopted, with Regents Gottschalk and Randall abstaining.

Regent Walsh asked if benefit language had been included in past resolutions making recommendations with regard to compensation, and Mr. Brooks replied in the affirmative.

Regent Richlen explained that she intended to vote for the resolution because it is the board's responsibility to advise the state about how much of an increase is necessary to close the pay gap and make the UW competitive. However, she would not vote for a tuition increase to pay for it, even though faculty deserve higher pay, because of her belief that the necessary funding should come from the state and not from students.

Regent Axtell noted that it is expensive to replace faculty who leave. New faculty often need to be hired at higher salaries, creating salary compression within departments. When faculty are lost, he pointed out, not only does the university lose experienced and

often inspirational teachers, but it costs, at UW-Madison, around \$300,000 in external funding that leaves with the departing faculty member. He emphasized the importance of quantifying these negative consequences when communicating with legislators and the general public about this matter.

President Reilly concurred, adding negative consequences apply to other UW institutions as well, although not at the same level.

Regent President Marcovich agreed and said that specific numbers will be provided.

The question was put on Resolution 8933, and it was adopted on a voice vote, with Regent Randall abstaining.

- Resolution 8933:           Whereas, pursuant to s. 230.12(3)(e) *Wis. Stats.*, the Regents are charged with the responsibility to recommend to the Director, Office of State Employment Relations a proposal for adjusting compensation and employee benefits for university faculty, academic staff, and senior executives for the 2005-07 biennium; and,
- Whereas, the Director shall submit a proposal for same, which shall be based upon the competitive ability of the Board of Regents to recruit and retain qualified faculty and academic staff, data collected as to rates of pay for comparable work in other public services, universities and commercial and industrial establishments, recommendations of the Board of Regents and any special studies carried on as to the need for any changes in compensation and employee benefits to cover each year of the biennium; and,
- Whereas, the Board of Regents has considered those factors and heard from constituents in two public listening sessions and concluded that to recruit and retain faculty and academic staff a salary increase of 6.3 percent each year is needed; and,
- Whereas, the Board of Regents recognizes a 6.3 percent salary increase is needed in order to obtain competitive faculty salaries by the end of the biennium but will only cut the market gap for academic staff by less than half of what is needed to bring us to competitive academic staff salaries; and,

Whereas, the Board of Regents is cognizant of the difficulty of funding the needed pay plan in the current fiscal climate including lack of availability of full funding in the compensation reserve, of tuition revenue sources, and of base budget reallocation capabilities, our combined request of 5 percent in each year of the 2005-07 biennium from all sources is less than what is needed as noted above; and,

Whereas, the Board of Regents is acutely aware of the negative impact that a lack of domestic partner health care benefits has on our ability to attract and retain not just individuals who would take advantage of this benefit but all faculty and academic staff.

Now, therefore be it resolved;

That the Board of Regents directs the UW System President to notify the Governor and the Legislature that the UW System has identified a need for a 6.3 percent salary increase each year of the 2005-07 biennium for faculty, academic staff and university senior executives in order to obtain competitive faculty salaries and to begin to close the gap with academic staff salaries by the end of the biennium; and

That the Board of Regents directs the UW System President to transmit to the Director of the Office of State Employment Relations, currently available information on unclassified salaries for UW System peer institutions and related economic indices, and request that the Director recommend to the Joint Committee on Employment Relations (JCOER) a salary increase of two percent each year provided sufficient funds are placed in the biennial budget to distribute at least three percent each year to address market adjusted salary needs of the faculty and academic staff; and

That the Board of Regents directs the UW System President to recommend to the Director of the Office of State Employment Relations for transmission to JCOER that:

The UW System be authorized to increase the academic staff salary ranges by the full amount of

the pay plan and monies provided to address market adjusted salary needs each year; and,

The salary ranges for university senior executive salary groups one (Vice Chancellors at non-doctoral institutions) and two (Vice Presidents) set by the Board of Regents pursuant to their Executive Salary Policy be adopted; (see Appendix A) and,

The Board of Regents endorses state group health insurance for domestic partners of all UW System employees and encourages the Governor and the Legislature to amend state statutes to provide that benefit and directs the UW System President to work with the Governor and the Legislature toward that end; and

That the Board of Regents adopts the 2003-05 pay plan distribution guidelines for 2005-07 if the pay plan exceeds two percent each year. However, the Board suspends those pay plan distribution guidelines if the authorized amount for an unclassified pay plan is two percent or less in any year, and directs that in such instance the pay plan percentage be distributed across-the-board to all those who have at least a solid performance rating, with any unused funds distributed by the Chancellor in consultation with the governance bodies to address salary needs specific to their institution; and

That the Board of Regents directs that any and all monies provided to address market adjusted salary needs that may be provided in the biennial budget shall be distributed to correct market needs and salary needs specific to each institution with due regard to establishing average salaries at peer group medians.

## **REPORT OF THE EDUCATION COMMITTEE**

Regent Olivieri, Chair, presented the committee's report.

### **Report of the Senior Vice President: Best Practices in Liberal Education**

Regent Olivieri reported that the committee discussed liberal education issues with Dr. Carol Geary Schneider, as a follow-up to her presentation to the full board earlier in the day. Dr. Schneider had an opportunity to review the UW System's Annual Accountability Report and considered it a marvelous example of what this type of report should be.

She thought it very important that the board is focusing on the liberal arts and that this attention by itself has an impact on how chancellors and provosts view the issue.

### **Conference on Best Practices in Closing the Achievement Gap**

Senior Vice President Marrett reported on this conference, which included significant attendance by members of the Board of Regents. There was discussion of follow-up on the campuses, with teams from each reviewing some of the best practice suggestions.

Regent Olivieri especially commended Regent Davis for her help with the conference which is an important component of the emphasis on retention and graduation in the second phase of Plan 2008.

### **Charter School Evaluation Report**

It was reported by Regent Olivieri that the Education Committee had requested this report in view of the fact that there are now seven charter schools operating with oversight by UW-Milwaukee and one through UW-Parkside. The UW System oversees the issuance of charters for these schools.

The presentation indicated that considerable oversight is required to ensure that the terms of the contract are followed and that goals are met for academic achievement. In that regard, it was reported that all of the charter schools are showing improved academic success for the children that attend them.

Members of the committee expressed interest in more extensive engagement between UW-Milwaukee and the charter schools above and beyond the current relationship of compliance monitoring.

In conclusion, Regent Olivieri indicated that the committee might develop a statement regarding regent expectations about to involvement with charter schools.

**Program Authorizations – First Readings**

***B.A. in Actuarial Science at UW-Milwaukee, B.S. in Special Education at UW-Stout and Master of Public Health at UW-Madison***

Regent Olivieri reported that the three new proposed programs were very well received by the committee, noting the example of the Special Education proposal as one that addresses an area of great need for the state.

The Master's Degree in Public Health proposal was developed in response to listening sessions, which were conducted as an outgrowth of the Partnership Fund, funded by Blue Cross monies, to advance population health in Wisconsin. The program is set up so that students will be able to advance toward their degrees in a prompt manner. Unlike most new programs that receive their funding through reallocation of existing resources, this program has a significant new money component that will be funded privately, through the Partnership Fund.

**Revisions to Faculty Personnel Policies and Procedures – UW-Eau Claire**

Noting that all UW institutions have post-tenure review procedures for faculty, Regent Olivieri reported that these revisions would clarify and add more substance to the post-tenure review process at UW-Eau Claire.

Regent Olivieri presented Resolution 8934, which had been approved by the committee, and moved its adoption by the Board of Regents as a consent agenda item. The motion was seconded by Regent Axtell and carried on a unanimous voice vote.

Resolution 8934:                      That, upon recommendation of the Chancellor of the University of Wisconsin-Eau Claire and the President of the University of Wisconsin System, the Board of Regents approves the revisions to the UW-Eau Claire Faculty Personnel Policies and Procedures.

**REPORT OF THE PHYSICAL PLANNING AND FUNDING COMMITTEE**

The Committee's report was presented by Regent Salas, Chair.

**Report of the Assistant Vice President**

Assistant Vice President David Miller reported that the Building Commission approved about \$10 million for various projects at its September meeting.

**UW-Extension: Purchase of Wisconsin Geological and Natural History Survey Storage Facility**

Regent Salas reported that this item requests purchase of a facility and approximately 1 ½ acres of land in the Village of Mount Horeb. The facility will more efficiently provide access for study of extensive collections geological samples and data.

**UW-Madison: Approval of the Design Report and Authority to Construct the Interdisciplinary Research Complex – Phase I Project**

It was reported by Regent Salas that this is the final phase of the HealthStar program that was authorized in 1997 to address the health care research and instructional needs of the 21<sup>st</sup> century. Of the \$133,920,000 budget, over \$110 million will be funded from gifts and grants. The IRC is the final piece of an initiative to place facilities on the west side of campus for interdisciplinary Health Science programs. The first two projects, the Rennebohm Pharmacy Building and the Health Science Learning Center, replaced inadequate facilities located in the central campus.

**UW-Madison: Approval of Design Report and Authority to Increase the Project Scope and Budget and Construct Grainger Hall Graduate School Addition Project**

Regent Salas reported that this item would increase the project scope and budget by \$500,000 of gift funds. Of the total cost of \$40,500,000, only \$10 million comes from General Fund Supported Borrowing, while \$30,500,000 comes from gift funds. The original facility, constructed in 1990, was designed to accommodate expansion on the east side of the building along Park Street. The addition would allow the Graduate School to enhance the quality level of its programs.

**UW-Madison: Authority to Construct a University Ridge-Phase III Project**

It was reported by Regent Salas that this project consists of an outdoor short game practice area, a new driving range and a nine-hole academy course. Although the additional facilities will be open to the public, the project primarily addresses the needs of the university men's and women's golf teams. The nine-hole academy course will offer a high-quality golf opportunity for beginners, youth and elderly people by providing a shorter length, a lower cost and a quicker pace than the existing championship 18-hole course.

**UW-Milwaukee: Approval of Agreements for Redevelopment of the Kenilworth Building**

With regard to the history of the project, Regent Salas explained that, working with the Department of Administration, UW-Milwaukee initially issued a Request For Proposals in October 2002 for redevelopment of the building. Mindful of the state's fiscal challenge, the RFP made it clear that funding would need to come from sources other than state bonding. In February 2004, the Building Commission directed the Department of Administration to re-issue the RFP; and in June the Building Commission approved a request to conclude the formal review process and allow the state to enter into negotiations with a single developer, the Redevelopment Authority of the City of Milwaukee (RACM). UW-Milwaukee will partner with a private developer to provide improved academic space, new residential space for upper class graduate and married students, private residential and retail space, and parking to support those facilities. The Board of Regents will subdivide the Kenilworth property into two parcels. In exchange for those parcels, the Board will receive a new building within two miles of the northwest edge of the campus.

Referring to a letter he had sent to a concerned neighbor of the project, Regent Salas assured the board that there has been extensive discussion with the neighbors and other interested parties to address their concerns. The Kenilworth Building is situated adjacent to the Milwaukee East Side Business Improvement district, which has a master plan that highlights the Kenilworth Building as having major potential for commercial and residential redevelopment.

**UW-Stevens Point: Authority to Name the University Center the "Lee Sherman Dreyfus University Center"**

Regent Salas noted Lee Sherman Dreyfus' contribution to the state as governor, as a regent of the UW System, as president of the Wisconsin State University at Stevens Point and Chancellor of UW-Stevens Point, as well as the impressive support for the naming by past and current students. In addition to being a major spokesperson for creation of the UW System in 1971, he provided leadership in promoting inclusion in the law of s.36.09(5), which states that students shall have primary responsibility for determining those things having to do with student life and activities. It is especially fitting, he observed, that it is a student center that is to be named in former Governor Dreyfus' honor.

**UW-River Falls: Authority to Increase the Budget of the Dairy Science Teaching Center Project**

Regent Salas indicated that this project, which was started 10 years ago, provides a good example of the need to streamline the process for approving and constructing facilities.



Presenting Resolutions 8935-8941, which had been approved by the Physical Planning and Funding Committee, Regent Salas moved their adoption as consent agenda items by the Board of Regents and the motion was seconded by Regent Gottschalk.

At the request of Regent Randall, Resolutions 8939 and 8940 were removed from the consent agenda.

Resolutions 8935-8938 and 8941 then were adopted on a unanimous voice vote.

**UW-Extension:**  
**Purchase of Wisconsin Geological and**  
**Natural History Survey Storage Facility**

Resolution 8935: That, upon the recommendation of the UW-Extension Chancellor and the President of the University of Wisconsin System, authority be granted to purchase a storage facility and land of approximately 1.5 acres in the village of Mount Horeb, Wisconsin, at a price of \$735,000 (\$675,000 All Agency - General Fund Supported Borrowing and \$60,000 Agency Funds).

**UW-Madison:**  
**Approval of the Design Report and**  
**Authority to Construct the Interdisciplinary**  
**Research Complex-Phase I Project**

Resolution 8936: That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, the Design Report be approved and authority be granted to construct the Phase I core project of the Healthstar Interdisciplinary Research Complex (IRC), at an estimated budget of \$133,920,000 (\$10,356,000 General Fund Supported Borrowing–Healthstar, \$13,044,000 existing General Fund Supported Borrowing, and \$110,520,000 Gifts/Grants funds).

**UW-Madison:**  
**Approval of the Design Report and Authority to**  
**Increase the Project Scope and Budget and Construct a**  
**Grainger Hall Graduate School Addition Project**

Resolution 8937: That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, the Design Report be approved and authority be granted to: increase the project scope and budget by \$500,000 Gift Funds; and construct a Grainger Hall Graduate School Addition project at an estimated total cost of \$40,500,000 (\$10,000,000 existing General Fund Supported Borrowing and \$30,500,000 Gift Funds).

**UW-Madison:**  
**Authority to Construct a**  
**University Ridge-Phase III Project**

Resolution 8938: That, upon the recommendation of the UW-Madison Chancellor and the President of the University of Wisconsin System, authority be granted to design and construct a University Ridge-Phase III project which consists of an outdoor short game practice area, a new driving range, and a nine hole academy course at an estimated project cost of \$3,688,000 (\$2,488,000 Program Revenue Supported Borrowing–Athletics, and \$1,200,000 Program Revenue-Cash).

**UW-River Falls:**  
**Authority to Increase the Budget of the**  
**Dairy Science Teaching Center Project**

Resolution 8941: That, upon the recommendation of the UW-River Falls Chancellor and the President of the University of Wisconsin System, authority be granted to increase the budget of the Dairy Science Teaching Center project by \$3,156,000 existing General Fund Supported Borrowing for an estimated total project cost of \$10,369,000 (\$6,713,000 General Fund Supported Borrowing, \$3,156,000 existing General Fund Supported Borrowing and \$500,000 Gift Funds).

With regard to Resolution 8940, Regent Randall stated his personal support for naming the UW-Stevens Point University Center in honor of Lee Sherman Dreyfus who has been an extraordinary contributor to the political, civic and educational life of the state.

The question was put on Resolution 8940, and it was adopted on a unanimous voice vote.

**UW-Stevens Point:**  
**Authority to Name the University Center the**  
**"Lee Sherman Dreyfus University Center**

Resolution 8940: That, upon the recommendation of the UW-Stevens Point Chancellor and the President of the University of Wisconsin System, authority be granted to name the University Center, the "Lee Sherman Dreyfus University Center."

With regard to Resolution 8939, Regent Randall pointed out the importance of the Kenilworth Building project to the UW-Milwaukee campus, the adjoining neighborhoods, and the city as a whole. Observing that there is an opportunity for significant participation in this very large project by minority and disadvantaged businesses, he asked the UW-Milwaukee be aggressively vigilant to insure that the state goal of 5% for participation by such businesses be met.

The question was put on Resolution 8939, and it was adopted on a unanimous voice vote.

**UW-Milwaukee:**  
**Approval of Agreements for the Redevelopment**  
**of the Kenilworth Building**

Resolution 8939: That, upon the recommendation of the UW-Milwaukee Chancellor and the President of the University of Wisconsin System, approval be granted to implement the Kenilworth Redevelopment Project in conjunction with Weas Development Company, the Redevelopment Authority of the City of Milwaukee (RACM) and the Milwaukee Development Corporation and for the officers of the Board to execute the agreements and other documents required to implement the project in accordance with the Master Term Sheet for the project at an estimated total cost of \$68,717,413, funded by bonds issued by RACM based on UWM's commitment to an operating lease.

There being no additional business, the meeting was adjourned at 12:15 p.m., upon motion by Regent Randall, seconded by Regent Richlen.

A handwritten signature in black ink, appearing to read "J. Temby", is centered on the page. The signature is written in a cursive style with a large initial "J".

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Judith Temby, Secretary