

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

UW-Madison
Held in 1820 Van Hise Hall
Thursday, March 10, 2005
11:00 a.m.

- Vice President Walsh presiding -

PRESENT: Regents Axtell, Bradley, Burmaster, Davis, Gottschalk, Olivieri, Pruitt, Richlen, Rosenzweig, Salas, Smith, and Walsh. Regent Marcovich joined the meeting at 1:15 p.m. (13)

ABSENT: Regents Connolly-Keesler, Gracz, McPike, and Randall (4)

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REVIEW OF REGENT POLICY ON TUITION AND FINANCIAL AID

In the opening remarks, Associate Vice President Freda Harris noted that the presentation is a follow-up to the preceding month's discussion of financial aid funding included in the Governor's 2005-07 budget and the UW's recommendations for changes to the Wisconsin Higher Education Grants (WHEG) formula.

One of the concerns was that the Board had a policy on moving tuition to the median of peer institutions and did not have a policy on holding the lowest income students harmless through financial aid. While the goal of bringing tuition to the median of peers was added to the Board's tuition policy in 1990, it was removed in 1992 due to widening of the gap that resulted from lower tuition increases at the UW than at peer institutions. In 1992, the UW was limited in how it set tuition because it could not spend more than was included in the biennial budget, plus pay plan increases and fringe benefits. Today, the university can spend all the revenue it receives but still is limited in

how much tuition can be increased for resident undergraduates. By statute, the Board cannot raise resident undergraduate tuition beyond the amounts provided in the biennial budget, amounts required for compensation and fringe benefits, funds to cover losses due to enrollment changes and amounts needed for state-imposed costs not covered by GPR.

The Board's current tuition policy includes the following references to tuition and financial aid:

- Tuition and financial aid should balance educational quality, access, and ability to pay.
- Tuition increases should be moderate and predictable, subject to the need to maintain quality.
- GPR financial aid and graduate assistant support should increase at a rate no less than that of tuition.

Referring to the Board's recent study on Charting a New Course for UW System, Ms. Harris noted that the Partnership with the State Working Group adopted access, retention and brain gain as three policy goals. As part of the 2005-07 biennial budget, the Board requested ongoing GPR dollars for financial aid to replace one-time auxiliary funds used for that purpose in 2003-05. The Board also asked for enough funds to increase grants to students of families with incomes below \$46,000 by the same dollar amount as tuition in order to hold these students harmless from tuition increases.

The Governor's budget provided \$37 million for replacement of auxiliary funds, \$16.3 million to match the percentage increase in financial aid to the percentage increase in tuition, and \$4 million to increase WHEG in the second year above the statutory requirement. However, the budget did not include funding for the "hold harmless" request.

Beginning her presentation on student financial aid, Interim Associate Vice President Sharon Wilhelm noted first that almost 100,000 UW students received some type of financial aid in 2003-04, totaling nearly \$700 million. Over three-quarters of the recipients were resident undergraduates, who received about 70% of all aid dollars. For these students, loans provided by far the largest source of aid, mirroring the national shift over time from grants to heavier reliance on loans. For every one dollar provided in grants and scholarships, two dollars were borrowed.

The primary source of financial aid is federal funding, which provided four out of every five dollars, coming primarily from the Pell grant program and the Stafford loan program. The second largest source (9%) was from state aid programs. The largest state program is the Wisconsin Higher Education Grant (WHEG), which provides grants to resident undergraduate students enrolled at least half-time. All awards are based on financial need, which is calculated through use of the federal needs analysis. One out of every five (almost 23,000) UW resident undergraduates received a WHEG award in 2003-04.

The Higher Educational Aids Board distributes these funds to students based on a formula, containing three elements that determine the size of the award: The equity level, the Expected Family Contribution (EFC), and an award rationing factor. The 2005-06 WHEG formula continues to tie the equity level to UW resident tuition and has a

rationing factor of 50%. The formula attempts to meet the desire of the Board of Regents to hold low-income students harmless from tuition increases by providing a larger award amount to each recipient. The EFC is calculated through the federal needs analysis that determines the family's ability to pay for college through a methodology that takes into consideration earnings, assets, family size, and number of students in college. The vast majority of financial aid, both federal and state, is distributed to students on the basis of their EFC. Ninety percent of WHEG recipients fall into the two lowest income quintiles.

Ms. Wilhelm explained that the recently approved WHEG formula would yield award amounts for 2005-06 in the range of \$400 to \$670 per award. However, recent changes in the federal needs analysis used to calculate the EFC will greatly impact the actual size of the WHEG awards. Preliminary analyses indicate that these changes will result in UW students' EFCs increasing from \$300 to \$800, which means a decrease in financial aid eligibility and substantially smaller increases in WHEG awards. The highest estimate of \$800 results in students' WHEG increases in the range of \$30 to \$670 per award.

In response to the Board's directive to look at additional financial aid options, a working group is investigating loan forgiveness programs and a second working group will be looking more broadly into ways to increase access and retention through financial aid. Recommendations from both groups will be submitted to President Reilly and the Board by the end of the year.

Regent Bradley then reported on a recent trip that he, President Reilly, and Assistant Vice President Kris Andrews made to Washington, D.C. to meet with members of the Wisconsin Congressional Delegation. Commending Ms. Andrews for her excellent work in preparation for these meetings, he indicated that every member they met with was familiar with the problem and how the EFC change will disproportionately affect Wisconsin students. Representative Green had been especially helpful in having a letter sent to the President from the Wisconsin Congressional Delegation in that regard.

While all members of the delegation agreed that the problem is a big one, their reactions to it varied. All said that the President's proposal will be changed, but there still will be less money provided. In addition, Representative Sensenbrenner observed that he hardly ever heard from families about the issue of financial aid. To get an effective response, families need to contact their congressional representatives.

Representative Obey accepted an invitation to make a presentation to the Board, perhaps in the fall, on the national dialogue about federal support for public higher education.

In discussion following the presentation, Regent Salas noted that, while the Governor's budget provides a substantial amount of funding for financial aid, it would not be enough to match tuition increase dollars and meet the Board's request to hold harmless students in the lowest income quintiles. In response to a question by Regent Salas, Ms. Harris indicated that the amount needed for the hold harmless provision would be \$26 million for the biennium, while the Governor's budget provided \$4 million. Regent Salas urged that efforts continue to find the money needed to meet that goal.

Regent Bradley inquired about what other alternatives might be available to find the additional \$22 million.

Regent Olivieri suggested that tuition pricing would be one means that might be employed. He thought that if \$22 million could be found in any of the statutorily permitted categories, there should be no prohibition against a pricing mechanism that would raise the needed funds.

In response to a question by Regent Pruitt, Ms. Harris indicated that a 5-1/2% tuition increase would amount to about \$200 at the comprehensive universities and that the largest decrease in WHEG awards would be for students at the higher income end of grant eligibility.

Regent Rosenzweig asked if the Board would have authority to set differing levels of tuition, to which Ms. Harris responded that it would be necessary to look into whether that would be permitted.

Noting that the largest amount of financial aid comes from the federal government, Regent Rosenzweig referred to Congressman Sensenbrenner's comment that he hears few concerns about financial aid. She asked if anything is being done to generate greater response on this matter.

In reply, President Reilly indicated that, in meeting with student press and student government leaders, he asked that students contact their representatives to let them know that this is a major problem.

Regent Davis remarked that parents also should be encouraged to contact the Congressional delegation, as they also can be very persuasive.

In response to a question by Regent Davis, Ms. Wilhelm explained that the rationing factor, a component of the WHEG formula, is a multiplier used to determine size of award. Ideally, it would be 100% in order to cover the amount of need left after subtracting the EFC. This year's factor of 43% will increase to 50% in 2005-06.

Regent Davis stated her support for developing creative means of holding as many as possible of the lowest income students harmless from tuition increases.

In response to a question by Regent Walsh, Ms. Wilhelm explained that 90% of those in the two lowest income quintiles would be projected to receive WHEG awards between \$113 and \$669 in a worst case scenario. If the increase in the EFC is less, then the projected awards could increase by perhaps \$200.

Regent Bradley asked if there would be consensus to ask staff to develop options for protecting those in the lowest income quintiles, preferably in time for the fall semester.

Suggesting that material be provided when possible in advance of meetings, Regent Olivieri stated his support for having options provided as soon as possible and being aggressive in using the Board's statutory authority to address this matter. Part of the access problem, he pointed out, is "sticker shock" that may best be met through pricing mechanisms, not just through financial aid that depends on decisions of others. While it is important to address the matter in time for the fall semester, he also noted the importance of looking at longer-term implications.

In that many of those who file late for financial aid are lower-income students, he noted the need to understand the impact of the coming changes on those types of students as well. In response, Ms. Wilhelm indicated that it was expected that, based on EFC changes, dollars would be available to distribute to late filers.

While he supported examining the extent of the Board's authority in this matter, Regent Gottschalk noted that more dollars would be required and that he would not support adding that need to the \$65 million in efficiencies already proposed in the Governor's budget.

Regent Pruitt asked if it would be useful to examine the cost of increasing the rationing factor. Connie Hutchison, Executive Director of the Higher Educational Aids Board, responded that this had been done by HEAB and that information could be provided.

With regard to the "hold harmless" proposal, Ms. Hutchison indicated that the Governor took the Board of Regents' request seriously and that the Governor's Office, the Department of Administration and HEAB worked on it over the past several months. Their numbers indicate that the WHEG formula should provide enough money to hold harmless the lowest income students, and HEAB will continue to monitor how students are affected by the federal changes.

Regent Salas pointed out that the Partnership with the State Working Group found that Wisconsin ranks as one of the lowest states in terms of financial aid awards, with Illinois spending about three times as much and Minnesota twice as much. Ms. Harris indicated that this is the case because Wisconsin has traditionally been a low-tuition, low-aid state. Now, however, tuition has increased without corresponding increases in financial aid.

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Welcome to UW-Eau Claire Interim Chancellor Vicki Lord Larson

President Reilly introduced and welcomed Vicki Lord Larson, who was beginning her service as Interim Chancellor of the University of Wisconsin-Eau Claire

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2005 ACCOUNTABILITY REPORT: ACHIEVING EXCELLENCE

In opening remarks, President Reilly noted that this is the 12th year that the UW has issued its Accountability Report, having been the first in the nation to adopt system-wide accountability reporting. Many states continue to look to the UW as a model for their own accountability efforts. The report, he observed, is one means of

making the operations of the university more transparent and is an important part of his commitment to openness. He called upon Interim Associate Vice President Sharon Wilhelm for further remarks about the report.

Recounting a brief history of accountability in the UW System, Ms. Wilhelm began by noting that the first UW System accountability report, “Accountability for Achievement”, was initiated in 1992, when Governor Thompson appointed a task force to suggest approaches to the development of an accountability document. The task force recommended 18 performance measures, which were adopted by the Board of Regents and became the basis for the first accountability report. The report was issued on a yearly basis for a mandated period of three biennia.

In 1999, the UW System undertook a thorough review of the accountability reporting process. The Accountability Review Task Force, appointed by President Lyall, recommended a revised set of goals and indicators for assessment of university performance, focused on two performance categories: Progress toward goals for specific student and institutional outcomes; and ways in which the UW provides positive campus environments that promote learning and student achievement. In 2000, the Board accepted the task force recommendations and authorized development of a new report entitled “Achieving Excellence”. These reports have been issued annually since that time.

In order to address both of the performance categories, she continued, it is necessary to augment outcomes data with findings from student and alumni surveys; and each edition of “Achieving Excellence” reports findings from a cycle of surveys, including the ACT Alumni Outcomes Survey and the National Survey of Student Engagement (NSSE). These surveys provide national benchmarks to which UW performance can be compared.

President Reilly pointed out that that the Accountability Report was designed to:

- Serve as a balanced scorecard that enables stakeholders to observe at a glance how the university is doing. Progress is measured against selected goals and benchmarks, as well as the strategic tradeoffs that must be made as resources shift.
- Help the UW strive for continuous improvement. Accountability indicators are tied to different institutional missions, as well as to system-wide goals. Performance gaps can be weighed against student, faculty, and state priorities to inform budget, management, and policy decisions.

Noting that the report is not intended to provide a comprehensive look at all aspects of the UW System’s mission, he indicated that there 41 additional reports on many elements not captured in the Accountability Report. These include reports on diversity, use of gift and grant funds, and university research, among others.

The report includes supplemental campus reports that show how each institution performed on four common measures: enrollment, retention and graduation, student involvement, and credits-to-degree. They also include measures specific to particular institutions that are developed from strategic planning processes for individual campuses.

Turning to context for the report, President Reilly referred to the difficult challenges faced by the UW System in the past year.

- State tax support for the UW System has declined to 26% of overall resources, down from 52% when the system was created in 1974. More than half (53%) of the total budget now comes from gifts, grants, and program revenues directly earned by UW institutions.
- Tuition has increased from 13% to 21% of the total UW budget during the same time period.
- The average cost to attend a UW institution, including tuition, fees, room, and board, has risen to \$8,758 – up \$842 over the previous year. While the UW remains affordable compared to public colleges and universities nationally, the average UW cost of attendance now equals 17% of a typical Wisconsin household income – up from less than 15% five years ago.
- Only 24% of Wisconsin adults have a bachelor's or higher degree. While Wisconsin has above average college-going and graduation rates, this figure is three percentage points below the national average of baccalaureate degree holders in state populations. Increasing this number, the President, indicated, is one of his top priorities.

President Reilly then provided an overview of the reports findings, noting first that the UW system met 12 of 20 goals, with mixed success on four other goals. Successes included the following:

- The UW continued to provide immediate access for 32% of Wisconsin high school graduates.
- Participation by elementary and secondary students in the university's multicultural and disadvantaged pre-college programs was increased, and a growing number of students were served online.
- The system-wide six-year graduation rate target of 61.5% was exceeded. Although the system-wide target for retaining students to the second year was not met, the UW remained ahead of national average rates of retention.
- Students gave the UW high marks on fostering critical thinking, planned learning experiences outside the classroom, and activities that promote good citizenship.
- The number of collaborative programs in the UW System has been expanded, extending educational opportunities to more students by effectively using fewer resources. Transfer opportunities with the Wisconsin Technical College System also have increased and the Committee on Baccalaureate Expansion identified even more opportunities for productive collaboration between the two systems.

Areas of continuing challenge, some directly related to availability of resources, include:

- Student rankings of the UW on the quality of academic advising and support are lower than the national average.

- Goals for ensuring adequate classroom technology and facilities maintenance have not been met.
- A number of important diversity goals have not yet been achieved. 1) Although more students of color are enrolled as new freshmen each year, this increase has not kept pace with the increase in the number of high school graduates of color. As a result, the percentage of students of color served by the UW immediately following high school has declined slightly and is behind the percentage of all students served at that same point in their educational career. 2) A gap persists between retention and graduation rates of students of color compared with all students. 3) More work needs to be done in preparing students for a diverse world in areas such as promoting study-abroad opportunities.

Stating that budget and enrollment pressures have forced some difficult compromises, President Reilly noted that the results are evident in performance on accountability goals. For example, the university has not been able to serve as many nontraditional students as desired, but has done well in preserving access for students right out of high school. Similarly, the building maintenance backlog has been growing, academic and student support services have been reduced, and the university is being asked to cut back even more in the latter area in the 2005-07 budget. But while these services have suffered, the university has done its best to hold harmless teaching and instruction and to protect the classroom experience.

The results of these compromises, he pointed out, have produced some startling new realities, including:

- Tenured and tenure-track faculty now teach only 61% of total student credit hours, down from nearly 70% during the last decade.
- The number of adult, nontraditional students in the UW has declined for the third year in a row and has slipped precipitously in recent years, declining from 40,000 in 1994 to 29,000 now.
- Instructional technology activities continue to be supported solely through base reallocation of campus budgets.
- Facilities maintenance continues to trail state standards but there are hopeful signs that in the 2005-07 budget the maintenance backlog will be reduced. Noting that work on streamlining the capital budget process is continuing, he observed that this and other improvements recommended in the Charting a New Course study will be essential in chipping away at maintenance backlogs in the future.

President Reilly then called on Chancellor Jack Keating to describe how UW-Parkside is working to achieve its accountability goals.

Noting that only 16% of the population of southeastern Wisconsin hold baccalaureate degrees, Chancellor Keating indicated that, although UW-Parkside did not meet its enrollment goals for a number of years, campus enrollments now are on target and growing.

With regard to progress toward increasing diversity, he reported that there has been significant growth in the number of students of color on campus – a 37% increase in

six years, compared to an increase of four percent for white students over that same period.

Concerning non-academic responsibilities, the Chancellor indicated that 43.8% of freshmen and 51.6% of seniors spend 16 or more hours a week working off campus, a significantly larger percentage than at other UW comprehensive universities and in a national sample. In addition, 13.8% of freshmen and 25.8% of seniors spend 16 or more hours a week providing care for dependents – again a considerably larger percentage than found at other UW comprehensive universities or in a national sample.

In support of its longstanding commitment to serving adult students, UW-Parkside has a target proportion of 25% of undergraduates age 25 or older in its student population. The percentage currently is 20.8%

With respect to retention and closing the achievement gap for students of color, he noted a substantial drop in second year retention rates for both students of color and white students. Six-year graduation rates also lag behind targets. However, UW-Parkside ranks in the middle of peer institutions both in retention and graduation rates. In addition, UW-Parkside does well in retaining transfer students and graduates almost half of them – meeting or exceeding targets for retention and graduation of these students.

Participation in service-learning experienced a significant increase, from 594 in 1999-00 to 1,357 in 2003-04. In addition, the number of students involved in faculty research and community projects increased from 55 in 1999-00 to 185 in 2003-04.

To accommodate older students with work and family responsibilities, UW-Parkside offers 25% of its courses in evenings and on weekends, achieving its target in this area.

Finally, the campus experienced an increase in the number of grant and contract submissions that were funded, although the percentage remained below target.

For their diligence in compiling and analyzing the information presented in the Accountability Report, President Reilly expressed appreciation to Interim Associate Vice President Sharon Wilhelm and her team in the Office of Policy Analysis and Research – Todd Bailey, Gail Bergman, David Blough, Kelly Campbell, Sue Michalek, Jared Thomas, and Kevin Welch.

President Reilly then noted several additional challenges not directly measured in “Achieving Excellence”, but nonetheless of critical importance to better serving students and Wisconsin citizens. Some solutions, he indicated, are among the UW’s highest priorities in the current biennial budget:

- It will be necessary to maintain or improve upon the modest reinvestment provided for the university in the Governor’s budget.
- Competitive pay for faculty and staff is a pressing concern for recruitment and retention of even the reduced number of faculty and staff on UW campuses. The Governor has recognized this situation in his proposal for a faculty retention fund and domestic partner benefits, but more support for the pay plan is needed.

- Securing additional student financial aid is increasingly necessary to assist the neediest students, particularly in view of the decline in proportion of new freshmen coming from families with incomes in the lowest two quintiles.

In conclusion, the President remarked that success on these points, as well as the Accountability Report results, are only possible because of the exceptional efforts of chancellors, faculty and staff whose creativity and hard work has allowed the university to fulfill its missions of teaching, research and public service even in the toughest of fiscal times.

In discussion following the presentation, Regent Davis asked who is held accountable when targets are missed. In the private sector, she noted, achievement of goals has a direct effect on employee pay.

President Reilly replied that performance on the report's goals is discussed with chancellors and addressed in performance evaluations. He noted, however, that many of the targets are "stretch" goals that may not be immediately attainable. If all goals had been met, he indicated, it would mean that they had not been set high enough. Chancellor Keating added that UW-Parkside was required to pay back some funding because of failure to reach enrollment targets.

Regent Smith inquired as to why access for nontraditional students has decreased.

In response, President Reilly indicated that a natural reaction is to concentrate on traditional students in times when services and programs must be cut and that nontraditional students generally require a higher level of services. He expressed hope that the recommendations of the Committee on Baccalaureate Expansion and improved transfer opportunities will help to increase the enrollment of nontraditional students. For example, he noted that the UW lags others in recognition of prior learning and that is one of the matters addressed in the COBE report.

Chancellor Sorensen pointed out that private institutions market strongly to nontraditional students.

Chancellor Wiley noted that there is less state subsidy for many courses aimed at adult students and that potential students sometimes are lost due to higher pricing.

Chancellor Miller commented that there is not much incentive to attract nontraditional students in the case of an institution like UW-Whitewater which already has exceeded its enrollment target. If more funding were available, there would be greater incentives to serve those students.

Chancellor Shepard added that the average age of students at UW-Green Bay has been declining. Due to greater demand, admissions have been closed earlier, leaving out part-time and nontraditional students who tend to apply later.

Regent Bradley noted that the UW offers relatively high access to students and has good rates of retention and graduation on an overall basis. Why then, he wondered, should the percentage of college graduates in Wisconsin be lower than in other states.

In response, President Reilly indicated that Wisconsin is close to last among states in attracting college graduates from other states. What is needed, he said, is to develop jobs that will attract graduates to Wisconsin.

Regent Salas expressed appreciation for addition to the Accountability Report of data on students of color, broken down by racial and ethnic group, and for data on closing of the achievement gap. In that regard, he suggested that it would be helpful to have a further breakdown of the Latino category.

He pointed out that six-year graduation rates for students of color are very poor, with 70% of Native American students and more than 60% of African American and Latino students failing to graduate in that time frame.

Noting that he served on the committee that had recommended the Accountability Report, Regent Axtell recalled that this committee had been established in response to a recommendation that the Board of Regents have the authority to set tuition. While the Accountability Report has been annually produced ever since, the university still has not been given the flexibility in the area of financial management that most peer institutions have. Stating that the UW can be proud of producing this excellent report, he suggested that the original goal of increased flexibility also be kept in mind.

President Reilly suggested that the Accountability Report be provided to legislators during visits with them in April.

Regent Olivieri commented that the Accountability Report is an excellent document that has improved over the years. In addition to providing accountability information to stakeholders and the public, he commented that it also should be used to drive the agenda setting process for the Board and that the report merits a full half-day of discussion.

Given the importance of a college education in today's world, he suggested that the goal of serving 32% of Wisconsin's high school graduates may be too low. Indicating that he was less concerned about a decrease in service to nontraditional students, he pointed out that the UW is doing well in serving its core of traditional students in tough budgetary times and that many nontraditional students have been choosing to enroll in the Technical Colleges.

In terms of future reports, he suggested that goals be set in more areas, such as distance education. He was pleased that six-year graduation rates were increasing, although much remains to be done, especially to increase graduation rates for students of color. He considered the use of surveys in the report to be helpful in measuring quality and was glad to see incorporation of Plan 2008 goals into the report. Finally, he noted that the UW continues to do well in student performance in post-graduate testing, but that a decline in passing rates on the nursing licensure examination might merit further discussion.

Given the importance of the Accountability Report, Regent Davis concurred that a half day should be allowed in order to provide more time to discuss it.

The meeting was recessed at 1:00 p.m. and reconvened at 1:25 p.m.

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2005-07 CAPITAL BUDGET RECOMMENDATIONS

Regent President Marcovich presiding

In opening remarks, Assistant Vice President David Miller observed that the Governor's Capital Budget recommendations are very favorable to the UW System and that they recognize the need for significant new investment in academic and student facilities.

The budget provides funding for 29 major projects throughout the UW System, using state funded and program revenue borrowing, along with gifts and grants. It also provides significant general fund borrowing to make meaningful progress in maintenance and remodeling projects through the All Agency fund.

For major projects with general fund supported borrowing, the UW requested \$231 million, and the Governor recommended \$155 million. The gift and grant amount increased by about 12%, primarily to cover inflationary increases that occurred in 2004. All of the requested program revenue supported borrowing for 16 major projects was recommended.

In addition, the Governor proposed a significant new initiative called the Wisconsin Institute for Discovery, with funding for Phase I in 2005-07, using \$50 million in BioStar funding and \$100 million of gifts/grants and institutional funds. Total funding over five biennia is \$267 million in state borrowing and \$300 million in gifts/grants and institutional funds.

Noting that UW institutions' requests for the next six years total \$1.2 billion, Mr. Miller observed that, while there is significant need ahead, this budget moves forward many valuable projects in tight fiscal times.

As to major project funding sources, the Governor's budget would provide 36% in general fund supported borrowing, 40% in program revenue supported borrowing, and 24% in gifts and grants. The UW would receive 85% of the total recommended state funding for major projects in 2005-07. While this percentage is the same as in 2003-05, the total dollar amount is much greater.

The budget also proposed significant investment in maintenance for the second biennia. Of the \$220 million recommended for all state agencies, the UW could expect to receive between \$110 and \$130 million.

With regard to debt service, Mr. Miller indicated that, over the next three years, the UW is scheduled to retire about \$70 million in general fund bonding that carries annual debt service of \$5.8 million. He also noted the impact of avoided debt service through the aggressive fundraising done by UW institutions.

Turning to specific projects recommended in the budget, he showed slides of a conceptual rendering of the College of Business and Economics at UW-Whitewater and an aerial photo of the location of the Wisconsin Institute for Discovery. A drawing showed the location of the proposed University Square project, which would be privately developed, with the majority remaining private housing. The university would buy the part of the building in 2007-09 that would serve the University Health Service, a student activity center and Student Financial Services. UW-Stout's 1960-era Jarvis Hall Science

Wing would be remodeled, creating modern classrooms and labs and a significant new addition.

Mr. Miller explained that the Department of Administration based the 2005-07 budget on projected total general fund supported borrowing of \$450 million for all state agencies for all purposes, which would result in debt service of about 4% of total projected general purpose revenue. With regard to the next two biennia, targets are allocated for projects enumerated in advance (at UW-Madison the Wisconsin Institute for Discovery and University Square, and at UW-Milwaukee the purchase and building of the Columbia Hospital project). DOA also projected system-wide projects such as utilities and classroom remodeling, targets for future projects that are not yet enumerated, and estimated maintenance. To preserve flexibility, the department recommended leaving \$141 million unallocated in 2009-11.

The economic impact of the Governor's Capital Budget would be over \$1.3 billion in 2005-07. State investment of \$315 million in borrowing would leverage \$277 million in gifts, grants and program revenue. There would be a direct impact to manufacturers/suppliers of \$279 million in purchases and to the labor force of 4,000 industry jobs, in addition to income, sales and corporate tax revenue to the state.

In conclusion, Mr. Miller observed that the Governor's recommendation is very good news for the UW System. While needs still far exceed the funding available, students will see meaningful impacts of new and remodeled facilities. In summary, the budget makes higher education a clear priority for the state by investment in new facilities and maintenance, along with renovation of existing facilities.

In response to a question by Regent Richlen, Mr. Miller indicated that, while state funding would not cover all the projects in the UW's six-year plans, universities are coming up with creative options, as demonstrated in the UW-Milwaukee Kenilworth project and the UW-Madison University Square project.

Upon motion by Regent Axtell, seconded by Regent Richlen, the meeting was adjourned at 1:45 p.m.

Submitted by:

Judith A. Temby, Secretary