

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Milwaukee, Wisconsin

UW-Milwaukee  
Held in the Union Wisconsin Room

Thursday, June 8, 2006  
10:30 a.m.

- President Walsh presiding -

PRESENT: Regents Bartell, Bradley, Burmaster, Connolly-Keesler, Crain,  
Cuene, Davis, Loftus, Pruitt, Randall, Rosenzweig, Salas,  
Semenas, Smith, Spector, and Walsh

UNABLE TO ATTEND: Regent Mc Pike

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**Comments on UW-Madison Agreement With Aurora Health Care**

Noting that a number of people had appeared at the meeting to make known their opposition to the affiliation agreement between the School of Medicine and Public Health and Aurora Health Care, Regent President Walsh asked two of those present to make comments to the Board.

Steve Schwartz, of Wisconsin Citizen Action, expressed disappointment that this matter had not been brought to the Board earlier in the process. Unanswered questions, he said, involved termination of the previous agreement before its expiration date and the commitment of Aurora to serve central city residents at a time when fewer can afford health insurance. In conclusion, he asked the Board to reconsider the agreement.

Dr. Pat McManus, of the Black Health Coalition, also spoke about lack of health insurance for central city residents. She urged that everyone work together to give all people access to good quality health care.

Regent President Walsh noted that the issue had been addressed by the Education Committee at its May meeting.

Regent Burmaster, Chair of the Education Committee, added that people had an opportunity to be heard on the matter at that time, and there had been a good discussion about the issues involved. Stating that the Regents take the situation seriously, she said that they would continue to monitor developments and review it in the fall. At her request, both Aurora and the Dean of the UW-Madison School of Medicine and Public Health had reaffirmed their commitment to educating students to serve central city residents.

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## **UW-MILWAUKEE PRESENTATION: BALANCING INCREASED ACCESS AND ECONOMIC GROWTH THROUGH RESEARCH**

UW-Milwaukee Chancellor Carlos Santiago began his presentation by indicating that he would stress three key points.

- UW-Milwaukee is essential to the economic health and social well-being of the city, region and state.
- To reach its full potential, UW-Milwaukee must be funded like a research university. In that regard, he noted that, like UW-Madison, UW-Milwaukee is in the doctoral cluster and has a research mission.
- UW-Milwaukee has the support of the region to go forward.

Since he came to UW-Milwaukee, the Chancellor said, the faculty and staff have been working toward two broad goals:

- First, to grow the university's research and infrastructure in a manner commensurate with a research university of the 21<sup>st</sup> century;
- Second to continue to provide access to a research-backed education to the citizens of Wisconsin.

While he acknowledged that reaching both goals would be difficult to achieve, he stated his strong belief that every Wisconsin student should have access to a research-based experience regardless of family income.

Referring to information provided by David Ward, president and founder of NorthStar Economics, he pointed out that Wisconsin per capita income is below the national average and that Wisconsin's economic growth has been at a slower pace than the national average. Research universities, he said, are critical to reversing these trends.

Noting that the number of baccalaureate degrees in Wisconsin needs to become competitive, he referred to recommendations that the average city increase its college degree holding population from 27% in 2000 to 33% in 2010 to 40% in 2020. At only

20% in 2000, Milwaukee's college degree population is too low. In addition, Milwaukee's research output lags behind that of its peers.

The Milwaukee region, he pointed out, contains 28% of the state's population, 30% of its employment, 28% of private employers, 35% of the state's total payroll, 31% of total reported income, 28% of manufacturing employment, 32% of manufacturing employers, 30% of the state's manufacturing payroll, and 44% of Wisconsin's high-tech employment. UW-Milwaukee, he pointed out, is the largest university in the region.

Noting that UW-Milwaukee is no longer a commuter college but serves students from across the state and beyond, he said that enrollments from other parts of the state have risen dramatically since 1996 and that 93% of new freshmen now request to live in a university residence hall.

As of fall 2005, UW-Milwaukee had more Wisconsin resident students enrolled than any other public or private institution in the state; and in the past decade enrollment has grown 27.7%

For the UW System, UW-Milwaukee awards 42% of all bachelor's degrees, 45% of all master's degrees, and 37% of all PhDs to African-Americans. It awards 27% of all bachelor's degrees, 33% of all master's degrees, and 14% of all PhDs to Hispanics. However, the Chancellor added that more must be done to improve retention and graduation of students of color.

Referring to UW-Milwaukee's mission to serve a broad population, Chancellor Santiago indicated that the university increasingly is a first-choice institution, with students from every county in the state, every state in the nation, plus Puerto Rico, and 84 other countries. An institution of access, UW-Milwaukee has in this century accounted for 78.8% of the UW System's enrollment growth.

With regard to research, he noted that UW-Milwaukee shares with UW-Madison a doctoral research mission that it takes very seriously. That mission includes:

- Offering degree programs at the baccalaureate, master's and doctoral levels;
- Offering programs leading to professional degrees at the baccalaureate and post-baccalaureate levels;
- Conducting organized programs of research;
- Supporting activities designed to promote the economic development of the state.

Noting that some are skeptical about UW-Milwaukee's ability to advance both research and access agendas, the Chancellor emphasized that it is important to move both goals forward and provide student access to a research-based education.

Challenges faced by the university in achieving those goals include having the highest density of students per acre in the UW System, with 28,000 students on 93 acres, and the fewest residential beds per student in the system. With only 2700 beds, just nine percent of students can live on campus. In fall 2005, more than 11,000 students applied to be freshmen, with 92% wanting to live on campus. The final class of new freshmen was 4,340, and there were beds available for just 45% of them.

Stating the importance of providing students with a campus life experience, he indicated that private development of additional residential space will help to achieve that goal.

A second challenge, the Chancellor continued, is that UW-Milwaukee is a 1970s campus trying to meet needs of a 21st century, knowledge-based economy. The infrastructure is old and buildings have narrow halls and limited space.

A third challenge is that UW-Milwaukee has the third highest student-faculty ratio in the UW System.

Another challenge relates to funding as compared to peer urban institutions. In that regard, UW-Milwaukee ranks near the bottom, and three peer universities have more than double the per-student state funding. To advance the research mission, some peers generate a great deal of contract research, and UW-Milwaukee aspires to do that as well.

A final challenge is the need to increase the number of doctoral programs, which also will help to attract the best faculty. Noting that the Regents have been supportive of the university's initiatives in that regard, the Chancellor said that the university will continue to advance that goal, promoting collaborations where possible.

Turning to current and future initiatives, Chancellor Santiago indicated that the Access to Success program already is paying dividends in improving student retention and the Wisconsin Institute for Biomedical and Health Technologies is a model for research that will have a significant financial return.

As to the future, the Chancellor pointed out the need to provide degrees in Waukesha, the third largest county in the state, and the need to be part of the solution to meet public health needs in Milwaukee.

Stating his pride in UW-Milwaukee's dedicated faculty and staff, he said that graduates often told him of the caring faculty and staff who supported them as they advanced toward their degrees. He noted, however, the challenges faced by advisors who each must serve 400 students.

With regard to resources, Chancellor Santiago indicated that the university would need \$300 million over the next three biennia at a minimum, including \$100 million from a comprehensive fundraising campaign. \$25 million would be earmarked for scholarships. Other resources would go toward endowed professorships, equipment and research facilities.

He then introduced leaders of the fundraising campaign: Honorary Chair Sheldon B. Lubar, founder and Chairman of Lubar and Company; Dennis J. Kuester, Chairman, President and CEO of Marshall & Ilsley Corporation; and Edward J. Zore, President and CEO of Northwestern Mutual. Other leaders unable to attend this meeting are: James L. Ziemer, President and CEO of Harley-Davidson, Inc. and Gale E. Klappa, chairman, President and CEO of Wisconsin Energy Corporation. All of them, the Chancellor noted, are graduates of UW-Milwaukee.

Of the \$100 million fundraising goal, \$65 million already had been raised; and of the \$25 million scholarship goal, \$17 million had been raised.

The second \$100 million, Chancellor Santiago continued, would come from the university's Research Growth Initiative, which involved reallocation of \$14 million through a competitive process. Stating his pride in UW-Milwaukee's faculty, he reported that 300 proposals were submitted, with 25% ranked by external reviewers as in the top 10% of their disciplines nationally. This is to be a revolving investment fund that will grow research support to \$100 million of contract research at UW-Milwaukee. This, the Chancellor noted, would make a significant difference in the community's economy.

The third \$100 million would depend on the ability to acquire new federal and state resources. For the next biennium a budget request had been submitted for \$10 million to support additional faculty and graduate students in strategic areas to grow the research infrastructure, particularly in sciences and engineering, which are key to meeting the economic needs of the region.

Chancellor Santiago then introduced four guest speakers: Sheldon B. Lubar, Founder and Chairman of Lubar & Co., Inc.; Dennis J. Kuester, Chairman, President and CEO of M&I Corporation; June Perry, President and Co-Founder of New Concept Self Development Center, Inc.; and Edward J. Zore, President and CEO of Northwestern Mutual.

Mr. Lubar began his remarks by noting that Milwaukee is the manufacturing and economic center of the state, as well as the area with the largest population of persons of color. He remarked that the long-term solution to economic growth and problems of poverty is through education. In that regard, UW-Milwaukee has an important role to play as the state's urban university. Urging support for the university's research and access agenda, he asked the Board to consider what is at stake for the underserved in the Milwaukee area.

Mr. Kuester described the Milwaukee 7 group that is seeking to accelerate economic growth by focusing on a seven-county region in southeastern Wisconsin. Noting that Chancellor Santiago is a member of that group, he remarked that Milwaukee, as the largest population center in the state, can be an "engine or millstone" in the economic growth effort and urged that the Board recognize the important role that UW-Milwaukee can play.

Commending the Chancellor's vision for research and connection with the community, Ms. Perry commented on UW-Milwaukee's key role in increasing the number of college degree holders and the need to retain those graduates in the area workforce. Stating that UW-Milwaukee should be the institution of choice for students, she stated support for providing more living space in university residence halls so that more students could have the benefit of a campus life experience.

Stating UW-Milwaukee's importance to the city and area businesses, Mr. Zore noted that 1,000 of the 5,000 employees of Northwestern Mutual are UW-Milwaukee alumni. The university, he said, must be the solution to Milwaukee's problems of poverty, teen pregnancy, and high drop-out rates. He urged that the Board favorably consider the importance of investing in UW-Milwaukee.

In discussion following the presentation, Regent Bradley asked for elaboration on the self-sustaining research initiative. Chancellor Santiago explained that \$14 million in

institutional funds is being reallocated on a competitive basis. This funding is seed money to provide initial support; and, after three years, projects must become self-sustaining. This, he felt, is the most efficient way to use scarce research dollars.

In response to a question by Regent Spector about strategic planning, Chancellor Santiago indicated that the university needs to look ahead 10 years, establish goals and map out how to achieve them. How that process would be organized was still under discussion.

Regent Pruitt asked what kind of support could be expected from Milwaukee and others for the university's Growth Agenda, to which the Chancellor replied that there is strong support in the region for the university to move forward. Mr. Lubar added that the Board should expect support from the business community. Mr. Zorn and Mr. Kuester indicated that they would convey support both personally and through their businesses.

Given the lack of modern infrastructure on campus, Regent Bartell asked what part of the request would be devoted to capital projects. Chancellor Santiago replied that, over three biennia, there would be \$70 million in capital requests for projects to promote applied science research, upgrade the Engineering Building, and provide a business incubator.

With regard to student access, Regent Salas noted that 70% of Latino students and 80% of African American students are not retained; and he urged that resources be devoted towards benefiting all students, including inner-city residents.

Chancellor Santiago replied that the Access for Success program addresses retention issues early in the student's college career. More resources are needed for this initiative, as well as for work with K-12 schools. In that regard, he pointed out that UW-Milwaukee does 27% of all remediation in the UW System. Low retention and graduation rates, he remarked, are a loss to both the community and the students, creating financial burdens and harming self-esteem.

Regent Salas added that remediation is a statewide problem requiring a statewide solution and pointed out that it is a gender issue as well as a matter of much higher percentages of students of color requiring remediation than white students.

Regent Davis expressed her agreement that UW-Milwaukee should be a school of choice and should expand its capacity to grow the regional and state economies. She inquired about goals for scholarships.

In reply, Chancellor Santiago indicated that scholarship awards would be based both on merit and need and that most would go to students of color. Students in need, he remarked, often hold three jobs and sometimes go elsewhere for better financial aid packages.

Regent Crain asked what proportion of UW-Milwaukee's enrollment growth consisted of students from Milwaukee County, to which the Chancellor replied that, while there was some increase in the number of students from Milwaukee County, most of the growth came from outside the county. Regent Crain remarked that it should be a goal to reach more Milwaukee students.

Regent Loftus stated that he would support the UW-Milwaukee Growth Agenda, but with the understanding that it likely would be a tough sell in an election year. It will be necessary, he remarked, to explain clearly why it is important to grow the university.

In response to a question by Regent Semenas, Chancellor Santiago indicated that 85% of UW-Milwaukee alumni stay in southeast Wisconsin.

Congratulating Chancellor Santiago on an excellent presentation, Regent President Walsh remarked that the strong support he had obtained spoke volumes about the credibility he had achieved.

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## **2007-09 BIENNIAL OPERATING BUDGET**

In opening remarks, President Reilly noted that the Growth Agenda for the State of Wisconsin focuses on increasing the number of four-year degrees in the state. Central themes include encouraging Wisconsin's citizens to aspire to a college degree and reaching out to economically disadvantaged families, to nontraditional students, to students of diverse backgrounds, and to veterans as they return home. The Growth Agenda also includes meeting the state's needs for more teachers in science and math, for nurses to provide health care, and for increased research capacity at UW-Milwaukee and the metro-Milwaukee area.

Referring to the Governor Doyle's Major Budget Policies and 2007-09 Biennial Budget Instructions, the President reported that investing in education is one of the Governor's top eleven priorities for the biennium. The document states that the Governor's budget will focus resources on improving Wisconsin's educational system and that success in school and access to higher education for all Wisconsin citizens through the Governor's Wisconsin Covenant will be a top priority. While the budget instructions ask state agencies to request no increases in GPR appropriations, an explicit exception is made for UW instruction and research activities that focus on economic growth. This means, he said, the message of a Growth Agenda for the state is being understood and embraced. The proposed budget request items all fit with the Governor's stated priorities.

Over the past three biennia, President Reilly recalled, the UW System absorbed \$413 million in state budget cuts and eliminated 1,020 state-funded positions, while at the same time adding 3,182 students. These efficiencies and gains in productivity were accomplished in many ways, including reducing the number of credits to degree, retaining and graduating more students, and creatively pricing programs that meet market needs.

However, he noted that this type of growth, funded only by additional tuition, cannot continue indefinitely. The quality of education provided to all students, he pointed out, is suffering as the number of full time faculty available to teach courses is decreased and the workload of those remaining is increased so that they have less time to

meet and work with students. Further, services for students are decreased because the university is no longer staffed at a level that allows those services to be provided. In that regard, he said that, while “the university can, and will, step up to the plate to meet the state’s needs, we cannot continue to pull the load alone. We need the state to step up” as well.

The budget instructions also require, he continued, that all agencies with administrative appropriations, including the administrative activities of the UW System, to prepare plans to absorb a ten percent permanent base cut. Noting that these plans are not due until November, he pointed out that such a cut would pose a formidable challenge for the UW System and its institutions.

He then called on Associate Vice President Fred Harris to discuss proposed initiatives and cost-to-continue items.

Ms. Harris began her remarks by noting that institutional initiatives had been discussed with the Board since March. Multi-campus proposals, presented at the May meeting, included initiatives for nursing, teacher education, applied research and solid waste research – all of which would be focused on either growing access for students, increasing the number of baccalaureate degrees, or increasing the research capacity of the state. These would fit within the exemption provided in the budget instructions for instruction and research activities focused on economic growth.

She then presented three additional proposed initiatives, noting that they also would fit within the Governor’s instructions.

The recruitment and retention initiative would be similar to funding included in the Governor’s 2005-07 budget that provided \$3.3 million in ongoing funds to recruit and retain high-demand faculty. That funding, she noted, has been very helpful to institutions in competing against outside offers. However, analysis indicates that the gap between UW faculty and their peers has increased this biennium. The proposed request seeks twice that level of funding for 2007-09 -- \$6.7 million of ongoing GPR/Fee funds – to allow institutions to dedicate funding to recruiting and retaining top faculty and research academic staff. Without such a fund, she indicated, the UW could continue to lose more of the faculty and research staff that provide high quality education and bring in the federal funding that is essential to the state’s economy. This initiative would be separate from the general pay plan request that would be submitted in November or December.

The hold harmless tuition grant initiative would provide funding to help recruit and retain low-income students by providing funds to cover the full cost of tuition and fees as a last grant for students with income levels that would qualify them for the free and reduced price lunch program. Noting that the Wisconsin Covenant would be expected to cover this population after 2012, Ms. Harris said that this initiative would increase access to low income students in the meantime. The cost is expected to be \$8.6 million in ongoing GPR funds. This money, she explained, could be considered the first installment on the Covenant and would serve as a base for supporting the Covenant once the first cohort enrolls, after which the hold harmless tuition grant would be phased



down. The request for funding to support this grant would be submitted directly to the Department of Administration, not as part of the Board's budget.

The third proposed initiative would be to increase the application fee, which has been at the same level since 1997-98. The increase would help support campus admissions operations and would help defray costs for application publications, brochures and IT enhancements to electronic applications and other student service sites, and reimbursement to campuses for e-commerce costs related to credit card processing. The application fee, which is paid by all students, currently is \$35 for undergraduates and \$45 for graduate students – the lowest and second lowest in the Big Ten respectively. An increase of \$15 per application would provide an additional \$1.79 million.

Turning to costs to continue, Ms. Harris explained that these would be requests for funding to allow agencies to maintain the currently approved level of programming, an exemption for which also was included in the budget instructions. Examples include full funding of faculty and academic staff pay plan increases of 2.25% effective April 2007, increases to utilities and fringe benefit rates, and the Lawton Minority Undergraduate Retention Grant program. This year a request would seek sum-sufficient funding to provide full tuition remissions to veterans and certain of their dependants, as required by law. The UW currently is working with the Department of Veterans Affairs to advise veterans of the benefits that are available to them.

With regard to statutory language changes, Ms. Harris referred to a paper that had been distributed, noting that the proposals were similar to those submitted in the last biennium and were supported by the Board as part of its study on *Charting a New Course for the UW System*. These changes would help serve students more efficiently and minimize administrative costs. An additional statutory language request would seek an exemption from sales tax for donations for preferential seating at UW sporting events.

In addition, she noted that the Wisconsin Covenant has been identified as one of the Governor's top priorities for 2007-09. The governor established a Wisconsin Covenant Policy team that includes representatives from the Department of Public Instruction, the UW System, the Wisconsin Technical College System, the Wisconsin Association of Independent Colleges and Universities, the Higher Educational Aids Board, the Governor's Policy Team and the Department of Administration Budget Team. Since the Covenant is a multi-agency Governor's initiative, the UW would not need to include a funding request in its budget submission. Instead, the UW would submit to the Department of Administration later in the year an estimate of the funding and any staffing needed to support the Covenant.

In discussion following the presentation, Regent Rosenzweig inquired about the proposed sales tax exemption; and Ms. Harris replied that the proposal went through the legislative process, but had not received final approval by the time the session ended. The Board had supported, but did not initiate, the legislation.

Regent Davis asked if the hold harmless initiative would not be included in the Board's budget because of its relationship to the Wisconsin Covenant, and Ms. Harris replied in the affirmative.

In response to a further question by Regent Davis, Ms. Harris said that the recruitment and retention fund would be used for faculty and research academic staff, not administrative positions.

Replying to a question by Regent Pruitt, Ms. Harris indicated that the application fee request had been submitted previously.

Noting that the Board is permitted to waive up to five percent of application fees, Regent Semenas expressed interest in the number currently waived. He also inquired about inclusion in the request of domestic partnership benefits, to which Ms. Harris replied that the proposal in the last biennium had been a Governor's initiative.

Regent Salas inquired about the strategy for dealing with the rising cost of utilities and its impact on tuition. Ms. Harris indicated that the university would submit a request for utility funding with a 65% GPR, 35% fee split.

Stating his support for the proposed new initiatives, Regent Bartell inquired about the meaning of the term "hold harmless". Ms. Harris explained that the intention would be that the lowest income students would not have to pay additional dollars out of pocket for tuition increases. Instead, the cost would be covered by grants.

Regent Pruitt inquired about the intersection among the hold-harmless proposal, WHEG grants, and the Wisconsin Covenant. In response, Ms. Harris indicated that, while hold harmless grants would insure that the lowest-income students were not adversely impacted by tuition increases, WHEG grants go to a wider need-based population. The Wisconsin Covenant would cover tuition and fees for students eligible for free and reduced price lunches as a last state grant. The hold harmless grants would serve as a bridge until the Covenant takes effect.

Regent Spector asked if non-salary benefits are considered in peer comparisons, and Ms. Harris replied in the negative. Regent Spector asked if salary gaps vary among institutions, and Ms. Harris replied that they do. While UW-Madison used to be behind peers only at the full professor level, the gap now extends to associate professors. While there are variations at other institutions, the average gap is 8 ½ %

Regent Loftus noted that the Board had not voted to support the sales tax exemption bill. If it comes up again next year, he noted, it could be considered at that time.

President Reilly reported that he had met with Secretary John Scocos, of the Department of Veterans Affairs, who also was working to obtain state funding for tuition remissions. The Secretary would provide a position and a person to help with the program to serve veterans in that regard.

In response to a question by Regent Rosenzweig, Ms. Harris said that the amount needed for the hold harmless initiative had been calculated for the two lowest income quintiles, but not for the entire population of WHEG recipients.

Regent Cuene asked if the WHEG grant goes up as tuition increases, and Ms. Harris replied in the affirmative, adding that a gap still remains in terms of dollars.

In response to a question by Regent Crain, President Reilly indicated that there would be an opportunity over the summer for Regents to receive biennial budget briefings from staff, if they wish.

Regent Semenas asked if a possible tuition increase had been calculated, to which Ms. Harris replied that a tuition calculation could be done when the amount of cost to continue is known.

Regent Salas noted that the financial aid request was not fully funded in 2005-07 and that the Governor had vetoed some of that funding back into the budget. He thought that there should be an effort to recover the shortfall before any consideration of a tuition increase. Ms. Harris indicated that funding of the hold harmless initiative would have that effect.

Regent Spector asked if budget requests would be prioritized in anticipation of the prospect that not all would be funded. Ms. Harris indicated that the Board had not done that in the past but could prioritize if it so decided.

President Reilly noted that some prioritizing had been done internally in selecting requests to bring to the Board.

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## **2007-09 BIENNIAL CAPITAL BUDGET**

Assistant Vice President David Miller presented information and alternatives for the 2007-09 Capital Budget.

As context for the discussion, he noted that the UW comprises 64% of state-owned space; that the UW has over 1,200 buildings on 13 campuses totaling over 60 million square feet; that the replacement value is estimated at \$7.3 billion; and that the UW College facilities are county-owned, but that equipment for them is provided through the capital budget.

As to funding sources, he indicated that two categories of bonding are available for capital projects: General fund supported borrowing (GFSB) and program revenue supported borrowing (PRSB).

There are two major categories of projects – major projects and all agency funds. The focus of this presentation would be on general fund – major projects. These projects, Mr. Miller explained, are part of an ongoing planning process. Institutions submitted six-year development plans in February which contained 2007-09 biennial budget requests. In addition to submitting these statutorily required plans, institutions also presented them to a team of UW System staff, including the offices of Budget and Planning, Finance, Academic Affairs, and Policy Analysis and Research, for an integrated review from a number of perspectives. The proposed capital budget would be presented to the Board in August and then submitted to the Department of Administration for introduction by the Governor into the legislative process.

Questions for discussion at this meeting included:

- What should be the total GFSB request?
- What are the consequences of each alternative?
- Should carry-overs maintain past priority?
- Should all-agency funds be used for major projects?
- Should the capital budget approach be multi-biennial in nature?

Turning to building blocks for the 2007-09 budget, Mr. Miller indicated that projects enumerated in the last budget for funding in 2007-09 totaled \$129 million. Classroom renovation funds added \$10 million and utilities – large infrastructure projects at multiple campuses -- added \$20 million more, for a subtotal of \$159 million.

Added to that is \$105 million for four projects placed in advance planning during 2005-07 for funding in 2007-09, bringing the subtotal to \$264 million. In that regard, he explained that, while the original total for these projects was \$143 million, the Department of Administration recommended total funding of \$105 million. The UW had reduced the total to \$123 million by reducing space and adding gift funds, leaving a shortfall of \$18 million.

Also, he pointed out that there were seven projects on the Board's priority list for 2005-07 that were not funded. These projects have not been included in the Department of Administration's plans for 2007-09. Adding these projects, which total \$32 million, brings the grand total to \$314 million.

As to location, Mr. Miller indicated that the advance enumerations are at Madison, Milwaukee, and Platteville; the advance planning projects are at La Crosse, Oshkosh, Parkside, and Superior; and the carry-over projects are at Green Bay, Milwaukee, Stout, and two each at Oshkosh and Stevens Point.

As to total state General Fund Supported Borrowing, he noted that, for 2005-07, the Governor's budgeted amount of \$460 million was reduced by the State Building Commission to \$430 million, so that it would not exceed the 2003-05 GFSB total. That amount was further reduced by the Joint Committee on Finance to \$400 million.

Comparing the 2005-07 GFSB level with the potential for 2007-09, Mr. Miller indicated that in 2005-07 the UW will receive a total of \$150 million for major projects, while other state agencies will receive about \$50 million. The statewide all-agency fund is \$200 million, of which the UW will receive about \$130 million.

If the Board were to request the full \$314 million and other levels remained the same, the total GFSB would need to increase by \$164 million over 2005-07. However, the Department of Administration has told state agencies to plan for total GFSB of about \$430 million. If the entire \$30 million increase were added to the UW major project budget, the UW's total would rise to \$180 million.

In view of the coming budget crunch, Mr. Miller indicated that his office had been working with the UW campuses to develop some alternatives. If advance enumerations, classrooms, and utilities were considered as a base, the total of \$159 million would be \$9 million greater than the UW received in 2005-07.

One alternative would be to add to the base the seven carry-over projects at \$32 million and the four in planning at the Department of Administration recommended amount of \$105 million plus the additional \$18 million needed, for a total of be \$314 million -- \$164 million about 2005-07. In this alternative, the Board could request any amount between \$150 and \$314 million, but could also request that the available funding be applied to the highest ranked projects resulting from the priority setting process approved by the Board in December 2005.

A second alternative would be to request the full amount of \$314 million, but use all-agency funds for classrooms and to offset four specific major remodeling projects from the carry-over projects that include back-log maintenance, and lease – instead of purchase – one facility. This would reduce the major project request by \$45 million, to \$269 million, but it also would reduce the amount available to institutions for a wide range of maintenance and repair projects. This alternative would result in a request of \$119 million over 2005-07.

A third alternative would add to the base the seven carry-over projects and also request \$219 million over two biennia for seven major projects – all academic buildings. The total request would be \$296 million, or \$146 million above 2005-07. If that amount were not received, the highest ranked projects would be funded with the amount available.

An advantage of this alternative, Mr. Miller explained, is that it would create a more seamless four-year budget for projects and would allow projects to move forward by accessing the amount needed in the first biennia with complete funding in the following biennia. Another advantage would be that the seven projects would bring in \$45 million in matching gift funds. A critical aspect of this alternative is that it would commit \$142 million in advance enumerations for 2009-11 and only accommodate three of the 31 projects requested through that biennium. Any projects deferred from 2007-09 would carry over as well.

Turning to program revenue and gift projects, Mr. Miller indicated that 22 projects totaling \$418 million had been requested. These were being evaluated and would be reviewed more fully with the Board in August.

Looking beyond the 2007-09 biennium, he said that demand would far exceed the funding likely to be available. Considering the age of most facilities, demand is growing beyond the ability to keep up, not only with maintenance, but with renovation and replacement space as well. In that regard, he showed a chart illustrating 31 projects requested through 2009-11, totaling \$448 million of general fund borrowing.

In conclusion, he indicated that work would be under way on a package of proposed facilities process reforms, and he noted results of a 2005 survey showing that 73.6% of 14,000 student respondents in the United States and Canada considered facilities related to their majors extremely or very important in choosing a college.

The meeting was recessed at 1:00 p.m. and reconvened at 1:35 p.m.

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## **BOARD OF REGENTS RESOLUTION ON THE WISCONSIN COVENANT**

Adoption Resolution 9201 was moved by Regent Pruitt, and seconded by Regents Spector and Davis.

Expressing her support for the resolution, Regent Davis urged that the program be put on a fast track because of the great benefit it would have for students. She knew of a similar program in Michigan that was producing very positive results.

The question was put on the resolution, and it was adopted on a unanimous voice vote.

### **Board of Regents' Resolution on The Wisconsin Covenant**

Resolution 9201:           WHEREAS, Chapter 36 of the Wisconsin Statutes vests in the Board of Regents the responsibility for the governance of the University of Wisconsin System, directing the Regents to ensure that the public university system in Wisconsin meets the needs of Wisconsin residents by developing the state's human resources and providing access to a quality higher education for students of all ages, backgrounds and income; and

WHEREAS, the Board recognizes that talent, creativity and drive are not the exclusive purview of wealthy families, thus it is critically important to financially assist low-income families to keep higher education affordable so that all qualified Wisconsin students can pursue higher education and fully develop their human potential; and

WHEREAS, the Board believes that a well-educated citizenry is a benefit for all of Wisconsin and that there is a direct link between a state's economic growth and the number of its baccalaureate degree holders; and

WHEREAS, the Board hopes that, by setting academic standards and establishing the expectation to attend college in middle and high school, the Wisconsin Covenant will increase the likelihood that more Wisconsin students will attend college and graduate with a degree; and

WHEREAS, the Board wants the program to be available to every family across the state that needs financial aid, with families most in need receiving grants to help pay the costs of their education:

THEREFORE, BE IT RESOLVED that the Board of Regents and the UW System strongly supports the development of a Wisconsin Covenant Program as an essential strategy for increasing access and growing Wisconsin's economy; and

THEREFORE, BE IT FURTHER RESOLVED that the Board of Regents instructs University of Wisconsin System staff to work with the governor's office, the Department of Public Instruction, the Wisconsin Technical College System, the Higher Educational Aids Board, private universities and colleges, and other agencies to create a Wisconsin Covenant program that will increase all Wisconsin students' aspirations to earn a college degree.

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## **2006-07 ANNUAL BUDGET**

In introductory remarks, President Reilly noted that the annual budget for the fiscal year beginning July 1, 2006 implements funding levels that were approved as the second half of the current biennial budget. He called on Associate Vice President Freda Harris to present the proposed budget.

Ms. Harris began by summarizing provisions of Act 25, the biennial budget, which included \$9 million of increased GPR/Fee funding for utilities, financial aid and the student technology fee, \$1.7 million to recruit and retain high demand faculty, \$.5 million for initiatives of the Committee on Baccalaureate Expansion, \$.5 million for Alzheimer's research, and \$105,000 to expand engineering education at UW-Fox Valley. The budget also returned \$20 million that was lapsed in 2005-06 on a one-time basis and reduced debt service funding by \$774,000. In addition, it required a shift of \$19.8 million in utilities costs from GPR to tuition.

For the annual budget, estimated funding was added to the amounts provided in Act 25 for a 2% pay plan effective July 2006 and an additional 2.25% effective April 2007, along with estimated health insurance cost increases.

Therefore, GPR funds increased \$36.4 million; academic fee revenue from tuition increased \$49.3 million; non GPR/Fee funds increased at a slightly slower pace, but still comprise more than half of the university's budget, as has been the case since 1991-92.

Included were recommended undergraduate resident tuition increases of \$145 per semester for the UW Colleges and Comprehensive Universities, \$187 per semester for UW-Milwaukee, and \$191 per semester for UW-Madison.

Resident undergraduate tuition would increase 6.8% on average, remaining well below the median of peer institutions. The increases would cover the cost of utility increases, compensation increases, and student technology initiatives. Nearly half of the tuition increase is due to shifting utility costs from state GPR to tuition.

Tuition for graduate students and nonresident undergraduates at UW-Madison would increase by the same dollar amount as resident undergraduates. As recommended by the Board in February, tuition for nonresident undergraduate students at UW-Milwaukee, the UW Comprehensive Universities and the UW Colleges would be competitively priced to cover the full cost of their education, plus the equivalent of a state subsidy for a resident undergraduate student. The new tuition rate is expected to bring the UW closer to its peers for nonresident undergraduate tuition, which should lead to an increase in the number of nonresident students and allow UW institutions to increase the number of resident students that they can enroll in future years.

Segregated fees would increase 7.4% at four-year institutions and 3.3% at the UW Colleges, primarily to fund facilities enhancements, student-initiated programming, compensation, and utilities. Seven institutions had segregated fee increases above the reporting threshold of 4.5%, the largest being UW-Stevens Point with a 16.3% increase, due to an increase of \$63 to help fund a \$16.7 million Student Union renovation and an increase of \$20 to support full staffing of health services and restore depleted cash reserves. This is the second of the planned three year increases for the Student Union.

Other segregated fee increases due to major projects included a \$40 increase for a new Student Activity and Health Center at UW-Madison, a \$71.45 increase for a Recreation and Wellness Center at UW-Oshkosh, a \$96 increase for a Student Union expansion project at UW-Parkside, a \$50 increase for a new Student Union at UW-River Falls, and an \$80 increase for the Rothwell Student Union at UW-Superior.

The increase for room and board rates would average 5.3%, primarily due to debt service on new and renovated residence halls, facilities maintenance projects, compensation, and cost increases of supplies, expenses and utilities. UW-Milwaukee would have the largest increase of 8.5% due to the addition of Kenilworth Hall, maintenance and remodeling, increased utilities and reduced conference revenues.

The budget document also included a report on the ongoing \$30 million of administrative and Joint Finance Committee reductions included in the 2005-07 budget. The report described how the \$20 million of administrative reductions, \$10 million of general base reductions and the removal of 200 FTE positions would impact UW institutions. The greatest share of the reduction was in salaries and fringe benefits, which was expected since such expenses represent 79% of the total 2006-06 GPR/Fee budget.



The report showed that administrative functions, included in Institutional Support (7.9% of the budget) took three times its proportional share of the budget reductions at 24.2%. Instruction (50% of the budget) received only 22% of the total reductions.

In discussion following the presentation, Regent Salas commented that the increase for the Lawton and Advanced Opportunity Program grants was meager in comparison to tuition increases.

Indicating that these programs increased by six percent, Ms. Harris explained that the Governor recommended more, but that amount was reduced in the Legislature. Most student aid, she noted, comes from the Wisconsin Higher Education Grant program, which is part of the Higher Educational Aids Board budget.

Regent Salas expressed the view that institutional support in many cases was not reduced enough in comparison with other categories. For example, at UW-Oshkosh, instruction was more heavily impacted than institutional support and an affirmative action director's position was eliminated, although Plan 2008 was to have been protected in making the cuts.

Chancellor Wells explained that the affirmative action director had been promoted to human resources director and was continuing to fulfill the affirmative action duties with part time assistance. UW-Oshkosh, he remarked, is deeply committed to Plan 2008 and had some of the best results. With regard to instruction, he explained that the goal is to keep as many seats and serve as many students as possible, particularly in view of the fact that UW-Oshkosh has had the largest enrollment growth after UW-Milwaukee. In making the reductions, key administrative services had been delayed, advising and counseling had been held harmless, and retention rates have increased.

Regent Salas also expressed concern about elimination of an English as a Second Language Program at UW-Madison, particularly in view of the shortage of bilingual instructors for a growing Latino population.

Provost Farrell noted that, with multiple years of budget reductions, the opportunity to eliminate administrative positions with low impact on students does not exist. However, the goal is for those students to be accommodated in other programs.

Regent Davis echoed Regent Salas' concern and asked for information as to the number of certificates granted through the ESL program, and what will be done to continue to serve those students and to train professionals in that area.

Ms. Harris explained that, because there was little time for institutions to make the required reductions, the guidelines provided for taking advantage of one-time opportunities for reductions in order to provide time to plan for more permanent modifications. The guidelines did not permit cutting faculty or instructional academic staff. Under these circumstances, institutions had to figure out how to cut 200 positions and continue to provide services to the extent possible. It was permissible under the guidelines to make cuts to instructional support if necessary.

Noting that UW-Oshkosh took the Board's guidelines very seriously, Chancellor Wells observed that the categories presented were broad and the numbers gross. In the future, he suggested showing percentages rather than numbers.

In response to a question by Regent Smith, Ms. Harris said that a dramatic increase in nonresident students is not expected, although the more competitive tuition rates are expected to help with retention and add some growth. Nonresident students, she explained, pay both the cost of their education and a subsidy for resident students so more Wisconsin students can be served. The recent enrollment growth of more than 3,000 students has been in the resident student category.

Regent Rosenzweig remarked that the current budget is based on past decisions which have determined to a large extent the budget for the second year of the biennium.

In response to a question by Regent President Walsh about veterans' tuition remissions, Ms. Harris explained that recent legislation provided 50% remissions, costing \$7 million on an ongoing basis. \$4.1 million had been expended so far and costs were expected to rise, particularly with the increase to 100% remissions in the fall of 2007.

With regard to the 6.8% tuition increase, Regent Loftus pointed out that the UW was told by the Legislature to increase tuition by \$19.8 million to replace GPR funding for utilities.

Ms. Harris added that this shift accounts for nearly half of the tuition increase.

Regent Loftus suggested taking two votes in order to communicate as clearly as possible that half of the tuition increase is legislatively mandated.

Regent Crain commented that, while no one would be enthusiastic about supporting the tuition increase, it seemed to her necessary because to not support it would cause additional harm to the UW and its students.

Regent President Walsh suggested that Regent Loftus's point as to sources of the tuition increase be incorporated into the budget document as a friendly amendment.

It was moved by Regent Salas and seconded by Regent Randall that the UW-Oshkosh affirmative action position and the UW-Madison English as a Second Language program not be eliminated. Regents Salas commented that that the institutions should make other cuts to more closely follow the Board's guidelines. Regent President Walsh stated that the question would be divided, with each institution's action voted on individually.

Regent Connolly-Keesler remarked that she would not support voting on individual cuts because she felt that to do so would be micromanaging the decisions that had been made.

In response to a question by Regent Randall as to the level of scrutiny given to the cuts, Ms. Harris indicated that they were carefully reviewed for conformance to the Board's guidelines. The number of faculty and instructional academic staff was not reduced. The guidelines did not prohibit other cuts that might impact instruction and Plan 2008, but directed that the institutions first look elsewhere for cuts that had to be made. In that regard, UW-Oshkosh was changing how its affirmative action function would be performed, rather than removing the function.

Chancellor Wells added that the hope was to replace the affirmative action director full time in 2007-08. Given the level of concern, he would attempt to mount a search to fill the position earlier.

Regent Davis remarked that UW-Oshkosh has exhibited leadership on Plan 2008 and the Equity Scorecard. She opposed asking the university to make its budget cuts differently.

The question was put on the motion to eliminate the UW-Oshkosh affirmative action position cut, and the motion failed on a voice vote.

In response to a question by Regent Loftus, Provost Farrell explained that the English as a Second Language program that was being eliminated was designed to help international students perform in the classroom and was not offered for credit. Similar programs are available from other providers at about the same cost.

Noting that students need to be able to understand the speech of their teaching assistants, Regent Loftus asked if that goal could still be met if this program were eliminated.

Replying that the program is not critical in that regard, Provost Farrell explained that international students generally are given a speech test and are evaluated by departments before they are hired as teaching assistants.

Regent Loftus asked if the Teaching Assistants' Association objected to eliminating the course, and Provost Farrell replied in the negative.

Asked by Regent Rosenzweig where students could go to enroll in such a program, Provost Farrell indicated that English as a Second Language programs are offered by Madison Area Technical College as well as by private providers.

While she was sympathetic with the concerns expressed by Regent Salas, Regent Rosenzweig felt that the institutions had done the best they could to implement the cuts in a short time frame. She asked that UW-Madison be vigilant to assure that international students have alternative programs as needed.

Regent Salas pointed out the Technical College program is designed for newly arrived immigrants, not for graduate students; and he did not think it would meet their needs. He said that campuses should understand that Regents are concerned about the type of cutbacks that have been made.

The question was put on the motion to retain the UW-Madison English as a Second Language Program, and it failed on a voice vote.

While he did not vote against the cuts that were made, Regent President Walsh expressed appreciation to Regent Salas for bringing these matters to the Board's attention.

The previous question was moved, and the motion passed on a voice vote.

The question was put on Resolution 9202, with the friendly amendment proposed by Regent Loftus, and it was adopted on a roll-call vote, with Regents Walsh, Spector, Smith, Rosenzweig, Randall, Pruitt, Loftus, Davis, Cuene, Crain, Connolly-Keesler,

Bradley, and Bartell (13) voting for the resolution, and Regent Semen. Salas, and Burmaster (3), voting against it.

**2006-07 Operating Budget including Rates for Academic Tuition, Segregated Fees, Textbook Rental, Room and Board, and Apartments; Academic Tuition Refund policy and Schedule; Budget Reduction Report, and Annual Distribution Adjustments**

Resolution 9202: That, upon the recommendation of the President of the University of Wisconsin System, the 2006-07 operating budget be approved, including rates for academic tuition, segregated fees, textbook rental, room and board, and apartments; the tuition refund policy and schedule; budget reduction report, and annual distribution adjustments as attached in the document 2006-07 Operating Budget and Fee Schedules, June, 2006. The 2006-07 amounts are:

GPR	\$1,044,921,257	24.21%
<u>Academic Tuition</u>	<u>\$909,297,905</u>	<u>21.07%</u>
Total GPR/Fees	\$1,954,219,162	45.28%
<u>Other</u>	<u>\$2,361,264,765</u>	<u>54.72%</u>
Total	\$4,315,483,927	100.00%

The meeting was adjourned at 2:30 p.m., upon motion by Regent Crain, seconded by Regent Spector.

Submitted by:

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Judith A. Temby, Secretary