

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
December 6, 2007

The Business, Finance, and Audit Committee convened at 10:30 a.m. in room 1820, Van Hise Hall, UW-Madison. Present were Regents Smith, Connolly-Keesler, Rosenzweig, Burmaster, Shields, Bradley, Pruitt, Davis, Walsh, Loftus, Bartell, Spector, Cuene, Falbo, and Thomas.

a. Report of the Committee to Review Allocable Segregated Fee Policies

The Business, Finance, and Audit Committee, with all Regents invited, met for a report, presented on behalf of President Reilly by Executive Senior Vice President Don Mash, on the revised UW System administrative policy related to allocable segregated fees. Regent Smith thanked the Allocable Segregated Fee Committee for their effort and long hours that went into the revised policy as presented to the Board.

Executive Senior Vice President Mash summarized for the Board the Committee's charge, as identified by Regent President Bradley. Specifically, the Committee was charged with reviewing policies and providing guidance on three issues:

- The appropriate criteria for the recognition of student organizations;
- Issues regarding the allocation of on-campus space for recognized student organizations, and the conditions under which it might be appropriate for the university to lease off-campus facilities for use by those organizations; and
- Whether allocable segregated fees should be used to support salaries of student organization employees and similar operational expenses.

Executive Senior Vice President Mash introduced Chancellor Linda Bunnell, UW-Stevens Point, and chair of the Committee, to summarize the committee's analysis.

Chancellor Bunnell began her report by recognizing the committee members and thanking them for their dedication. The committee was composed of five students and five administrators, with herself as chair voting only in the case of a tie. The committee met four times over a period of three months to review current policies and gather information. Chancellor Bunnell summarized the discussions that occurred at each of the four meetings of the committee. Chancellor Bunnell explained to the Board the review and comment process used for the revised policy draft. The final vote of the committee, with all members present, was 6-3 in favor of the recommendation as presented to President Reilly. The main issues of contention were the ability of student governments to lease off-campus space for organizations and the use of allocable segregated fees to hire and pay the salary of persons who are not university employees. In addition, the clarification in the revised policy that allocable segregated fees are state funds, subject to the same rules that govern the disbursement of other state funds, has been disputed in some quarters.

Chancellor Bunnell concluded that despite the committee's work being controversial and causing tension, useful feedback from faculty, staff, and students was provided. Chancellor Bunnell provided special thanks to the students, both on the committee and at the various campuses, who took time to provide thoughtful feedback.

Alex Gallagher, UW-Madison Student, member of the committee and Chair of the UW-Madison Student Service Finance Committee summarized several points made in his December 3, 2007 letter to President Reilly concerning the Allocable Segregated Fee Committee's recommendations. Mr. Gallagher raised several points of concern. The first concern is Mr. Gallagher's belief that the policy creates new restrictions for the UW-Madison campus without any significant impact at the other UW campuses. Despite this, Mr. Gallagher stated that he was the only UW-Madison representative in the process. As such, Mr. Gallagher believes the issue should be remanded back to UW-Madison for further discussion and deliberation between the Chancellor and students. According to Mr. Gallagher, the concern of students at UW-Madison was never over the

review of policy, but the fact that they believe they did not have adequate representation in order to develop a policy that addressed the administration concerns while still providing the latitude for students to operate.

Mr. Gallagher concluded that the real concerns are not legal in nature, but how best to create good policy. He recommended that a consolidated document is important, but where new policy is created, each institution should be involved in the creation of policy for its campus, should improve communication about segregated fee concerns through workshops, forums, and other means, and lastly, to proceed with caution regarding segregated fees.

Ray French, UW-Eau Claire Student Body President and member of the Committee, commented that the committee's work helped advance the understanding of segregated fees. Mr. French stated that he voted in favor of the policy draft because the process resulted in a compromise where flexibility for the use of segregated fees was provided for within the policy and shared governance was preserved.

Mr. French stated that he believes there are some remaining questions concerning segregated fees such as on-going research into the practical relationship between state funds and student activities and the ongoing audit of student organizations and their relationship to the institutions. Mr. French believes that neither of these issues should slow the process started by the committee on segregated fees. Mr. French closed by thanking the Board for the opportunity to present his views and for being able to serve on the committee.

Executive Senior Vice President Mash thanked those involved with the committee's efforts and those who made remarks before the Board. He proceeded with presenting President Reilly's rationale for his decision on the proposed segregated fee policy. He summarized much of the history associated with segregated fees and stated that statute grants students the opportunity to be involved in the distribution of fee funds for student organization programs and activities.

Executive Senior Vice President Mash stated that the present issue concerning segregated fees arose in 2004 with concern over the use of those fees for overhead expenses such as rent for non-state property and salaries for non-university employees at UW-Madison. A November 2006 legal opinion from UW System General Counsel restated that allocable segregated fees were never intended to provide support for overhead expenses, but rather, to support campus student activities. Executive Senior Vice President Mash emphasized that segregated fees were not intended to serve as a kind of "United Way" campaign for all kinds of causes, no matter how worthwhile they might be. Based on General Counsel's opinion, Chancellor Wiley advised student leaders of his intention to apply the legal opinion in hopes of providing an advance warning to the small number of student organizations that might be affected.

Executive Senior Vice President Mash noted that three years after Chancellor Wiley initially notified UW-Madison student government of the need to come into compliance with the advise of the UW System General Counsel, he declined to approve one section of the Associated Students of Madison (ASM) recommended segregated fee budget that included off-campus rental payments for six of the 700 recognized student organizations. As a result, ASM officially appealed Chancellor Wiley's decision to the Board of Regents in the spring of 2007. The Board of Regents upheld Chancellor Wiley's decision while expressing concern about the risk associated with funneling university funds to off-campus organizations. He stated that following the appeal, Regents and students alike agreed that more clear-cut guidelines were needed.

Executive Senior Vice President Mash stated that the goal of reviewing the segregated fee policies has been to preserve the university's commitment to shared governance and protect the segregated fee system from abuse. In keeping with their charge, he stated that the committee submitted to President Reilly a proposed policy that:

- Clarifies the criteria for recognition of student organizations;
- Establishes a formal process that allows UW System campuses to use segregated fees to lease space for the use of student organizations;
- Establishes a mechanism to allow contracting with outside organizations – including student organizations – for services the university is unable to provide;

- Makes clear that segregated fees should not be used to pay for general overhead expenses of student organizations, including items such as rent and salaries where the university is not the employer or leaser; and,
- Clarifies that segregated fees are state funds.

Executive Senior Vice President Mash reiterated that the policy statement recommended to President Reilly was approved on a vote of six to three, as well as supported by all 14 UW chancellors. Student leaders and student government organizations from six four-year campuses have endorsed the proposed policy while five of the four-year and one of the two-year campuses expressed opposition to any policy that would impose any new oversight over the distribution of segregated fees.

Executive Senior Vice President Mash stated that President Reilly has been careful to listen to all concerns about the proposed changes to segregated fee policy, both through the efforts of the committee, comments from students and the institutions, as well as those expressed by state legislators. He mentioned that more than 30 legislators expressed concern about the proposed policy in a letter to President Reilly.

Executive Senior Vice President Mash reiterated that student fees, once received by the university, are state funds and are not held in trust for students. Segregated fees are one classification of university revenues which must be received, accounted for, and expended by the institutions within a set of reasonable boundaries.

Executive Senior Vice President Mash stated that the new policy will not controvert the relevant rulings in the Southworth case of 2000, noting that nothing in the policy dictates which recognized student organizations should or should not receive SEG funds. Further, he addressed concerns expressed by many students – especially those from UW-Madison – about the ability to use segregated university fees to cover the costs of contractual services that benefit all students on campus. In this proposed policy, under the section that delineates allowable uses of allocable SEG fees, the policy specifically allows for this activity, subject to three criteria. Additionally, he stated that the proposed policy allows for allocable segregated university fees to be used to lease non-university facilities for use by recognized student organizations, subject to three conditions. Executive Senior Vice President Mash summarized that, under the policy recommended to President Reilly, segregated university fees will continue to support campus student activities, including operations, activities and programs of recognized student organizations.

Executive Senior Vice President Mash noted that there are thousands of recognized student organizations at 26 campuses, serving 170,000 students and their campus communities. Out of that diverse universe, no more than seven will be affected by these changes.

Executive Senior Vice President Mash concluded his remarks by stating that students and administrators must work together to protect the system of collecting and allocating segregated fees. He emphasized being wary of increasing pressure from large, self-sustaining nonprofit groups seeking to acquire a reliable funding source for their general operations, not for specific programs and activities focused on the needs and educational interests of UW students.

After thanking Chancellor Bunnell, Regent Shields, and the committee, Executive Senior Vice President Mash, reported on behalf of President Reilly that he accepts the policy as drafted and submitted by Chancellor Bunnell's committee.

Regent Smith called upon Provost Patrick Farrell, UW-Madison, to comment on the segregated fee policy issue. Provost Farrell stated that the Madison campus views and treats segregated fee funds as state funds and there are statutory requirements concerning shared responsibility on how the funds should be spent, and that the Chancellor is responsible for how all funds are spent on campus.

Provost Farrell stated that he believes that the policy as recommended and accepted will address many of the issues requiring clarification. Further, while the guidelines contained within the policy are not necessarily what the Madison campus would have wanted, it is the campus administration's belief that the policy does provide a blueprint for how the partnership between the campus administration and students should work to accomplish the goals that segregated fees were set out to do while still satisfying the requirements as laid out by statute. Provost Farrell stated that there

are still a number of issues remaining concerning segregated fees such as sufficient space to house student organizations on campus.

Provost Farrell stated that he sees the revised policy as a template for how to move forward with the partnership with students concerning segregated fees and an opportunity to hopefully start much closer together in any future discussions that may take place regarding this issue.

Regent Spector inquired about the Board's responsibility concerning the policy and why the information was being provided to the Board. Regent Smith responded it is President Reilly's responsibility to make a decision in this matter. Executive Senior Vice President Mash responded that the information presented was for the Board's benefit and to provide full disclosure on the process used to resolve the matter. Secondly, Regent Spector inquired about the "substantial need" analysis for off-campus leasing and contracting decisions. Executive Senior Vice President Mash responded that his understanding is that simply a reasonable case must be made for the need and presented to the Chancellor. Upon an agreement, the campus becomes the lease holder, not the student organization. UW System General Counsel Patricia Brady responded that the demonstration of substantial need is about the resources, such as space, not over whether the organization should be involved in a specific activity or exist.

Regent Bartell expressed his understanding that the Board of Regents should have a role with respect to the policy recommendations and questioned why the Board is not being asked to participate in the discussion. Regent Bartell stated his belief that the policy requires additional work and is not the best policy that the Board could adopt. He noted that the policy has engendered significant disagreement among the affected parties, and offered the view that there is a lack of clarity and consistency within the policy, and the tone of the policy is inconsistent.

In response to Regent Bartell's comments, Regent President Bradley clarified that he appointed the committee to report to President Reilly, not the Board. President Reilly made the decision that, because of the nature of the issue, the committee's report should be discussed before the full Board of Regents. President Reilly accepted the recommendations of the committee for the reasons outlined by Executive Senior Vice President Mash and the Board is in a position of accepting President Reilly's decision, who the Board has hired to make decisions of this nature, or overruling his decision. Regent President Bradley stated there still is room for the Board to discuss the matter with President Reilly and raise any remaining issues the Board believes is important.

Regent Burmaster expressed her appreciation for the opportunity to discuss the matter and stated that she had a number of questions about the policy. First, Regent Burmaster inquired as to whether a widely circulated letter from the Legislative Fiscal Bureau in response to a question from Representative Pocan presents an alternative viewpoint as to whether segregated fees have the same statutory restrictions as General Purpose Revenues. UW System Administration General Counsel Brady responded that segregated fees are not the same as GPR funds because they are program revenue, but they are still considered state funds. Ms. Brady stated that the committee did consider the letter in its work but felt that it did not address any substantive issue related to the segregated fee policy. Secondly, Regent Burmaster asked why the segregated fee issue was being handled as a legal issue instead of a policy one. Regent Burmaster also emphasized the need to spend additional time as a Board explaining to students the need for the changes as recommended by the committee.

Chancellor David Markee, UW-Platteville, addressed the Board and provided his understanding of what "primary responsibility" means under 36.09(5) of the Wisconsin Statutes. For the UW System comprehensive institutions, Chancellor Markee believes it means that the designated student governance process is followed to develop the program and services for presentation to the Chancellor who then approves the funding plan before it comes to the Board for final approval. Chancellor Markee noted that the comprehensive institutions are largely consistent with respect to the process and that the chancellors are very active participants. Chancellor Markee believes that the policy as revised is somewhat more visionary than the former language because it anticipates situations where an institution is unable to provide certain services and outlines a process for how to work with outside organizations.

Regent Smith asked Provost Farrell about the impact of the policy on various student organizations and their activities. Provost Farrell responded that, at UW-Madison, the policy as accepted will have a significant impact on at least two student groups with a few other student groups being modestly impacted by the policy changes.

Regent Walsh explained that the issues surrounding segregated fees go back in time, noting that 10 years ago the state was before the U. S. Supreme Court in the Southworth case dealing with significant matters related to segregated fees. Regent Walsh stated his desire to see the policy changes enacted to see if it works and to further refine the policy as needed in the future.

Regent Davis commended President Reilly for bringing the matter before the Board of Regents. Regent Davis expressed her support for the policy while noting that she was pleased to see that the committee which worked on the policy had student representation. Regent Davis also commented that she was impressed by the Chancellor's commitment to shared governance.

Regent Thomas stated that segregated fees often mean very different things at the various UW institutions. As such, she believes that applying a single policy across all the institutions is unwise. Regent Thomas expressed support for continuing a review of segregated fees beyond the current legal issues addressed by the committee. Without a comprehensive review of segregated fee policy, Regent Thomas believes that the Board of Regents will see the issue again if the policy as proposed is accepted.

b. UWSA Office of Policy Analysis and Research: Report on Fall 2007 Enrollment

Interim Associate Vice President Sharon Wilhelm provided the Business, Finance, and Audit Committee, with all Regents invited, enrollment data for the UW System for Fall 2007. Ms. Wilhelm stated that more detailed enrollment data, as well as details about campus initiatives, will be provided at an upcoming meeting of the Board as part of the Achieving Excellence Accountability Report.

Ms. Wilhelm reported that the UW System total enrollment for Fall 2007 stands at a record headcount of more than 173,000 students, up 3,600 from last year. The largest increases in headcount were seen at UW-Milwaukee and UW-Madison. UW-Green Bay, UW-Platteville, and the UW colleges experienced the next largest increase in student headcount.

Focusing on undergraduate enrollment, Ms. Wilhelm reported that UW System enrolled nearly 149,000 students. The growth in undergraduates came primarily from continuing students and new freshmen. The increase in continuing students is primarily seen at the junior and senior levels, representing a greater number on students continuing on to complete their bachelor degree. Ms. Wilhelm stated that new freshmen enrollments are at an all-time high, with UW institutions enrolling more than 30,000 new freshmen.

Interim Associate Vice President Wilhelm detailed that the new freshman "access rate," defined as the percentage of state high school graduates enrolling the following fall at a UW institution, increased to 32.5 percent. Ms. Wilhelm stated that projections for next year show an additional one percent increase in the access rate.

Ms. Wilhelm provided data showing that the number of new resident freshmen is at an all-time high, totaling almost 25,000 students, an increase of 760. Wisconsin residents represent more than 80 percent of the new freshmen. The number of non-resident freshmen has also increased. Ms. Wilhelm reported an increase in enrollment of more than 500 non-resident freshmen than in the previous year.

Interim Associate Vice President Wilhelm noted that more than three-quarters of this year's new freshmen were in the top half of their high school graduating class with 45 percent in the top quartile. Ms. Wilhelm further noted that this year's new freshmen had an average composite ACT score of 23.2. This average score is two full test points higher than the national average.

Ms. Wilhelm detailed that the number of transfer students increased by more than 200. The number of intra-system transfers comprised 43 percent of the total with another 20 percent transferring from a Wisconsin Technical College (WTCS). The number of WTCS transfer students has continued

to increase since 1997 and is currently at an all-time high. Ms. Wilhelm noted that more than 40 percent of these transfers came from the Milwaukee and Madison technical colleges.

Interim Associate Vice President Wilhelm reported that the number of students of color has continued to increase steadily and is up more than 900 from last year and 5,000 from 10 years ago. Ms. Wilhelm noted that students of color currently comprise 10 percent of the total student body. The number of international students has also increased and stands at more than 5,500, reversing a downward trend of the last several years. Ms. Wilhelm reported that the number of veterans enrolled at UW institutions is rapidly increasing, totaling almost 4,000 this fall. More than 2,400 veterans and almost 750 spouses or children of veterans are currently benefiting from the Wisconsin GI bill.

Lastly, Ms. Wilhelm provided data showing that the number of undergraduate non-resident students has increased since last year, totaling 1,300 and representing almost 8 percent of undergraduate enrollments. The number of non-resident undergraduates has grown since the Board of Regents adopted the competitive non-resident tuition policy.

Regent Rosenzweig inquired whether we know the number of students of color that come as WTCS transfer students. Interim Associate Vice President Wilhelm responded that she had not looked at that specifically but does have the capability to determine that number.

Regent Loftus asked if the number of new international students includes both graduate and undergraduate students and if the data could be separated to show both. Further, Regent Loftus asked if the number of international students enrolled at UW institutions other than UW-Madison was known. Ms. Wilhelm stated that the numbers she presented for international students does include both graduate and undergraduate students and that a further analysis of the data typically occurs after January 1st.

Regent Davis inquired about the trend in the number of out-of-state transfer students. Ms. Wilhelm responded that there has been a slight increase but that out-of-state transfers have declined as a proportion of total transfers.

Regent Falbo asked whether UW System's budget anticipates new student enrollment growth, and if so, how the data presented compare to the figures used in the budget process. Associate Vice President Freda Harris responded that the budgets for the institutions and system are based on previously established enrollment levels.

Regent Pruitt asked Ms. Wilhelm for an analysis regarding the impact the Board's efforts to ease the transfer of credit requirements for WTCS students and of lowering non-resident undergraduate tuition has had on the overall increase in enrollment.

Regent Loftus inquired whether an analysis of new student enrollment by family income quartile has been completed. Ms. Wilhelm responded that that analysis utilizes ACT data that are available only with a one year lag. The fall 2006 data for new student enrollment by income quartile will be completed shortly.

The Business, Finance, and Audit Committee recessed at 12:09 p.m. and reconvened at 12:29 p.m. in Room 1920, Van Hise Hall, UW-Madison.

c. Approval of the Minutes of the November 8, 2007 Meeting of the Business, Finance, and Audit Committee

Upon the motion of Regent Shields, and the second of Regent Connelly-Keesler, the minutes of the November 8, 2007 meeting of the Business, Finance, and Audit Committee were approved as presented.

d. UW-La Crosse Growth, Quality, and Access Differential Tuition Initiative

Chancellor Joseph Gow began his remarks by thanking those in attendance supporting the UW-La Crosse Growth, Quality, and Access Differential Tuition Initiative, including faculty and staff, students, and representatives of the La Crosse area legislative delegation. Chancellor Gow stated that

the resolution before the committee is a modification of an earlier proposal and that the component of quality was added because it was not highlighted enough in the previous initiative.

Chancellor Gow noted that differential tuition is used in extraordinary situations and believes UW-La Crosse is experiencing such circumstances. Specifically, UW-La Crosse's acceptance rate is 64 percent which is low for a public comprehensive institution. In addition, Chancellor Gow stated that the student to faculty ratio is 24 to 1, which indicates that the institution is understaffed. Chancellor Gow noted that there are a couple of ways to try growing the number of students while providing the necessary faculty and staff resources. The first is to seek more resources from the state and taxpayers, while the second is to look at using tuition. Chancellor Gow informed the committee that UW-La Crosse's tuition is currently \$1,200 below the Midwest average for peer institutions and therefore the decision was made to fund the initiative through a tuition increase.

Chancellor Gow stated that a financial aid component is included in the plan in order to partially alleviate the impact of increased tuition. The original plan would have taken some of the differential tuition revenue to support student financial aid, but in response to legislative concerns, the current proposal instead focuses on pursuing the use of GPR allocated through the budget for financial aid purposes.

Chancellor Gow detailed that the differential tuition is to be used to hire at least 75 additional faculty and 20 more staff, allowing UW-La Crosse to offer between 225 to 300 additional classes each semester and reduce the average class size. Also, enrollment will increase by at least 500 students as a result of the plan. Chancellor Gow stated that the cost associated with the additional resources will be funded by new students arriving in the Fall of 2008 and thereafter. These students will pay \$500 more per year for the next two years for a total of \$1,000 per student. Current students at UW-La Crosse would be exempt. Chancellor Gow pointed out that even with the increase in tuition, UW-La Crosse would still be below the average for their Midwest comparable institutions.

Chancellor Gow briefly explained that a lot of effort went into the plan in dealing with legislators, faculty, staff, and students. As part of this effort, a campus referendum was held and almost 2,300 students participated, or approximately 25 of enrollment. The votes were 1,877 in favor of the plan and 421 in opposition.

Chancellor Gow introduced Carmen Wilson, UW-La Crosse Faculty Senate Chair. Dr. Wilson stated that the faculty senate unanimously endorsed the proposal immediately upon learning of it. Dr. Wilson noted that the faculty is excited over the prospect of spending more time with students as a result of the proposal, as well as the financial aid component of the plan since it will allow the University to attract students that cannot currently afford to attend UW-La Crosse.

Chancellor Gow introduced Fred Ludwig, President of the UW-La Crosse Student Association. Mr. Ludwig stated that he opposed the original growth agenda plan because it occurred in an administrative vacuum and incorporated little student input. The revised plan has student support in large part due to the unprecedented effort of the administration to include students. The Senate did vote in favor of the plan.

Eric Fuhrman, UW-La Crosse Student Senate member was introduced by Chancellor Gow. Mr. Fuhrman discussed the results of a survey conducted on campus prior to the referendum and completed by 1,560 students. The results of the survey were slightly less in favor of the plan than the referendum.

Chancellor Gow next called upon the Co-chair of the Academic Staff Council, Troy Richter. Mr. Richter stated that the Academic Staff at UW-La Crosse are fully in support of the Growth, Quality, and Access initiative, having unanimously passed a resolution in support. Mr. Richter stated that the academic staff appreciated the level of communication with Chancellor Gow.

Next, Chancellor Gow introduced members of the La Crosse area legislative delegation. First, Chancellor Gow mentioned that Andy Gustafson, an aide of Senator Kapanke, was in attendance with a letter of support from the Senator. Representative Jennifer Schilling was introduced next. Representative Schilling, an alumna of UW-La Crosse, stated that the plan not only will strengthen the institution, but have a positive impact on the community at-large as well. Representative Schilling noted that the planned increase in enrollment being targeted to resident students is a positive since

access to UW-La Crosse, an institution of choice, has become difficult. Further 95 additional faculty and academic staff positions means more jobs in the community. Representative Schilling reported that support for the initiative extends beyond campus with the local newspaper consistently editorializing in favor of the plan and the legislative delegation also stands in support.

Representative Schilling noted that UW-La Crosse has lost more than \$6 million in the last three state budgets. Approving the initiative would allow greater funding stability and predictability for the campus. The revised initiative came together over a period of six weeks and speaks well to the support the initiative has received. Representative Schilling commended the campus administrators, staff, and students for their flexibility and agility in making responsive changes to the plan. Representative Schilling closed by stating her support for the initiative.

Assembly Speaker Mike Huebsch addressed the committee and began by stating his support for Chancellor Gow and offering praise for his ability to work with the community and legislature. Speaker Huebsch stated that the fact that UW-La Crosse is a great value at a great cost also played a significant role in his support, as well as the significant student support the plan has received.

Regent Smith asked about the second part of the proposed resolution and the need to work with the legislature to secure approval of the GPR funding for the financial aid component of the plan. Representative Schilling responded stating that there has been dialogue with the members of the Joint Finance Committee to move that part of the funding for the plan forward. Speaker Huebsch stated that either the Joint Finance Committee, or a separate piece of legislation can move the financial aid component forward. Speaker Huebsch stated that he is committed to making one of those two options work and the fact that there isn't a need to allocate new money, but to simply allocate existing money, should make the process easier.

Regent Connolly-Keesler sought clarification on why the differential tuition will be charged only to new students when everyone will benefit from the additional faculty and staff resources. Chancellor Gow responded that there is no perfect way to implement the tuition increase but felt it was best not to surprise student currently enrolled with the increase. Chancellor Gow acknowledged that some of the new enrollees will not be happy about the increase and it will be a responsibility of his to communicate the need for the plan and the corresponding tuition increase.

Regent Connolly-Keesler asked if the UW-La Crosse proposal opens the door for other institutions to do the same thing regarding differential tuition. Regent President Bradley presence was noted at this time. Chancellor Gow responded that he could not speak to any plans that other institutions may be formulating but noted the uniqueness of some circumstances at UW-La Crosse. According to U.S. News and World Report, UW-La Crosse has the highest student to faculty ratio of all their peers. In combination with the high number of applications received by UW-La Crosse, Chancellor Gow stated that the initiative makes sense for the institution, but may not for other institutions. Chancellor Gow stated his hope that the Board approve the UW-La Crosse plan as a pilot and monitor the results. He noted that UW-La Crosse has committed to the legislature to report on the results of the initiative and to be held accountable.

Regent Connolly-Keesler asked if it could be assumed that if the initiative is a pilot that it would take some time to evaluate its success. Vice President Debbie Durcan stated that the nature of phasing in the hiring of faculty and staff will necessitate the need to give the plan some time before any results can be evaluated.

Associated Vice President Freda Harris noted that none of the other UW institutions have proposed anything similar in nature to UW-La Crosse, choosing instead to pursue more state funds to support their growth initiatives. Ms. Harris noted that phasing in the tuition increase with new student enrollments has less impact on the retention of currently enrolled students, as well as time-to-degree.

Regent Rosenzweig sought clarification on whether the approval of the financial aid component is necessary for the rest of the initiative to move forward. Chancellor Gow responded that in a structural sense that the two items – the differential tuition and the financial aid - are distinct. Chancellor Gow stated that the Regents should look at the differential tuition separately to make sure it makes sense for UW-La Crosse, just as the legislature will need to make sure that allocating GPR for additional financial aid makes sense. He believes that Regents approval of the plan would be well

received by the legislature and stated that he would work to make sure the financial aid portion of the plan happens.

Regent Rosenzweig cautioned that while the proposed initiative is a wonderful opportunity the Board of Regents should be careful not to turn UW-La Crosse into an elitist institution. She stated that she wants to make sure financial aid is available in order to maintain access to the institution despite the higher tuition costs. Representative Schilling responded that it is understood that the plan can only move forward with financial aid.

Regent Shields asked whether the differential tuition has a sunset date. Chancellor Gow responded that the differential tuition would have to be ongoing in order to pay for the additional faculty and staff hired as a result of the plan. Vice President Harris stated there is a five-year review wherein the differential tuition plan is brought back before the Board so the results can be evaluated.

Regent Burmaster stated her hope that, of the 20 additional staff proposed by the plan, some will be academic advisors. Chancellor Gow responded that those 20 positions would be used for positions such as advising, financial aid, and student services.

Upon the motion of Regent Burmaster, and the second of Regent Rosenzweig, Committee unanimously approved Resolution I.2.d.

Resolution I.2.d

That, upon the recommendation of the President of the University of Wisconsin System and the students and Chancellor of the University of Wisconsin-La Crosse, the Board of Regents approves differential tuition for all new UW-La Crosse undergraduate students beginning in the Fall Semester of 2008-09. Tuition will increase \$250 per semester (\$500 per year) for the 2008-09 academic year and an additional \$250 per semester (\$500 per year) for 2009-10 academic year, for a total differential tuition of \$1,000. Beginning with the 2010-11 academic year, the differential tuition rate will increase annually by an amount sufficient to cover the general salary and fringe benefit percent increases utilized by the Board of Regents in setting general resident undergraduate tuition. The differential will be applied to full-time students and prorated for part-time students.

Based upon community and student support, impacts on regional and statewide economic growth, and bipartisan Legislative support for the UW-La Crosse Growth, Quality and Access Agenda, the Board encourages the Legislature to work with the University to allow the application of the GPR funding of \$664,800 from the 2007-09 UW-La Crosse Growth Agenda to need based financial aid for students affected by this initiative.

Regent President Bradley was recognized by Regent Smith and commented on behalf of the Board of Regents that it is unusual for a legislative delegation to immerse itself in the details of a campus issue. Regent Bradley expressed his appreciation for their involvement and support.

e. UW-Madison: Update on Research Expenditures

Martin Cadwallader, Dean of the UW-Madison Graduate School and Vice Chancellor for Research presented the Committee with a summary on research expenditures at UW-Madison. Dean Cadwallader began with the amount of research awards over the past 10 years. The trends show the level of federal research funds awarded to UW-Madison to be stable or slightly declining while non-federal funds have begun to increase. The most recent data show approximately \$497 million in federal and \$227 million in non-federal research dollars awarded to UW-Madison. Dean Cadwallader stated that the research funds received have a significant multiplier effect on the local economy through the creation of jobs and goods and service needs.

Dean Cadwallader explained that recently, federal research funding has become more dependent upon a few large centers. For example, the IceCube project which is building a neutrino telescope in

Antarctica received an award of \$250 million. Thirty-two universities are involved in the project with UW-Madison serving as the lead. Dean Cadwallader mentioned that half of the universities involved in the project are from outside the United States. Another example is the Bio-energy Center that was just awarded to the university totaling \$125 million.

Dean Cadwallader provided information to the committee on annual research expenditures. For 2005-06, UW-Madison ranked number one in total research expenditures, excluding John Hopkins University, with about \$800 million. Dean Cadwallader explained that John Hopkins is excluded because they receive a large percentage of their research funding for classified projects – projects where the results are not published. UW-Madison is the only university over the past 20 years to be consistently ranked in the top five for research expenditures. According to Dean Cadwallader, the ability to remain among the top universities in research expenditures will depend upon remaining competitive for large inter-disciplinary research project awards.

Dean Cadwallader highlighted for the committee the sources for research funds at UW-Madison. Approximately 57 percent is from National Institutes for Health and 20 percent from the National Science Foundation. The remaining sources are comprised of awards from the Departments of Energy, Agriculture, Defense, and other agencies. Dean Cadwallader noted that UW-Madison's research portfolio is positioned in a very similar manner to that of the federal government. Dean Cadwallader also detailed the non-federal sources of research awards. The UW Foundation is the source of 25 percent of non-federal research dollars at the UW-Madison campus, while 18 percent comes from business and industry, 16 percent from the Wisconsin Alumni Research Foundation, and 41 percent from other sources.

Dean Cadwallader provided a summary showing the distribution of research awards among the various university schools and colleges. The School of Medicine and Public Health receives 35 percent with the Graduate School receiving the next highest percentage. Dean Cadwallader expects to see the Graduate School share increase with the shift toward more inter-disciplinary research.

Dean Cadwallader explained to the committee members that research success is dependent upon strong graduate programs. Dean Cadwallader provided data showing that total graduate enrollment has averaged about 9,000 for the past 30 years, or roughly 4 or 5 graduate students per faculty member. At UW-Madison, graduate enrollment results in approximately 2,000 master degrees and 650 doctoral degrees each year. The doctoral figure typically is within the top 5 of all institutions on an annual basis.

Dean Cadwallader stated that the biggest challenge in research is the ability to attract the best graduate students. That ability, according to Dean Cadwallader, is being eroded due to the insufficient availability of tuition remissions and various other issues. Graduate students are not only central to research, but also to undergraduate education and the ability to attract faculty.

In response to a question from Regent Rosenzweig, Dean Cadwallader stated that a combination of new visa regulations and an upgrade in graduate education throughout the world is making the ability to attract top international graduate students more difficult.

f. Committee Report and Resolutions to the University of Wisconsin Board of Regents on the Response to Legislative Audit Bureau Report 06-12, An Evaluation: Personnel Policies and Practices in the University of Wisconsin System

Regent Thomas Loftus presented to the committee background information in support of resolutions on the reporting and use of employee sick leave. The resolutions were in response to a Legislative Audit Bureau report on UW System personnel policies and practices. Regent Loftus explained to the committee that the issue is a matter of maintaining the trust of the people of the State of Wisconsin. Regent Loftus clarified that the benefit of sick leave is not that there is payment of health insurance premiums at retirement, but the guarantee of health insurance regardless of prior health conditions or where you live.

Regent Loftus stated that the changes contained within the proposed resolutions encourage and endorse colleague coverage when someone is ill. The changes simply clarify, in a uniform policy, that the sick faculty member must take and report sick leave.

Al Crist, Associate Vice President thanked Regent Loftus for his leadership and the committee's effort. Mr. Crist stated his belief that the process was a good example of how shared governance forms and shapes the recommendations that are brought to the Board of Regents for their consideration and action.

Regent Burmaster asked if the policy changes result in a sick leave process similar to other state employees. Regent Loftus responded that the changes place the responsibility for reporting leave upon the employee instead of the manager and is similar to the reporting requirement for other state employees.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, Committee unanimously approved Resolutions I.2.f.1, I.2.f.2, and I.2.f.3.

Resolution I.2.f.1.

Effective January 1, 2008 it shall be the policy at each institution in the UW System that sick leave, vacation, and personal holiday leave for full-time unclassified employees shall be charged in units of one-half days. Absence of one-quarter day up to three fourths day shall be charged as one half day. Absence of three fourths day up to one and one quarter day shall be charged as one day. Employees with less than full-time appointments shall report actual hours absent when using sick leave, vacation, and personal holiday leave.

Resolution I.2.f.2.

Effective with sick leave accrued in fiscal year 2007-08, any employee who fails to file a report on leave usage as required by UW System policy in one or more months of any year shall not be permitted to accrue sick leave for that year in an amount exceeding the cap established by s. 40.05(4)(bp)1., Wis. Stats. (i.e., 8.5 days for an annual appointee or 6.4 days for an academic year appointee).

Resolution I.2.f.3.

Effective with the beginning of the Spring 2008 semester, teaching responsibilities not met because of an absence specified in UWS 19.01, Wis. Adm. Code, must be reported as leave, regardless of whether a qualified instructor covers the aforementioned responsibilities. Teaching responsibilities include class time preparation, actual classroom instruction, and scheduled office hours available to students for educational guidance.

g. Audit Issues

(1) Campus Responses to the UW System Review on the Cost of Textbooks

Julie Gordon, Director, UW System Office of Operations Review and Audit responded to an inquiry made by the committee at the May 2007 meeting concerning strategies available for controlling textbook costs. Director Gordon stated that a previous audit review provided textbook cost estimates and identified factors driving textbook costs, which include textbooks being bundled with other materials, such as workbooks and CDs, and textbooks being frequently revised. While publishers have primary influence over these factors, the review identified several approaches that faculty, institutions, and students could undertake to control textbook costs as well.

Director Gordon reported that each institution responded to a request for information on their current and planned strategies. The institution-identified strategies centered on 4 types of initiatives:

- First, several campuses began campaigns that encourage instructors to make textbook adoption decisions well in advance of the start of an academic term. This allows bookstores to maximize the number of used textbooks offered by extensively shopping the used market and allows them to provide students the maximum amount on returned textbooks.
- Second, three institutions—Madison, Milwaukee, and Oshkosh—noted they recently began providing or will provide in the future additional textbook information, such as the International Standard Book Number (ISBN). This is expected to maximize competition by allowing students to “shop around” for the best deal. These initiatives are somewhat consistent with proposed federal legislation. Currently, the House version of the Higher Education Reauthorization Act includes a provision that would require institutions to disclose the ISBN and price information in the institution’s course schedule.
- Third, many institutions identified alternatives to traditional textbook purchases. For example, of the institutions without textbook rental programs, UW-Milwaukee, UW-Superior, and UW Colleges indicated that, although a significant capital investment would be necessary, they will continue to evaluate such programs. Milwaukee hopes to offer a rental program for some classes by the fall 2008 semester; UW Colleges is currently testing a rental program at one campus.
- Fourth, strategies to enhance bookstore or rental operations were noted by several institutions. These strategies included lowering the mark-up on textbooks, updating technology and systems to streamline operations, and improving textbook buy-back programs.

Ms. Gordon stated that UW System Administration and the institutions have expressed their willingness to stay on top of this issue by (1) evaluating the success of implemented strategies, (2) considering new approaches for containing textbook costs as they are identified, (3) providing the Board with periodic progress reports on their efforts, and (4) monitoring federal legislative proposals related to textbooks.

Adam Portman, UW-Madison Student and member of Wisconsin Public Interest Research Group (WisPIRG), addressed the committee regarding the matter of textbook costs. Mr. Portman concurred with the UW System audit on textbook costs. Mr. Portman stated that WisPIRG is concerned about the bundling of textbooks, new editions that contain few changes, price disclosure, and the lack of timely information.

Mr. Portman stated that the market for textbooks is broken. Faculty members have no incentive to competitively shop for textbooks since they are not paying for them. Mr. Portman stated that WisPIRG’s recommendations for addressing the cost of textbooks begins with staff education and raising awareness of how textbook decisions impact students. Secondly, Mr. Portman stated that educating students on how to by-pass the market is important. According to Mr. Portman, efforts such as book swaps, on-line materials and textbook sources, rental programs are all options that allow students to reduce costs. Finally, WisPIRG is attempting to place a spotlight on the publisher practices. The practices of concern are bundling, poor price disclosure, and new editions. WisPIRG is advocating legislation at the state level mandating price disclosure, providing options to un-bundle textbooks, and the listing of all new edition changes. WisPIRG is hopeful that the Board of Regents will be supportive of the proposed legislation.

Regent Smith inquired whether other higher education governing bodies have become involved in addressing the costs of textbooks. Director Gordon responded that she was unaware of any specific examples.

Regent Pruitt was recognized by Regent Smith for bringing the issue of textbook costs to the Board and was invited to ask any questions or to make a comment. Regent Pruitt observed that there appears to be a differential among faculty members concerning their awareness of the importance of this issue. Regent Pruitt asked what else the Board of Regents could do to convey how urgent addressing this issue is.

Chancellor Santiago, UW-Milwaukee, responded that at his campus, they have made efforts to address the issue and while the results have not been exactly what they had hoped for, there has been

some progress. UW-Milwaukee is pressing faculty to consider all options available to them when making their textbook selections and is considering a rental program.

Regent Smith asked whether the textbook rental program is the single most differentiating factor when looking at the textbook costs. Director Gordon stated that textbook rentals programs can have the largest impact on reducing textbook costs. Chancellor Santiago stated that scale is a critical factor in the success of a rental program. For instance, it is easier to implement a rental program at a university with 5 or 6 thousand students than one with 29,000 students because of the difference in needed capital outlay. Mr. Portman agreed that scale is an important factor in the success of a rental program and stated that another concern with rentals is the limitations it places on faculty regarding textbook selection.

Regent Smith asked Director Gordon what the next steps should be. Ms. Gordon stated that given the strong educational component inherent in the discussion, that any follow-up report should occur no sooner than six months and could include progress made at the institutions as well as information on the challenges they are facing.

Regent Burmaster emphasized that textbook costs are an access issue and that the significant costs of textbooks can dissuade some students from even applying to certain institutions. Regent Burmaster stated her belief that a legislative approach is important.

(2) UW System Institutions' Completed Audit Projects

Director Gordon presented a summary of audit projects completed by UW institutions between January 2006 and June 2007. Institution audits are typically in higher risk areas, such as cash handling, payroll, revenue collection, auxiliary operations, and property control. Ms. Gordon reported that campus auditors often serve as liaisons with federal and state auditors.

Regent Smith observed that several campuses did not perform audits. Regent Smith inquired as to the reasons for institutions not performing audits. Director Gordon responded that a campus may not have had an auditor due to staff turnover or using the campus auditor to fill other vacancies such as institution controller. Regent Connolly-Keesler asked if the campuses that currently do not have auditors will have them in next year. Tom Sonnleitner, Vice Chancellor for Administrative Services at UW-Oshkosh responded that his institution has conducted audits during the past year and plans to have at least a half-time auditor in place by the end of this fiscal year. Director Gordon stated that other campuses have mentioned that they were waiting for the budget to be settled before moving forward on the issue of campus auditors.

Regent Smith asked how audits are conducted at those campuses without an auditor in place. Ms. Gordon responded that UW System Administration's audit staff cannot cover an institution's full audit needs but does work with institutions on specific issues that arise.

(3) Operations Review and Audit Review Plan Calendar Year 2008

Director Gordon provided the committee with audit plan for the UW System Office of Operations Review and Audit for calendar year 2008. The purpose of the plan is to assist the Office in focusing on higher risk needs in order to help allocate limited audit resources. Ms. Gordon stated that the plan must be flexible in order to respond to the need to perform ad hoc reviews, but at the same provides a basis of holding the Office accountable for its efforts. Ms. Gordon summarized how the plan was created and emphasized that the Office will work with the relevant UW staff to frame each review prior to the start of the project. Regent Smith asked if there was student input on the audit plan. Director Gordon responded that students were involved, both through campus visits as well as through United Council.

Regent Rosenzweig asked about earlier references made regarding an on-going review of segregated fees. Ms. Gordon that the current review is not of segregated fees but rather of risk management issues associated with student organizations. Regent Rosenzweig asked whether the

Board could get a composite of campus efforts to audit segregated fee use by student organizations. Director Gordon stated that would be possible.

(4) Quarterly Status Update on UW System Office of Operations Review and Audit

Director Gordon provided a quarterly audit status update. The update lists the major projects currently being conducted, as well as any Legislative Audit Bureau audits that are underway. Ms. Gordon stated that the next report the committee will receive will be on Computer Security Policies and Procedures sometime in early 2008.

h. UW System Strategic Framework: Discussion on Operational Excellence and Other Core Strategies

Assistant Vice President Larry Rubin presented an update on the work of the Collaboration Think Tank. Mr. Rubin reported that the Think Tank identified five areas where collaboration can be enhanced, as well as individual strategies within each area. The five focus areas for collaboration are: 1) working with business and industry to enhance economic development; 2) expanding academic programming; 3) promoting global awareness and international exchanges; 4) improving student access to and preparation for college; and, 5) building stronger relationships with state government leaders.

Several members of the committee provided feedback encouraging the recognition that shared resources are critical to successful collaboration and to capitalize on regional infrastructure, such as the “New North” and “Milwaukee 7” initiatives, to think big and implement changes.

Vice President Durcan provided a summary of the Operational Excellence Think Tank noting that UW System will benefit from better leveraging existing resources, standardizing common business functions, and focusing on core competencies. Ms. Durcan briefly highlighted some of the ideas which have come forth from the More Graduates and Stronger Communities Think Tanks that will have resource implications, such as on-line education, community learning, and faculty development programs.

i. Trust Funds

(1) Approval of the Investment Policy Statement

Doug Hoerr, Director UW System Trust Funds, presented to the committee the investment policy statement that contains one change based on comments provided by Regent Connolly-Keesler at the October 2007 committee meeting dealing with the selection of investment managers.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Burmaster, Committee unanimously approved Resolution I.2.i.1.

Resolution I.2.i.1.

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the adoption of the “Investment Policy statement” presented to the Board at their meeting of December 7, 2007 and rescind Regent Policy 31-9, “Investment Objectives and Guidelines.”

j. Committee Business

(1) Approval of UW-Parkside Food Services Contract Extension

Chancellor John Keating addressed the committee about the need to approve an extension to the existing food service contract for UW-Parkside. The extension is necessary because of the on-going construction of the student union. The extension will allow the university to seek bids for food service

after the completion of the union. Chancellor Keating stated that none of the contract terms change with the extension.

Upon the motion of Regent Burmaster, and the second of Regent Connolly-Keesler, Committee unanimously approved Resolution I.2.j.1.

Resolution I.2.j.1.

That, upon the recommendation of the Chancellor of the University of Wisconsin-Parkside and the President of the University of Wisconsin System, the Board of Regents approves a one-year contract extension with Aramark to provide dining services at the University of Wisconsin-Parkside effective May 31, 2008.

(2) Approval of Educational Broadband Service (EBS) Excess Capacity Use and Royalty Agreement with Clearwire Spectrum Holdings II LLC

UW-Milwaukee Chancellor Carlos Santiago and General Counsel Patricia Brady presented to the committee a proposal to enter into a lease agreement for excess capacity in educational broadband service channels that the Board of Regents own. General Counsel Brady reported that in 2005, the Federal Communications Commission (FCC) changed its rules to require large capital expenditures to maintain the existing broadband spectrum. At the same time, Ms. Brady reported that UW System is using less of the spectrum because of the increase use of the Internet.

Ms. Brady stated that the lease, as proposed, could be for as long as 30 years and involves substantial payments, beginning with an initial payment of \$4.16 million for the first year and \$55,000 per month thereafter. Under the proposal, the Board will maintain five percent of the spectrum for its own education uses. Ms. Brady reported the agreement was negotiated in connection with the Milwaukee Area Technical College and the Milwaukee Public School System.

Regent Connolly-Keesler asked if there is a downside to the agreement. Chancellor Santiago responded that the FCC stipulated that if the channels were not fully used that they would revert back to the government by 2012. In short, something needed to be done. Chancellor Santiago reported that the intention is to use the revenues generated from the agreement for a number of purposes, including expanding the campus technology infrastructure, scholarships, and to build the campus research infrastructure.

Regent Burmaster raised the issue that the agreement fails to assist public libraries in meeting their broadband needs. A second concern raised by Regent Burmaster was how this agreement would meet the needs of underserved populations. Ms. Brady responded that she believes that the universal service line is an element of the agreement and that those leasing the broadband capacity will be making any required contribution. Regent Burmaster requested a follow up on her matters of concern.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, Committee unanimously approved Resolution I.2.j.2.

Resolution I.2.j.2.

That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves entering into an Educational Broadband Service Excess Capacity Use and Royalty Agreement with Clearwire Spectrum Holdings II LLC, which leases for a term of 30 years four channels in the Educational Broadband Service spectrum operated by the Board under a license issued by the Federal Communications Commission.

(3) Revised Pay Plan Guidelines

Associate Vice President Al Crist requested Committee approval to allow institutions the option to distribute the two percent pay plan across-the-board or in the traditional one-third splits.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, Committee unanimously approved Resolution I.2.j.3.

Resolution I.2.j.3.

Upon the recommendation of the President of the University of Wisconsin System, the Board of Regents, in order to permit greater flexibility in addressing specific institutional salary needs, revises Regent Resolution 9275 adopted on December 8, 2006 such that, if the 2007-09 pay plan is 2% in any year, the institutions have the option of distributing the pay plan across-the board for solid performance or distributing the pay plan according to the 2003-05 pay plan distribution guidelines (see attached) whereby not less than one-third of total compensation shall be distributed on the basis of merit/market and not less than one-third of the total compensation plan shall be distributed on the basis of solid performance and the remaining one-third pay plan allocation may be used to address these and other compensation needs.

k. Report of the Vice President

(1) Update on Tuition and Financial Aid Working Group

Vice President Debbie Durcan reported the results of the December 4th meeting of the Tuition and Financial Aid Advisory Group. Ms. Durcan stated that the group carefully reviewed the draft report and summarized key findings and provided descriptions of the various options considered along with pros and cons of each. Vice President Durcan stated that, depending upon the range of impact desired, the options could be implemented in a modest fashion having minor impact on current funding or in a fashion having more significant impact on funding.

Ms. Durcan noted that the group felt there would need to be a subsequent working group that would handle implementation details depending upon the direction that is picked as part of the Strategic Framework. She reported that the group came to a general consensus about the use of stratification for the base tuition level by institution type and that differential tuitions would be on top of the base level representing funding needs and concerns unique to individual institutions and their students. Base tuition was distinguished as that which supports the needs of the entire System while differential tuition comes back to each campus supporting their specific needs. Ms. Durcan also reported that the group is recommending that all differentials be reviewed by the Board of Regents every three to five years.

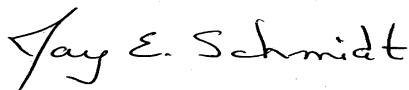
(2) Update on Fall Big 10 Business Officers Meeting

Vice President Durcan also made note of discussion topics from a recent meeting of the Big 10 Business Officers, including the competitive disadvantage by not being able to invest operating funds, that UW System's auxiliary reserve policies are similar to those established at other universities, and that UW-Madison is the only Big Ten institution without a fraud hotline.

l. Additional items, which may be presented to the Committee with its approval

No additional items were presented to the Committee.

Upon the motion of Regent Rosenzweig, and the second of Regent Shields, the Business, Finance, and Audit Committee adjourned at 3:15 p.m.



Jay E. Schmidt, Recording Secretary