

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

UW-Madison
Held in 1820 Van Hise Hall
August 21, 2008
10:00 a.m.

- President Bradley presiding -

PRESENT: Regents Bartell, Bradley, Burmaster, Connolly-Keesler, Crain, Cuene, Davis, Drew, Falbo, Loftus, Opgenorth, Pruitt, Smith, Spector, Thomas, Vásquez, Walsh, and Womack

UNABLE TO ATTEND: None

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Welcome to New UW System Leaders

Tom Anderes, UW System Senior Vice President for Administration and Fiscal Affairs

President Reilly introduced and welcomed Dr. Tom Anderes, a Racine native, who served since 2004 as Senior Vice President for Administration and Finance at Texas Tech University. Before that, he was Senior Vice Chancellor for Finance and Administration at the Oregon University System and previously held leadership and financial management positions at the Nevada System of Higher Education and the Connecticut Department of Higher Education.

Biddy Martin, UW-Madison Chancellor

President Reilly introduced and welcomed Dr. Biddy Martin, who was to take office as UW-Madison Chancellor on September 1st, succeeding Chancellor John Wiley. Dr. Martin earned her Ph.D. in German Literature at UW-Madison. For the past eight years, she served as Provost at Cornell University, before which she spent four years as Senior Associate Dean in Cornell's College of Arts and

Sciences. A Professor of German Studies and Women's Studies, she also served as Chair of Cornell's German Studies Department.

Dick Telfer, UW-Whitewater Chancellor

Welcoming Dr. Dick Telfer as the 15th Chancellor of UW-Whitewater, President Reilly noted that he also had served as Interim Chancellor for the past year. Having started his career there more than 20 years previously as a faculty member in the College of Education, Dr. Telfer also held the position of Provost at UW-Whitewater for five years.

David J. Ward, Interim Chancellor, UW-Green Bay

Welcoming Dr. David J. Ward, as Interim Chancellor of UW-Green Bay, President Reilly noted that he had been born and raised in Green Bay, where he also began his student and academic careers. His 31-year tenure with the UW System included six years as Senior Vice President for Academic Affairs in UW System Administration. He is President of NorthStar Economics, Inc., a private economic consulting and research firm.

Lane Earns, Interim Chancellor, UW-Parkside

President Reilly welcomed Dr. Lane Earns, who would become Interim Chancellor of UW-Parkside upon the retirement of Chancellor Keating. Having spent the last 21 years at UW-Oshkosh, Dr. Earns served there most recently as Provost and Vice Chancellor for Academic Affairs. The campus he will lead has the most diverse student body in the UW System and, like UW-Oshkosh, has a focus on success of first-generation college students.

Kathleen Enz Finken, Provost and Vice Chancellor of Academic Affairs, UW-La Crosse

Welcoming Kathleen Enz Finken as the new Provost and Vice Chancellor of Academic Affairs at UW-La Crosse, President Reilly reported that she previously served as the Dean of the College of Arts and Humanities at Minnesota State University, Moorhead.

ALL REGENTS DISCUSSION: 2009-11 BIENNIAL OPERATING AND CAPITAL BUDGETS

In opening remarks, Regent President Bradley noted that Chapter 36 of the *Wisconsin Statutes* assigns responsibility to the Board of Regents to determine the needs for higher education in Wisconsin. This is done through the operating and capital budget requests. The proposed budgets, he remarked, are responsive both to that statutory responsibility and to the Governor's budget directions for the coming biennium, which give priority to education and growing the state's economy.

President Reilly then summarized the process for budget review, noting that a preliminary preview of the budget proposal was presented to the Board at the June meeting. Following that meeting, each Regent was provided an opportunity to receive a briefing from System Administration budget and finance staff to provide further information and to bring forward issues and questions that Regents might have. On July 31st, the Capital Planning and Budget Committee, chaired by Regent Bartell, convened a

special meeting to provide additional opportunity to review the capital budget request. After a full discussion at today's meeting, a vote on the biennial budget request for 2009-11 would be taken the next day.

A formal operating budget request would then be submitted to the Department of Administration (DOA) in September to comply with the statutory deadline of September 15th. This request would be considered for inclusion in the Governor's Executive Budget Bill, which would likely be introduced in February 2009. The Joint Committee on Finance would begin deliberations in the spring of 2009, with Assembly and Senate deliberations to follow during the summer. After reviewing the Legislature's final budget bill and announcing any partial vetoes, the Governor would sign a 2009-11 state budget bill into law.

Turning to the proposed operating budget request, President Reilly noted that it represents a continuation of the Growth Agenda for Wisconsin, which he first introduced in February 2006. During the last state budget deliberations, the Growth Agenda received broad public and bi-partisan legislative support because initiatives were developed locally, with personal involvement of business leaders, regional economic development entities, students, community leaders, local elected officials and others.

The Growth Agenda for 2009-11, he continued, includes three strategic goals, reflecting broad consensus: Growing People, Growing Jobs, and Growing Communities. Under this framework:

- The UW System will seek to produce more baccalaureate degree holders, create more seats in classrooms, enroll more working adults, help prepare more young people for college, expand transfer opportunities, and keep college affordable for Wisconsin citizens.
- The UW System will help to create more well-paying jobs by addressing business needs, developing online accelerated and collaborative programs to meet regional objectives, and transforming research into leading-edge, knowledge-based jobs.
- The UW System will grow communities by engaging with them to connect university learning and resources directly to their priorities and by increasing access to education for all Wisconsin citizens.

The request for new initiatives in the 2009-11 budget seeks \$51 million of ongoing funding to support the Growth Agenda (\$37.5 million in additional state general purpose revenue (GPR) and \$13.4 million in fees). In the last biennium, \$40.9 million (\$27.3 million of GPR and \$13.6 million of fees) was requested to support the Growth Agenda.

In putting together this request, the President explained, ideas from chancellors and others were carefully reviewed. Recognizing the economic realities facing the state, the Growth Agenda being presented to the Board had been reduced by one-third from what was originally requested, with the intention of making the proposals as cost effective as possible.

The Growth Agenda includes plans to provide access to more than 7,000 additional students, along with other initiatives that focus on enhancing the state's workforce and stimulating economic development.

Additional state investment also will be needed for costs to continue, in order to sustain current academic operations, and to cover increased utility costs and other normal inflationary factors.

The total biennial budget request of \$124.1 million of ongoing resources (\$87.8 million of GPR and \$36.3 million of fees) is quite similar to the 2007-09 request of \$120.1 million (\$85.1 million of GPR and \$35 million of fees).

Tuition rate increases also are expected to be similar to 2007-09, when they were the lowest in six years, between 5 and 6 percent per year, except at the UW Colleges, which had no tuition increase. Noting that tuition is not being set at this meeting, President Reilly indicated that a number of variables, such as inflation on utilities, possible gubernatorial and legislative changes to the budget request, pay plan increases, and veterans remission issues will affect the actual amount of tuition, which will be set as part of next year's annual budget process. Taking that into consideration, it is estimated that the tuition increase again will be between 5 and 6 percent.

With regard to pay plan, which is addressed separately from the operating and capital budgets, the President emphasized that compensation for faculty and academic staff remains a major challenge. UW faculty salaries are about 10% lower than the average at peer institutions, and there has been considerable local and national media coverage on the challenges faced by the UW in recruiting and retaining talented faculty. The pay plan increases in this biennium of 2% in July 2007, 1% in July 2008, and 2% to come in June 2009 have not helped to close the gap.

After Regent approval, a pay plan request for the UW System is submitted to the Office of State Employment (OSER) in December. That office will consider the UW's request and forward its recommendation to the Legislature's Joint Committee on Employment Relations (JCOER). That committee either approves the recommended pay plan, with the UW's request being part of a larger proposal for state employees, or sends it back to OSER for modifications. Both houses of the Legislature and Governor then must approve a new state pay plan before it can take effect.

As to other agency budget proposals affecting university interests, President Reilly noted that the Board of Regents, at its June 2008 meeting, passed a resolution requesting that the Higher Education Aids Board's 2009-11 budget include a request for additional state support for veterans' tuition remissions.

In addition, the new federal Webb GI Bill, which is to take effect in August 2009, will benefit post-9/11 veterans. While it appears that the federal benefits will hold down state costs, they will not have an impact in the 2008-09 academic year. Stating that the UW System remains committed to helping Wisconsin veterans through the Wisconsin GI Bill, the President noted that many of them served prior to September 11, 2001. The differences between the federal and state programs were being studied to see if legislative changes might be recommended in order to make maximum use of the federal program.

Turning to financial aid, he noted that, at its June meeting, the Board also passed a resolution asking that the Higher Education Aids Board (HEAB) request additional state support to increase financial aid for UW System students by at least the same dollar amount as the dollar increase in resident undergraduate tuition, thereby granting a dollar-for-dollar hold harmless increase to eligible UW students in order to preserve access for all students, regardless of their financial situation.

At its August meeting, HEAB approved inclusion of the requests for financial aid and veterans' remissions funding in its budget request to the state. It is hoped that both requests will be fully funded by the Governor and Legislature.

During the 2007-09 biennium, the UW System absorbed \$50 million in lapses -- \$25 million each from the biennial budget bill and the budget repair bill. The 2007-09 budget also called for another \$25 million in lapses in 2009-11, for a total of \$75 million over two biennia.

The Governor's priorities, however, include access to higher education for all Wisconsin citizens and implementation of initiatives that support high-skill/high-wage employment. His 2009-11 budget directives asked that state agencies not submit requests for increased general purpose revenues (GPR). However, recognizing the UW System's role as a major engine of economic growth in the state, the budget instructions included a specific exemption allowing the UW System to submit initiatives for instruction and research activities focused on economic growth -- aligning well with the Growth Agenda for Wisconsin. President Reilly and Regent President Bradley had talked with the Governor and key legislative leaders on what the UW System would propose in its budget request.

Finally, the operating budget request included \$70.2 million in program revenue authority, including gift and trust funds, room and dining charges, parking, and segregated fees. Actual rates and fee levels would be set in the annual budget next summer.

President Reilly then called on Associate Vice President Freda Harris to highlight major provisions of the proposed budget request.

Ms. Harris began her remarks by noting that the budget request consisted of five parts: New initiatives, cost to continue, program revenue requests, statutory language change requests, and performance measures. The Governor's budget instructions, in addition to allowing the UW to submit initiatives focused on economic growth, allowed requests for new GPR funding for cost to continue items, which are negotiated with the Department of Administration.

The budget instructions also required state agencies, including the UW System, to prepare a plan for a 10% base reduction, which would be due in November. The UW's plan would be based on 10% of its administrative activities, similar to reports often required in the past.

New initiatives in the budget are based on the Growth Agenda for Wisconsin and incorporate the Action Steps developed earlier in the year. The institutional initiatives were placed into categories tied to the goals of Growing Baccalaureate Degrees, Jobs, and Communities.

Initiatives proposed by the UW Colleges and UW-Extension, UW-Green Bay, UW-La Crosse, UW-Oshkosh, UW-Parkside, UW-Superior, and UW-Whitewater are targeted towards increasing access and baccalaureate degrees. Access would be provided to approximately 5,900 additional students, 4,500 of those online, and graduation rates would be increased through improved retention. When combined with the initiatives to grow jobs, access would be provided for more than 7,000 additional students.

Initiatives at UW-Madison, UW-Milwaukee, UW-Platteville, UW-Stevens Point and UW-Stout focus primarily on growing jobs through improved graduate education, increased external funding, establishment of new schools, research targeted towards the knowledge-based economy, expansion of collaborative engineering programs, and access for more than 1,200 additional students.

UW-Eau Claire and UW-Platteville developed initiatives focused on growing the community by addressing the state's need for additional applied behavior analysts to help people with autism and other developmental disabilities and by developing a portal to match scholarly resources with civic, non-profit, business, and community needs.

New initiative requests total \$51 million, including \$13.4 million to grow the number of baccalaureate degrees, \$20.1 million for growing jobs, \$1.5 million for growing communities, \$10 million to continue efforts to recruit and retain faculty and research and instructional staff in areas out of alignment with the market and to retain staff being sought by other institutions, and \$6 million for increasing library resources throughout the system.

The second component of the budget request is cost-to-continue funding to maintain current operations. The total request is \$73.1 million in ongoing GPR/Fee funding, components of which are: \$24.4 million for full funding of the June 2008 pay plan increase of two percent; \$19.2 million for funding of fringe benefit rate increases, due primarily to the increasing cost of health insurance; \$10.6 million for the GPR/Fee cost of utilities associated with new space due to come online in 2009-11; \$6.4 million to cover classified employee pay increases above the general wage adjustment in the Joint Committee on Employment Relations approved pay plan for 2007-09; and \$5.1 million for maintenance and custodial support for new facilities that will come online in 2009-11.

The third budget component consists of increases to the authorized level for program revenue operations, including \$27.4 million for anticipated increases in gift funds, \$23 million for anticipated increases in auxiliary operations, \$18.6 million for UW-Madison Intercollegiate athletics, and \$1.2 million for trust funds. The total ongoing program revenue increase amounts to \$70.2 million.

The fourth component of the budget is statutory language change requests, with the proposed budget including eight recommended statutory language changes and three requested technical changes. Seven of the requests had been previously submitted by the Board. The four new requests are: A request to eliminate the \$12,000 statutory cap on dual employment with another state agency; a request to eliminate reports on excess expenditures for auxiliaries and operating receipts; a request to move the threshold for reporting major expenditures to the same level as the major capital expenditures level; and a request to allow the UW to increase use of minority businesses.

The final component of the budget would consist of performance measures, with the UW System having four performance measures that must be reported to the state as part of the biennial budget request: Enrollment plans, retention to the second year, graduation rate within six years of matriculation, and contribution to the state's economy.

Noting that these four measures are cornerstones of the Growth Agenda for Wisconsin, Ms. Harris reported that the UW has been developing new accountability measures to better reflect the goals of the Growth Agenda. The goals used in the performance measures had already been exceeded in some cases and it was considered important to take some time to review those goals to ensure that they fit with the new approach to the Achieving Excellence Accountability Report and the Growth Agenda. They would be brought back to the Board in October for discussion and review.

In conclusion, Ms. Harris indicated that the UW System budget also would include requests from the State Lab of Hygiene, the Veterinary Diagnostic Lab and the Wisconsin Environmental Education Board, which would be added after approval by the boards of those entities.

In discussion following the presentation, Regent Falbo questioned approving the budget request without the updated performance goals.

Noting that the goals were set six years previously and that three of them have since been exceeded, President Reilly indicated that it would be important to consider how much higher to set them at this time. The plan would be to bring them to the Board in October for approval, after which they

would be submitted to the state. This would be timely in terms of development of the Governor's budget.

In response to a question by Regent Falbo, Ms. Harris indicated that \$36 million had been received in 2007-09 for the Growth Agenda and that more than \$79 million was provided for cost-to-continue items.

Replying to a question by Regent Loftus about veterans' tuition remissions, Ms. Harris said that the impact of federal legislation was not included in the estimate because of the need for further analysis.

Regent Loftus asked if it was known how many UW student veterans served before September 11, 2001; and Ms. Harris indicated that work was under way with the Department of Veterans Affairs to make that calculation.

Regent Loftus inquired about the disposition of \$664,000 of funds that UW-La Crosse had wanted to use for financial aid. Ms. Harris replied that \$439,000 of that amount was being used to advance the Growth Agenda, and Chancellor Gow added that legislative approval to use the funding for financial aid had not been obtained in the last session.

In response to a question by Regent Loftus about why the Growth Agenda funding was requested in the second year of the biennium, Ms. Harris explained that the attempt was to balance the two years, with most of the cost-to-continue funding requested for the first year. Tuition increases would also be about the same in each year. In addition, she noted that time would be needed to hire faculty and staff for Growth Agenda initiatives once the budget was approved.

Replying to questions by Regent Walsh, Ms. Harris indicated that the \$19.2 million increase in fringe benefit rates resulted mostly from health insurance increases and that the figures indicated for auxiliary operations, gift funds, and UW-Madison intercollegiate athletics were based on best estimates.

Regent Burmaster asked if the tuition increase would be lowered if state and federal funding for veteran's tuition benefits were increased, to which President Reilly replied that it would be necessary to analyze the impact of the new federal legislation in order to determine what effect it might have.

Regent Crain expressed her appreciation for the budget briefing and other information she had received that increased her understanding of the research infrastructure and other areas.

Regent Pruitt pointed out that the requested cost-to-continue increase was \$6.1 million less than the current biennium, and Ms. Harris explained that the fringe benefit and utility increases had been higher in 2007-09.

In response to a question by Regent Spector, Ms. Harris indicated that the amount of expected gift funds was based on historical trends. While these funds are part of the budget in a technical sense, they can be received and spent without approval by the state. On the other hand, athletic funds require approval.

President Reilly added that including such funds in the budget makes the UW's finances more transparent.

Replying to a question by Regent Loftus, UW-Oshkosh Chancellor Rick Wells explained that the institution currently has the highest number of credits to degree in the System, including two five-year programs. That number would be reduced, which also would affect graduation rates. In that regard, the

national College Portrait would be helpful in showing graduation of students who transfer to and from other universities.

Regent Loftus commended Chancellor Wiley and UW-Madison on improving time to degree to 4.1 years.

Noting that credits to degree are set by faculty, President Reilly explained that the System had the goal of decreasing credits to degree without harming educational quality. The goal was to keep costs down and open up spaces for more students, and progress in that regard has been great, as evidenced by a system-wide reduction from 145 to 134 credits to degree. The focus was placed on credits, rather than time to degree, since the latter measure includes more variables.

Regent Loftus inquired about cost for taking excess credits, and Ms. Harris replied that there is an increased cost for credits that exceed 165 or 30 more than degree requirements.

Commending President Reilly, Ms. Harris and their colleagues for the budget that had been presented, Regent Bartell noted that the upcoming biennium would be challenging, given the many economic uncertainties ahead. Under such circumstances, he remarked, it would have been easy to project a higher tuition increase. He considered the proposed budget to be responsible and was pleased to see continuation of the Growth Agenda, including service to 7,000 additional students – many of them online, enhanced connections to business partners, and creative campus proposals.

Referring to funding requested for faculty and staff recruitment and retention, Regent Drew noted that the UW System is 10% behind its peers in pay – a gap that would narrow slightly to 9.4% with the pay plan increase. Lack of competitive pay is an issue that is raised often on campus, he remarked, asking about the plan for dealing with this problem.

President Reilly indicated that an analysis was being done to identify the greatest gaps, by discipline, and that the Board would discuss the matter further in November, before acting on a pay plan proposal at the December meeting. Noting the importance of a competitive compensation package, he predicted that competition would become even more intense as more baby boomers retire.

Turning to the capital budget request, President Reilly indicated that the proposed budget accomplished several goals based upon anticipated general fund support from the state:

- The system budget request prioritized institutional requests over the next three biennia.
- It sought to establish manageable expectations for timing of projects to be recommended for state funding.
- The enumerated capital projects would all be designed to maximize sustainability and energy efficiency, thereby providing long-term savings.

The proposed capital budget did not simply forward institutional requests; instead, through a process of careful review and consultation with chancellors and others, the number of projects requested for state funding was cut in half. While UW institutions had requested approximately 60 major projects supported by general fund borrowing, totaling about \$1.3 billion between 2009-11 and 2013-15, the proposed six-year system plan anticipated funding 30 projects totaling \$773 million in order to make the request as cost effective as possible.

The capital budget request for 2009-11 would seek new general fund supported borrowing (GFSB) for 12 major projects totaling \$139.7 million and would include \$24 million of program revenue supported borrowing (PRSB). Also requested was enumeration of 26 projects funded by non-state sources (\$257 million in PRSB and \$88.9 million in gift/grant funds) and \$97.4 million of GFSB previously enumerated in 2007-09 for three projects for which funds would become available in 2009. Those projects would include PRSB of \$27.8 million.

The request would include \$130 million in state-funded borrowing for the UW's share of the state's all-agency fund for maintenance, repair, and renovation. Funding of \$25 million of PRSB would augment state-funded borrowing in all-agency funds.

Also included in the request would be advance enumeration of three new major projects totaling \$233 million of combined GFSB, gift and grant funds, and PRSB. Finally, there were existing enumerations in place from 2007-09 of \$78.6 million of GFSB and PRSB.

Altogether, nearly two-thirds of funding for the requested projects would be derived from non-general fund revenues, with program revenues and gift and grant funds making up most of the request and GFSB making up just 37% of the request for new major projects.

In conclusion, President Reilly pointed out that the capital budget is an area where decisions could have an immediate positive impact on Wisconsin's economy. Using a standard economic multiplier, the total proposal would translate into a \$1.7 billion economic impact statewide, and more than 20,000 jobs in Wisconsin.

The President then called on Associate Vice President David Miller to highlight major provisions of the proposed capital budget.

Mr. Miller began his remarks by pointing out that most university buildings, constructed in the 1960's and 1970's, were becoming obsolete and in need of significant renovation or replacement. Many were built inexpensively for a 30 to 40-year life span and in a manner which did not lend itself to renovation.

Turning to a chart on total state supported borrowing for all construction over the last four biennia, he noted that the amount of bonding authorized for capital projects had declined from \$445 million in 2001-03 to \$393 million in 2007-09. If the 2001-03 amount had kept pace with construction inflation, the equivalent amount would be \$605 million in 2009. While the amount allocated for UW major projects increased from \$150 million in 2005-07 to \$218 million in 2007-09, the all-agency maintenance fund was reduced by \$75 million because the overall amount of state borrowing declined.

The UW's capital budget request was built on a target of \$512 million in total state borrowing – a significant increase over 2007, but less than the inflation-related amount. The request would be for \$237 million in borrowing for major projects of which \$140 million would be new borrowing and \$97 million already enumerated for release in 2009.

Stating that long-range planning is the backbone of capital budget prioritization, Mr. Miller reported that the System office received \$550 million of funding requests for new state bonding for 2009-11 alone. Of that amount, the capital budget recommended \$140 million in 2009-11 and \$155 million in 2011-13 for the highest priorities, with institutional priority rank as a key criterion in making that determination.

The projects in the budget request would impact only about 2.1% of the 56.5 million square feet of space owned and operated by the UW System, about the equivalent of a half bath in an average home.

In terms of practical impact, Mr. Miller explained that the request would result in a one-time base increase in debt service support of about \$28.8 million on 20-year bonds. Program revenue bonds of \$24.5 million would receive no state support, as program revenue operations would pay the debt service. Finally, \$89 million in cash contributions to major projects in the budget would save the state and university \$7 million annually or \$140 million over 20 years.

Noting that the state and university can take pride in projects that have been built, Mr. Miller cited as two recent examples of award-winning buildings: the UW-River Falls Student Union, which demonstrated how architecture could breathe life into a campus; and the UW Madison Microbial Sciences Building, which provided an example of architecture fostering leading-edge academic collaborations.

The budget proposal also contained \$10 million in funding to continue a successful classroom improvement program. Of the UW's 1,600 general assignment classrooms, 34% need technology improvements and 36% need remodeling. Since the program began in 1995, 461 classrooms have been upgraded, reducing the percentage without core technology from 81% to 30%.

Turning to the request for maintenance, repair, and renovation, Mr. Miller pointed out that the UW System faced a growing backlog that must be addressed. In that regard, he noted that, in 2003, about 70% of the institutions' priority requests were funded, while this biennium only 22% would be funded. While more than \$200 million would be needed in 2009-11 to make any reduction in the backlog of deferred maintenance, the budget would request \$130 million to address the most critical needs.

In conclusion, Mr. Miller remarked that the budget would request an aggressive, but responsible and reasonable amount of state support and provide a framework for the UW System's six-year plan. The most critical challenges going forward would be dealing with the very expensive and yet undetermined cost of heating plant infrastructure and finding ways to meet campus needs at a faster pace than anticipated by current planning.

President Reilly expressed his gratitude to Ms. Harris, Mr. Miller, their staffs and campus colleagues for their hard work in developing the budget requests. Noting that the current state process for capital projects was not working well, he expressed the need to work with the state to construct a process that better meets building needs and he thanked Regent Bartell for his leadership in that area.

In discussion following the presentation, Regent Smith inquired about the role of gift funds in the priority-setting process. Mr. Miller replied that, while there currently was not a specific requirement for gift funding, a significant portion of gift money is an important factor in the establishing priorities and that discussion of the matter would continue.

Regent Bartell, chair of the Capital Planning and Funding Committee, added that it is necessary to address the issue of worthy projects that are not funded because of bonding and process limitations. At a special meeting on July 31st, the committee heard helpful input from chancellors and others; and he thanked the chancellors and campuses for their assistance in constructing the capital budget.

Regent Loftus inquired about proposed projects that would include segregated fee funding. Mr. Miller indicated that the UW-Platteville Williams Field House project would include an annual \$70

segregated fee increase. In addition, projects at three other campuses would go through the student approval process this year and come to the Board after that as supplemental capital budget requests.

Regent Loftus remarked that it is helpful to set forth the fee impact of projects and asked if there is a prohibition against use of fees for maintenance. Mr. Miller explained that segregated fees cannot be used for maintenance of space constructed with GPR funds. However, an exception was made for health services space at UW-Madison; and, if a building was constructed with segregated fees, they could be used for maintenance as well.

Regent Crain asked if the process was seen as broken by others outside of the university.

Replying that the university is impacted more than others, Regent Bartell explained that that statutory procedures and rules are not consistent with modern construction techniques. Because it can take a decade to construct a building, cost estimates become outdated and new approvals are needed; and the process for contracting needs to be revised. The Governor, Legislature, Department of Administration and Building Commission should all be involved, he said, in making the needed changes.

Mr. Miller added that the Building Commission was aware of the need for improvements and has used a waiver process for a number of projects.

President Reilly pointed out that that the problem is exacerbated by the large number of buildings constructed in the 1960's and 70's that soon would need renovation or replacement. In addition, he noted that those who give significant gifts for building projects do not want to wait for years to see construction move forward.

Indicating that statutory changes would be needed, Mr. Miller explained that the current process requires project costs to be projected before enough information is available to make accurate estimates. Those estimates then must be approved as budget increases.

Given the great need for capital projects and lack of adequate funding mechanisms, Regent Walsh remarked that difficulties would continue going forward and noted that the comprehensive universities could not be expected to fully finance projects with gift funds.

The discussion concluded and the meeting was adjourned at 11:56 a.m., upon motion by Regent Davis, seconded by Regent Vasquez.

Submitted by:

Judith A. Temby, Secretary