

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in the Union, Wisconsin Room
UW-Milwaukee
Milwaukee, Wisconsin

Thursday, June 10, 2010
9:00 a.m.

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- President Pruitt presiding -

PRESENT: Regents Jeffrey Bartell, Mark Bradley, Judith Crain, Danae Davis, John Drew, Anthony Evers, Michael Falbo, Thomas Loftus, Edmund Manydeeds, Charles Pruitt, Jessica Schwalenberg, Michael Spector, José Vásquez, David Walsh, Aaron Wingad, and Betty Womack

UNABLE TO ATTEND: Regent Stan Davis

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PRESIDENT'S GREETING

President Pruitt began the meeting by welcoming the Board of Regents' newest member, student Regent Jessica Schwalenberg. Jessica is replacing Kevin Opgenorth as the nontraditional student on the Board. Jessica has just completed her Associate's Degree with Honors at UW-Waukesha, and she plans to attend UW-Milwaukee in the fall to continue her coursework for her psychology major. Jessica held several leadership positions on the Waukesha campus, including student ambassador, orientation leader, pre-college mentor, and tutor. She also served as President of the Ecology Club and Secretary for the UW-Waukesha chapter of Phi Theta Kappa.

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UW-MILWAUKEE PRESENTATION: PROGRESS, PERCEPTIONS AND PRESIDENTS: TAKING THE INITIATIVE AT UW-MILWAUKEE

President Pruitt then introduced Chancellor Carlos Santiago, to make a presentation about UW-Milwaukee, the host campus for the Board meeting. The Chancellor began by saying that he would talk about progress during his six years at UW-Milwaukee; would invite representatives of market-research firm Lipman Hearne to discuss the perspectives of campus

constituent groups; and then would invite two former Board of Regents Presidents to speak about their perspectives on higher education.

Progress

Research expenditures are an important measure of progress, the Chancellor said. Significant progress has been made; by the end of the fiscal year, it is expected that the campus will surpass \$60 million in research expenditures.

Enrollment has grown at a rapid rate since 2000, with 6,502 additional students, or a 27 percent growth in students, without additional land or space. Enrollment growth is at the forefront at UW-Milwaukee.

Online learning at UW-Milwaukee is the fastest-growing segment of the university's pedagogy. For example, a full general education curriculum is now online.

Diversity is part of UW-Milwaukee's access mission. The percentage of students of color has increased. The Chancellor's goal is no less than 20 percent students of color in the freshman class; the university is currently at 18 percent, even while the size of the class has remained relatively constant.

Retention rates have improved from 69 to 73 percent. More work is needed on retention and graduation rates, but gains have already been realized.

The doctoral program array has increased from 19 programs to 29. The number of doctoral students graduating from UW-Milwaukee has doubled. Doctoral growth has been significant compared to other research universities.

As the campus has become more of a residential campus, a need for more student spaces has been realized. Citing recent residential-building growth, Chancellor Santiago said that residential facilities are hugely important for increasing retention, graduation, and involvement of students into the university.

The Chancellor also highlighted upcoming capital projects which will allow for expanded initiatives, such as the School of Freshwater Sciences, Kenwood Integrated Research Building, Columbia St. Mary's Hospital campus, and the Neeskay Research Vessel replacement. He expressed appreciation for the Regents' role in supporting the six-part, \$240 million UW-Milwaukee Initiative.

In sum, Chancellor Santiago said that the university, with the support of faculty, staff, and students, has made significant progress toward making UW-Milwaukee a premier research university.

Perceptions

Tom Luljak, Vice Chancellor for Public Relations, then reported on a rigorous market analysis of the university's standing in the community. The research also served as a foundation for UW-Milwaukee's "Something Great in Mind" branding campaign. The campaign has showcased the fine work of faculty and student researchers.

Mr. Luljak introduced Donna Van de Water and Tom Abrahamson from the Lipman Hearne marketing firm. Dr. Van de Water and Mr. Abrahamson reported on the results of recent market research. Through focus groups with high school guidance counselors, parents of college-bound high school seniors, representatives from Milwaukee businesses and community leaders, findings indicated that awareness remained high. Significant improvement was realized in public and campus perceptions of UWM in such areas as the quality of faculty research and undergraduate education, the diversity of the university, and the university's contributions to the community.

In further remarks, Mr. Abrahamson discussed prospective students' concerns and selection criteria. Among other things, he noted that a climate of respect and inclusion was ranked highly as a value, along with money matters, among prospective UW-Milwaukee students' selection criteria.

Looking ahead to the next ten years, numbers of traditional students are not expected to grow; therefore, many institutions are looking to broader geographic recruitment, adult students, online students, and graduate students to increase enrollments. UW-Milwaukee is well positioned to serve these latter groups, Mr. Abrahamson said.

Vice Chancellor Luljak described next steps to be taken with the financial support of the UWM Foundation, including: (1) developing a marketing campaign; (2) focusing messaging on the results of academic research; (3) engaging alumni in communicating about the university; and (4) highlighting UW-Milwaukee's involvement in the community.

Presidents

Chancellor Santiago then introduced two former Board of Regents presidents, Michael W. Grebe, who was Board president from 1994-96 and is current president and CEO of the Bradley Foundation; and Sheldon B. Lubar, who was Board president from 1996-98 and is founder and chairman of Lubar and Company. The UW-Milwaukee School of Business is named after Mr. Lubar. Both are exceptional supporters of the university.

Mr. Grebe spoke from the perspective of the Milwaukee metropolitan area donor community. The Bradley Foundation is the largest private foundation in the state and is celebrating its 25th anniversary. The Foundation supports institutions which comprise a strong civil society, such as colleges and universities, including UW-Milwaukee. For years most of the foundation's support was focused on private institutions. In a time of dwindling public resources, the foundation's focus has changed; the foundation's support for UW-Milwaukee has increased significantly. Part of the reason for this is that UW-Milwaukee has become an

increasingly important part of the community and a catalyst for economic development. That opinion is shared broadly in the donor community, both by foundations and by individual donors. The university has moved forward rapidly, thanks to strong leadership in the community. Also, Chancellor Santiago and others from the university are very involved in the community. In sum, Mr. Grebe said donors are happy to have the university in Milwaukee.

Mr. Lubar spoke next, first recalling his and Mr. Grebe's retirement from the Board of Regents 12 years before. Mr. Lubar spoke about the failure and serious problems of the Milwaukee Public School System. For the state to succeed, its largest metropolitan area must succeed. However, all is not lost, he said. Milwaukee business is expecting to hire at a solid pace during the rest of the year, according to a recent survey.

One of Milwaukee businesses' most difficult problems is finding qualified employees. As a banker and businessman in Milwaukee for more than 50 years, Mr. Lubar said that the path to success starts with education. UW-Milwaukee is the largest institution in the southeastern part of the state; through its educational programs and development efforts, it is a logical venue for the citizens of the area to acquire advanced education – and it can impact the Milwaukee Public School (MPS) system. More resources from the UW System are needed to be an engine for bringing the economy of the city and the state back. More money, more faculty, and more programs will lead to more engineers, business school graduates, and productive citizens. Milwaukee's success will be the state's success. Mr. Lubar asked Board members to carry this message to the Governor, legislature, and university officials.

Regent Loftus commented on the impressive story about UW-Milwaukee and the great progress that has been made. Regent Loftus asked for further explanation of the concentration on the freshman class. Chancellor Santiago said that low retention and graduation rates were largely due to low retention rates among freshmen. He has taken the position that students who are admitted should be given the tools to succeed. More residence halls, more attention, and more remediation are helpful, as are relationships with the two-year colleges.

Regent Falbo asked Chancellor Santiago to speak to Mr. Lubar's challenge to the university to help improve K-12 education in Milwaukee. The chancellor said that improvements in K-12 education are hugely important. UWM has provided teachers, has its own charter schools, and is part of the solution to the K-12 issues; however, one institution alone cannot solve the problems, and partnerships are important.

Regent Danae Davis agreed with the chancellor's assessment, but commented that UWM is going to need to be a bigger player. She observed that the Milwaukee Partnership Academy has waned in its effectiveness. Secondly, teacher preparation presents a big opportunity with respect to leadership of the College of Education. Both are opportunities to "step up." Regent Davis also asked about enrollment growth at UWM, and how it can or should be sustained, and also about third-year attention.

In response, Chancellor Santiago said that the Milwaukee Partnership Academy has two layers: (1) the Chancellor, Mayor, and other leaders; and (2) faculty and teachers interacting with MPS teachers. The latter has worked well; but the higher-level discussion did not tackle the

issue. Eventually, the Chancellor suggested that the leadership group meet only when the group had business to conduct; it has not met in two years.

Regarding enrollment, the Chancellor said that the current growth rate cannot continue. Increasing diversity was important; the university is increasingly a transfer campus; and graduate school enrollment has been rising, as well. Now UWM is graduating 5,000 students each year. He said if the university continues to grow and cannot sustain the growth with quality, then the university should not grow. The Lipman Hearne study showed that students increasingly perceive the faculty as caring about them, which is a huge indicator of quality.

Regent Drew acknowledged Mr. Lubar's comments and suggested that Chancellor Santiago and Dr. Thornton give a report next year on the collaboration between UWM and MPS. The chancellor said that he had just recently met Dr. Thornton, and he would be happy to provide this report next year.

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APPROVAL OF UW SYSTEM 2010 ANNUAL OPERATING BUDGET

Thanking Chancellor Santiago for UW-Milwaukee's presentation, President Pruitt said that he believes that the University of Wisconsin System is one of the best university systems in the country, and the governing Board is one of the best, as well.

Timeline

To begin the discussion of the annual operating budget, President Pruitt reviewed the timeline for the integrated budget planning process. The process began in February; in April the Board focused on the "More Graduates" goals; and in May Ellen Chaffee facilitated a brainstorming session on strategic financing. President Pruitt then reviewed the day's agenda, with its focus on the 2010-11 annual budget; components of the next biennial budget, including Research to Jobs; and action on the Board's recommendation to the Higher Educational Aids Board (HEAB) for funding the Wisconsin Higher Education Grant (WHEG) financial aid program for the next two-year budget cycle.

Introduction

President Pruitt called upon President Reilly to begin the discussion of the 2010-11 annual operating budget, the budget for the second year of the state's 2009-11 biennial budget. President Reilly began by noting that the 2009-11 biennial budget was developed and approved in the middle of a pervasive financial downturn. Over the two-year period from July 2009 through June 2011 the UW System was required to cut about \$161 million from its operating revenue, including \$120.5 million from GPR; \$17.6 million from other non-federal, non-gift program revenues; and \$23.2 million from auxiliary reserves. In addition, the state budget required all UW System faculty and academic staff members to take 16 days of unpaid furlough over two years. Equal to more than a three-percent pay loss, this added \$40 million in GPR and \$16 million in program revenue cuts. Total reductions were more than \$255 million over two

years, which meant that UW leaders had to find new ways to cut costs and increase efficiency, while preserving quality.

In recent years, tuition increases have been relatively modest and very predictable, President Reilly continued. Annual increases at four-year campuses have been held to 5.5 percent, a smaller rate of growth than most of the UW's peer colleges and universities. Emphasizing predictability, President Reilly recommended that the board approve another 5.5 percent increase for resident undergraduate students and, for the fourth consecutive year, freeze tuition at UW Colleges. As a result:

- UW-Madison tuition would remain second lowest in the Big 10;
- UW-Milwaukee tuition would rank 12th out of 15 peer universities;
- average tuition at UW System's 11 four-year comprehensive universities would rank 30th among tuition at 35 comparable regional universities; and
- tuition at the UW Colleges would be nearly identical to tuition at Wisconsin Technical Colleges that offer comparable liberal arts transfer programs.

Under this proposal, tuition for nonresident undergraduate students and resident graduate students would increase by the same dollar amount as resident undergraduate students, which is consistent with previous actions of the Board.

Other costs for students, including segregated fees, meal plans, and room rates, have been held down, President Reilly indicated. Chief business officers and their student affairs counterparts will be asked to work with System staff on a strategic approach to fee increases, with a goal of producing reasonable, predictable fee increases that mirror the approach to tuition.

President Reilly reminded Board members of the context for the recommended tuition and fee rates. For example, the System has avoided double-digit tuition increases or massive reductions in enrollments. Also, for the second year in a row, students whose family income is at or below the state median income of \$60,000 will be "held harmless" from tuition increases, if they have documented need.

The state's biennial budget preserved funding for the Wisconsin Higher Education Grant (WHEG-UW) program, and state funding for WHEG will increase by \$3.3 million next year. It is hoped that the federal government will also provide some additional aid. The maximum award for Pell Grant recipients is scheduled to increase by \$200, up to \$5,550, and new eligibility rules mean that more UW students will qualify for Pell Grants next year. However, Congress must act to address a significant funding shortfall in the program.

New private investments are also offering additional aid, President Reilly continued. Nearly 2,000 UW students received \$3.4 million in new need-based assistance from the Fund for Wisconsin Scholars, created by John and Tasha Morgridge during the 2008-09 academic year. A second cohort of students in the 2009-10 academic year received \$4.27 million in Fund for Wisconsin Scholars assistance, and a third cohort of students will enroll at UW schools this fall with aid from the Fund for Wisconsin Scholars. President Reilly suggested that it is important to do a better job of explaining to students and their parents the "net price" of a college education.

Budget Considerations

President Reilly then turned to Associate Vice President Freda Harris to discuss an overview of the 2010-11 annual budget, including: changes in the annual budget, tuition policies and practices, changes in auxiliary services, and tuition and fees.

Beginning with overall budget changes, Ms. Harris noted that the university's budget will increase by \$839 million from 2009-10 to 2010-11, more than is typical, because all UW campuses are now required to participate in federal direct student loans, which add \$680 million to the budget. These funds otherwise would have flowed through banks. In other changes, General Purpose Revenue (GPR) funds are increasing by \$39.5 million, a 3.5 percent increase; and tuition and fee amounts are increasing by \$60 million, or a 5.7 percent increase.

Referring to slides, Ms. Harris said that the budget totals \$2.2 billion, with \$8.2 million added for the Wisconsin Institutes for Discovery; \$6.4 million for Tuition Increase Grants for students with families with incomes of less than \$60,000; \$5 million for the recruitment and retention fund; and nearly \$9 million related to utilities and debt service. Also, some one-time funding is being taken from the budget.

Not all potential costs are included in the budget. For example, a required state lapse will be assigned later by the state Department of Administration. Significant increases in health insurance and retirement costs could result in a budget shortfall.

With regard to tuition policies, the Board has directed that the quality, ability to pay, and access are to be balanced through tuition and financial aid; increases are to be moderate and predictable and made with regard to quality; and financial aid support should be maximized. Also, it is assumed that general tuition revenues would be funded 65 percent through state funding and 35 percent through tuition. Tuition increases are needed in 2010-11 to offset the \$35 million ongoing general budget added to the 2009-11 biennial budget.

In 2007-08, increases in tuition were 6.8 percent at most UW institutions and 7.3 percent at the UW Colleges. Since then, 5.5 percent increases have been in place the last four years; UW Colleges have had a freeze on tuition for the last four years.

Compared to peers, UW-Madison's tuition has been the second lowest, after tuition increases, among the Big Ten peers; UW-Madison, UW-Milwaukee and the comprehensive institutions' tuition are all below their peer averages.

Associate Vice President Harris described efforts to improve affordability, such as \$3.3 million in WHEG funding; the tuition increase grant for families with under \$60,000; an expected increase in the Pell Grant maximum by \$200; financial aid included in UW-Madison and UW-Milwaukee's differential tuition; and increases in private institutional aid.

Regarding auxiliary services, fee increases average 5.7 percent. Fee increases will be used for student initiatives, contracts with vendors, student services, new buildings, and facility maintenance.

Addressing segregated fees, Ms. Harris noted that segregated fees are used for such services as health services, recreational sports, athletics, and parking. The lowest fees are at UW-Stout, and the highest are at UW-Green Bay.

Room and board vary among campuses, ranging from \$5,208 at UW-Platteville to \$7,425 at UW-Madison, with an average of \$5,849. Increases average \$218, or 3.8 percent.

Overall, the average cost increase for an undergraduate student who is living on campus, taking a meal plan, and not eligible to be held harmless from the increase is \$631. This would be the case for about 25 percent of students. Regent Bradley asked a follow-up question about the effect of the increases on students; Ms. Harris referred him to the consolidated tuition and fees table on page A-2 in the meeting materials. About 38,000 students would receive either the WHEG award or a hold-harmless award; the Pell Grant would be available to students, as well.

Regent Drew asked about the 28 percent increase in the “other” portion of the budget. Ms. Harris said that this is due to a requirement that the campuses provide federal direct student loans, which previously would have been handled through banks. It does not provide new resources, but is reflected as an increase in the budget. Following up on this, Regent Vásquez asked if administrative costs for managing the loans are covered; Ms. Harris said they are not.

Regent Loftus asked about the UW Colleges freeze and said that when tuition is frozen, there is a shift in resources that occurs to cover the Colleges’ cost. Associate Vice President Harris said that about \$8.00 of the tuition increase would be paid by students at other institutions. Regent Loftus noted that the System seems to be directing students into the Colleges, even though data show a relatively low likelihood of success in terms of those students’ earning baccalaureate or associate degrees. He also asked whether part of the reason for the freeze is to compete with the technical colleges. Ms. Harris said that associate degrees are not necessarily the goal of students who attend the UW Colleges. Also, some students move in and out of the Colleges.

Chancellor David Wilson, also responding to Regent Loftus’s question, commented that the most recent accountability data show that six years out, 84 percent of students who start at the UW Colleges either have an associate degree, have a bachelor’s degree, or are still enrolled in a college or university. In addition, the UW Colleges have a slightly different role than other institutions and will work with students to get them to where they need to be to achieve success.

Regent Vásquez expressed concern about the UW Colleges tuition freeze and asked how long this can be sustained. He asked what is being sacrificed at the Colleges; and if an increase is eventually introduced, will it be significantly higher in order to catch up for the years during the freeze. President Reilly said that this has been a year-by-year decision; catch-up will not be needed because the cost has been subsidized; and as a System, a goal is to provide students and parents more choices, including the UW Colleges option. Regarding graduation rates, President Reilly reiterated that it is important to look at how many are still enrolled after a period of years.

Regent Falbo recalled that the reason for freezing the UW Colleges tuition was to make the Colleges more competitive for the group of students that they serve. Maybe at some point

they should be unbundled from the comprehensives and research institutions to determine what tuition rates would be without subsidies. It is probably time to look at this next time around, he suggested.

Regent Danae Davis asked about retirement costs and also about UW-Madison's and UW-Eau Claire's differential tuition, and how UW-La Crosse is different. Ms. Harris said that the added retirement costs were not anticipated, and this increase was unusual. The Tuition and Financial Aid Working Group study recommended that differentials include a financial aid component; this group's work was done after UW-La Crosse had its differential tuition in place. Also, financial aid was originally included as part of UW-La Crosse's proposal during the biennial budget process, and the legislature was not supportive.

Regent Womack asked whether the unanticipated large cost increases in pay plan and fringe benefits will continue into the next biennium. Ms. Harris said she would not anticipate this dramatic a change. Regent Drew asked if anything in the health care reform legislation would help with our costs; Ms. Harris said that she did not anticipate this.

At this point, President Pruitt asked for a motion to approve Resolution 9769, the 2010-11 annual operating budget. Regent Crain made the motion, which was seconded by Regent Bradley.

Regent Wingad, saying tuition and operating budgets are among the most difficult decisions for student Regents, and noting that he is a first-generation college student who has had to fund his own education, said that he understands the financial burden of a tuition increase. However, it is also important to find responsible ways to respond to state budget cuts. The System can either charge more or do less. The budget does speak to the importance of access through a hold-harmless provision and a tuition freeze at UW Colleges. But more needs to be done to increase financial aid.

To vote no to a tuition increase would mean eliminating faculty positions or reducing enrollments, Regent Wingad stated. Therefore, it is important to strike a balance between raising tuition and making cuts at campuses. It is a complicated decision. By one calculation, not including furloughs, students will be covering approximately 57 percent of the hole that state cuts made; the rest will be coming from cuts at universities. Over the two-year biennium students have covered about 45 percent of state cuts. Regent Wingad said that he cannot vote 72 percent yes and the rest no. He said he believes the budget does a reasonable job of spreading the burden of the poor financial situation among students, faculty, and programs.

Regent Schwalenberg, echoing some of Regent Wingad's concerns, said that the budget vote is very difficult in a difficult time. She said that anyone who cares about students' needs knows that it is important to protect the quality of education; there is a balance between outpricing some students or maintaining the quality of education. It also would be a serious loss to have students come to the university and not be able to serve them well. Considering the efforts to keep the increase modest, and the hold-harmless provisions, it is evident that the cares of students are being considered.

Regent Drew, saying that he negotiates contracts for the United Auto Workers, noted that whatever wage increases those workers are getting are being offset by health care costs. Thus, it is difficult to discuss a 5.5 percent budget increase. Also, it is important to do more to get out the message about grants and aid. However, overall, the budget represents a thoughtful balancing act of trying to maintain quality, affordability, and taking care of UW employees. He said he might have protested the budget at another time in his life, but he does not see an alternative at this time.

Regent Wingad said that the budget is an opportunity to work with the legislature to try to stop the disinvestment from higher education in future years.

President Pruitt then called for a vote on Resolution 9769, which was approved on a unanimous voice vote.

2010-11 Annual Operating Budget (including Rates for Academic Tuition, Segregated Fees, Textbook Rental, Room and Board, and Apartments; Academic Tuition Refund Policy and Schedule; and Annual Distribution Adjustments)

Resolution 9769: That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2010-11 annual operating budget, including rates for academic tuition, segregated fees, textbook rental, room and board, and apartments; the tuition refund policy and schedule; and annual distribution adjustments as attached in the document 2010-11 Operating Budget and Fee Schedules, June, 2010. The 2010-11 amounts are:

GPR	\$1,179,337,184	21.1%
Academic Tuition	\$1,111,743,774	19.9%
Total GPR/Fees	\$2,291,080,958	41.0%
Other*	\$3,302,248,991	59.0%
Total	\$5,593,329,949	100.0%

*Includes auxiliaries, federal and private gifts, grants and contracts, other operating receipts, non-credit instruction, and trust funds.

2011-13 BIENNIAL BUDGET: STRATEGIC FINANCING FOR THE GROWTH AGENDA

President Pruitt then shifted the conversation to the biennial budget. The only action required at this meeting relates to Board's recommendation for HEAB and the amount of financial aid UW students will need. However, before addressing that action item, President Pruitt said that the Board will have a broader information-only discussion about the *Growth Agenda for Wisconsin*.

At the May Board meeting, Ellen Chaffee from the Association of Governing Boards led the discussion about strategic financing – aligning financial decisions with academic goals and highest priorities. Saying that the *Growth Agenda* goals focus on two main areas, more graduates and more jobs, with “foundational activity” related to our own competitive workforce, Regent President Pruitt turned to System President Reilly to discuss the action plan for the 2011-13 biennium.

Research to Jobs

To begin, President Reilly said he would focus on the “more jobs” component, and the UW’s efforts to stimulate economic growth through academic research and development. He said that last year, he appointed a Research to Jobs Task Force to investigate ways that the UW System can better leverage research and development. That Task Force, chaired by Carl Gulbrandsen from the Wisconsin Alumni Research Foundation, completed its work and issued a report in September.

An implementation committee was convened to translate the recommendations into actionable measures and proposals. President Reilly introduced UW-Stout Chancellor Chuck Sorensen, the chair of that committee, to present the group’s report.

Chancellor Sorensen thanked President Reilly for the opportunity to chair the committee and President Pruitt for the opportunity to speak. He also thanked the chairs of the group’s three subcommittees, UW-Eau Claire Chancellor Brian Levin-Stankevich, UW-La Crosse Provost Kathleen Enz-Finken, and Charles Hoslet of the UW-Madison Office of Corporate Relations, as well as those who provided support, Doug Mell, Kris Frederick, and Andy Richards.

Noting the nationwide effort by state universities to become more involved in applied research, Chancellor Sorensen said that the focus of the subcommittee on emerging technology centers was on finding the most effective way to help a region’s business and industry, rather than focusing on one strategy. Chancellor Sorensen described principles, criteria for proposal review, and potential obstacles to developing emerging technology centers. The subcommittee on entrepreneurship found examples of current efforts both within and outside of the UW System and explored those. The third subcommittee was related to a discovery portal, which uses a database to allow industry to identify potential collaborators for sponsored research, consultants, or campus resources. Recommended action steps include identifying a management team to lead the development of an expanded portal.

Although some work is already occurring, for most UW campuses, doing applied research requires a cultural change, Chancellor Sorensen said. Regent Bradley, who served on the implementation committee, said that the cultural shift is part of the shift that will be occurring in higher education, because it is responsive to the needs of businesses and industry. Higher education institutions in some other states started doing some of this work even earlier. Regent Bradley expressed his enthusiasm for the recommendations of the work group.

Chancellor Levin-Stankevich affirmed that it is important to think about what will best benefit the state and to collaborate on projects. Also, the group’s work recognized that the most

successful model in systemwide initiatives has been a big idea driven at the system level, with an application of the idea that engages students, is responsive to local business needs, and creates jobs.

Regent Loftus asked that access to capital be addressed when the Research to Jobs report is translated into a budget proposal. President Reilly acknowledged the challenge of developing capital investment.

Regent Walsh, expressing support for the Research to Jobs effort, said that ideas, good science, managers, and capital are all necessary. It is also important to seek legislative support; unfortunately these are difficult times in which to make such requests. It takes money to be a resource for the future, and it is important to remind decision-makers of this fact. Regent Loftus said that part of the state pension fund is designated for investing and suggested exploring this as a potential funding source.

Chancellor Wells mentioned the three economic summits being hosted in Appleton, La Crosse, and Milwaukee and suggested that UW institutions stay involved in these efforts.

Regent Bradley emphasized that the Research to Jobs effort is about start-ups, but is also about applying the UW's expertise to help existing businesses.

Regent Bartell said that many of the implementation recommendations of the Research to Jobs report are relatively modest. It is important to move forward on the recommendations to the extent possible. President Reilly agreed with the importance of doing this. He thanked Chancellor Sorenson and indicated that this conversation would be continued as part of biennial budget discussions. He also noted other proposed initiatives that fit under the broad *Growth Agenda* goal of creating "more jobs" for Wisconsin:

- At UW-Madison, a central tenet of the Madison Initiative is to add new faculty positions to eliminate course bottlenecks. When those new professors are hired, they also carry significant research responsibilities. Chancellor Martin and her team expect that these new faculty colleagues will attract more than \$35 million in external grants. To conduct that kind of high-level research and attract that external funding, they will need graduate assistants. While external grant funding will cover the direct costs of these graduate assistants, these grants cannot fund the tuition waivers that are also required to attract top-shelf grad students who can support cutting-edge research projects. A budget initiative focused on this need would seek funding to cover the cost of those tuition waivers for 225 new graduate assistants.
- At UW-Milwaukee, there is an opportunity to fund Phase II of a three-biennia Research Initiative. Phase I, included in the State's 2007-09 budget, provided \$9.6 million and 60 new faculty and academic staff positions to focus on research in areas of biomedical and health technologies, advanced manufacturing, and other science and engineering fields. The end goal is to strengthen economic development in Milwaukee and southeastern Wisconsin by enhancing this university's burgeoning research enterprise.

- The UW Library Research Commons initiative would increase access for students, faculty, and staff to many core resources in a wide range of subject areas. It would also support the expansion of existing electronic resources currently held by the UW-Madison Libraries to all UW faculty and students, thereby building the research capacity of the entire UW System. The libraries have received no funding increases since 1999. With an average inflation rate of 9 percent per year, significant cuts in research subscriptions have been necessary.

More Graduates for Wisconsin

President Reilly continued, saying that it will be necessary to consider what level of funding will be needed to begin improving access, retention, and graduation rates, with a goal of increasing the annual number of graduates by 30 percent. Eventually, performance will be rewarded by shifting funds toward UW System institutions that achieve their strategic goals. Funds from the 2011-13 biennium would be used at the outset to incentivize initial goals and strategies that UW institutions have developed. President Reilly said that if the Board agrees with this approach, dollar amounts will be assigned to the initiatives.

In addition to reaching out to a broader group of students by using distance education and improving transfer options, the System will use ideas generated at the May Board meeting to help shape the 2011-13 budget proposal.

President Reilly invited reactions to the broad budget-related ideas that were presented and the dilemma that faces the System: addressing current obligations, promoting new ideas, and finding ways to grow the economy while the state and nation are climbing out of a deep recession. Regent Loftus asked about performance funding, to which President Reilly responded that the 2011-13 budget will be based on conversations about how institutions will meet their more-graduates goals. Regent Crain expressed concern about salaries throughout the System and their relationship to quality. Regent Womack asked about an item related to enhancing the library system in the previous biennium, and President Reilly said that the item did not get funded last time.

Regent Walsh said that access, financial aid, and reasonably-paid faculty and staff are all important; the challenge is to raise the level of constructive dialog around the state related to these issues. He encouraged Regents and Chancellors to raise these issues in the context of the gubernatorial campaign.

Regent Spector, acknowledging the balancing of competing interests, commended President Reilly and his staff for opening up the process to different perspectives. This is helpful for assisting the Board in making good decisions in a time of scarce resources.

Financial Aid

President Reilly then introduced a discussion of financial aid and the need to look forward to the 2011-13 biennial budget and to think now about how much aid will be needed. The Higher Education Aids Board (HEAB) needs the UW System's recommendation related to

the UW's Wisconsin Higher Education Grant (WHEG-UW) so that it can develop the HEAB 2011-13 budget request.

President Reilly called upon Associate Vice President Freda Harris to discuss the financial aid request. Ms. Harris stated that more students are applying and are eligible for aid. WHEG is the primary state need-based grant program; it provides financial aid grants. Eligibility is based on federal needs-analysis criteria. Although funding for WHEG has increased significantly, in 2009-10, about 7,400 of the 33,000 students eligible for WHEG funding did not receive it; those students received the Tuition Increase Grant.

State statutes require the WHEG budget to increase by the same percentage as tuition. This provides additional funding, but students lose purchasing power using a percentage-increase basis, rather than a hold-harmless basis; their grants are expected to increase by less than half of the estimated tuition increase. Therefore, the proposal is for WHEG recipients to be held harmless from tuition increases and for funding to be added to cover more students. The cost of the proposal is about \$43 million over the next biennium. In comparison, funding all wait-listed students would cost \$64 million, and using the percentage-basis would cost about \$10 million.

Ms. Harris also provided information and recommendations related to the Tuition Increase Grant, the Lawton Undergraduate Minority Retention Grant Program, and the Advanced Opportunity Program for graduate students. However, action would be needed only on WHEG at the time of the present meeting.

Regent Wingad asked about prior discussion of options, such as providing more awards at a lower amount. Regent Bartell, a member of HEAB, said he raised this question; HEAB then created a task force, which will complete its work soon. The UW System has developed a formula for focusing aid on higher-need students, with the aid spread equally over the entire population. In response to a follow-up question from Regent Wingad, Associate Vice President Harris said that the recommended increase in WHEG would both increase the population and the amount of awards.

Regent Spector asked about the effect of hold-harmless provisions and about what other public universities have done in this area. Ms. Harris said that some institutions have programs that fully cover eligible students' tuition under some type of grant. This approach is not typically found in a System. It is too soon to measure the impact of the Tuition Increase Grant.

Regent Falbo asked for some additional numbers, which were provided and included the WHEG base of \$55 million for 2009-10 and \$58.3 million for 2010-11. The amount increases by \$13.9 million in 2011-12.

Regent Spector asked about the possibility of requesting the most funding available, since this financial aid item is in HEAB's budget. Ms. Harris responded that this would be reasonable in theory, but the amount impacts decisions about funding provided to the UW. Regent Danae Davis, noting that the hold-harmless request was not successful last time, suggested that this may be another reason for tempering the request.

President Pruitt called for a motion for approval of Resolution 9770. The motion was made by Regent Danae Davis and seconded by Regent Bartell. President Pruitt then called for a vote on Resolution 9770, which was approved on a unanimous voice vote.

Financial Aid – 2011-13 WHEG Funding Recommendation

Resolution 9770: WHEREAS, the Wisconsin Higher Education Grant program for University of Wisconsin students (WHEG-UW) is the primary state need-based financial aid program to assist low-income students in accessing and attaining a college education; and,

WHEREAS, increasing the number of Wisconsin residents with college degrees will help to secure the state's future civic and economic vitality; and,

WHEREAS, the Board of Regents is greatly concerned that individuals from lower and middle-income backgrounds are facing a future with fewer opportunities and greater economic uncertainty; and,

WHEREAS, the Board of Regents has made it a priority to increase opportunities for low- and middle-income students to participate in public higher education in Wisconsin; and,

WHEREAS, fiscal pressures, including increased unemployment, have reduced family incomes and greatly increased the demand for financial aid, especially in need-based programs such as WHEG-UW; and,

WHEREAS, Wisconsin ranks below the peer average in state grant awards per full time equivalent (FTE) undergraduate students and many students have increasingly relied on loans and personal debt to finance their college education; and,

WHEREAS, funding for WHEG-UW did not increase in 2009-10 and increased by \$3.3 million for 2010-11; and,

WHEREAS, the combination of flat funding and increased demand for WHEG-UW resulted in an estimated 7,400 eligible students not receiving a grant and an aggregate funding shortfall exceeding \$17.8 million in 2009-10; and,

WHEREAS, additional funding that increases each student's WHEG-UW award to match the change in tuition will help assure that students are not priced out of college due to increases in tuition and will assist families and students with their financial planning for higher education; and,

WHEREAS, additional funding that increases the number of grants available through WHEG-UW will help to ensure that more students receive the financial aid for which they are eligible; and,

WHEREAS, the Board of Regents has identified increased need-based financial aid as critical to securing Wisconsin's civic and economic future and the success of the Growth Agenda.

THEREFORE, BE IT RESOLVED that the Board requests that the statutory language of the WHEG-UW program be modified to provide that each student's WHEG-UW award will increase by at least the same dollar amount as the dollar increase in undergraduate tuition, thereby granting a "dollar-for-dollar" hold harmless increase to eligible University of Wisconsin System students.

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The meeting was adjourned at 12:47 p.m.

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Submitted by:

/s/ Jane S. Radue

Jane S. Radue, Secretary of the Board
Office of the Board of Regents
University of Wisconsin System