

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in 1820 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin

Thursday, February 10, 2011
10:00 a.m.

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- President Pruitt presiding -

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

UNABLE TO ATTEND: Regent John Drew

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NET PRICE: WHAT STUDENTS PAY FOR COLLEGE

Welcome from President Pruitt

Before the first policy-discussion item of the meeting, President Pruitt acknowledged the great work of Regent Jessica Schwalenberg. He stated that she brought a unique and important perspective to the work of the Board. He then welcomed those present to the first meeting of 2011. He stated that the day's agenda included two presentations guaranteed to provide insight on issues important to the board, "The Net Price: What Students Pay for College," and "Addressing Alcohol Use and Abuse on College Campuses." President Pruitt then turned to President Reilly to introduce the first speaker.

Before introducing the morning's initial speaker, President Reilly welcomed the new head of UW Colleges and UW-Extension, Chancellor Ray Cross, who had started in his new position earlier in the week. Chancellor Cross was previously President of Morrisville State College, part of the State University of New York. He was born and raised on a dairy farm in Michigan, however, and worked in higher education in Minnesota, so the move to Wisconsin marks a return to his Midwestern roots. President Reilly welcomed Chancellor Cross.

Introduction by President Reilly: College Pricing

President Reilly next introduced Dr. Sandy Baum, saying that the first presentation would focus on the cost of a college education. At a time when the economy is struggling to find its footing, the sticker price of college can play a significant role in students' decisions about how, where, or even if they will attend. College costs are not always easy to define.

President Reilly said that what is clear is that tuition hikes and the rising debt that some students and their families are taking on in order to finance their educations have drawn attention from the media and others. What is often missing in the description of the increases, however, is the real price – the net price – that students actually end up paying. That is the actual price paid when financial aid is subtracted from the “sticker” price, or the set tuition rate.

Looking at the larger picture, some of the findings may be surprising. Last year saw increases in Pell grants, as well as new education tax credits. The result, for many students, was a lower net cost.

At the same time, however, college is not necessarily more affordable for everyone. Rising housing costs or reduced income levels, for example, could offset such benefits. Thus, while the net cost is down for a good number of students, financial aid is not always enough to make college affordable.

As the discussions in Washington, D.C., hinge on reducing overall funding levels, there is also growing uncertainty about the future of the Pell Grants, the nation's most significant financial aid program for college students. One major key to keeping college affordable will be fully funding the Pell Grant program at the federal level. Assistant Vice President Kris Andrews and her federal relations colleagues from around the country are working hard on that.

There are also misperceptions about college costs. Too often, the conversation about the rising price of college leaves the average taxpayer with the notion that prices are increasing rapidly because universities are not effectively controlling their expenses. In fact, the UW System has made significant efforts to ensure that any tuition increases (price) are moderate and predictable, and that the line is held on the costs for awarding undergraduate degrees. President Reilly noted, however, that the less the state pays toward this cost, the more the price for students and parents is bound to increase.

Policymakers and university leaders must explain these concepts to others more effectively, through clear communication to students and their families, taxpayers, high school counselors, legislators, the media, and others to help them fully understand what these numbers mean. Some concepts to be addressed during the first presentation are: (1) the cost of education versus the price; (2) the “sticker price,” or tuition rate, versus the net price paid; (3) student debt load trends; and (4) the benefits of higher education for individuals and society.

President Reilly introduced Dr. Sandy Baum, an independent higher education policy analyst and Professor Emerita at Skidmore College in Saratoga Springs, New York. She has

written extensively on issues relating to college access, college pricing, student aid policy, student debt, affordability, and other aspects of higher education finance. She is the co-author of the “Trends in Higher Education” series, and “Education Pays: The Benefits of Higher Education for Individuals and Society” for the College Board. Other recent work includes a study of setting benchmarks for manageable student debt levels, and a study of tuition discounting in public and private colleges and universities. She co-chaired the Rethinking Student Aid study group, which issued comprehensive proposals for reform of the federal student aid system, and is currently running a Brookings Institution project to develop a framework for improving the equity and efficiency of state grant programs.

President Reilly also noted that Dr. Baum is the daughter of Werner A. Baum, an expert in meteorology and atmospheric science, and the former Chancellor at UW-Milwaukee from 1973 to 1979. Chancellor Baum helped to increase UW-Milwaukee’s focus on research, and started the UWM Foundation. While he was forced to end the football program at UWM, he helped to strengthen the Panther basketball program. He also expanded the campus with the construction of Curtin and Cunningham Halls and the Chemistry Building, and the remodeling of UW-Milwaukee’s historic Downer College buildings. President Reilly welcomed Dr. Baum.

Dr. Sandy Baum’s Presentation on the Net Price of College

Dr. Baum thanked President Reilly for his introduction, and stated that he provided an excellent summary of the issues she wanted to discuss as part of her presentation. She said that everyone is worried about college affordability and that it can be difficult to step back from the public discussions grounded in panic. With all due respect to the press, they need headlines and they need to stir up controversy. It is easy to think that no one can afford to go to college, that something needs to be done about it, and that the whole system is going to collapse. While the affordability of college is a big problem, figuring out what affordability means is very complicated.

College Affordability

Dr. Baum stated that she had a reporter ask her a few days before how many people can actually afford to go to college. She said that to pose the question in that way suggests that people do not know how to think about this issue. What people can afford depends not only on how much money they have and on how much things cost, but also on people’s priorities. In many cases, low-income families are willing to spend more on higher education than middle-income families because they want the best for their children and are willing to make sacrifices. Looking at some of the concepts behind this issue can help provide a better picture of why people are so worried about the affordability of college.

Dr. Baum added that how much someone can afford for college is not only a function of how much money someone has right now and what the price tag is, but also a function of the expected benefit. No one thinks they are going to start a business and have all the money for it immediately; they borrow money to invest in capital equipment. People often think that borrowing money to invest in themselves makes less sense. A college education is an investment

that people cannot afford not to make, and it is important to help people understand this and make college more affordable.

Price Increases

Referring to her first slide, Dr. Baum stated that it is very clear why people are worried about the price of college. The graph showed the average annual rate of growth in tuition and fees at colleges in different sectors, after adjusting for inflation, for the last three decades. She pointed out that tuition and fees for public four-year colleges, or the sticker price, increased an average of 5.6 percent per year beyond inflation during the most recent decade. In addition, this rate of increase was much higher than in the preceding two decades. In the other two sectors, private four-year colleges and public two-year colleges, the rate of growth for the same period was lower than it had been in recent decades. The most rapid price increases have been in public four-year colleges. When looking at tuition, fees, room and board, there is a similar pattern, but slightly slower rates of growth.

Average Tuition Amounts

Dr. Baum moved on to her next slide, discussed average prices nationally, and shared information from the “Trends in College Pricing Report,” which she prepares every year for the College Board. For the 2010-11 academic year, the national average of tuition and fees for in-state students at public four-year colleges was \$7,605, an increase of 7.9 percent over the prior-year average. She indicated this was a large increase, as inflation had not increased very much during the prior year. Public four-year out-of-state tuition was much higher; but public two-year colleges remain a bargain, with average tuition and fees of \$2,700. Dr. Baum stated that one interesting thing to note is within the for-profit sector. The for-profit sector is growing rapidly and some see that as a threat to public institutions and to students, as some public institutions do a great job while others do not. The average price for an undergraduate student at a for-profit college is about \$14,000 per year, which is significant.

Living Costs

Looking at total charges for public four-year in-state students, Dr. Baum said that, including room and board, the national average is \$16,140. On one hand, many students go to college, live on campus, pay the comprehensive fees, and do not distinguish room and board costs from tuition. On the other hand, many students do not live on campus. For some students, there is the option of living at home with their parents or families and not actually paying any more living costs than they would pay if they were not in college. Institutions have limited control over the costs for rent and food. When someone thinks about the true personal cost to a student of going to college, they think of it as all of the expenses for everything they have to pay, but they were probably going to eat even if they did not go to college, Dr. Baum commented.

What is missing from these cost figures is what amounts to the biggest cost for people: the opportunity cost, or the foregone wages. If a student is not working full time while in college – and it is very difficult to succeed in college while working full time – that is a big cost. Dr.

Baum said she likes to think of the living costs as a substitute for the foregone earnings, and more of an approximation of how much it really does cost an individual to go to college.

National Context

Moving to her next slide, Dr. Baum stated that she would try to put Wisconsin into the national context. Throughout the nation it is more expensive to go to a doctoral university than a masters or comprehensive institution. There are also public colleges that are only baccalaureate colleges. Dr. Baum stated that the Wisconsin model of colleges is somewhat unusual, so it may be hard to compare those prices. Referring to the slide, Dr. Baum pointed out the difference between the average tuition and fees for a doctoral institution in the U.S. at \$8,500, compared to the average of \$6,600 for comprehensive or masters institutions. She also stated that averages are a problem, because people think that if they cannot afford the average, they cannot go to college. In fact, there is quite a range of tuition and fees, and quite a range of types of institutions, that make up the average.

Dr. Baum noted that the slide showed that tuition and fees in Wisconsin are pretty close to the national average. The average tuition and fees for public four-year institutions in the Midwest (\$8,461) is more than the average for the nation as a whole (\$7,605); tuition and fees in the West and Southwest tend to be lower than in other parts of the country. If comparing Wisconsin's public four-year average tuition and fees (\$7,652) to the average for the Midwest (\$8,461), Wisconsin's fees are lower. Dr. Baum referred to the average estimated undergraduate budgets that appeared on the slide and pointed out that the average budget for a Wisconsin doctoral institution (\$20,712) is comparable to the national average for a public four-year institution (\$20,339).

“Sticker Price” vs. Net Price

Dr. Baum stated that sticker prices are not what make up affordability, but sticker prices are important. There is such a thing as “sticker shock,” and even people who are not going to have to pay full tuition and fees are afraid that they will have to pay this full amount, because they do not have enough information. Sticker prices matter, but they are not really the measure of how affordable it is for people to go college, because there is so much financial aid available to help people pay. Some people who have not thought about all of the complexities of this issue will argue that if tuition were eliminated, and the state had high enough appropriations to make it free, life would be great for everyone. However, that is not true, due to the opportunity cost of going to college and the other expenses that people have. Dr. Baum said that a student from a low-income family, or a low-income adult, will still have living expenses, even if they do not have to pay for tuition. Therefore, low tuition is not necessarily the solution. Realizing the differences in what people can afford is very important, she said.

Dr. Baum referred to the financial aid system, which includes grants that come from the federal government and the state government. There are also grants from colleges and universities; these are more prevalent in the private sector, but also exist among public-sector colleges and universities. In Wisconsin, these institutional grants are primarily available from

UW-Madison. The amount granted by public institutions is increasing all over the country. The federal government also has federal tax credits and deductions for tuition expenses. It is hard for some to think psychologically about tax credits and deductions as financial aid because they are not available until after the bill has been paid, but the credits and deductions reduce the price of college just as a grant would. Tax credits and deductions have also grown in recent years.

Another of Dr. Baum's slides showed a graph related to net price: the average price that full-time students pay after subtracting the grant aid provided and the federal tax credits and deductions. The graph showed three sectors – public two-year, public four-year, and private four-year – over time, starting with 1995-96, and every five years thereafter. For 2010-11, the graph showed that the national average sticker price for tuition and fees at public four-year colleges was \$7,610, whereas the average net price, after subtracting grant aid that students receive, was \$1,540. In general, students do not receive enough grants to help them pay the cost of room and board. She emphasized that the information presented was an average; some students were paying the full price for tuition and fees, and others were not paying anything. Those with the loudest political voices, who may be the most likely to pay the full price, do not care about net price, but instead care about how much they are paying. The fact is that sticker price is deceptive relative to how much people pay on average to go to college.

For public two-year colleges, the average grant aid provided covers tuition and fees. This does not mean that these students do not have problems paying for college, as they have other expenses, as previously mentioned. Dr. Baum added that the total price of college has risen rapidly over the last 15 years, while the net tuition and fees that students pay to attend public four-year colleges is lower than it was five, ten and fifteen years ago. The same is true of the other two sectors – public two-year and private four-year colleges. The average room and board cost for public four-year colleges has increased, and is a big component of the expenses.

Dr. Baum stated that when considering whether college is unaffordable, it is important to consider how much people are paying for tuition and fees. Dr. Baum stated that people who are paying the full price are not happy about the fact that others are getting financial aid and they are not. It is important to look at who is getting the financial aid, because averages hide a lot of things. Dr. Baum provided the example that if college were free to everybody with incomes over \$100,000, the average net price would fall; but this would not increase affordability, because those with incomes over \$100,000 could already afford college. She said that while this sounds like a crazy policy, in the state of Georgia, high-income students, on average, receive more state grant aid than low-income students because the aid is merit based. In Georgia, if a student has a certain grade point average they can attend the University of Georgia for free. No one pays tuition as a freshman at the University of Georgia because if a student is good enough to get in, tuition is free. Georgia has very generous state grant aid, but no need-based grant aid. Fortunately, that is not the case in the nation as a whole.

Dr. Baum pointed to her next slide, which illustrated how the average net price differs for people at different family income levels. Families of in-state students at the lowest income levels, on average, do not pay tuition and fees. Grant aid is distributed in such a way that the net price is lowest for the students from low-income families, and goes up as family incomes

increase. Dr. Baum emphasized that something very significant has been done to increase access for low-income students.

Asked by a Board member to repeat this point, Dr. Baum said that on average, the grant aid that low-income students receive at public four-year colleges and at public two-year colleges is enough to pay their entire tuition and fees. The struggles that students face are not about paying tuition and fees, as they receive enough grant aid to do that. While this is not true of all students, it is true for students in the lowest family income quartile. This applies to in-state students, in the nation as a whole.

Grant Aid vs. Loans

In response to another question, Dr. Baum indicated that the financial aid information she presented includes only grant aid and not loans. Students do have to borrow money to cover expenses not covered by grant aid. Dr. Baum indicated that the recent increase in Pell grants from the federal government has been a factor in lowering the net costs for lower-income students, but similar increases cannot be expected every year. Dr. Baum speculated that next year tuition increases would be greater than Pell grant increases. She emphasized that all of this information gives an indication of the current situation, but does not predict the future. She added that if students are having trouble affording college now, it would have been more difficult if grant aid had not increased and if everyone were expected to pay the sticker price. It would have been a disaster, she said. It is important to look at more than just the averages. It matters who is receiving the grant aid and whether the aid is doing anything to increase affordability.

Income Inequality

One real issue with affordability is what is happening with the income that people have to pay for college. An extra \$500 for tuition is a lot of money, but that is not the real problem for a lot of people. When considering family incomes, it is common wisdom that inequality has increased over time, but it is dramatic to see how much it has increased. Dr. Baum referred to a graph that illustrated growth in family incomes, by quintile, over the past three decades. In the 1980s, the income for families in the lowest-income quintile declined by 4 percent, after adjusting for inflation. This means that families in the lowest-income quintile were worse off in 1989 than they were in 1979. During this same time period, incomes of families in the top income quintile increased by 22 percent beyond inflation, and incomes for families in the top 5 percent of all families increased by 32 percent beyond inflation. That, Dr. Baum emphasized, is rising income inequality in dramatic form.

Similar patterns occurred in the 1990s, although the situation was somewhat better for families at the bottom of the income distribution. The rich were getting richer, which is good news for how people can pay for college, because people at the top of the income distribution can pay price increases.

If one looks at what happened to family incomes in the most recent decade, it is not surprising to see that family incomes decreased, in light of what was happening to the economy.

However, during the most recent decade, the negative growth in family incomes was worse for families in the lower-income quintiles, and income inequality continued to grow. In addition, families' savings were depleted during this time period. Dr. Baum emphasized that income inequality is a significant problem, not only for the perception of college affordability, but also in terms of how people actually pay for college. People who thought life was fine, whose incomes were going up every year, and who could pay for college without any difficulty, are now realizing that life is not so fine, she said. It is important to recognize that college affordability is a very real problem, but even more so for lower-income families, due to increasing income inequality.

If all of the problems cannot be solved, it is necessary to prioritize and figure out which problems can be solved in the state. Dr. Baum stated that keeping in mind issues of income inequality when thinking about college affordability is critically important. She stated that there is almost nothing that can be done in terms of college pricing that would solve the income inequality issues. She added that she did not mean to suggest that it does not matter how much tuition is increased, because it does. But not raising tuition a few hundred dollars is not going to make things more manageable for people; college affordability is a much bigger problem than that because of income inequality.

Dr. Baum summarized by restating that sticker prices have been going up very fast, not just in Wisconsin, but in the nation as a whole and in all sectors of higher education, particularly four-year colleges. She reiterated the need to look at not only sticker prices, but at the net prices that students actually pay after grant aid is taken into consideration.

Trends in Grant Aid

It also matters who is getting that grant aid, Dr. Baum suggested. Different types of grant aid go to different students. Dr. Baum referred to a graph showing what has happened to grant aid over time, where grant aid comes from, and how it has grown. The graph, which included grant aid by source for each of the past ten years, showed that the total amount of grant aid to students has increased dramatically, even after adjusting for inflation. She added that the number of students has also increased dramatically. The graph illustrated the increase in federal grants, which consists mostly of Pell grants targeted to low- and moderate-income students. A student from a family with income of more than \$50,000 likely will not receive a Pell grant. About half of Pell-grant dollars are provided to older, independent students, and little is known about their family backgrounds. Changes have also occurred in institutional grants, which come from colleges giving their own grant aid, private and employer grants, and state grants. State grants have grown, but not as rapidly as federal grants, particularly in the past year.

Pell grants increased from \$18 billion in 2008-09 to \$28 billion in 2009-10. Pell grant expenditures have been growing rapidly. However, because so many more students are going to college and so many more students are eligible for Pell grants due to declining incomes, the Pell grant amount given to every student has not grown as rapidly as the total amount of federal government spending. Dr. Baum indicated that there is a problem to tackle at the federal level, because the amount of federal expenditures will not continue to increase at the same rate.

Dr. Baum indicated that state grants are also a very important part of financial aid packages. As noted, states differ in their approach to financial aid. In Wisconsin, the emphasis is on need-based aid, and grant monies are targeted to students who need the money to pay for college; but the same cannot be said of every state. In the United States as a whole, if one looks at the grant aid provided by states to their students, about one-quarter of all grants are not need-based, meaning they are distributed to students regardless of their financial circumstances. States have different agendas and goals and are designing their state grant policies differently.

The growth of need-based grant aid in Wisconsin has been more rapid over the past five years than in the nation as a whole. However, need-based grant aid per full-time-equivalent student is close to what it is in the nation as a whole. Wisconsin provided \$443 per full-time student in 2008-09, compared to \$476 per student nationally. Overall grant aid was lower in Wisconsin than in the nation as a whole, but that is because of states such as Georgia and South Carolina, which provide merit-based aid for anyone with a B average or high SAT scores. Looking at Wisconsin in the context of need-based grant aid gives a better picture of what Wisconsin, as compared to other states, is doing to make college more affordable.

Dr. Baum emphasized that the difference between need-based aid and non-need-based aid is important with respect to whether the aid makes college more affordable. The aid reduces the price of college, regardless of who it is given to, but reducing the price is not the same thing as increasing affordability. Many students at public institutions, particularly flagship and public research universities, come from wealthy families relative to the state average and the incomes of state taxpayers. Making college less expensive for those people is not necessarily increasing “affordability,” if affordability is considered to be something that becomes possible that was not otherwise possible.

There are many other motives for giving grants to reduce the net price of college. In the case of merit-based grant states, the goal is to try to keep students in-state rather than see them leave the state to go to college. Many colleges and universities also give money to students who could afford college without the aid; they are trying to attract students to their schools. This is thought of as a private-college practice, but it also occurs among public colleges. Other reasons for giving aid other than to make college more affordable for students are to attract better students, move up in the rankings, or to provide better educational opportunities for all students by attracting better students. More than half of the grant aid given out by public four-year colleges in the country is given to students who can afford to pay without it. To the extent that there are people who cannot afford to pay, there are questions to be answered regarding the purposes of the aid and whether the aid is appropriately targeted.

Dr. Baum referred to a slide that showed the average amount of institutional grant aid per full-time student in 1999-2000, 2004-05, and 2009-10 for public four-year colleges and universities. Institutional grant aid that meets student financial needs has grown more rapidly than other types of institutional grant aid that are not need-based. Dr. Baum speculated that institutions might be recognizing that they have a number of students who cannot afford the cost of college. Another explanation might be that as tuition rises and incomes stagnate, more people have need. The shift toward more need-based aid might not be due to a policy change, but

instead due to the fact that there is more need. However, as previously stated, half of the dollars are going to students who do not appear to need the aid.

Student Debt

One of the results of the price of college increasing rapidly, and of giving grant aid to people who do not need it, is that there are more people who have to borrow more money. According to Dr. Baum, the student debt question is another one of those areas where the panic is “over the top.” The headlines say that students are drowning in debt, that the next generation will never be able to get out from under the debt, or that there are problems with the default rate. One might think that the only way to solve this problem is by making sure students do not have to borrow money. That makes no sense, according to Dr. Baum, because college should be considered an investment with a high expected rate of return; it is reasonable for people to pay a significant portion of the cost of their own education, and to borrow some money to do so. In terms of actual debt levels, about one-third of students in this country who earned bachelor’s degrees in 2007-08, did not borrow any money; their parents may have borrowed money, or they may have credit card debt. Of the two-thirds that graduated with debt, on average, that debt is in the range of \$20,000 to \$25,000.

The average debt with which students are graduating has not increased very much in recent years, after adjusting for inflation. At public four-year colleges, less than 60 percent are graduating with debt, and the average debt is approximately \$20,000. The amount of debt is not that much less for students at public colleges when compared to private colleges. The amount of debt is “inching up,” but the real problem is not the average student. The average student will graduate with \$22,000 in debt, go out and buy a car and borrow another \$22,000, and then have a lot of debt, Dr. Baum said. However, the average individual gets a job and can pay the school loans back over a ten-year period. Dr. Baum noted that there is a new federal income-based repayment plan. This plan, for federal loans, limits the percentage of an individual’s income that can be targeted to debt repayment.

The problem is that some students are borrowing much more money. Some students are taking out private bank loans that do not have protections. Dr. Baum stated that the newspapers can find every student who borrowed \$100,000 to get an undergraduate degree, and there are people who are doing that. It is a real problem for those individuals, but it is not typical. The solution is not to say “don’t let students borrow;” the solution is to give better advice, information, and protection for those students who are making bad choices. Some should have attended less expensive institutions, some have parents who could afford to help and should be convinced to contribute more, and some should be taking federal loans rather than private loans. There are many things that people could have done differently. There are also people who do not get jobs, and for whom education does not pay off and is a risky investment. College has a high pay-off, but it does not work for everybody.

Worrying about people who are in dire straits because of their student loans is important, but they not representative of all students who attend college. Dr. Baum referred to a slide which showed the distribution of debt with which students graduate. She stated that the graph made

clear that for most students, debt is not a problem; but for some students it is. The graph illustrated differences between public four-year, private non-for-profit four-year, and for-profit institutions, and indicated that one-quarter of bachelor's degree recipients from for-profit institutions graduate with \$40,000 or more of debt. In contrast, only 6 percent of bachelor's degree recipients from public four-year colleges graduate with that amount of debt. Dr. Baum suggested that it is reasonable to worry about that 6 percent of students, and the 6 percent who graduated with at least \$30,000 in debt from a public four-year college; but worrying about that 12 percent and worrying about students having debt are two different issues. She added that saying "don't borrow money to go to college" will significantly reduce the number of students who go to college. At the same time, Dr. Baum suggested, a growing number of voices are starting to recognize that maybe so many people should not go to college, that maybe it does not pay off for everyone.

"Pay-off" of Attending College

However, the pay-off for going to college does not have to keep rising to make it worth it. The pay-off has not grown as much from the increase in earnings for college graduates as it has from the decline in earnings for people who do not have a college education. Dr. Baum stated that there is still a pay-off in terms of the difference between what one earns with a college degree and without. Research shows that if someone does not go to college, their prospects are bleak. College does not necessarily mean a four-year liberal arts degree. College means post-secondary education. For some people this is a short-term vocational program, for others it is a community college, and for others it is a bachelor's degree in philosophy. Every year of college makes a difference in the labor market. Even if someone does not complete their degree, it does not mean that the state or student have wasted their money, although completing a degree pays off more and should be encouraged. When tackling the questions of "Is it worth it for the state to fund?" and "Is it worth it for students to invest in themselves?" the answer is a resounding "yes," she said.

Summary

Supporting post-secondary education is also important for the economy. It is necessary to think about how to fund increased opportunities, access, and success. That means targeting available funds, because the funds are not unlimited. Dr. Baum stated that it is important to ensure that college is not out of reach for anyone who can benefit from it. That means that some people may have to pay more, either as students or taxpayers, and some people cannot afford to pay more. Dr. Baum asserted that understanding the difference between sticker price and net price, why prices have gone up, and what can be done to make sure that individuals have the opportunity to attend college, helps ensure that the nation has the opportunity to grow its economy and to design better public policies.

Board Discussion

Regent Loftus thanked Dr. Baum for her remarks and asked her to talk more about price, using an example that does not appear in the statistics she provided. Regent Loftus indicated that

he received a new report on transfer students into the UW System, and that the largest increase in sending institutions has been from the technical colleges. Someone who lives in Madison or one of the surrounding 12 counties lives in the Madison Area Technical College (“Madison College”) district. This technical college recently sent out a flyer encouraging people to start their college or university experience at Madison College. Parents and students have learned that there is a price differential. The sentiment used to be that if you could not get into the UW-Madison right away, go to the technical college for two years and then transfer to UW-Madison. That sentiment has changed to, “Go to the technical college first, get a less expensive start, and then transfer to UW-Madison.” This seems to suggest that if there is a price option, the less expensive option quickly becomes popular among students and parents. Regent Loftus stated that he was not sure if that should be encouraged or discouraged.

Dr. Baum responded by saying that nationally, enrollment in two-year public colleges has grown much more rapidly than enrollment in four-year colleges, but total enrollment has grown as well. She speculated that it may be that people who would have gone to a four-year are instead going to a two-year college, but it might also be that people who would not normally have gone to college are now going to college, and are more likely to attend a two-year institution. It is a good idea for some people, but it is also a concern.

Dr. Baum indicated that her husband, Mike McPherson, who co-authored the book *Crossing the Finish Line*, spoke to the Board last year about his findings. There is evidence that for someone who starts at a two-year institution, the probability of getting a bachelor’s degree diminishes considerably, controlling for the characteristics of the students. There are some people who are clearly going to earn a bachelor’s degree no matter what, and it may make sense to start at a two-year college. But it is not the solution to the problem for many students, particularly students from low-income, first generation families. These students are more likely to have a harder time countering the norm at institutions where most people do not end up with a bachelor’s degree. The reasons for this are not known exactly, but part of it is the academic content, and part is the atmosphere and the expectations. If someone is at an institution where everyone expects to get a bachelor’s degree, they are more likely to get that degree. She added that not everyone should get a bachelor’s degree, so people should not be discouraged from attending two-year institutions.

Dr. Baum stated that another complicated issue is that the cost is harder to figure out. While two-year colleges are thought of as having a lower cost per student, lower cost per student on average is different than lower cost per first-year student. She said that while at a research university, the first- and second-year students are less costly to educate than the upper-level undergraduate and graduate students, data are not available that break this down very well. It is not known how much money it saves the state to send a student to the less-expensive, lower-cost institutions. For some students it is the right answer, and it depends on the student’s interest and the quality of the education, but it is worrisome.

Regent Walsh said that the Board often makes decisions using averages, with national averages as comparisons. He asked if Dr. Baum had suggestions for other subgroups that UW System should use for comparison. In response, Dr. Baum stated that Wisconsin can be

compared to other states, but knowing the incomes and the distribution of income in Wisconsin is important. People often look at the average net price in the state relative to the median income in the state, but it is hard to say if that is a good measure. It is important to look at the average net price for students at different family income levels, and compare those net prices. Dr. Baum stated that if it were cheaper to go to college in Florida and more expensive to go to college in New Hampshire, it is not clear that that has any implications for people in Wisconsin. The important consideration is the circumstances of people in Wisconsin and whether they are able to make an investment in college. Examining different kinds of institutions and students from different circumstances – where they are going, how much they are paying, where they are getting the money from, and what kind of information they have – is the only way to figure this out. She recognized that people want to benchmark, and finding states with similar income levels would be the best way to benchmark, but examining different circumstances facing people from different income levels is the best way to consider this issue.

Regent Crain asked Dr. Baum to speak to the growth in private for-profit colleges, given the cost. Dr. Baum stated that the for-profit college movement is complicated. Most of the discussion is between people who love them and people who hate them, and the answer is somewhere in between. She stated that almost no affluent people go to for-profit colleges, and that is a warning sign. A huge percentage of the revenues at for-profit colleges come from federal student aid, which means that people are not using their own money. These institutions are advertising intensely, placing the financial aid form in front of people, and telling them that they will not have to pay because it will be paid for them. A lot of people who do not have good information are signing up at for-profit colleges.

On the other hand, it is very clear that many of these institutions are doing something right. For-profit colleges are convenient; people can participate on-line or at the local shopping mall and take the classes whenever they wish; and new classes start every month and meet at all times of the day. These institutions work hard to make college consumer-friendly. Some of the for-profit colleges do a very good job. They do a poor job of producing bachelor's degrees, but do a very good job of producing short-term certifications. They are growing rapidly and it is necessary to watch them, protect against them, and learn from them, Dr. Baum said.

Chancellor Levin-Stankevich commented that there has been a lot of recent discussion about student loans becoming the next pool of toxic assets. A legislator from Wisconsin issued a blanket statement saying that 48 percent of student loans are in default; however, the UW chancellors represent institutions where the default rate is 1 to 3 percent. There are people who can pay, yet do not pay in current dollars, borrow heavily, and pay in future dollars. The chancellor asked how much validity there is to these charges about toxic assets in the student loan area. Dr. Baum indicated that she believes there is some validity, but in a different way than described by Chancellor Levin-Stankevich. The default rate is much less than 48 percent. However, for the for-profit sector, the default rate is about that high; about one-half of the defaults come from the for-profit sector, where approximately 10 percent of students are enrolled.

Dr. Baum said that the toxic-asset question is actually about private student loans. As recently as 2007-08, about 25 percent of education loans in this country were coming from private loans, not federally guaranteed or subsidized in any way, but from people going to the bank and getting loans. Some of those loans were made to people who were not credit-worthy, and who were at institutions where they were not going to graduate; many of those loans are going unpaid.

This issue is less about student loans, and more about credit markets. The same thing is happening to the private student loan market that happened to the housing market. The amount of private student loans has plummeted, because private lenders do not want to make the loans and because the federal government increased the amount that students can borrow. In one year there was a 25 percent increase in federal borrowing and a comparable decrease in private borrowing. Dr. Baum stated that the private student loan market is something to worry about because the loans have variable rates, loans are made to students who are at-risk, and loans carry a high default rate. She added that it is very different to take out federal loans, because there are limits on how much can be borrowed; the loans are guaranteed by the federal government, and they have lower default rates. Chancellors should share the information about their institutions and the UW System so that people are considering that information rather than the national numbers, which include this problematic sector.

Chancellor Gow remarked that with appropriations declining so dramatically and the pressure to hold down tuition, it is nice to be reminded that borrowing is not necessarily bad. He said that he did not know if the United States would ever get to the point at which the British are, but he wondered about Dr. Baum's opinion of the new model of low subsidies, high tuition increases, very good loans for everyone, and repayment based on income. In response, she stated that this has big implications, and in fact, the U.S.'s income-based repayment plan is similar to the British model. The difference is that in England, tuition is not paid up front, but only later, after graduation. The U.S. would never do that, she said, in part because of high transaction costs.

Dr. Baum commented that it is more constructive to put dollars into something like the income-based repayment plan because affordability depends on how much money one makes afterwards. A program that targets the subsidies based on financial circumstances after college has a lot to be said for it. Right now, one problem is that if a student does not pay back the full amount after 20 years, the remaining amount is forgiven. However, that is a taxable event. Also, if the interest is not paid, it continues to be capitalized into the loan. People who borrow \$10,000 might end up owing \$20,000. Having an up-front subsidy would help avoid people being tormented and would make it possible for them to have access to credit markets. Dr. Baum said that the U.S. is moving in that direction and needs to move farther, but it will never have exactly the structure found in Europe.

Regent Spector asked about similar analyses for graduate schools, particularly law and medical schools. Dr. Baum said that it is harder to do this analysis. It is known that these students do borrow a lot of money; law students have trouble paying back their loans, but there is significant variation in law graduates' incomes. Medical school debt is similar; there is huge

variation, depending on the graduates' later ability to pay, which may vary depending on medical specialty.

Regent Wingad asked about Dr. Baum's suggestions related to college sticker price and how it affects decisions for students. Dr. Baum said, in response, that the system needs to be made simpler. It is difficult, for example to find tuition levels on institution websites. The student aid system needs to be simpler, as well; forms and processes are much too complicated, and information about amounts of financial aid becomes available much too late, only a few months before students begin college. Better information would be helpful.

In response to a question from Regent Danae Davis about need-based as compared with merit-based aid systems, Dr. Baum said that about a dozen states are heavily into merit aid, and about 28 percent of state grant aid is non-need based. In Georgia, for example, this method is helpful because students know they can expect aid if they get a B average. However, the program is very expensive to operate.

Regent Bartell commented that he was impressed with Dr. Baum's husband's presentation a year or so before, and he was similarly impressed with Dr. Baum's presentation. He asked a question comparing her perspective and her husband's. He asked if Wisconsin's focus on need-based aid is the better approach. She responded that a better job is being done getting students to go to college than to stay in college; this focus needs to be adjusted. Aid programs can be designed to support college completion, and to support institutions to support completion. Need-based aid is important, but it is not necessary to be poor to need this aid; it is important to remember the middle-class, who may also need assistance.

Regent Loftus commented that Georgia's program almost has first draw on the state budget. He asked if other states have grappled with similar problems. Dr. Baum commented that Georgia was the pioneer, and other states have not successfully implemented these programs.

President Reilly and President Pruitt expressed their thanks to Dr. Baum for her presentation.

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ADDRESSING ALCOHOL USE AND ABUSE ON COLLEGE CAMPUSES

President Pruitt's Introduction of the AODA Presentation

President Pruitt introduced the next topic on the Board's agenda for discussion, alcohol use and abuse on college campuses. This is a topic of great concern to institutions of higher education all across the country, and the statistics put the problem in perspective. According to a national CORE survey in 2006-08, 84 percent of college students indicated that they have consumed alcohol in the past year, and 46 percent reported binge drinking in the past two weeks. In Wisconsin, 48 percent of students report drinking prior to coming to college, and 72 percent

report drinking since coming to the university. According to the alcohol and other drug abuse (AODA) survey conducted by the UW System in 2009, 51 percent of UW System students reported binge drinking in the past two weeks.

President Pruitt said that these numbers are troubling. Also, alcohol use can be implicated in unfortunate behavior, sometimes with tragic results. The challenge for college campuses is how to address the widespread use of alcohol and alcohol-related problems. Wisconsin's "alcohol culture," as it is sometimes referred to, does not make this challenge any easier, and it also does not provide an excuse not to take action.

Since 2001, the UW System has worked to take a more coordinated approach to addressing the problems caused by alcohol and other drug abuse at its institutions. The System's Alcohol and Other Drug Abuse (or AODA) Committee, currently chaired by UW-Parkside Chancellor Deborah Ford, developed an AODA survey and has administered it to UW students three times since 2005, most recently in 2009. Following each survey, the Regents have been briefed on the results.

President Pruitt said that the UW System has also opened the conversation on this topic to a broader audience, recognizing that this is an issue that transcends campus boundaries. In May 2009, UW-Eau Claire hosted the UW System's first Wisconsin Idea Public Policy Forum, where the main focus was alcohol abuse. More than 200 people attended that forum.

As an educational institution, it is important to educate students about the use, misuse, and abuse of alcohol, whether on campus or elsewhere. President Pruitt noted that the next guest speaker would be Brandon Busted, founder and CEO of Outside the Classroom, an organization founded in 2000 to provide alcohol education training at colleges. Mr. Busted, who is a former Duke University trustee, would provide a national overview of alcohol use on college campuses, President Pruitt said. He would also address the negative impact alcohol plays in student retention and graduation, both key concerns for the Growth Agenda and More Graduates for Wisconsin initiatives.

President Pruitt said that Mr. Busted was quoted in a USA Today article earlier in the week on this subject. In the article, he noted that the tough economy seems to be having a sobering effect, literally, on incoming college freshmen, with an increased number of students entering college reportedly abstaining from alcohol. In part, Mr. Busted suggests, this may reflect students taking college more seriously.

Before turning to Mr. Busted for his remarks, President Pruitt asked UW-Parkside Chancellor Deborah Ford, chair of the UW System's AODA Committee, to make some preliminary remarks.

Chancellor Ford's Introduction of Mr. Brandon Busted

Chancellor Ford spoke on behalf of the AODA Committee. She said that alcohol use and abuse negatively affects students' ability to succeed on campus. She said that Brandon Busted

would provide a national overview of how high-risk drinking and its negative consequences are long-term problems on campuses. She quoted Mr. Busteed, saying that inspiring social change is the challenge of administrators and students. In the UW System, there is a clear sense of purpose to confront the drinking culture.

Chancellor Ford said that Mr. Busteed's Outside the Classroom began in June 2003. Outside the Classroom has developed programs that have been used by more than 500 secondary schools, colleges, and universities across North America to address high-risk drinking, sexual assault, and mental health. Outside the Classroom was the winner of the 2009 American Business Award for the best corporate social responsibility program. Mr. Busteed has been featured in many publications. Earlier in the week, in a USA Today article, he commented on the new national data that shows the percentage of incoming freshman who abstain from alcohol has increased from 38 percent in 2006 to 62 percent today.

Mr. Busteed's Presentation on AODA on College Campuses

Mr. Busteed greeted the Board and began his remarks by saying that Wisconsin is rated #1 for drinking. Students here are at a higher level of alcohol consumption and high-risk drinking. Mr. Busteed said that: (1) the conversation about alcohol needs to be changed from being only a health and wellness issue; (2) it is not only a student affairs issue; and (3) change can happen on this issue. Institutions around the country have dropped their binge-drinking rates by double digits.

Boards of Trustees' Priorities

From a board-of-trustees perspective, Mr. Busteed said that a core issue of higher education typically is not the health and wellness of students. Academic performance, rigor, and student engagement are emphasized. Association of Governing Board surveys show that alcohol is not an obvious priority for boards. However, alcohol connects to many of the priorities that are named. College completion is an obvious priority, and there is a financial benefit to improving retention. Many of the goals related to alcohol abuse have to do with student services. Some of the investments in student services are yielding more benefits in terms of retention than direct instructional investment (although both are necessary).

Student Retention

A student who is drinking a lot is not doing as well as they could in school. More than two dozen studies show that the more a student drinks, the lower their GPA. Mr. Busteed showed a slide that indicated that for each additional drink, the negative consequences increase; these include missing classes, missing assignments, etc. The majority of college freshmen are drinkers; of those who do not abstain, the majority are spending more time drinking than they are studying. The number of hours spent studying has dropped, generally; however, this drop is compounded by students' priorities, which are "out of whack." Mr. Busteed said that decreased academic performance affects freshmen even more than upper classmen.

Mr. Busted described a policy related to alcohol at the Air Force Academy. A policy was adopted such that anyone caught with alcohol would be dismissed. Students who had turned 21, the drinking age, by the time of their final exam scored lower than those who had not turned 21. Also, the top half of this group was more negatively affected by high-risk drinking.

A 2006 College Alcohol Survey showed that 27 percent of attrition was related to alcohol. Another study showed that high-risk drinkers were less likely to graduate, more likely to withdraw from school voluntarily, and more likely to be required to leave school. Also, the top predictor of persistence was high school success; the second-highest predictor – showing a negative correlation – was alcohol and tobacco use. This is particularly true for traditional-age students.

The financial toll of alcohol-related attrition (lost tuition revenue) is \$1 million to \$3 million for public institutions. Applying alcohol-related attrition data of 10 to 20 percent to the UW System shows that lost revenue over a four-year period would result in a range of between \$13 million and \$27 million. Most campuses are not doing a good job of tracking alcohol-related attrition.

A recent, pronounced trend is an increase in non-drinkers coming to college. Also, drinking by high school students is at an all-time low. These positive data create marketing and delivery challenges. More alcohol-free residence halls, etc. are important. Data show, however, that non-drinking students who come to a campus with the impression that everyone at the school drinks are less likely to be happy on that campus. They are also less likely to stay, because they perceive that the campus has an alcohol issue. It is important to espouse that the university's goal is to improve.

Prevention Efforts and the Board's Role

Mr. Busted showed a slide showing that many key stakeholders have an opportunity to become partners in prevention. These include AODA coordinators, counselors, residence life staff, deans of students, and many others; boards of trustees have been perceived as being at the bottom of this list. To see the governance body ranked last is stunning. Faculty are ranked next highest. Sometimes it is as simple as talking about the issue as one that the board cares about and wants to address.

Regarding the role of governing boards, Mr. Busted listed several possibilities: (1) provide behind-the-scenes support, and visible public support, for chancellors when they are faced with complaints from students – the way to do this is to reframe the issue as being about success in higher education; (2) articulate goals in strategic plans – few campuses around the country have done this; (3) create accountability measures by requiring an annual progress report to the entire board and writing the issue into annual evaluations for chancellors; and (4) marshal financial resources to bolster the effort, which can provide breakthrough progress. Messaging, marketing, and policies are important. However, better investment at the campuses in programming, services, and prevention is essential. The return on investment will be significant.

In closing, Mr. Busted provided a list of nine questions for consideration in assessing campus and Board efforts.

Current UW Prevention Efforts

Chancellor Ford followed up on Mr. Busted's remarks by describing current efforts on UW campuses. She posed the question, "How can addressing alcohol use and abuse become a priority for all?" She first spoke about the goals of the AODA Committee at the campus level: (1) engaging the university committee in addressing AODA issues; (2) assisting students to make healthy choices about alcohol and drugs; and (3) adopting research-based practices to evaluate effectiveness.

At the System level, the committee is focused on (1) coordinating systemwide efforts; (2) seeking financial support for the efforts; (3) coordinating regular and consistent data collection and dissemination; and (4) fostering relationships with other state and community agencies and organizations. The focus in Wisconsin is on prevention. While an excellent job is being done to respond, it can be easy to forget about this issue. Cindy Graham of UW System Administration, Annie Hoffman from UW-Stevens Point, and the committee created a toolkit for chancellors to assess the use of best practices on their campuses.

Other efforts include a biannual AODA survey that will be launched later in February. The AODA Committee is also planning an annual symposium. This year, students will be invited to the symposium. The committee is also working with colleagues who lead the Wisconsin Covenant Program. Students may be asked to consider alcohol education and a pledge to avoid alcohol. In addition, a UW System alcohol philosophy statement is being prepared to provide a unified voice; community-based coalitions are important; and a recent grant will assist with campus readiness assessment.

Chancellor Ford recognized Chancellor Sorenson, who she said has taken bold efforts to curb alcohol use. Holding more classes on Friday, using the attendance system for grading, and notifying parents when students violate the law on alcohol use are among the efforts undertaken at UW-Stout. Chancellor Ford also thanked UW System Senior Academic Planner Cindy Graham and Associate Vice President Larry Rubin for their work.

Board Discussion

Responding to a question from Regent Walsh about why there is good news among high school students, where progress is being made in colleges, and what are some creative approaches to be applied, Mr. Busted said that three national studies show the trend of lower rates of drinking among high school students. These students also report that they are going to college to try to find meaning and purpose in life, and may therefore be less interested in having distractions. Also, the economy has put pressure on students to succeed so as to keep college costs down. In addition, now that students know that everything they do could be on Facebook, they may be more cautious.

Mr. Busted predicted that binge drinking will drop in the next few years. However, there used to be a large gap between men and women, and now women are doing more binge drinking (binge drinking is defined as four or more drinks in a two-hour period for a woman at least once in the past week, and five or more drinks for a man). Also, ten percent of college men drink at a problematic rate. Pre-partying, or front-loading, is also a significant problem; this is drinking (sometimes with alcoholic energy drinks) before going out to a party or event, where more drinking occurs. Thus, there are slightly more non-drinkers, but there is also slightly more extreme binge drinking.

As for creative solutions, Mr. Busted referred to the example of an institution that started taking attendance in class. If a student missed class, a resident assistant would reach out with a brief intervention. Retention rates grew significantly. Holding more Friday classes is also an important solution.

Regent Smith asked whether trends at UW institutions follow national trends. Chancellor Ford said that the surveys conducted in the UW System are similar to those used to gather the national data. In some areas, Wisconsin is a little higher; she said that new data would be available after the next survey, to be administered soon.

Regent Danae Davis asked about the correlation between alcohol and drug use; a connection between teenage drinking and parental behavior; and correlations with income data. Mr. Busted said that the recent trends are generally occurring in all demographic categories. Statistically speaking, studies have shown that the highest-risk student is a white male from an affluent family, who goes to a small private liberal arts institution in the Northeast, who rushes a Greek organization, and is an athlete. Regarding drug trends, the data are stunning; about 86 of marijuana users are binge drinkers. Therefore, binge drinkers are using marijuana (and also smoking tobacco) when they are drunk. Illegal use of prescription pharmaceuticals has recently spiked. Of students who are using prescription pharmaceuticals illegally, 50 percent are self-medicating. There are no data to show that parents are drinking less.

Regent Loftus asked Chancellor Ford about the increase in Friday classes at UW-Stout. Chancellor Ford said that many of the efforts started last year; therefore, the impacts are being measured now. It is important that Chancellor Sorenson not be the only one adopting such approaches.

Regent Crain asked about reduced drinking statistics and correlations with other risks, such as risky sexual behavior. Mr. Busted said that estimates are that somewhere between 70 and 90 percent of sexual interactions on a college campus are under the influence of alcohol. The trend in sexual behavior should follow the reduction in drinking.

Vice President Spector commented on the concept of changing the conversation. Every student who is prepared for a class adds something to the class. It would be beneficial for students to hear this from the institution.

Regent Womack referred to a publication called “Switch: How to Change Things When Things are Hard.” The book, by Chip and Dan Heath, points out that each person has a rational and an emotional side. The charge is to have the rational side outsmart the emotional side; but if the community is not engaged in the emotional side of this complex issue, the research will do no good. She asked what colleges are doing well that the UW System could emulate. Mr. Busted said that he would be happy to follow up with case studies.

Using “pub crawls” as an example of a challenge, Chancellor Wells asked about a checklist designed to evaluate whether a state is alcohol-responsible in terms of laws and regulations, or a community is responsible in terms of ordinances. Mr. Busted said that he could provide state report cards from national agencies; for example, alcohol-outlet density is linked to higher rates of consumption.

Regent Bartell, referring to the role of governing boards, asked how this Board stacks up against the list that included annual surveys, chancellor evaluations, etc. President Pruitt commented that the purpose of the presentation is to surface these kinds of questions, and to provide best practices to consider. At the committee level, these issues could also be examined from a program and personnel perspective. President Reilly mentioned the every-two-year AODA survey and the statement that would be developed. The subject also comes up in the context of annual chancellor evaluations. The System has a ways to go, but some work has been ongoing.

Regent Falbo commented that the majority of UW students are underage; the law provides the tool to say that the System will not tolerate breaking the law. A stronger statement might be possible.

In closing the morning session, President Pruitt acknowledged the work being done by chancellors throughout the System and thanked Mr. Busted and Chancellor Ford for their presentation.

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The meeting was adjourned at 12:37 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