

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 9, 2012
10:00 a.m.

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- President Spector presiding -

PRESENT: Regents Jeffrey Bartell, Mark Bradley, Judith Crain, John Drew, Tony Evers, Michael Falbo, Tim Higgins, Edmund Manydeeds, Charles Pruitt, Gary Roberts, Troy Sherven, Brent Smith, Michael Spector, Mark Tyler, José Vásquez, David Walsh and Gerald Whitburn

UNABLE TO ATTEND: Regent Katherine Pointer

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PRESIDENTS' GREETINGS

President Spector greeted Board members and others present at the meeting. He said that when he entered the room, he became aware that Regent Pruitt's portrait was now hanging on the wall. He offered congratulations to Regent Pruitt.

Introduction of Dr. Betsy Morgan

President Spector asked President Reilly to make an introduction. President Reilly introduced Dr. Betsy Morgan, Interim Provost and Vice Chancellor for Academic Affairs at UW-La Crosse. He said that Dr. Morgan agreed to step into the position at Chancellor Gow's request after Provost Kathleen Enz Finken accepted a position at Cal Poly University. He noted that Dr. Morgan had three years of experience in the Provost's office, having served as a faculty assistant to the Provost from 2005 to 2008, and more than seven years of experience as Chair of UW-La Crosse's Psychology Department. President Reilly said that he looked forward to working with Dr. Morgan in the months ahead.

Board's Role in Policy Changes

President Spector noted that the day's meeting agenda included some weighty topics, which was a positive thing. He said that higher education in Wisconsin was facing some

significant challenges, just as it was elsewhere, and it was important and appropriate that the Board be directly involved, especially in the policy aspects.

Various agenda topics before the Board were at the forefront of issues on the national stage. President Spector noted that other topics, such as how to maximize the “value added” by the Board, were more local. He said that in all cases, the topics were worth the Board’s best, interactive, engaged efforts to make decisions that would stand the test of time.

President Spector said that portions of the 2011-13 budget bill responded to that concern and granted various cautious first-step flexibilities to the System and its institutions. Equally important, he noted, was that the budget bill raised the possibility of more to come, through the creation of the Task Force on UW Restructuring and Operational Flexibilities, chaired by Regent Falbo. He said that President Reilly also responded to the concerns by requesting that the President’s Advisory Committee on the Roles of UW System Administration make recommendations for major changes in the delegation of System powers to the chancellors and their institutions. He noted that the Committee did so, and those recommendations were starting to be implemented.

President Spector said that it was now time to consider additional ideas for decentralization. He said that the UW System was seeking the right balance of transformative change that adapts to the realities of life in Wisconsin in 2012 and preserves the best of the status quo, by continuing to take an in-depth look at what the UW System does, and how the System does its work.

He said that Board members were fortunate to be policymakers at a crucial time in the history of Wisconsin higher education. The Board’s challenge in working with the governor, the legislature, Regent Falbo’s task force, chancellors, and shared governance partners, was how to maintain at this difficult time the scope and quality of public higher education at the heart of the state’s culture.

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STRATEGIES FOR COST CONTAINMENT AND IMPROVED EDUCATIONAL ATTAINMENT

President Spector indicated that the morning would start with a presentation on strategies for cost containment and improved educational attainment, led by interim Senior Vice President for Academic Affairs Mark Nook. He said that he had been assured by Senior Vice President Nook that his presentation would inform the Board about current efforts to hold down costs and increase efficiencies, and how these efforts were also an investment in the future. The presentation would provide the Board with more context for its discussions.

Background

President Reilly commented that the topic of the cost of obtaining a college education was very much in the public sphere these days. He noted that it was a hot topic, from the

“Occupy” protests around the country, to the President’s State of the Union speech, to the front pages of local newspapers and media sites.

He said that at the core of the debate were some complex questions that did not have clear, simple answers. Among the questions was how the nation and the state meet the growing national demand for more well-educated graduates, as the resources to produce those graduates continue to diminish. He said that the presentation on cost containment strategies would keep these issues connected, addressing both cost containment and educational attainment, two economic and social imperatives for colleges and universities, and also for the country.

President Reilly said that for years, under the Board’s leadership, the UW System had sustained relatively modest tuition rates, while earning a reputation as one of the most respected and efficient systems of higher education. He added that efforts heretofore were insufficient, as the System faced significant challenges, noting that operational costs continued to rise, as did demands for the UW System to make contributions to economic development. Also, state and federal tax revenues continued to be constrained, leading to leaner funding for both university budgets and for student financial aid. This, in turn, contributed to higher tuition bills and longer waiting lists for grants and scholarships. Finally, he noted that the depressed economy had left families in Wisconsin with lower incomes, depleted savings, and justifiable fears about the future.

President Reilly said that the upcoming presentation and discussion were designed to highlight one facet of those challenges: how the UW System was containing costs for both students and taxpayers while also improving educational attainment. He turned to Interim Senior Vice President Mark Nook to lead the discussion.

Overview of Cost Containment Strategies

Dr. Nook stated that his presentation would provide a high-level look at the funding that the University of Wisconsin receives, at what level, and how the university has controlled costs. He asked three chancellors to come forward to form a panel of experts that would answer questions and provide examples of what had been happening at the campuses.

Dr. Nook explained that Regents had received copies of the presentation slides and a document entitled “Cost Containment Strategies at UW System Institutions.” He said that the latter document was put together with the help of the chancellors and their colleagues on their campuses, and identified the strategies that they were using to control their operating costs and their direct costs to students. He noted that the materials had been put together in a synoptic way, but each of the chancellors was willing to answer questions about the items that were included.

He started by reiterating that there was a national discussion regarding the cost of attending college. He said that the cost discussions focused on tuition and the change in tuition, but there were many other parameters that determined the price that a student pays: funding from state appropriations, particularly within public institutions, available financial aid dollars, and other resources available to students.

The State of the Union address highlighted this issue and was followed by President Obama's presentation at the University of Michigan on how to flesh out ideas for controlling costs, and making more funds available for financial aid to help to mitigate the cost as tuition continues to rise.

Trends in State Appropriation and Tuition Per Student

Dr. Nook said that his presentation would start with a macroscopic look at the 30-year funding history of the University of Wisconsin. The funding was in two forms: the state appropriation and tuition dollars. He added that he was not going to address auxiliary activities, such as room and board, or the other operations within the university. Instead, the focus would be on the core mission of the university and funding for the academic endeavor. He said he was choosing this focus because the debate had been about what had happened with tuition, and he wanted to make sure that Regents understood the impacts on tuition within the state of Wisconsin. He noted that he would provide a high-level look at funding and how the university used the funds. In addition, he said that he would briefly address some simple, macroscopic measures of educational attainment and how the university continued to improve with the money that was available.

Dr. Nook said that following his presentation, Chancellor Renée Wachter from UW-Superior, Chancellor Chuck Sorenson from UW-Stout, and Chancellor Michael Lovell from UW-Milwaukee would present information about their institutions' efforts. He noted that the "Cost Containment Strategies" document in Regents' folders provided an overview of efforts within the UW System, and the three chancellors would provide more detail.

Dr. Nook started by explaining that there are two sources of funding for the educational enterprise within the University of Wisconsin System, the state appropriation and tuition paid by students, noting that some of the tuition is actually paid through federal and state financial aid.

Referring to a slide, Dr. Nook pointed to the funding history of the university, starting with 1980, which provides a reasonably long period of time for examination. He said that the slide showed that over the 30 years, the level of tuition and state support for the educational enterprise had kept pace with the Consumer Price Index and the inflation rate.

However, higher education costs differ from the goods included in the Consumer Price Index, which is based on a basket of goods that the average household purchases, rather than the goods that a university purchases. He said that the Common Fund Institute puts together a Higher Education Price Index, which is an inflationary index for universities that includes 45 indicators that measure the cost of higher education. He noted that while the System remains a good buy for students and the state, the University of Wisconsin is falling further behind the cost to do business within the higher-education sector.

Focusing on the two fund sources for the educational enterprise, Dr. Nook said that the state appropriation showed growth from 1980 through about 1998-2000, and had since leveled off; tuition has started to fill in those dollars. A greater percentage of the funds available to educate students is coming from tuition.

Comparing the two funding sources to the inflation rate, Dr. Nook said that from 1980 to 2012 the state appropriation had always lagged behind the inflation rate. Tuition revenues were actually lagging behind the inflation rate as well, but from 1987-1988 onward, tuition increased at a rate greater than the inflation rate. Going back about a decade to 2000-2002, the mirrored nature of these two indices is remarkable.

The UW System has been a good steward of the resources that it has received, keeping the total cost of education essentially at the inflation rate and, in addition, it has moved its resources from the operational budget into the educational and student services budget. From 1980 to 2011, adjusting for inflation, the System invested about \$503 more in instruction, \$380 in academic support, \$218 per student in financial aid, and \$49 in student services. These are areas that make students more effective at moving through their programs, meaning the System is better able to serve the student. Other areas of investment are indicators of campus operations, such as institutional support, physical plant, and others. Services to students are where more resources have been invested.

Referring to a slide reflecting the inflation rate, Dr. Nook said that over the past 30 years, the UW System had been very good at maintaining its spending on the educational side of the house and keeping this at the inflation rate, at the expense of staying true to costs within the higher-education industry. Dollars had been repositioned to better support students and help increase student achievement.

Degree Efficiency

Senior Vice President Nook showed a graph that plotted the number of degrees granted in a year divided by the number of students who were enrolled that year. The graph showed that in 1980-1981, about 14.8 percent of the undergraduate students on campus graduated. The current rate is over 18 percent. While this sounds small, it is actually about a 4-percent increase, or a 22-percent growth in degree efficiency, a measure of the percentage of students on campus who graduate in a given year. Including all degrees, not only bachelor's degrees, shows growth of 45 percent in degree efficiency over the 30-year period, while enrollment grew 12 percent. By working with the funding sources that have followed in line with inflation, the System has repositioned the resources to better serve students, increase retention rates and graduation rates, and improve educational attainment and educational quality.

Cost Containment at UW System Institutions

Having asked Chancellors Wachter, Lovell, and Sorensen to join Regents at the table, Dr. Nook introduced the panel discussion.

UW-Superior

Dr. Nook first asked Chancellor Wachter to describe efforts to control costs and improve educational attainment at UW-Superior. Dr. Wachter provided a brief snapshot of the UW-Superior campus. UW-Superior has about 2,800 students. Fifty-two percent of students coming in are first generation students, she said, and 38 percent of those freshmen are Pell students. Of

the students overall, 68 percent are participating in the Pell Financial Aid Program. Thus, UW-Superior has a student body with a high degree of financial need. The institution is very conscious about trying to control student costs.

Chancellor Wachter described three ways of controlling costs. The first is to increase access to financial resources. Even though UW-Superior students may have financial aid or a scholarship, oftentimes they are working one job, and sometimes even two jobs, to afford to go to school. If they participate in employment on campus, they have a better chance of succeeding and of being retained. UW-Superior has worked hard in the past few years to increase participation in its Jacket Jobs Employment Program, such that over a quarter of the students on campus are employed on campus. This provides the benefit of the employer's understanding that these are students first, which means their work schedule can be more accommodating than that of an employer in the regular market when a student has a group project, needs to go out of town for a project, or has an exam.

UW-Superior also tries to match students with jobs that are relevant to their area of study. Chancellor Wachter referred to pictures of Health and Human Performance students facilitating a climbing camp and students working with faculty on the Lake Superior Research Institute. Overall, the institution spends 7.5 to 8 percent of its salary budget on student employees.

Second, the institution has reduced its program requirements so that it does not take five or six years for students to graduate. Curriculum creep can lead to a higher number of credit hours in a program; an effort was made to bring the number of credits down. Education programs, in particular, had too many credits (e.g., 138 credits). It was taking students sometimes five or five-and-a-half years to graduate. The institution stepped back and took a hard look at what was absolutely necessary, and what could be left behind. In Elementary Education programs, the number of credits was reduced from 141 to 123, which means shaving off a semester, or even a year. All Secondary Education programs are now below 130 credit hours. This means that students accumulate less debt, and are out of school and teaching sooner.

Third, Chancellor Wachter spoke about increasing educational attainment by increasing access to distance learning. Given UW-Superior's location, and its distance from River Falls and Eau Claire, it is unrealistic for some students to drive to campus, especially if they are adult learners, have a job, or have childcare responsibilities. Making distance learning available is a cost-efficient way for these students to earn credits. Chancellor Wachter said that UW-Superior had seen tremendous growth in its distance learning program. Since 2006, it had grown by 82 percent, such that 18 percent of the student body are distance learners. The top programs engaged in this are education and degree completion, a design-your-own major. She said that the institution does a lot of prior-learning assessment, which helps get students on their way to completing their degree.

The chancellor said that as the technology has evolved, more hybrid programs were taking advantage of the cost efficiency of distance learning, plus some courses being offered on campus. The social work program, which has gone online, is one example. She said that UW-Superior was also collaborating and combining strengths with colleagues across the state to

deliver programs that would not be efficient for the institutions to deliver individually. Sustainable Management and Health and Wellness Management are two of those programs.

Chancellor Wachter noted that UW-Superior wanted the experience of its distance-learning students to be the same as they would receive on campus. For example, if they were an on-campus student, they could wander the halls, stop in to see their advisor, and be on their way. This is not so easy for a distance learning student who may have strange working hours. The institution is using technologies like Skype, through which students can have the same face-to-face experience, except by using the technology. Overall, distance learning is very promising area, the Chancellor concluded. There is pent-up demand, and the institution looks forward to introducing new programs shortly.

UW-Stout

Chancellor Sorensen spoke next about cost-reduction strategies at UW-Stout. The first strategy he mentioned was the institution's laptop program, which was put in place ten or eleven years before. By every measure, the program has been successful. The goal was to change the way that courses were taught and the way that students learn. The charge to students is \$1,000 per year for the laptop, or \$4,000 after four years. The students take the laptop with them when they graduate. Technical support is available from 7:30 a.m. to 10:00 p.m. The campus is entirely wireless, except for some of the lobbies of the residence halls.

The chancellor said that UW-Stout eliminated the need for general-access computer labs, which opened up a lot of space on campus; a 2,500 square-foot computer lab with about 250 computers is gone. The cost of the laptop program has been reduced from \$37 per credit hour to \$27 per credit hour. This reduction was strategic. The institution no longer purchases theft insurance; it self insures, saving \$200,000. Eliminating the purchase of backpacks and cables for replacement laptops saved \$80,000 a year. The program has been a very important tool and has produced cost savings.

Chancellor Sorensen said that UW-Stout had saved \$110,000 by returning surplus products, such as furniture, to departments. The institution is also working with River Falls and Eau Claire on further efficiencies related to selling surplus property, which may save \$300,000 for the three campuses. The three campuses are also examining information technology to find efficiencies; the most extreme would be to have one common Chief Information officer for the three campuses. Opportunities to coordinate on print materials and purchasing were also being explored collaboratively.

The chancellor said that he thought that UW-Stout was the only university in the System with a per-credit tuition model. It eliminates any kind of subsidy for those who take less than 12 hours. For those who take more than 12 hours, it is a real cost. "What you take is what you pay for," he said. This has not dramatically affected average credit-hour load or retention and graduation rates. It has been an efficient and good model for the campus.

UW-Stout has three 3-year undergraduate degree programs, in Business Administration; Hotel, Restaurant and Tourism; and Psychology. Students are guaranteed to get out in three

years if they sign up for a three-year program. The numbers are not large, but they do demonstrate interest; 17 people are enrolled in three-year programs. Also, 28 UW-Stout students are enrolled in a four-year-guarantee program that each campus has. This is marketed through advisors and freshmen orientation.

Like Superior, Chancellor Sorensen said that UW-Stout had reduced the credit hours for each program. When he arrived, there were 142 to 144 credits per program. The institution is down to 120 to 124, with a couple of programs above that: Engineering and Education, which are exceptions. The institution had recently finished a laborious General Education reform process, reducing General Education two full credits; this helps students to finish on time.

Finally, Chancellor Sorensen discussed the Wisconsin Intercollegiate Athletic Conference. The universities control the athletic programs through the conference, with the commissioner. The chancellor said that the institutions had taken very seriously how to reduce the cost of athletic program delivery. For example, men's and women's basketball teams are required to travel together on a single bus, and to play on a single day; this eliminates a lot of overnight stays. A geographic model limits where teams can play and also cuts travel, lodging, and food costs. An annual total of \$400,000 was saved in the previous four or five years through these strict measures. He said that the chancellors were very serious about controlling athletic quality and costs, meeting monthly and having a strong commissioner.

UW-Milwaukee

Chancellor Lovell spoke next about cost-cutting measures at UW-Milwaukee. He said that he would talk about a single program on campus, and then about a national report that puts things into perspective for the whole System. First, however, referring to the handout that Dr. Nook had provided, he indicated that the snapshot of cost-cutting activities across UW institutions was impressive.

Chancellor Lovell focused on UW-Milwaukee's Life Impact Program. UW-Milwaukee has many nontraditional students who return to earn their degrees later in life. Therefore, one of UW-Milwaukee's strategies was to establish a way to assist older students, those with families, to obtain a higher education. This can be a challenge for an older student with family, time, and financial commitments. The institution was able to obtain funding from the Great Lakes Higher Education Guaranty Corporation and the Jane Pettit Bradley Foundation to develop a program for older students with families.

Essentially, the program provides a laptop computer for their academic and professional growth, and it also provides emergency funds to assist students and graduates. When supporting a family, things can come up; it is important that students not drop out of school because they cannot afford to fix a broken water heater, for example. With the emergency fund, students can apply for help on an as-needed basis so that financial crises do not interfere with their academic plans.

The program also brings together a life coach team, which assists with obtaining additional scholarships, in addition to the one from the Life Impact Program itself; helps them

balance their credit load; and helps them graduate sooner and find sustainable employment. Students are also given access to specialized computer rooms and stations, printing, and supplies. In addition, participating students attend a series of workshops on family budgeting and meeting family needs in the areas of health care, food and child care. Thus, the program provides an infrastructure and support structure to let students succeed.

And as it turns out, the chancellor said, the students involved in the program are mature and very serious about their education. When given the support they need, they are very successful. The program had resulted in an 86-percent graduation rate for the 118 students who participated. This is more than twice UW-Milwaukee's current graduation rate of 42 percent. Ninety-five percent of these students have either reported being employed directly out of the program, or have gone on to further education and graduate school. The students are also saving money, with an average of almost \$20,000 less debt when coming out of this program.

Chancellor Lovell then mentioned a national report that shows how lean UW-Milwaukee is, and how it is controlling costs. He observed that all UW System institutions, if ranked among their peers nationally, would fare well. He highlighted results from the Goldwater Report that addressed reasons for the higher cost of education. The report included the top 198 research universities in the country, and UW-Milwaukee was the 12th least in the country in annual spending per student. UW-Milwaukee spent \$13,000 per student, on average, when the national average is \$41,000. The institution was also 12th lowest in instructional research and service staff ratio per 100 students. UW-Milwaukee had half the average instructional-staff ratio, or 3.5 instructional staff per 100 students; the national average is 7 per 100 students. UW-Milwaukee had 3.6 administrative staff per 100 students; the national average is 9.4. Both instructional and administrative staff are much lower than the national averages.

The chancellor said that it is important to point out what has happened at UW-Milwaukee in recent years. The institution had 25-percent enrollment growth over the past decade. It also increased its number of graduates by 39 percent, or well over 5,000 per year. Research growth was 170 percent over that timeframe. Chancellor Lovell noted something that he said was critical, that survey results of UW-Milwaukee graduates over the past 15 years show a 96-percent graduate satisfaction rate. People feel that they are getting a great value from the education received at UW-Milwaukee.

Chancellor Lovell suggested that all UW System institutions should be proud of their accomplishments and of the good stewards they had been. He noted that Interim Senior Vice President Nook had shown how resources on campus were focused on instruction and the benefit of the students. Chancellor Lovell agreed that this had been the case. Even in the current budget, with cuts and lapses, the focus was on keeping sections open and minimizing the impact on students.

This has been done well; however, there is a price to pay when doing this. As resources have been moved toward instruction, support for other parts of the campus has been dwindling. For example, in the College of Letters and Science, there is a 800- to-1 student-to-advisor ratio. In mental health, there are 3,500 students per mental health advisor. Particularly with the stress on students and the fact that UW-Milwaukee has 1,400 veterans, who often need more mental

health services, these numbers are cause for worry, particularly when it is understood that students who are better supported have higher retention and graduation retention rates.

Interim Senior Vice President Nook thanked the three chancellors for their presentations, and thanked all chancellors for their contributions to the materials that demonstrate cost-containment measures. He also complimented chancellors for being effective stewards of the resources that they had. Dr. Nook also thanked the office of Policy Analysis and Research, Heather Kim and Gail Bergman in particular, for helping to pull together data. He thanked Freda Harris and her staff in Budget, particularly Lynn Paulson, as well as Special Assistants Rebecca Karoff and Bob Jokish in the Office of the Senior Vice President for Academic Affairs. A large team gathered the information together.

Regent Discussion

President Spector thanked Dr. Nook for the in-depth and enlightening analysis, and then recognized Regent Vásquez, who followed up on Chancellor Lovell's comments by asking about the possibility that reductions could become so significant that people would conclude that the institution is so cheap that it must not be that good. He asked how the System could ensure that institutions do not reach this point.

Chancellor Lovell responded, saying that this was philosophical question. There is a point in time when an institution may offer less quality – when an institution has fewer resources overall, tuition is cheaper, and it is not possible to become any more efficient. He said that point was being approached. This was discussed with the legislative Task Force on restructuring; Interim Chancellor David Ward had done a good job of explaining this philosophical dilemma. It is necessary to consider whether to continue to cut the costs of higher education to a point where quality suffers, or whether to look at higher education as an investment for the future. A debate is occurring about this.

Chancellor Sorensen commented that each UW-Stout program has an advisory board of professionals. They meet regularly and serve as a test of the content of academic programs and what jobs graduates are getting when they enter the profession. If the institution cuts back too much, it hears from the boards. In fact, because of some of the boards, UW-Stout reinvested more heavily in some programs where it recognized that there was a decline in quality. Placement rates are another indicator of quality; if employers like the institution's graduate product, they will hire the graduates. Every fall, about 250 to 300 corporations come to campus to recruit interns or professionals. If those numbers decrease, the institution will know it should look more carefully at the programs. Therefore, Chancellor Sorensen said that there are measures to watch, although, as Chancellor Lovell indicated, there is a line that will be crossed.

Interim Senior Vice President Nook said that the line may have been crossed in some places. He gave the example of faculty and academic staff salaries, which are not keeping up. Shifting resource costs by reducing the number of tenured faculty and increasing the number of adjuncts is one way to reduce costs, but at some point quality suffers.

Chancellor Lovell added that UW-Milwaukee had lost 41 faculty the prior year to better offers and more competitive salaries at other institutions. That is the top 5 percent of the faculty, he said. He questioned how many years in a row the top 5 percent could be lost before quality goes down significantly.

Regent Crain asked how, when decisions are made about reducing the number of credits required for a degree, consideration is given to whether the ultimate quality of the degree is changed. Chancellor Sorensen responded, saying that the faculty are the ones who should know what goes into a major. Beyond that, the Regional Accreditation and Higher Learning Commission accredits the universities, and a large percentage of programs receive specialized accreditation, where deficiencies of individual majors are addressed.

Chancellor Sorensen also commented that he had been in leadership positions for 30 years in public higher education, at Michigan, Minnesota, and Wisconsin. What he witnessed was a tendency to add to the total credits, because new information is viewed as a new course, rather than as information to be integrated throughout the curriculum. More credit does not mean a better education.

Chancellor Wachter noted the importance of well-defined learning goals. Sometimes the process of defining program outcomes, and the curriculum changes needed to achieve and measure those outcomes, is not as deliberate as it could be. More attention could be paid to this.

Chancellor Sorensen said that during his career he had witnessed changes “around the edges,” rather than systemic change in how information is being delivered, and this is changing. He said that the Board would be asked to approve two programs that afternoon from UW-Stout that were collaborative, integrative, and across disciplines. This is the way information is now, he said. Students do not major in Biology anymore; they major in Biology associated with Psychology and with Environmental Science. It is important to look at systemic change in how to define a degree and deliver a course properly. He posed the question whether the proper delivery is a three-credit course on Monday, Wednesday, and Friday until a student reaches 45 hours of credits to earn a major. He said that it is necessary to challenge the basic fundamental philosophy of how courses and programs are delivered most efficiently.

Regent Bartell asked about a comment by Chancellor Sorensen that students resist a three-year program. With students spending longer than ever on campus, which increases their costs, Regent Bartell wondered what could be done to interest students in earning their degrees more quickly.

Chancellor Sorensen said that he did not know the answer to this, but at UW-Stout it did not appear that 18-year-old students were rushing to enter the work force at 21, even though these younger students have parents exerting some control. He wondered if the concept could be sold differently.

Dr. Nook shared a related anecdote. In 2001, when his daughter left home and went to college, he asked what she expected to be doing four years from that time. She said she would be entering her senior year, and he said he thought she would be graduating. She planned on five

years because she was in very tough major, and she wanted to swim on the swim team; the national average was five years so she thought it would take that long. As it turned out, Dr. Nooks' daughter double majored, was on the swim team, studied abroad, and graduated in four years. He felt it was valuable to have an early conversation about goals, rather than making assumptions.

Chancellor Wachter commented that the current generation of students likes options. They may add a second major, knowing full well it will take them an extra semester, because they want options.

President Spector recognized Regent Walsh, who said that it is undisputed that there are fewer public funds available for higher education. Ten years ago, when the UW System received a \$250 million cut, it backfilled with tuition increases. He said that this year, in the face of a more-than-\$250 million cut, the Board would not have the option of tuition increases. He asked about chancellors' sense of the current debt burden on students, and about the "new normal" in the recession, when graduate students are not finding jobs. He also noted the high number of students per academic advisor or mental health counselor, and asked at what point it would be necessary to cut enrollment because of the lack of funds.

Chancellor Lovell, addressing the first part of Regent Walsh's question, said that he was worried about increasing student debt when 46 percent of students need remedial work; these students are taking classes for which they are not earning credit, and they are taking on student-loan debt to pay for them. A decade before, only 32 percent of students needed remedial work. Students who enter college better prepared can graduate in four years; those who are not prepared have trouble getting through in five or even six years.

As to Regent Walsh's question about the point at which enrollments should be cut, Chancellor Lovell said that there needed to be a philosophical discussion about this. From a financial viewpoint, it is more cost effective to have fewer students with a higher graduation rate.

Referring to funding problems that lead to declines in quality in areas such as mental health and counseling, Regent Walsh reiterated his interest in understanding when it is time to cut enrollment.

Chancellor Sorensen noted that there is a fundamental question about the historic role of state universities and access. He said that at UW-Stout, the average ACT was about 21.8, which is not as high as other UW institutions, and yet output and placement rates are good. If the freshman class were reduced by about 25 or 30 a year over four years, analytical models show that the ACT of admitted students would increase to about 23.2. Retention and graduation rates would go up. However, this would mean denying access to some of those who deserve it. The basic philosophical choice is access versus selectivity.

President Spector asked President Reilly to respond to Regent Walsh's question. Related to the question of what jobs are available during the struggle to recover from the recession, President Reilly said that this was likely a temporary issue. Data suggest that more of the jobs of

the future will require people to have some level of college degree. Even in a recession, people who have attended college are less harmed than people who have not.

Regent Walsh commented that the economic model does not work forever, and that cuts could not continue. At some point, a decision would be needed that the quality of the educational experience was not fair to the students, and enrollment should be cut. He said that he was not saying that enrollment should be cut but, rather, was asking when that point would be reached.

President Reilly said that this was a topic at virtually every chancellors' meeting. He said that the simple answer was that when that point was reached, he would bring that information to the Board. Regent Walsh responded that his question had been about when this point would be reached, and he concluded that the answer was that the timing was unknown.

Regent Spector recognized Chancellor Gow, who said that he would not necessarily agree with the notion that quality had declined. What had declined was the compensation of UW faculty and staff, and yet they keep delivering. Perhaps the question is, at what point will faculty and staff compromise their commitment to students. Chancellor Gow said that, fortunately, they are great people, and he did not foresee that happening soon, but a significant challenge is how to maintain morale. He also commented that enrollment limits at UW-La Crosse would hurt the institution, because the institution is so tuition-driven, and this is the future trend.

Regent Bradley asked chancellors to comment on the long-term effect on institutions of putting increased dollars into instruction and academic support, while taking funds away from the physical plant, for instance.

Chancellor Sorensen said that he did not know the exact answer, but UW-Stout had been fortunate in the past decade in getting to do renovation projects and two new building projects. The property is maintained very carefully, with a good maintenance staff. Deferred maintenance at UW-Stout is about \$50 million, including auxiliary funding for new roofs for residence halls and rejected renovation of residence halls, which are included in the master plan. On the whole, he said he was pleased with the maintenance of the physical plant at UW-Stout.

Regent Pruitt asked a question about affordability, observing that it seemed as though budget reductions would potentially increase the time to degree for students who lack access to an advisor to help them navigate through the system, or mental health services, for example. He asked whether chancellors had begun to attempt to measure in a tangible way the hidden costs of budget reductions, increases in class size, reduction in sections, and reduction in infrastructure.

Chancellor Lovell responded that he did not believe these costs had been quantified, although all chancellors probably have anecdotal evidence. Each time he meets with a student group, he hears about a student's inability to get into the one course that they need to graduate.

Returning to a point that Chancellor Gow had made, Chancellor Lovell commented on the breaking point for faculty and staff. He said that during that semester, the class of a particular faculty member was full, and there were four or five seniors who needed the class to

graduate. The faculty member objected, saying that he had not had a raise in six years and questioning why he would bring more work on himself by letting more people into the class. After some discussion, the faculty member was persuaded to change his mind. However, some faculty have reached the point at which enough is enough. Chancellor Lovell reinforced the Chancellor Gow's point that it is the people on campus who have been doing more with fewer resources.

Regent Drew observed, based on Chancellor Lovell's comments, that the chancellors, faculty, and staff throughout the System deserve a tremendous amount of credit for maintaining quality in the face of difficult times. The 41 faculty departures from UW-Milwaukee last year were an indication of how bad things are. He said that it was important to continue to make the case about the disproportionate impact of the budget lapse on the UW System compared to the rest of the state, and the overall trend in funding. It was also important to continue the cost reduction activities and engage students, faculty, and staff in developing ideas. However, Regent Drew said that he thought it important to reject the notion that continued cuts and decreasing access and cutting enrollment are inevitable. He praised President Reilly's efforts and suggested that it was also incumbent upon Regents to get the story out about the challenges at the UW System institutions.

President Reilly followed up on Regent Pruitt's question about the wider range of costs to students, saying that more attention had been paid to this in recent years. He complimented Regent Pruitt on his work related to textbook costs, and stressed the importance of looking at other costs. He said that an interesting hidden dynamic was students' willingness to raise fees on themselves as when, for example, they sought increased fees for more freshman-year advisors, or more expensive equipment for a program. This was happening because the state had reduced the subsidy.

President Reilly followed up on Chancellor Lovell's and Chancellor Sorensen's earlier remarks about full classes and different course delivery methods and mentioned that Chancellor Ward had been articulate about these issues, as well. President Reilly said that it could be argued that electronic versions of core lectures, with graduate students or other guides "on the side," may provide an opportunity to add students more easily to popular course sections. It is necessary to consider how to transform the core enterprise to hold down costs.

Following up on Chancellor Lovell's remarks about national comparisons, President Reilly also commented on the startling nature of the lower costs at UW institutions, compared with peers with whom those institutions compete for academic reputation, as Chancellor Lovell had noted. He said that the numbers show that the University of Wisconsin is holding down costs. However, money does matter, and it is connected to quality. It is the university's role, working with the state and federal government, faculty, staff, students, and all UW partners to not allow the resources to get so low that quality does decline.

Regent Spector recognized Regent Vásquez for a final comment. Regent Vásquez expressed his interest in the answer to Regent Walsh's question about when to limit enrollment because of quality. He also said that the UW System would continue to serve more students of color and more students with diverse needs, such as students with disabilities. He wondered how

these students could be served adequately and given as much of a guarantee as the “ideal student” who already has the fundamentals and would be able to graduate in four years. He expressed concern that the focus is sometimes on the ideal student and not on these other populations.

To close the conversation, Interim Senior Vice President Nook said that the cost containment strategies that were discussed were similar to those at public institutions across the country. Too often the national debate is focused on the tuition and driven by what is happening at a handful of elite public universities. It is important for stewards and servants of a public institution to keep an eye on the subsidized price. Many things help to offset that price. At private institutions, it is federal or private financial aid. In Wisconsin, it is the state appropriation; federal, state, and private grants; and loans. Loans have been growing the most. Dr. Nook said that as the national debate about costs continues, it is important to keep in mind the many factors that affect price in addition to the operational costs of the institutions.

President Spector thanked Dr. Nook and the chancellors who presented, and they received applause from the Regents and others in attendance.

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UPDATE ON LEGISLATIVE TASK FORCE ON UW RESTRUCTURING AND OPERATIONAL FLEXIBILITIES

President Spector asked Regent Falbo, chair of the Task Force on UW Restructuring and Operational Flexibilities, to present an update on the work of the Task Force, which had met for the third time the day before.

Regent Falbo's Report

Regent Falbo reported that Interim Chancellor Ward from UW-Madison and Chancellor Lovell from UW-Milwaukee gave a joint presentation on the relationship between the UW System and its two doctoral institutions. The chancellors observed that the structure of the UW system allows for diverse UW institutions to tie to a statewide system that allows access and choice for students and fosters transfer among the institutions.

To address the question of System structure, the chancellors presented a proposed advisory-board model under which the Board of Regents would retain its role, but would receive additional input from institution-level boards. These boards would have two to three Regents appointed as members, which would allow for greater understanding of institutional issues, problems and concerns; provide an enhanced communication flow about institutions to the full Board of Regents; and inform Regent policy decisions with institutional perspectives.

Regent Falbo said that the chancellors also pointed out that UW System Administration is moving to a customer-service focus and playing more of a coordinating and strategic role. It was noted that the primary challenge would be gaining flexibilities from state control, rather than from the Board of Regents or System Administration. It was emphasized that as much as they

need any enhanced governance system, the institutions need additional flexibilities to meet their fiscal challenges in achieving savings through procurement flexibility, for example, and retaining faculty and staff. The Task Force would discuss flexibilities, including procurement and capital issues, at its April meeting.

The Task Force also discussed the idea of a social compact, primarily in terms of state support for higher education. There had been a gradual shift from the classic post-war model of high state support and low tuition, toward lower state support with higher tuition. This shift had occurred through the fiscal realities confronting the states, rather than through any specific policy or decision. As state support decreased, this revenue had been replaced with tuition. The chancellors, including those who were members of the Task Force, expressed concern about the potential impact on quality as revenues continue to be restricted.

Regent Falbo said that the next Task Force meeting would focus on human resources and credit transfer. He offered to respond to questions.

Regent Discussion

Regent Higgins, a member of the Task Force, commented that the structure that Regent Falbo had devised for the Task Force had been excellent. The first three meetings essentially had been “data dumps,” so that everyone would be on the same page for the discussion that follows. He commended Regent Falbo for how he had been managing the information presented.

President Spector asked Regent Falbo to remind Regents who else from the UW was on the Task Force. Regent Falbo noted that the other regents were Regents Higgins and Tyler. Three chancellors were on the group, Chancellors Wells, Cross, Shields.

Regent Crain asked whether the flexibilities being discussed would be for all UW campuses, and Regent Falbo said that they would. He also clarified that the discussion about advisory boards was not necessarily only for the doctoral institutions, although those institutions had been the focus of the presentation at the meeting.

Regent Bartell asked about the input of the UW System for the work of the Task Force, in addition to the involvement of Regents and chancellors. For instance, extensive memos had been prepared on tuition and on structure and governance; Regent Bartell wondered whether the Task Force was considering these. Regent Falbo responded that the System had been of great assistance and had provided the backbone of support. Support from System Administration was being led by Associate Vice President David Miller and Jessica Tormey from the Communications Office, although other System staff were working on this, as well. Three people from the Legislative Fiscal Bureau were also involved; the Fiscal Bureau had been disseminating the information, and the meeting materials had been posted on the Fiscal Bureau’s website. Staff from the Department of Administration were also part of the support group.

President Reilly commented that System working groups had produced white papers on each of the six topics that the Falbo Task Force was charged with addressing. These papers were

being supplied at the appropriate times, and he and Regent Falbo had talked extensively about how System Administration could be responsive.

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REPORT OF THE AD HOC WORK GROUP ON UW SYSTEM STRUCTURE AND GOVERNANCE

Introducing the next agenda item, President Spector said that he had asked the Ad Hoc Work Group on UW System Structure and Governance, chaired by Vice President Smith, to focus on one of the six Task Force subjects on a timetable and in a manner that complements the work of the Task Force. For that reason, Vice President Smith would not be seeking formal approval of any proposal during the day's meeting but, instead would provide information, context, and ideas. The Board's discussion would parallel the work of the Task Force, with any final decision reserved for late in the spring.

Vice President Smith's Report

President Spector turned to Vice President Smith to comment on the report of the Work Group on UW System Structure and Governance, which had been provided to Regents in advance of the meeting. Vice President Smith said that he wanted to especially thank the group members, who were Regent Crain, Chancellor Levin-Stankevich, Chancellor Lovell, Regent Pruitt, Chief of Staff Richards, and Chancellor Wells. There had been a lot of hard work, but most of all by Regent Secretary Jane Radue and Assistant Secretary Jess Lathrop. He joked that he and Secretary Radue had gotten to know each other's weekend schedules way too well while working on and communicating about drafts of the report.

Returning to the origin of the report, Vice President Smith said that the report originated from two sources: (1) the need to prepare a white paper on System structure and governance for legislative Task Force consideration, and (2) the recommendations of the President's Advisory Committee on the Roles of the UW System Administration (i.e., the "Pruitt Committee"). The Advisory Committee discussed whether some type of institution-level board would be of some assistance, and what type of board that would be. One of the Committee's recommendations to President Reilly was to look into the institution-level board concept.

Vice President Smith said that the issue, given the current economic and administrative environment, was what structure would be best for the UW System. This question needed to be considered in the context of state funding and the budget lapse, flexibilities, the public purpose of the UW System, and the changing roles of System Administration and chancellors.

The Work Group concluded that there should be significant, but not dramatic changes. Vice President Smith commented on the approaches taken to reach conclusions: Secretary Radue and Assistant Secretary Lathrop spoke with all of the chancellors about their views on institution-level boards. The group studied other systems, as the attachments to the report reflect. The group also relied in part on the proposals of Chancellor Lovell and Chancellor

Ward, which Regent Falbo had mentioned, and reviewed some of the comments of Aims McGuinness, one of the speakers at the Task Force's first meeting. In reaching its conclusions, the group combined this information with individual group members' experiences.

Vice President Smith said that the Work Group's report centered on three entities: institution-level boards, regional education counsels, and a systemwide advisory council. Some of these already exist in some form, and some do not. Related to institution-level boards, the report recommended an advisory, as opposed to a governing, structure. The reasons were delineated in the report, many of them coming from the chancellors, who preferred advisory boards at this point in time.

Institution-level boards, as proposed by the Work Group, would be for all UW institutions, not only for UW-Madison and UW-Milwaukee. They would perhaps be more formal than they had been. The group discussed such concepts as accountability and reflecting the uniqueness of each institution. Vice President Smith said that words like "advise" and "advocate" were used in the report. He said that institution-level boards, or councils, would be optional, rather than something mandated by the Regents. Their functions, roles, and membership would be set at the discretion of the chancellors, many of whom already have some form of advisory board. The proposal would be a way to enhance existing institution-level boards, and one or more members of the Board of Regents would possibly be part of those boards. Regent Bradley would be speaking the next day about Regents' roles and ways that Regents might have more time to spend on activities such as this.

Vice President Smith said that the Work Group's report observed that the System was headed in the direction of gaining flexibility. When even more flexibilities are gained, the question of the relationship between the Board of Regents and institution-level boards can be considered again.

The second entity that the Work Group discussed was regional education councils. The Work Group said that the economy is viewed in terms of regions, and not only particular cities. Therefore, higher education should have a regional focus, and UW System institutions should collaborate with K-12, the technical colleges, and private institutions, as well as businesses. Regional collaboration would help in such areas as advocacy and college readiness.

The third entity would be a systemwide advisory council. President Reilly currently has the ability to create such a council, but had not yet done so. While the Work Group focused less on this third area, the group recognized that this concept would add another dimension, taking the work from the local, to the regional, to the statewide level; representatives from institutions' advisory councils would come together to compare notes and advise the president of the System on matters involving all institutions.

The Work Group concluded that the combination of the institution-level boards, regional education councils, and the systemwide council would be a different way of doing business and would be consistent with the idea of increased flexibility and institution-level authority for decision-making. Vice President Smith said that no action would be taken on the report at this

meeting, and that this was the start of the discussion. He invited other members of the Work Group to add their comments.

Chancellor Wells, a member of the Work Group, commented that this had been a good summary. He said that the Work Group had good, frank discussions, spending a lot of time on the idea of institution-level advisory boards, deciding to refer to these as “councils,” to avoid confusion with institution-level governing boards. He said that he had played devil’s advocate, pushing hard for institution-level governing boards, but this idea was ultimately rejected in favor of advisory councils.

Chancellor Wells said that what convinced him that advisory councils were a good thing was the idea that, until UW institutions get substantially more authority and the flexibility to manage and lead their institutions, by adding governing boards they would just end up with another level of bureaucracy and the same amount of flexibility. This is not acceptable.

Chancellor Wells also observed that Chancellor Ward, at the previous day’s Task Force meeting, made an exceptionally good observation about a chancellor’s role. He pointed out that a CEO of a corporation is not a good metaphor for a chancellor. He said that, at best, a chancellor is like a mayor of a messy city. Any changes in structure and governance that would facilitate the ability of the chancellor – the chancellorship more broadly – to build trust, confidence, and collaboration among internal and external stakeholder groups would be very helpful.

Chancellor Wells said that the Work Group’s report was suggesting some real, substantial change. It was not suggesting transformative, radical change, and that is not necessary. What drives a lot of the ideas is how to enhance the communication among and between the stakeholders in the state of Wisconsin, internal and external. It would be especially helpful to maintain this focus. More high-impact practices on UW campuses are needed for a better quality educational experience. Resource constraints hinder this. Students need to be even better prepared than they currently are, at a better, subsidized price. A better education for students, at a better subsidized price, leads to a better price value for a better life for more Americans and Wisconsinites. Continuing to do a better job of providing a better-quality education is important for getting the university’s investors to invest more in the university, or to cut less. This spirit was developing the day before at the Task Force meeting, the chancellor said.

Regent Discussion

Regent Falbo remarked that the Task Force had a brief discussion about names for the institution-level boards or bodies, but did not reach conclusions. In some cases, he said, these boards may sound like duplication, but he said he did not see it that way. As a Board of Regents, board members are not equipped to promote goals of individual campuses in the way that they should be promoted. That would be the role that these local-level groups would play, and it is an important role. The sky is the limit as to what institutions could do with this kind of support, which is also tied to flexibilities and cost.

Regent Crain, a member of the Work Group, said that she, like Chancellor Wells, had played devil's advocate during some of the conversations. She said that she supported the conclusions of the Work Group, that she appreciated the good discussions, and that the group had covered a lot of territory in a short period of time.

Regent Crain raised the issue of the role of the Regent, which she said was relevant to both the Structure and Governance Work Group report and the Board Roles and Responsibilities report, to be discussed the next day. Regent Crain expressed concern about the role of Regents on institution-level boards, and whether those Regents would become advocates for a particular institution when communicating with the Board of Regents. She said that it was important to remember that the responsibility of each Regent is to the UW System. She was not opposed to anything that could enhance communication and strengthen the System, as well as individual institutions; however, it is important to be thoughtful about how this plays out.

President Spector observed that Regent Crain's comments during Work Group meetings had raised group members' consciousness about the potential problem and drew some good discussion.

Regent Falbo said that the Task Force had talked about this to some extent. He said that his belief was that if a Regent has a preference for a campus, they have that preference already, and it is not a bad thing. He referred to his close working relationship with the UW-Parkside chancellor, which he thought was beneficial, and which exists even without a local-level board. Regents all know what their overall responsibilities are. Regent Falbo suggested that Regent involvement on institution-level boards would be an opportunity to expand relationships, which is a positive thing.

Regent Pruitt, another Work Group member, said that he would like to underscore that the Work Group did not approach its task with any resistance to change. Even though the final report did not recommend dramatic change, Work Group members took a hard and serious look at national systems, debated, and challenged each other with difficult questions.

Regent Pruitt said that he thought that one thing that emerged once again out of the Work Group process was a deep appreciation that Wisconsin has a lot of things right, and that this remarkable System may, in fact, be a good model for other states to look to as they pursue the future of higher education. The group discussion did not reflect a Board of Regents committee that was jealous of power and that did not want to give up power to institution-level governing boards. Rather, the group recognized a lot of the strengths of the current system.

Regent Pruitt also said that he wanted to underscore the contingent nature of the Work Group's recommendations related to institution-level governing boards, and the connection to flexibilities. He emphasized the group's willingness to reexamine these issues in the future if there were a decision to relinquish some control from the university's state partners. There may come a time, if circumstances change, that having institution-level groups with enhanced authority, whether governing boards or something else, should be discussed.

Regent Vásquez remarked that, regardless of the structure adopted, it is important to be clear, from a governing perspective, about the authority, accountability and responsibility that each tier has. It is important to try to avoid instances where the line of separation is fuzzy. He expressed concern that it would be confusing if, for example, a local-level board believes that it is in charge of the chancellor, or in charge of the budget, and the state-level board also believes that it is in charge of the chancellor and the budget. Each could claim to have ultimate power and authority. Regent Vásquez said that he was not expressing an opinion about whether institution-level boards should or should not exist, but rather he wished to stress that whatever system exists should not create more confusion. Clarity is especially important because chancellors will undoubtedly want to have people of means and influence – people who want to make a difference – on their institution-level boards.

Regent Vásquez also observed that having Regents serve on institution-level boards was an intriguing idea, but in his experience, a Board member’s first and foremost responsibility is to the organization that they are serving by being on the Board. He suggested that if a Regent were to serve on a local-level board, it would be very important to consider where his or her loyalty should be.

President Spector, in closing the conversation, noted that he would end with two points. The first point applied to both the Bradley report to be discussed on Friday, as well as the Smith report which had just been discussed: President Spector said thank you to all of those who participated in thinking about the issues, developing ideas, being devil’s advocates, or being in the majority from the beginning. He said that he appreciated this involvement very much and that it had moved the discussion forward.

Second, President Spector noted that a number of very intelligent people had said, in one form or another, “I don’t know what I think until I write.” He said that there was a lot to that; he learned while writing legal briefs, like Regent Bartell and others, that it does help to write it down. In that regard, he said that he especially wanted to tell Regents how much Secretary Radue and Assistant Secretary Lathrop had done to make possible the two reports. They wrote them the hard way, doing the initial draft, and then doing redrafts. They had the benefit of the thinking of some of the wisest people around, but, nevertheless, they wrote a lot. President Spector said that this work deserved appreciation; his remarks were met with applause.

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The meeting was adjourned at 11:55 a.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