

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in Great Hall
Memorial Student Center
University of Wisconsin-Stout
Menomonie, Wisconsin

Thursday, October 4, 2012
9:00 a.m.

UW-STOUT PRESENTATION BY CHANCELLOR CHARLES SORENSEN -- "TRANSFORMING A UNIVERSITY: TWENTY-FIVE YEARS OF MOVING UW-STOUT FORWARD" 2

SIGNIFICANT CHANGES AT UW-STOUT3
DISCOVERY CENTER.....4
OTHER TECHNOLOGICAL CHANGES.....4
PLANNING PROCESS5
CAMPUS PHILOSOPHY AND APPROACH5
EXAMPLE OF STUDENT INTERN OPPORTUNITIES5
ECONOMIC IMPACT STUDIES6
FUTURE OF UW-STOUT6

BOARD OF REGENTS OVERSIGHT OF DIVISION I ATHLETICS 7

PURPOSE OF OVERSIGHT DISCUSSION7
INTEGRITY OF ATHLETIC PROGRAMS8
PROPOSED REPORTING FRAMEWORK.....8
GOALS OF REPORTING FRAMEWORK.....9
METHODOLOGY FOR ANNUAL REPORTING10
FINANCIAL ARRANGEMENTS AND COMPENSATION AGREEMENTS14
ANNUAL CERTIFICATION LETTER.....14
REPORTING OF VIOLATIONS16
BOARD'S ROLE IN ATHLETICS.....19

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in Great Hall
Memorial Student Center
University of Wisconsin-Stout
Menomonie, Wisconsin

Thursday, October 4, 2012
9:00 a.m.

- President Smith presiding -

PRESENT: Regents Jeffrey Bartell, John Behling, Mark Bradley, Tim Higgins, Tracy Hribar, Ed Manydeeds, Regina Millner, Katherine Pointer, Charles Pruitt, Brent Smith, Mark Tyler, José Vásquez, and Gerald Whitburn

UNABLE TO ATTEND: Regents John Drew, Tony Evers, Michael Falbo, Gary Roberts, and David Walsh

- - -

**UW-STOUT PRESENTATION BY CHANCELLOR CHARLES SORENSEN --
“TRANSFORMING A UNIVERSITY: TWENTY-FIVE YEARS OF MOVING
UW-STOUT FORWARD”**

President Smith greeted meeting attendees and expressed the Board’s appreciation to Chancellor Chuck Sorensen and his team for their warm welcome. He joked that it is not always easy when the Board comes into town. He said that today’s meeting would start with a presentation by Chancellor Sorensen, who had been at the helm of UW-Stout since 1988.

Chancellor Sorensen said that it was his pleasure to welcome everyone to the UW-Stout campus. He acknowledged that this was his 25th year as chancellor and said that he finally found a job he liked and had worked hard to keep it. He noted that serving as chancellor had provided the great experience of working with great colleagues in a great state.

Before starting his presentation, Chancellor Sorensen acknowledged the presence of a special guest in the audience, State Representative John Murtha, as well as other individuals.

Significant Changes at UW-Stout

Chancellor Sorensen said that the campus was prepared for the Regents' visit, pointing out the new gateway feature that clearly identifies the campus and the recently renovated Student Center. He said the student body voted themselves a \$19 million segregated fee to renovate the Student Center and had been flocking to the building every day to study and socialize. He expressed thanks to the UW System and Associate Vice President David Miller, who had helped UW-Stout to physically transform the campus.

Chancellor Sorensen indicated that he would speak about how the UW-Stout campus had been transformed. He started by mentioning that the campus had been tobacco-free since 2010, which had changed the culture of the campus; cigarette butts aren't seen at the entrance to every building. He then introduced a brief video highlighting UW-Stout's polytechnic philosophy, research and efforts to advance innovation, UW-Stout's connection with manufacturers throughout northern and western Wisconsin, and success in securing grants and fundraising.

Chancellor Sorensen said that when he arrived in 1988, UW-Stout was a different school. It was a respected school, known for industrial arts education and home economics education, and just starting to branch out into other areas of business and hospitality management. He said that the institution was in the infancy of growth, with a limited program array, decentralized planning process, top-down decision making, open admissions, and caps on program enrollments. He explained that UW-Stout's journey to where it is today began in 1997. Some significant changes were made, including a redesigned system of leadership, because of a campus upheaval and crisis, and the changes led the institution to where it is today.

Chancellor Sorensen recalled that in 2001 UW-Stout received the Malcolm Baldrige National Quality Award, one of the most prestigious awards in the area of quality improvement. He said that the award transformed the institution, and everything the institution does now is because of the Baldrige Award. In 2001, the institution also began a very aggressive e-scholar program, with every student leasing a laptop. In 2007, after rancorous debate on campus, UW-Stout received the "polytechnic" designation, which pertains to applied learning, outreach and other characteristics, and which the chancellor said has been very good for the institution. He noted that all planning is viewed through the prism of the polytechnic. In 2009, the Discovery Center was established, which is the umbrella for all of UW-Stout's applied research.

Chancellor Sorensen characterized the current culture as including an extended program array, with 44 programs at the undergraduate level and 19 at the graduate level, all of which fit the definition of the polytechnic and emphasize weighing theory and practice, and reaching out to the broader community. He said the institution is very transparent, with the planning process the most transparent he has ever seen, very participatory and data driven.

The chancellor said that UW-Stout is a vibrant, wireless campus that serves more than 11,000 students annually. He noted that enrollment has grown from approximately 7,600 students in 1988 to 9,205 in 2012, and faculty and instructional staff from 330 in 1988, to 483 today. He said that in 1988, 40 percent of the institution's revenue was provided by the state, and now it is approximately 13 to 14 percent. Undergraduate majors have grown from 22 in

1988 to 44 today, and graduate majors have increased from 15 to 19. Foundation assets have increased from \$2.3 million in 1988, to almost \$40 million today. He said that what has not changed much is UW-Stout's size; the campus was 120 acres in 1988 and is 131 acres today. UW-Stout's graduate employment rates were 97 percent in 1988 and 98 percent in 2012, which the chancellor attributed to the institution's vibrant co-op program.

Chancellor Sorensen also acknowledged the role of several of UW-Stout's recent faculty hires. He noted the importance of salaries in attracting and keeping good people.

Discovery Center

The chancellor said that the Discovery Center, the umbrella for Stout's applied research, had had an economic impact on the state and had also advanced educational opportunities; it adds value to business and industry, as well as to faculty and students.

He noted that the Discovery Center is the home to the Northwest Wisconsin Manufacturing Outreach Center (NWMOC), which primarily works on technical assistance projects, helping manufacturing companies solve problems. Since 1994, the NWMOC has completed 5,000 technical assistance projects in more than 2,500 companies, with a reported impact of more than \$500 million. He said this is a form of technology transfer that is important to understand when considering the impact UW-Stout has on the state and region. He said that in 2010-11, Discovery Center clients reported total cost savings of \$4.3 million, increased sales of \$18.9 million, leveraged investment of \$6.1 million, 130 new jobs created, and 189 jobs retained. He said the Discovery Center has had a profound impact on the region, providing an important form of technology transfer.

Chancellor Sorensen said that the Discovery Center was now moving in the direction of taking ideas to product and perhaps to companies. Within the Discovery Center, UW-Stout has organized the Medical Device Initiative, in part because the nearby Minneapolis/St. Paul area has a massive number of medical device companies. He said that a research scientist was hired to work with clinicians, faculty, staff, and students to conduct research on medical devices, which has led to collaborations with the Gunderson Clinic in La Crosse, UW-La Crosse, Bay Care Clinic in Green Bay, and Marshfield Clinic.

Other Technological Changes

Chancellor Sorensen also noted the transformation of the Stout Technology and Business Park, which was a hayfield in 1990 and now includes 63 business and 28 buildings, with 1,150 skilled workers, a payroll of more than \$50 million, and a \$240 million impact on the region.

He also noted that UW-Stout was transforming the campus through the internet. The distance education program had grown significantly, with 677 online courses, an enrollment of nearly 16,000, and 41 customized instruction programs. He also mentioned UW-Stout's laptop program and hybrid courses offered on campus.

Planning Process

Chancellor Sorensen described an expanded strategic planning process, with broad membership, increased support of governance, and strong participation. He said that UW-Stout started a very transparent planning process two years before that now includes more than 500 people. An important feedback component to demonstrate follow-through, “You Said, We Did,” was added to the process. The campus is focusing more on high-impact action items, or those items help that students move through the baccalaureate program in an efficient manner. For example, by 2013, every program will be reduced to 120 credit hours.

Campus Philosophy and Approach

Chancellor Sorensen said that the “polytechnic designation” has had a real impact on “who we are, how we view ourselves, and how we move towards a new future.” It provides a unique identity within the UW System, the upper Midwest, and nationally. Because of the designation, UW-Stout established a new set of peers that include other polytechnics from around the country. Chancellor Sorensen emphasized that polytechnics are different from “normal” schools, as they are career focused, use the applied learning philosophy, and are very collaborative.

He noted that employment rate for graduates within six months of leaving campus is about 98 percent, with three-fourths of the jobs being within students’ majors. The rate has been about the same for 25 years. Factors that affect it include career-focused majors. Chancellor Sorensen said that UW-Stout does not have the typical liberal arts majors. It does not have a history major, but has historians who teach in the social science area. He highlighted again the dynamic co-op program that includes roughly 90 percent of the student body. The goal is to increase that to 100 percent within 5 years.

Example of Student Intern Opportunities

Chancellor Sorensen the introduced student Justin Nelson of Rhinelander to speak to the Regents about his recent internship/co-op experience at the National Aeronautics and Space Administration (NASA).

Mr. Nelson explained that he graduated from Rhinelander High School in 2010, briefly attended the University of Advancing Computer Technology in Arizona before deciding it was not for him, and returned to Rhinelander and attended a community college before finding his way to UW-Stout. He chose UW-Stout because of his interest in both computer science and video game design, and eventually decided to double major in Game Design and Development and Applied Mathematics and Computer Science. He praised his professors at UW-Stout and the polytechnic nature of Stout, which offered him valuable lab experiences.

Mr. Nelson explained what he did during his summer internship at NASA, and credited his double major and education at UW-Stout for his being selected for the internship. The benefits of the internship included gaining job experience, learning about the importance of taking the initiative and being resourceful, and being able to list “NASA” on his resume.

Mr. Nelson said his goals after graduating from UW-Stout included obtaining a Ph.D. from an Ivy League school, opening his own software development company, and eventually returning to UW-Stout to teach. He said that it was because of UW-Stout that he was able to do what he did, and he thanked Chancellor Sorensen for giving him the opportunity to address the Board of Regents.

Chancellor Sorensen thanked Mr. Nelson for his remarks. He observed that some of the other schools represented by students participating in Mr. Nelson's summer experience at NASA were MIT, Cambridge, and Berkeley, which have the same kinds of backgrounds that Mr. Nelson gained at UW-Stout.

Economic Impact Studies

Following Mr. Nelson's presentation, Chancellor Sorensen invited Communications Director Doug Mell to speak about economic impact studies. Mr. Mell explained that UW-Stout recently conducted an economic impact study using a consultant, EMSI, which specializes in higher education. He said that EMSI actually measures the economic impact of the skills and earnings of graduates and the resulting increased productivity in businesses and industries. The company looked at the value of what UW-Stout graduates contribute to the economy, something previously not measured. He said that EMSI also measured the return on investment that students and the taxpayers receive for their contributions and investments in UW-Stout and looked at the benefits to the public in terms of added income and avoided social costs. He noted that research has shown that a degree improves health and lowers crime as well as unemployment. He then played a short video regarding the results of the study.

According to the video, the study conducted by EMSI found that the skills that UW-Stout students obtain from faculty and staff contribute approximately \$178.7 million every year to the regional economy in increased productivity. In addition, UW-Stout's operations contribute another \$104 million to the region, the spending of non-local students adds another \$8.3 million to the economy, and visitors add another \$2.7 million. UW-Stout makes up 2.4 percent of the total regional economy.

The video also indicated that at the midpoint of their careers graduates can expect to earn \$23,100, or 94 percent, more per year than a high school graduate, or \$947,100 more than a high school graduate over their lifetime. A UW-Stout graduate will earn on average \$14,400 more per year than a student with an associate degree, he said. In addition, for every dollar that a student invests to attend UW-Stout, they will see their income increase by \$5.50.

According to the study results, students enjoy a 15.3 percent return on their educational investment at UW-Stout and will recoup their entire cost in less than 10 years. In addition, state and local taxpayers get a 7 percent return on their investment in UW-Stout.

Future of UW-Stout

Chancellor Sorensen returned to the podium to describe the future of the university. He described a distinguished university, based on the principles of premier polytechnic universities

and support for programs that, along with theory and practice, have dynamic outreach programs and use state-of-the-art technology. He noted that the institution would also have to rethink its fiscal model due to low state investment and potential annual tuition caps. He said the institution would also establish an e-college, placing all internet-based programs within the e-college, and provide appropriate leadership, quality control, strategic planning, faculty development and distinct identity.

Chancellor Sorensen said the institution would become a vibrant emerging research institution, as currently demonstrated by the Discovery Center, and increase research funds from \$8 million today, to \$15-18 million within five to seven years. The institution also would build its foundation from \$40 million to \$60 million in assets.

Chancellor Sorensen also predicted that UW-Stout would eliminate the minority retention gap by 2025, achieve a 100-percent participation rate in the experiential learning co-op programs, and reduce time-to-degree to 120 hours of credits by next fall. He thanked the Regents for their presence at the meeting, and for listening to the presentations regarding UW-Stout.

President Reilly said that Chancellor Sorensen and Mr. Nelson appropriately emphasized the value of the co-op experience and UW-Stout's very positive job placement rates. He asked if Chancellor Sorensen knew how many students are eventually hired to work by those companies or organizations at which they have their co-op experience. Chancellor Sorensen said that he believed it was a high percentage.

President Smith thanked Chancellor Sorensen and the other UW-Stout presenters for their remarks.

- - -

BOARD OF REGENTS OVERSIGHT OF DIVISION I ATHLETICS

Purpose of Oversight Discussion

Turning to the next item on the agenda, President Smith said that the Board would discuss the ways in which the Board interacts with intercollegiate athletic programs across the UW System. He noted that the Board has the fiduciary responsibility to provide oversight and protect the reputation and integrity of all UW programs, from the classroom, to the research lab, to the athletic field. He said that as the university's governing board, it is the Board of Regents' responsibility to ensure that appropriate and adequate policies and processes apply in all areas of university operations. He said that the upcoming presentation would be about a proposed process designed to enhance routine communications with the UW institutions related to their athletic programs.

President Smith emphasized that the intent was not to remove any decision-making authority from the chancellors, who bear direct responsibility for overseeing their own athletic programs. He said the goal was simply to put in place a forward-looking process to facilitate

consistent information-sharing and oversight across the UW System. He said that the Board has a longstanding interest in this matter, and he was pleased that the matter was being brought forward for discussion.

Integrity of Athletic Programs

President Smith turned to President Reilly for further background information. President Reilly said that the UW System recently welcomed thousands of new and returning students back to the UW campuses with the start of the new academic year, with exciting opportunities in both academics and athletics. He said that the UW System has a proud history of athletics, having won a total of 123 national championships. UW athletic programs are highly valued and regarded by students, faculty, staff, alumni, and donors; and the affinity extends beyond the local community to national and international audiences. He noted that athletic programs provide valuable experiences for student athletes and opportunities to engage broader communities.

President Reilly said that it is a priority to uphold the integrity of the UW's athletic programs while preserving public trust and confidence in every element of campus operations. He said that strong leadership by UW chancellors and athletic directors had been instrumental in establishing and sustaining successful athletic programs that the entire state of Wisconsin can admire. To keep Wisconsin athletics moving in the right direction, he said the UW System was looking to enhance the governance and oversight of all UW NCAA athletic programs by further opening lines of communication between chancellors and athletic directors and his office and the Board of Regents.

President Reilly noted that college athletics had recently received a lot of attention, some of it not very positive. He reassured the Regents that there was no smoking gun that compelled the discussion of athletics oversight, other than a recognition of the changed environment following the Penn State tragedy and the Board's desire to do its job in a transparent and effective way.

Proposed Reporting Framework

President Reilly explained that, just as chancellors report periodically on aspects of academic programming and financial performance, the proposed framework would ensure routine sharing of information about high-visibility UW athletic programs. He said that most of the information included in the proposed process is already reported to the NCAA, but the Board had not had the opportunity to gather the information together, analyze it, and discuss it with each institution's chancellor and athletic director.

President Reilly said that Senior Vice President Michael Morgan and Operations Review and Audit Director Elizabeth Dionne would describe a draft process. He invited the Board's reactions and suggested revisions.

Senior Vice President Morgan explained that he and Audit Director Dionne would outline a framework and timeline for gathering and reporting information and data on operations of the UW System's three Division I athletic programs, at UW-Green Bay, UW-Madison, and UW-

Milwaukee. He noted that the UW System has one Division II program, at UW-Parkside, and nine Division III programs, at UW-Eau Claire, La Crosse, Oshkosh, Platteville, River Falls, Stevens Point, Stout, Superior, and Whitewater. He said that during fiscal year 2011, these 13 athletic programs generated nearly \$140 million in revenue, with more than 5,600 student athletes participating in NCAA-sanctioned competitions each year, and more than 1.4 million fans attending NCAA athletic events all around the state. In addition, the contests are broadcast around the state of Wisconsin, across the nation, and around the world, generating substantial revenue for the athletic programs.

Goals of Reporting Framework

Senior Vice President Morgan said that much had been written about governing boards and their role in the oversight of NCAA athletics and responsibility to provide for the orderly operation of athletic programs. He said that the accountability framework would ensure four things: (1) the wellbeing and success of UW System student athletes; (2) the financial viability of UW athletic programs; (3) the success of the academic mission of the institutions; and (4) a well-defined, open, unambiguous reporting structure for Division I institutions in the UW System, which would, he hoped, result in good communications between UW institutions and the Board of Regents. He said that while the focus is on Division I athletic programs, a similar approach would be forthcoming for Board review of Division II and Division III programs. He assured the Board that the oversight proposal was not intended to replace existing institutional controls for athletic departments.

Senior Vice President Morgan said that each of the three Division I institutions has either an athletic board or a committee designed to provide institutional oversight of their athletic programs. The institutional boards are designed to provide an opportunity for the university community to have input into the operations of NCAA intercollegiate athletics on their campuses and have similar characteristics, duties, and responsibilities.

Senior Vice President Morgan explained that each of the Division I institutions would be required to submit an annual report to the Board of Regents, which would be the basis for an annual presentation before the Board by the chancellor and the director of athletics. The structure and reporting process is based on discussions and reviews of materials and best practices for many institutions, such as the University of California System, the University of Arizona System, the University of North Carolina, and the Maryland University System, as well as the work of the Association of Governing Boards.

Senior Vice President Morgan said that Ms. Dionne would describe the framework's four-part reporting process offered for the Board's consideration, and then UW-Madison Vice Chancellor Darrell Bazzell would offer his thoughts on the framework. He said that UW-Madison's Athletic Director, Barry Alvarez, and Deputy Athletic Director, Sean Frazier, would also comment.

Methodology for Annual Reporting

Ms. Dionne started her presentation by explaining that the Association of Governing Boards (AGB) produced a statement on board responsibilities for intercollegiate athletics, and the framework she was presenting was based on that AGB statement. She explained that one of the fundamental concepts within the AGB statement was that boards should request that accurate, appropriate, and unfiltered data be provided regularly and in a timely manner on such topics as admissions, academic achievement, graduation rates, finances, and athletic conference matters. She noted that these areas had been encompassed in the draft framework. She also noted the lack of an industry standard or model framework.

Ms. Dionne explained that the first segment of the four-part framework was designed to enhance the two-way communication between the Board and institutional leadership related to athletics, through reports and annual presentations on certain athletics information. She indicated that routine sharing of information would help ensure that the Board is informed and able to exercise its oversight responsibilities. In addition, by reviewing consistent information on an annual basis, the Board should be able to assess key trends and other conditions. Some potential categories of information include academics and student athletic welfare, financial matters, and compliance.

With regard to reporting items related to academics and student welfare, Ms. Dionne explained that the AGB statement indicates that a board should be certain that intercollegiate athletic programs reflect an institution's academic values and do not detract from or undermine them. She suggested that the Board might consider reviewing the athletic departments' mission statements and to assess: (1) whether they are compatible with the values and goals of the institution; and (2) if the administrative structure of the athletic department allows the institution to achieve its mission and goals.

Ms. Dionne noted that another reporting item related to academics and student welfare was academic progress rate data, which is a term-by-term measure of eligibility and retention for Division I student athletes, based on a numeric scale. She explained that the NCAA had established certain thresholds that teams and institutions cannot fall below or they risk penalties, such as the loss of scholarships. Institutions report the data to the NCAA, which compiles reports that are available on its website.

She said that another reporting item is graduation rate data and other academic and admissions information. According to Ms. Dionne, the AGB states that boards should review graduation data, information on the number and rates of special admissions of athletes compared with those of the regular student body, and information on the declared majors of student athletes. She noted that some of this information, such as graduation rate data, is already reported to and compiled by the NCAA, while other information related to declared majors and special admissions may need to be separately gathered.

Regarding the financial information category, the AGB states that boards should devote time to understanding the complexities of the financing of intercollegiate athletics, including matters such as revenue flow from ticket sales, television contracts, booster clubs, corporate

sponsorships, and athletic conferences, as well as direct and indirect institutional support. In addition, the AGB recommends that boards determine if financial reports are complete and accurate and include all of sources of revenue and expenses. Ms. Dionne indicated that possible reporting items would include financial highlights, an intercollegiate athletics budget, and the agreed-upon procedures report, also known as an annual NCAA audit.

Ms. Dionne explained that the final reporting category was compliance. She noted that one reporting item was the evaluation reports already required by the NCAA at least once every four years. She said that these reports typically take the form of an internal-audit-type report that covers a variety of topics, such as governance and organization, various team limits, recruiting, camps and clinics, self-reporting of rules violations, and other categories. She said a second reporting item was the institution's comprehensive self-study, which is currently required of Division I schools every 10 years and focuses on three areas: governance and commitment to rules compliance; academic integrity; and gender, diversity, and student-athlete wellbeing.

Pausing for questions, Director Dionne responded to a question from Regent Whitburn about who audits athletic departments -- the campus or an outside agency -- and the frequency of the audits. He also asked if Ms. Dionne was thinking about her office having an enhanced role in this area. Ms. Dionne explained that at UW-Madison, the required evaluation reports were performed by the campus internal audit group in accordance with the NCAA requirements. She said that the role of the UW System office as compared to the role of the campus had not yet been contemplated, but this is an area in which the office could become involved.

President Smith said that Ms. Dionne had identified many areas of information that could be provided to the Regents at an annual presentation, much of which is currently available. He asked if the information already available is transmitted to the University of Wisconsin System, or if there would be a change in how things are currently done. He asked if she was suggesting that there be a transmittal to the UW not only in a presentation, but also in a regular reporting methodology.

Ms. Dionne said that there would be a change. Senior Vice President Morgan explained that it would be a dramatic change from the kind of data and information that UW System Administration currently receives from Division I intercollegiate programs. He said that the proposal was for a more formal process in which UW System Administration asks for the information to be provided to the Board of Regents, and UW System staff would then review that information, including but not limited to any audits that may have been conducted of Division I programs.

Regent Bartell said that he had understood Senior Vice President Morgan to say that the athletic boards/committees for the three Division I universities within the UW System had been effective. He asked if the chairs of those organizations would also be involved in the report and presentation to the Regents. Senior Vice President Morgan said that nothing that was being proposed would prevent the chairs of those boards/committees from having a role in the annual report and presentation, but that would be a decision for the campus to make.

Regent Bartell suggested that the Board could empower the athletic boards/committees to have a direct reporting role to the Board of Regents. Senior Vice President Morgan said that was not being proposed because the chancellors have responsibility for athletics, and athletic boards are campus institutions that advise the chancellor. He said that System Administration did not contemplate that an institutional board would report directly to the Board of Regents without going through the chancellor's office. Regent Bartell clarified that in proposing that the athletic director make a presentation to the Board of Regents, Mr. Morgan was essentially proposing a direct reporting relationship. Senior Vice President Morgan agreed that was part of the proposal, but it had not been contemplated that an institutional board would report directly to the Board of Regents without going through the chancellor's office.

Regent Millner said that she currently sits on the UW-Madison Athletic Board as an alumni representative, and is in the third year of a four-year term. She explained that the athletic department reports not only to the Athletic Board but, more importantly, to the standing committees, which are very involved and rigorous. She explained that the reporting is detailed and encompasses an even broader range of areas than that which had been mentioned during the presentation to the Board of Regents.

Regent Millner said that the UW-Madison Athletic Board is comprised of predominantly faculty members, but there are also four community members who provide an outside perspective regarding the dynamics between the campus and the athletic department. She said the involvement and the oversight by the athletic board members was active, involved, and rigorous, and the athletic department was very engaged and helpful with providing the necessary information. She said the athletic board also had an additional responsibility that has not been discussed, the work of the personnel committee, which reads evaluations of the coaches. She noted that in addition to the protection of the institution's financial liability, an important component which had not been addressed was the academic performance and welfare of the student athletes. She encouraged the Board of Regents to rely on the work that is done by the existing athletic boards. She also suggested that Regent Higgins might supplement her comments as he was a member of the Athletic Board.

Regent Bradley said that it is important for the Board of Regents to keep its focus and not create an impression that chancellors need to seek Board consent or Board permission before taking action. He said that chancellors run the campuses and, in his opinion, the athletics departments are functioning. He said he views this as just another aspect of a chancellor's being accountable to the System President, who reviews the chancellors annually and shares that evaluation with the Board of Regents. He said he wanted the Board of Regents to be careful not to insert itself into a campus responsibility and an athletic committee or an athletic department responsibility.

Regent Vásquez said that he agreed with Regent Bradley, but he added that if something horrible were to happen, the focus and the attention would not be solely on the chancellor and the athletic board, but also on the governing body. Therefore, while the Board of Regents should not be meddling, it needs to separate policy from administration and make clear that the Board of Regents still has some liability, even with the existence of athletic boards and chancellors. Regent Vásquez indicated that he felt some nervousness because of what had been happening

nationally in some situations, and ultimately people would look to the trustees or the board of directors, and unfortunately or fortunately, the Regents bear that title.

Regent Bradley said that the Board of Regents does bear that responsibility, but one must consider all of the horrible things that can and do happen on a campus over a ten-year period. He said the Board of Regents has oversight responsibility, but does not run the campuses; the Board has a CEO who is responsible for reporting to the Board of Regents. The governing board's responsibility is to hold accountable the executive who is running that campus.

Regent Manydeeds agreed with Regent Bradley, and said that in a time when the Board of Regents is talking about flexibilities for the campuses and letting the chancellors do the jobs they have been trained to do, he found it difficult to now want to know everything there is to know about the athletic departments. He said that he knows the Board of Regents has ultimate responsibility, but getting information that assures the Board that things are okay will help the Board fulfill its fiduciary responsibility.

Regent Pruitt suggested that the Board was in the beginning stage of a conversation about reaching agreement on definitions. He said that the Board of Regents, as a governing board, is ultimately accountable for the athletic programs of the institutions; it is the Board's fiduciary responsibility. He said it seemed that a key component of this is board education and trying to determine the appropriate level of oversight. Regent Pruitt said that Regents need to educate themselves with the help of the campuses, the athletic boards, the athletic directors, and the chancellors, and determine how to appropriately exercise oversight. He cautioned that there are equal dangers to both: (1) formulaic reports at too high a level that may mean very little and provide no real effective oversight, and, potentially worse, (2) micromanagement of the athletic departments and the athletic programs, constraining the appropriate role of the chancellor who is ultimately responsible.

Regent Pruitt suggested that Board education would be very important going forward, as would having clear lines of authority, transparency, and accountability so as to not micromanage. He said that these were some standards the Board ought to apply to this discussion and any future discussion.

President Smith observed that Regent Pruitt raised a good point in that this item was not meant as the one and only discussion of this topic, and it would be brought back to the Board at a later date. He also said that in terms of education and initial thoughts and reactions, it was important to hear not only from Regents, but also from the athletic departments at UW-Madison and other institutions.

Regent Vásquez asked about the distinction between committees and boards at the Division I campus level. Vice President Morgan said he did not know, but believed that it was related to local campus culture, as the functions and responsibilities of the UW-Green Bay athletic committee are very similar to the athletic boards at UW-Milwaukee and UW-Madison.

Regent Millner said that the Regents should remember the Division III schools when talking about the education of the Board. There may be a different education process with Division III.

Senior Vice President Morgan noted that after concluding discussion related to the Board's appropriate level oversight for Division I institutions, UW System Administration would consider Division II, which includes only UW-Parkside, and then the nine Division III institutions. He agreed that there was work to be done about how the Board does its work in overseeing those programs.

Financial Arrangements and Compensation Agreements

President Smith asked Ms. Dionne to resume her presentation. With respect to periodic reviews of significant financial arrangements and compensation agreements, Ms. Dionne said that the recommendation was to continue the current practices related to the review of significant coaches' contracts and other athletic contracts, as there are existing Regent policies that require the Board's review of significant contracts and those exceeding \$500,000. She also noted that the Board's continued review of segregated fees and other items included in the annual operating budget was recommended.

President Smith asked if these recommendations continued existing practices. Ms. Dionne confirmed that she was not proposing any changes right now, but added that the AGB recommends review of all major sports coaches' contracts, as well as athletic directors' contracts, and the existing threshold in Regent policy is 75 percent of the UW System President's salary, and the Board could consider expanding upon this.

Annual Certification Letter

Ms. Dionne then explained that the annual certification letter was signed by the chancellor, athletic director, athletics compliance officer, and other appropriate institution personnel. She read examples of what such a letter might say, such as "there are no instances of known or suspected noncompliance with NCAA rules and regulations." She explained that the certification letter would be an opportunity to make sure that all of the items of which the Board wished to be informed were disclosed.

Regent Bartell noted that Ms. Dionne listed a number of people, in addition to the chancellor, who should sign the certification letter -- the athletic director, the athletic compliance officer, and other appropriate institution personnel -- but did not mention the athletic board chair or the athletic committee chair, who presumably are involved with this information year-round. He said he did not know why they would not be asked to participate in signing the certification letter.

Senior Vice President Morgan asked if it was the will of the Board for System Administration to explore having the athletic board be part of signing the certification letter and the annual presentation to the Board of Regents on matters related to their athletic departments. Regent Vásquez agreed with Regent Bartell that there seemed to be a lack of acknowledgement

that the athletic boards or committees were important bodies, and he questioned whether their role was limited to consultation with the chancellor or athletic director. Regent Bartell asked Regent Millner for her perspective, due to her service on the UW-Madison Athletic Board.

Regent Millner said that she has been actively engaged in the Athletic Board and its committees, and they do an excellent job of oversight. She said that as with the Board of Regents, much of the work of the athletic board is done at the committee level, through the finance committee, personnel committee, academic compliance committee, and education diversity and student welfare committee. She said that the reports that had been discussed are already actively discussed and acted upon, in some cases, not to the total satisfaction of the athletic department, by the Athletic Board committees. She said that the athletic boards can be relied upon by the Board as resources regarding the job of oversight. She said that while the communication has to come from the chancellor, including the athletic board recognizes the important work that the athletic board does in providing oversight, and is something the Board of Regents should appreciate and acknowledge.

Regent Higgins observed that he was on the athletic board for four years in the early 1970s, before Chancellor Shalala upgraded the professionalism. Following up on Regent Millner's suggestion that it would be a positive step to recognize the athletic board committees as a working component of oversight, he said that athletic boards' committees sometimes look more to the athletic department and less to the chancellor and the governing board as the people to whom they are responsible. He said that in having a regular inclusion in the oversight process would help emphasize the fact that athletic boards have responsibilities both ways.

Regent Pruitt said he was going to be a bit of a dissenting voice. He said that while he recognized and acknowledged the important role of the athletic board on campuses, the issue once again comes back to clearly focusing on lines of responsibility and accountability. He said that to suggest the involvement of any group on campus specifically, and suggest a relationship of that group to the Board of Regents, potentially blurs the ultimate responsibility of the chancellor and the Board's direct relationship with the chancellor. He said that the chancellor's recognition of the responsibility to report to the Board of Regents is potentially a cleaner and more focused relationship that does not have the risk of blurring the lines of reporting and accountability.

Regent Bradley said that, as Regent Pruitt had noted, the certification process was a sound move, and consistent with the Board's relationship with the chancellors. Referring to the Board's review of compensation agreements above a certain level, he said that Board members who have participated in those reviews know how inadequate it feels when there is an expectation that there is some type of review. He indicated that while the Board is given the contract to review, the expectation is that the contract is a done deal, which is quite problematic. While it sounds good that Board policy is for the Board to approve contracts over a certain level, the contracts are done and locked in by the time the Board review occurs and the Board is not presented with the opportunity to negotiate, to amend, or to modify those contracts. He suggested that either the policies be eliminated, or if the Board is expected to approve the contracts, it should do so before the contracts are signed and before the press release announces a particular coach is to be hired the next day.

Referring to earlier comments about a certification letter, Regent Bartell suggested that a certification letter does not undercut the chancellor if other signatures are included. He said it simply says that there may be some things that other people know that the chancellor doesn't know, and everybody is expected to take responsibility. He said that he does not believe that it undercuts the chancellors when the Board reviews compliance issues.

President Smith reiterated that the Board would not reach all of the answers at the current meeting. He suggested to Senior Vice President Morgan that in the coming months he consider Regent Bradley's point regarding the Board's role in approving contracts, and also come back with more on which positions are to be included as signatories on the certification letter.

Reporting of Violations

Ms. Dionne explained that part four of the proposed framework would be to provide some clarity on the handling of known or alleged violations. She said that while she believed that in practice this had been done in the past, implementing this recommendation would formalize a protocol and ensure that athletic departments inform the chancellor of any known or alleged violations or related matters. In addition, this recommendation would facilitate timely communication by the chancellor to the UW System President, and in turn the Board of Regents President. She said that the expectation would continue that the chancellor is responsible to see the matter to resolution, but the recommendation would formalize the reporting.

Senior Vice President Morgan noted that in discussions with the campuses about this oversight responsibility, one of the challenges identified was in the area of what violations should be reported. He noted that there are minor violations that occur on campuses from time to time, as the NCAA is a very exacting group and there are a lot of minor violations. He said the challenge is to establish a definition that would provide a bright line so that campuses will know what types of violations must be reported.

President Smith asked about examples of protocols that other university systems use. In response, Senior Vice President Morgan said that in researching this issue, staff found that the UW System is somewhat ahead of others on this issue. He said that he would continue to see if any existing examples might lend some guidance on this issue.

President Smith asked if he was suggesting they would determine which violations would be communicated to the chancellor, to the UW System President, and to the Board President. Mr. Morgan said he and others were trying to establish a clear and unambiguous communication channel that goes from the athletic department, to the chancellor, to the System President, and to the Board.

Regent Millner expressed concern that the word, "violation," is a term of art and may refer to an NCAA compliance violation, but there is a hierarchy of compliance violations, ranging from minor to major. She also noted that some of the incidents at Penn State were not necessarily related to NCAA compliance violations, but were criminal violations. She suggested that the term "violation" be broadened so that it does not sound like a term of art.

Senior Vice President Morgan explained that after the Penn State matter, the UW System tried to address the question of communications through different channels with respect to issues involving children on the campuses. He noted that Ms. Dionne's office audited the campuses to try and understand how to prevent certain behaviors, and ensure that, if they do occur, they are reported appropriately up the chain of command. He noted that this existing process could capture some criminal violations.

Regent Millner suggested that embezzlement or some other activities would constitute a violation, though might not be considered a compliance violation. She said the issue was not simple, and while she did not want to revisit Penn State, she wanted to look at what might happen in the future. Senior Vice President Morgan stated that the System Administration staff work would also offer clarity on these types of issues.

President Smith asked Senior Vice President Morgan how he would characterize the current protocol, even if not written. Senior Vice President Morgan explained that because of President Reilly's relationship with the chancellors, they communicate with him on a regular basis on a variety of issues, including challenges that they may have on their campuses. He said that there were currently no protocols for chancellors to know when they must communicate regarding a violation, and he suggested the informal process should be formalized.

Regent Behling asked Senior Vice President Morgan if he could provide some examples of minor violations. He suggested that if drinking alcohol as a student is one of the violations that needs to be reported, it might not be necessary for that violation to be reported to the Regent President. He added that if something is going to be a news story, then the Board President needs to know.

Senior Vice President Morgan said that he and others were trying to identify a well-defined process and avoid "gray areas." He provided an example of a minor violation involving a football player texting a recruit, encouraging him to attend UW-Madison. He said this was a NCAA violation that was self-reported to the NCAA. He explained that those types of minor things occur from time to time, and said he was sure no one wanted to clog communication channels with those kinds of things.

Senior Vice President Morgan then invited UW-Madison Vice Chancellor Darrell Bazzell, Athletic Director Barry Alvarez, and Deputy Athletic Director Sean Frazier to the podium.

Vice Chancellor Bazzell explained that at UW-Madison, the athletic director and athletic department report to the chancellor, but Mr. Bazzell has day-to-day responsibility for providing oversight on behalf of the chancellor. He described the protocol that was outlined in the presentation is fair and appropriate, and noted that it gives the Board an opportunity to learn on an annual basis where institutions stand in terms of financial wellbeing, student-athlete wellbeing, academic success, and compliance, all of which are appropriate categories. He said the content suggested at the meeting seemed to be about right, and UW-Madison was comfortable with what was being suggested.

Vice Chancellor Bazzell said that he would be the first to acknowledge that it was difficult to define appropriate institutional control responsibilities, along with the need to make sure the Board is appropriately engaged, involved, and able to execute its responsibilities. He acknowledged that on questions related to criminal behavior or things one might read about in the newspaper, everyone wants to know about those things and not be caught off-guard. He questioned whether those concerns are unique to athletics or if athletics was expected to go above and beyond what an academic unit or other parts of campus would be expected to do with a situation related to embezzlement or another type of criminal activity. He noted that the institution has policies and procedures in place across the campus to address those matters, and to ensure they are handled in an appropriate way. He said that chancellors would exercise what he hoped would be appropriate discretion in properly informing the System President and the Board about those matters. He emphasized that these types of matters are not unique to intercollegiate athletics.

Acknowledging that the athletic board serves an important role, Vice Chancellor Bazzell said that Regent Millner described the roles of the athletic board very well. He noted that the athletic board is a governance committee which does not have a formal line of responsibility with respect to athletics. He noted again that the reporting line, from the athletic director to the chancellor, is very clear. He said that giving the athletic board a more formal role in signing off on certifications and compliances extends an authority and a level of accountability to the athletic board that does not currently exist, and was not contemplated for a governance committee. He said that when Interim Chancellor Ward implements the plans eventually approved by the Board of Regents, the chancellor intended to include the athletic board chair in the presentation, but Vice Chancellor Bazzell said that he agreed that this decision should be left to the discretion of the chancellor.

Athletic Director Alvarez said that with three of the most visible schools in the Big Ten conference on probation in the last several years, he could certainly understand why the Board of Regents would want a report. He added that he thought a report was prudent and he agreed with it. He said that the athletic department tries to be very transparent in everything it does, and each of the reports mentioned is something that is already produced for the Athletic Board, the NCAA, or the Big Ten Conference. He said he would be glad to answer any questions from the Regents.

President Smith asked Mr. Alvarez if any other Big Ten Conference schools were looking to implement reporting requirements similar to those being considered by the Board of Regents. Mr. Alvarez said that around the country, everyone is very sensitive about these issues, particularly after the Penn State situation. He said that prior to the events at Penn State, everyone looked at Penn State as a model program, but now everyone is taking a step back and looking at what they do. He said he did not know of another university that has an athletic board to which the athletic program has to answer, as UW-Madison has, or that has similar levels of oversight over the athletic programs.

President Smith asked Mr. Alvarez for his reaction to the discussion regarding minor infractions. Mr. Alvarez indicated that the rule book is so substantial that it is impossible to avoid inadvertent violations. He said that not every secondary violation is reported to the

chancellor, but all secondary violations are reported to the Athletic Board. He also said that anytime the athletic department deems an occurrence to be a potential serious infraction, the chancellor or vice chancellor is contacted, the athletic department investigates, and the matter is reported to the Big Ten Conference at the appropriate time.

Board's Role in Athletics

Regent Pruitt asked Mr. Alvarez or Vice Chancellor Bazzell to describe how they deal with major policy issues, such as expansion of the Big Ten Conference, broadcast rights decisions, or similar items, and how they see the Board of Regents interacting, if at all, with those types of issues.

Mr. Alvarez explained that those types of items are reviewed and may be voted on by the athletic directors, but the presidents vote on the decisions related to television revenue and contracts, conference expansions, and anything of that nature.

Regent Manydeeds said that Regent Bradley raised a concern regarding coaching contracts that are entered in to, announced to the public, and then submitted to the Board of Regents for approval. He asked if Mr. Alvarez had any suggestions or comments for the Board regarding that process and how it could be improved.

Mr. Alvarez said that this was a sensitive issue because there is always a sense of urgency when hiring a coach, and there needs to be some confidentiality during the hiring process. He said that he was aware of the contract amount that requires Board approval, and tried to stay below that number. He explained that there is a competitive market for head football and basketball coaches that includes agents and other schools.

Regent Manydeeds asked if it would be better if the Board of Regents did not have to approve those contracts, to which Mr. Alvarez responded with an emphatic "yes." Regent Smith indicated that would require a change to Board policy.

Regent Whitburn suggested that the contract issue be delegated to one of the Board committees, which might be more practical. President Smith indicated that he was contemplating a similar arrangement.

Mr. Alvarez suggested that the Board of Regents consider the top-20 football coaches and top-20 basketball coaches, and the salaries paid. He said that UW-Madison has outstanding coaches, but the market drives what coaches are paid, and if UW-Madison wants to be competitive, it has to be sensitive to the market. He added that his constituents tell him that they want UW-Madison to be competitive.

Senior Vice President Morgan returned to the podium and asked Chancellor Harden and Chancellor Lovell, as the other Division I chancellors, if they wanted to comment on the proposal that was outlined.

Chancellor Harden said he agreed with others' observations that it is appropriate for the Board of Regents to look at athletics. He also said that Vice Chancellor Bazzell made a good point when he indicated that athletic boards/committees are governance groups and advisory to the chancellor. He said that whether the athletic board or committee signs off on the certification letter does not make a difference to him, but he did not believe that it is necessary or that it would be of great benefit. He said that while the Board of Regents should look at athletics, and while athletics are important, they are not the campuses' primary focus.

Chancellor Lovell cautioned that trouble results when communication breaks down, and as long as the athletic director is providing information to the chancellor, who is sharing information with the UW System President, who is sharing information with the Regents, the UW System will be fine. He said that the problems that have arisen over the last year occurred when communication did not occur and people did not get the information they needed, due to poor judgment or people hiding things. He mentioned that something happened on his campus last spring and he made sure to inform President Reilly before it was the lead story on the news networks, so that the president could advise the Board of Regents.

Senior Vice President Morgan noted that he and his staff would reflect on the Regents' comments, and bring a revised framework to the Regents. He said that he anticipated that UW-Madison's chancellor and athletic director would report to the Board at the December meeting when UW-Madison hosts; the UW-Milwaukee report would occur in June, when UW-Milwaukee hosts; and the UW-Green Bay presentation would be scheduled after consultation with Chancellor Harden.

President Smith asked if Senior Vice President Morgan envisioned returning to the Board of Regents for approval of the planned methodology. Senior Vice President Morgan indicated that the methodology would be brought to the Board for approval, as early as November.

Regent Higgins said that most of the materials considered by the Board of Regents are first considered by one of the Board's standing committees. He suggested that the Board's Education Committee would be the appropriate committee to review and consider the athletic oversight materials due to the educational issues involved.

Regent Bartell agreed that a standing committee should first consider the information, but suggested that due to the financial issues involving the athletic departments, another committee would also be appropriate.

President Smith sought further clarification of the current procedure used by System Administration to review athletics, the type of information provided, who provides the information, and who within UW System reviews it.

Senior Vice President Morgan stated that there is not a current process to do what he and others were proposing. He said that the Business, Finance, and Audit Committee discussed the fact that System Administration audits Division III athletic programs and has a regular audit schedule for the Division II program, but has not done a lot of work in the Division I schools, other than reviewing information reported to the NCAA.

President Reilly said that in the past, his office and the Board had delegated the oversight for athletics entirely to the chancellors, and the chancellors periodically called him when there were problems, or they discussed the issues during evaluations.

President Reilly complimented Senior Vice President Morgan, as well as Director Dionne, Interim Chancellor Ward, Vice Chancellor Bazzell, Coach Alvarez, and Mr. Frazier, who had been having conversations with Senior Vice President Morgan for more than six months. He said he believed that Interim Chancellor Ward believed that in exercising his responsibility for athletics, he needed to have more dialogue with President Reilly and with the Board of Regents.

Chancellor Gow said that what would not change is that the chancellor must take responsibility. He also said that he is a two-time alumnus of Penn State and it is very powerful to hear someone as prominent as Mr. Alvarez say that Penn State was the model. He remarked that that had been the case; he said he felt that President Spanier let everyone down by not taking responsibility for the situation at Penn State.

Chancellor Gow said that the chancellors have a great relationship with President Reilly, and when UW-La Crosse encountered issues related to athletics, he knew the Board would want to know about the issues. He suggested that the fine work of the Board would remind chancellors of the importance and value of oversight.

To close the discussion, President Smith thanked Senior Vice President Morgan for his excellent work and said that the Board would look forward to hearing from him at the November or December meeting.

- - -

The meeting was adjourned at 11:50 a.m.

- - -

Submitted by:

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