

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in Valhalla B  
Cartwright Center  
University of Wisconsin-La Crosse  
La Crosse, Wisconsin

Thursday, April 4, 2013  
9:00 a.m.

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-President Smith presiding-

PRESENT: Regents Jeffrey Bartell, John Behling, Mark Bradley, Tony Evers, Michael Falbo, Tim Higgins, Tracy Hribar, Ed Manydeeds, Regina Millner, Katherine Pointer, Charles Pruitt, Gary Roberts, Brent Smith, Mark Tyler, David Walsh and Gerald Whitburn

UNABLE TO ATTEND: Regents John Drew and José Vásquez

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**UW-LA CROSSE PRESENTATION BY CHANCELLOR JOE GOW: “MOVING FORWARD TOGETHER”**

President Smith welcomed all attendees and, commenting that his home was about five minutes from UW-La Crosse, he said that he was particularly pleased to share in the campus’s long list of accomplishments and goals. He turned to Chancellor Gow for the host campus’s presentation.

Chancellor Gow expressed his pleasure at having the Board and others on campus. He commented that UW-La Crosse had last hosted a meeting about five years before, and some Board members were at the table then and some were not. Regent Pointer would have been considering UW-La Crosse at the time; she later attended there and then transferred. He noted that President Smith was well known in the community, and the morning’s *La Crosse Tribune* had paid tribute to his work. Chancellor Gow said that he was honored to have the Board meet at UW-La Crosse.

Introducing his presentation, entitled “Moving Forward Together,” the chancellor said that he would report on UW-La Crosse’s progress toward its *More Graduates for Wisconsin* goals; describe the institution’s strategic goals, directions, and planning; and tell the story of some of the great things that had been happening on campus since the last time the Board visited there, as well as the great people at UW-La Crosse.

Saying that he would discuss the data shortly, Chancellor Gow first displayed a brief video montage of UW-La Crosse students, who identified themselves by saying “I am the future,” and by

indicating they were from locations around the state, nation, and world. Students would be joining the meeting attendees at lunch and breakfast, the chancellor said.

### ***Graduation and Retention Rates***

Displaying graduation data, Chancellor Gow said that it was important to remember that the numbers lag because they are based on what was done five or six years prior in admissions. The large class size admitted in 2004 was reflected in the number of eventual degrees. The number admitted went down in subsequent years but was deliberately increased in 2008, both in new freshmen and transfers. Chancellor Gow said that the institution was on track to make its projections due solid four- and six-year graduation rates for new freshmen and very healthy rates for transfers. One of the foundations for this is very high retention rates for a school of UW-La Crosse's kind, with rates in the upper 80s for new freshmen. Increasing enrollment is another reason the institution is on track to meet its goals.

### ***Challenges***

At the same time, however, Chancellor Gow noted the demographic challenges of the pipeline of the high school graduates and the issue of readiness.

On the graduate level, challenges have resulted from changes in the way teachers are compensated. UW-La Crosse had quite a robust master's programs for teachers when they were getting increases in their salary after they earned their degrees; that practice changed, resulting in flat enrollment.

Chancellor Gow said that a big issue at UW-La Crosse is the gap in achievement between underrepresented minority students versus non-underrepresented minorities. He showed a slide reflecting the gap, noting that it is not unlike other institutions' and that this is something being worked on continuously.

### ***MOOCs***

To continue making progress will require innovative solutions. Among these is the creation of MOOCs. UW-La Crosse pioneered a MOOC, in partnership with the UW System office. He showed a video that offered inventive and entertaining definitions of the new acronym, "MOOC," finally revealing that a MOOC is a Massive Open Online Course.

As to the background of UW-La Crosse's MOOC, UW-La Crosse was seeing an increasing number of students entering the university with the need to spend more time on their math. They were actually placing into a developmental math level, which slows them down. An online course was developed with funding from UW System. The pilot was successful, with 38 students who placed into remedial math courses taking the online course. They studied and learned, and 37 out of the 38 of them achieved their goal of entering a college-level math class when they set foot on campus.

Questions arose about whether more students could be served with this same program. At about the same time, the Gates Foundation requested proposals asking universities to study the same question,

how large numbers of students could learn college-readiness-level material. UW-La Crosse focused on math and offered the first UW System MOOC.

Through the online course, children as young as 10 and adults up to age 85 are participating in mathematics together. A MOOC invites the entire world in, and not only students enrolled in a particular college or university.

UW-La Crosse is studying three things in particular with its MOOC: scalability, sustainability, and profitability. As to scalability, class size is increasing to a scale not seen before. Sustainability is a question, because the students who enter into the MOOC do not have to pay to get in, and there are costs associated with offering it. There is a value to this, but it does not translate directly into dollars. Therefore, the profitability question is still being studied.

### ***Other Initiatives***

Chancellor Gow spoke about recent major initiatives, such as the initiative to double academic services, including library hours, advising services, student research; to fund a new student center to replace the outdated Cartwright Student Center; and to reauthorize the green fund. Students have voted to pay higher fees for these initiatives. Resources are needed to keep the campus strong; resources come from a variety of sources, and sometimes that includes the students. The student referenda to fund the various initiatives, and a high rate of student participation in referenda, reflect the value that students see in the various initiatives.

Returning to funding for student research, Chancellor Gow noted that UW-La Crosse would be hosting the National Conference on Undergraduate Research the following week; it hosted five years before and was asked to host again, which is very prestigious. The conference would bring about 3,500 students, faculty and staff from other institutions onto campus at one time and is also a economic driver for the region.

Included in the academic-services initiative is funding for internationalization, which has provided grants for students to go to other countries and to bring students from other countries to campus. Chancellor Gow showed a slide indicating numbers of UW-La Crosse students from China (177), Vietnam (50), Saudi Arabia (34), and many other countries. UW-La Crosse is after Madison and Milwaukee with respect to the largest number of international students in the System. These students add to the diversity of the community, give students a global perspective, and contribute about \$9.2 million a year to the local economy.

In addition to supporting academic services, research, and internationalization, the fee for academic initiatives has also supported efforts to address the achievement gap and various other activities. One of these is Awareness Through Performance (ATP). Chancellor Gow showed a video that described the program, which is operated through the Campus Climate Office. About 20 students are selected to use performances on stage to promote greater awareness of issues of social justice, diversity, and any climate issues on campus by inspiring critical thought and campus-wide conversation.

Chancellor Gow acknowledged colleagues from ATP leadership and commented that it was impressive to see students teaching other students. He said that the program demonstrates well that the

students have a strong social conscience. The campus is passionately committed to inclusive excellence. He said that he was looking forward to the results of a recent campus climate survey. He also noted the importance of remembering that students have real lives and it is necessary to provide appropriate support.

The chancellor spoke about an effort to help students with financial challenges by focusing fundraising efforts on student scholarship money that will be need based and merit based. The goal is set at \$15 million, with \$1 million having been raised already since the fall.

Another program, called It Makes Cents, is a financial literacy program that educates students about good choices about loans and budgets. The program recently won an award from Governor Walker as one of the top programs of its kind in Wisconsin.

Related to social consciousness, Chancellor Gow returned to the reauthorization of the Green Fund for sustainability and provided examples of changes, such as low-flow showerheads in residence halls and efforts to design buildings with sustainability in mind. Centennial Hall, a new classroom building, received LEED gold certification. It includes solar panels on the roof, windows that take full advantage of sunlight, rainwater collection, and other building features. Also, the Division of State Facilities named the building project the best project in the state of Wisconsin for 2011. He showed a video that showed a fast-motion depiction of the construction of Centennial Hall.

Mentioning other capital projects, the chancellor noted the need for a major new student center, expressing his appreciation for the Regents' approval of that project; plans for a parking ramp; and a science lab facility which had also been approved and which was included in the Governor's capital budget. The lab building would be an \$82 million project that would replace a building that was built in 1964. Science is one of UW-La Crosse's strongest areas, with biology being the most popular major and significant increases in STEM degrees.

## **Faculty**

Chancellor Gow next showed a video to exemplify what it means to be a faculty member at UW-La Crosse. The video profiled Tom Volk, a professor and mycologist. He studies mushrooms and other fungi. Professor Volk was diagnosed with Hodgkin's disease in 1997 and was successfully treated with radiation. However, the radiation damaged his heart, and he eventually needed a heart transplant. One of the most important drugs that he received afterward was Cyclosporine, which comes from a fungus and which helps to suppress the immune system. He said that it has allowed his new heart to function very well without being rejected by his immune system. His old heart is currently kept on his desk in a "heart cozy," and he refers to it in anatomy and physiology classes. In the video Dr. Volk explained that he has become a more relaxed person as a result of his experiences, treating each day as the gift that it is.

Chancellor Gow remarked upon Professor Volk's inspirational story, and how he had used his experience to benefit students.

The chancellor then showed a video that highlighted students' hopes and goals for the future, saying that he hoped that the video provided a sense of optimism and also served as a reminder of the importance of the work being done in the UW System. He expressed his appreciation for the opportunity to tell UW-La Crosse's story.

### ***Regent Discussion***

President Smith thanked Chancellor Gow and all who participated in the presentation. He followed up on the issue of the sustainability of MOOCs. Chancellor Gow turned to those involved in the MOOC, and Professor Bob Hoar commented that there are companies cropping up that are trying to figure out how money can be derived from online learning. UW-La Crosse has designed its MOOC so that it is woven into the fabric of the math curriculum. However, the question of sustainability from a cost standpoint is still open.

President Smith asked about participation rates and where those participating in MOOCs are from. Professor Hoar indicated that there were 1,909 students in UW-La Crosse's college-readiness math MOOC. They are from nearly every state and 40 countries. The age range is from 10 to 85, with the largest segment in the 17-to-20-year-old range. The course is no cost and low risk to them.

Maggie McHugh, the instructor of the MOOC, said that it had been a privilege to teach the MOOC and stressed that the MOOC resulted from systemwide collaboration. UW-La Crosse partnered with UW-Milwaukee's tutoring program and had eight tutors from UW-Milwaukee helping online with the program. Mathematics education students at UW-La Crosse have also been tutoring students online, gaining practical skills in how to navigate the online world and discussions with a range of students. She also mentioned the participation of Dr. Jennifer Kosiak at UW-La Crosse.

Ms. McHugh said that one of the main populations had been high schools from throughout the state of Wisconsin and all over the United States. In some instances, high school teachers signed up classes of seniors to take the course so that their students are prepared to enter college mathematics.

Regent Walsh complimented Chancellor Gow on the wonderful presentation and said that UW-La Crosse has a terrific platform for achieving its goals. However, he remarked that faculty pay is 18 percent below that of peers. Faculty and staff are essential for achieving the goals. Regent Walsh asked if creative ways apart from money had been found to address this issue.

Chancellor Gow said that one effort had been to help faculty, in particular new faculty, by giving them a teaching load that has release time to do all of the preparation for the new experience. The veteran people try to take up more to give the new people some time and space. He asked Provost Heidi Macpherson to comment on professional development programs. She mentioned some of the grant programs available for curriculum redesign, faculty research, and faculty development.

As to compensation, Chancellor Gow said that this is the biggest challenge of all. He said that UW-La Crosse had done a major study of how its positions compare to positions at peer institutions, such as the University of Northern Iowa or Truman State. He said that while still below the median, UW-La Crosse was able to get all of its faculty to 80 percent of the median through equity adjustments.

For academic staff, CUPA (College and University Professional Association) data were used, and it was possible to get academic staff to about 88 percent of the median. A similar effort was made for classified staff through a merit-based process, although it was quite challenging because those positions are under the Office of State Employment Relations' jurisdiction and not everyone who was nominated for a discretionary merit increase could be included.

Chancellor Gow also said that he considered it his personal responsibility to make UW-La Crosse a great place to work and to show respect for all that people do.

Regent Bartell complimented Chancellor Gow in the presentation, saying it was illuminating and impactful. He said he was particularly struck by the Awareness project. He said it was a fabulous idea and asked how many students participate and whether such projects are done on other campuses. Chancellor Gow asked Amanda Goodenough to comment. Ms. Goodenough said that Awareness Through Performance started on campus in 2006. It started out as a course for one semester and had been going strong since then. More than 40 students apply every semester, and only about 20 can be admitted. Each semester there is a new troupe and a completely new show, consisting of an hour-and-a-half performance based on students' personal experiences and personal stories. They share messages that they think are important and they want their peers to know about. Ms. Goodenough commented that it is quite amazing, especially since 98 percent of the students have no acting experience.

She said that she was not aware of any other programs exactly like Awareness Through Performance. She said that she was aware of a high school in the area with a similar program. ATP is trying to put together an ATP start-up kit for other campuses that have expressed interest.

President Smith asked a final question, referring to *More Graduates for Wisconsin*. He asked how UW-La Crosse determines its goals for admissions and graduates. Chancellor Gow described considerations involved in the process, suggesting that the goals must be adjusted over time. An important question is, at what point does the cost of the experience deter people from participating? But, in short, from a management perspective, the key is hiring talented people in the many areas of expertise in a university and supporting them and coordinating those activities, all leading to the goal of graduating students.

Chancellor Gow closed by acknowledging Jim Jorstad and Jeff Kerkman, who made the videos; Natalie Solverson, Director of Institutional Research; Kjerstin Lange; and Heather Holmes, all of whom worked on the presentation.

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## **UPDATE: 2013-15 BIENNIAL BUDGET**

President Smith introduced the next topic, an update on the 2013-15 budget proceedings, saying that earlier in the week a letter was sent to all legislators, urging them to support the funding and flexibility provided to the UW System in the 2013-15 biennial budget proposal submitted by Governor Walker. The letter was co-signed by President Reilly, President Smith, and Vice President Falbo, along with all 14 chancellors and all 13 UW Colleges deans. The letter reminded legislators that if the proposed budget were to be approved “as is,” it would provide: (1) the lowest UW tuition increases in a decade; (2) performance-based funding for economic development, workforce development, and college affordability; (3) start-up funding for the innovative UW Flexible Option; (4) the ability to address critical quality and compensation needs at all UW institutions; and (5) investments in UW facilities that serve students and advance science.

President Smith indicated that the System was encouraged by the Governor’s proposed reinvestment in higher education, and the recognition that UW campuses and extension networks are essential to preparing the workforce to fill high-demand jobs.

President Smith turned to President Reilly to provide further information. President Reilly said that on March 21<sup>st</sup> he appeared before the Joint Committee on Finance to talk about UW System’s part in moving Wisconsin forward. Joining him for this agency briefing were Chancellors Debbie Ford and Dean Van Galen, who provided a first-hand perspective on how the proposed budget would impact their campus operations and their regions.

President Reilly said that in addition to emphasizing the UW’s role in stimulating economic prosperity, he expressed appreciation for the changes the legislature made in the last biennial budget, including the “block grant” flexibility provided to the UW System. The Governor’s proposed budget would keep tuition down, grow high-skills jobs, prepare the workforce to fill those jobs, and generate considerable direct economic activity. President Reilly asked Associate Vice President Freda Harris to begin the update on the biennial budget.

### ***New Funding Proposed by Governor***

Ms. Harris reported specifically on the new funding recommended by the Governor. His budget recommendation included approximately \$181 million of new GPR, in these categories: \$1.7 million dedicated to the cost of changes in leases and directed moves; \$19.1 million for cost to continue; \$42.4 million of new debt service to cover previously-enumerated projects; and \$89.4 million that was previously in the state’s “compensation reserve,” but which would be included for the first time in the university’s budget to cover salary and fringe benefits. New programmatic funding of about \$28.7 million would be provided for the Wisconsin Academy for Rural Medicine, Training in Urban Medicine and Public Health, Carbone Center, Flexible Options Program, and economic-development incentive grants.

### ***Incentive Grants for Economic Development***

Ms. Harris then turned to Associate Vice President David Brukardt to elaborate on the economic development funding. He said that about \$20 million of the \$28.7 million, or \$20 million annually,



would be available for economic development. These awards would not be considered based building. Eligibility would be in three areas: (1) economic development, or finding ways to mesh the talent at UW institutions with business development and job creation; (2) workforce development, including increasing the number of degrees in high-demand fields, internship opportunities, and research and development; (3) and improving the affordability of post-secondary education, such as finding ways to reduce the time to degree for undergraduate students by improving transfer of credit between higher education institutions.

Mr. Brukardt said that, assuming the funding becomes available, the UW would put together a plan that follows the directives of the legislation, procedures for awarding the grants, a method for tracking and reporting results annually to the Department of Administration. A workgroup with representation from UW institutions and UW System Administration would review proposals. The program also allows for collaboration with the Wisconsin Economic Development Corporation (WEDC). He identified some ideas for proposals that had already been submitted and said that the challenge would be to pick proposals that would provide the best use of the funds so the UW can drive business success across the state, and provide a good experience for students and faculty.

Regent Whitburn noted the need to be prepared to submit an operational procedure plan within 90 days after the budget passes. He asked if plans were in place so that there would be no delays once the legislature finishes working on the budget at the end of June. Associate Vice President Brukardt said that chancellors had been ready with proposals for some time. The process would not be complicated; the challenge would be to advocate with approving the right kinds of proposals and moving forward with them quickly.

Associate Vice President Harris elaborated upon the membership of the work group, saying that it included UW System Administration staff, as well as six chief business officers and three provosts. They were working on the details of the plan that would need to be submitted to the Department of Administration for approval before the program begins.

Regent Whitburn reiterated the need to be ready to proceed, and Regent Falbo also expressed his desire for timeliness in submitting the plan.

Regent Bradley remarked that one way to administer the funds would be to provide funding to a large number of small projects; another, perhaps harder way, would be to analyze and focus and have a small number of projects that are adequately funded and can be successful. He urged that this latter approach be taken.

Mr. Brukardt agreed and said that this had been discussed. Chancellors had said that, at the peril of losing one of their own proposals, they would rather see the very best get funded.

Regent Millner said that she echoed Regent Bradley's comments and added that consideration should be given to leveraging additional dollars in whatever projects are selected.

Regent Bartell asked how the selection process would work and whether the Regents would be involved. Associate Vice President Brukardt said that this was still being discussed; he suggested that it

would be appropriate to bring forward the best thinking, although Regents could look at the other (non-recommended) projects if they wished to do so.

In relation to Regent Millner's comment, Mr. Brukardt commented that a triple-helix approach was being considered, the first piece being the government dollars, the second piece being the talent on the campuses, and the third piece being businesses. As the funding is provided as grants and not base funding, it will be necessary to find ways to carry the projects forward when the state support ends.

President Reilly suggested that he could come back to the Board with a set of recommendations for funding. He said that chancellors generally supported the approach of not spreading the funding too thin across many projects. He also noted that, although, several chancellors would be speaking about proposed projects, this did not mean that these projects had already been selected. They were simply an indication of chancellors' thinking on the subject.

### ***Example Incentive Grant Proposals***

Associate Vice President Brukardt then indicated that Chancellors Shields from UW-Platteville, Van Galen from UW-River Falls, and Telfer from UW-Whitewater would share their thoughts on how the incentive funding could be used on their campuses.

#### **UW-Platteville**

Chancellor Shields thanked the Regents for the opportunity to talk with them about two UW-Platteville initiatives related to workforce and economic development. The first proposal would build on UW-Platteville's experience with a collaborative engineering program and existing partnerships with UW Colleges. The second proposal was the development of a regional innovation center, which was initiated in early 2012 with the city of Platteville.

Chancellor Shields explained that as part of UW-Platteville's collaborative engineering program, the institution has faculty working at three UW Colleges campuses: UW-Rock County, UW-Fox Valley, and UW-Washington County. The partnership enables students to graduate with engineering degrees from UW-Platteville while staying close to home or work. UW-Platteville has identified several program-expansion options, such as increasing the number of science, technology, engineering, agriculture, and mathematics degrees offered, and increasing the number of employers served with continuing education needs.

He noted that the continued collaboration between UW-Platteville and UW Colleges would provide a cost-effective solution to a rapidly expanding technological workforce within the state and build on a proven educational structure that allows for rapid growth in key areas. He also said that this collaboration provides a solution that is more cost effective than traditional brick-and mortar-campus and supports the leveraging of existing faculty expertise. Chancellor Shields said that there is strong support among major employers and industry representatives throughout the state. He added that the expansion is also expected to serve state agencies and school districts.

The second initiative the Chancellor Shields described was the development of a regional innovation center to foster the growth of existing companies and prepare and support entrepreneurs in a

14-county region. He noted that the proposal was based on a 2012 market assessment and feasibility study conducted by the city of Platteville and UW-Platteville. The center is expected to provide a range of services to entrepreneurs and business owners, as well as to facilitate applied research among UW-Platteville faculty and students.

Chancellor Shields noted that the Platteville Area Chamber of Commerce had supported the initiative, and the campus had engaged many organizations in the region and expected more partners to come forward, including other educational institutions, workforce development agencies, existing businesses, and economic development organizations. He said that the innovation center and the university would partner to leverage existing and new academic programs and faculty expertise to accelerate program development. The center would also provide new opportunities for students to pursue entrepreneurial activities.

Chancellor Shields concluded by stating that he hoped the information was helpful to Board members and showed that UW-Platteville is working to support economic growth and workforce development in the state. He said that the Governor's proposed incentive grants would accelerate UW-Platteville's efforts.

### **UW-River Falls**

Chancellor Van Galen of UW-River Falls began his remarks by stating that he applauded the Governor's budget for the inclusion of incentive grants, as they are a great way to leverage the talent, knowledge, and innovation within the UW System. If UW-River Falls is successful in competing for the funds, the campus would develop the St. Croix Center for Innovation and Business Development, a key element of a new business park in River Falls. The goal of the center would be to support existing small businesses and also catalyze new businesses in the St. Croix Valley. He explained that the guiding principles in developing the proposal were collaboration, a strategic focus, and a process to effectively plan and assess the activities.

Chancellor Van Galen elaborated on the role UW-River Falls has played in collaborating with business development entities in western Wisconsin. He also provided additional information regarding the strategic focus of the Center, which would include business development support, food product development and marketing, business incubation, and biomedical sciences. He also noted that several of these areas connect very well with some of the key industry sectors identified by the Wisconsin Economic Development Corporation. He emphasized that this effort would need to connect to UW-River Falls' core educational mission. He said that he envisioned that the center would provide student internships, research projects, opportunities for students to develop their entrepreneurial spirit, and faculty support by encouraging collaboration with businesses and industry. As part of the proposal for the center, UW-River Falls was developing the idea of "innovation fellows," joint appointments between the university and business and industry, or entrepreneurial scientists with one foot in the university teaching at least one course, but also one foot in business and industry. He suggested that this approach would catalyze great collaboration between the university and businesses.

Regent Bradley asked how the institution would determine what to charge a business seeking services at the center. In response, Chancellor Van Galen said that a grant would help to launch the center, but it would have to be self sustaining in the long run. He said that the center could provide an

affordable model for a business in part because it would engage students in the work. He added that there are many models for these types of university business incubators, and the university would have to develop a pricing structure.

### **UW-Whitewater**

Chancellor Telfer spoke next, saying that he would provide information regarding the Whitewater Center for Business and Economic Development. He explained that UW-Whitewater is involved in eight other centers, the Fiscal and Economic Research Center, the Geographic Information System Center, the Global Business Resource Center, the Institute for Sales Excellence, the Institute for Water Business, the Small Business Development Center, the Wisconsin Center for Information Technology Services, and the Wisconsin Innovation Service Center. The university is also involved with three other offices or organizations, the Office of Research and Sponsored Programs, U.S. Association for Small Business and Entrepreneurship, and the Whitewater Innovation Center. He described the good work of these 11 organizations and explained that what had been missing was a connection between all of the organizations, which had resulted in the loss of some efficiencies and effectiveness. The proposed Center for Business and Economic Development would coordinate the efforts of these 11 organizations.

Chancellor Telfer explained that, in addition, the proposed center would coordinate the placement of student interns and establish a seed fund for start-up companies. The proposed center would also organize an applied research seed grant fund and actively recruit entrepreneurs and start-up companies to southeastern Wisconsin.

Chancellor Telfer continued his presentation by describing the resources that UW-Whitewater would bring to the table, as well as the ways in which the proposed center would benefit the state. Examples include more business incubation, more support for growing businesses across the state, more internships and job opportunities for students, more job growth, and fewer lost opportunities because things fall between the cracks.

### ***Capital Budget***

President Smith thanked all of the presenters and then asked Associate Vice President David Miller for an update on the capital budget.

Mr. Miller explained that the academic program drives facility planning. The facilities are built to serve the academic program, and the projects that rise to the top are in response to changes in the academic program.

This also relates to the operating budget. Referring to the \$42 million (in biennial numbers) for new taxpayer-supported debt service, Mr. Miller said that this is a new amount of funding that would come to the university only for debt service on projects already in the prior capital budgets. However, new funding is not provided for the operation of the facilities; that cost would have to be absorbed.

The planning of facilities has to be done in an integrated way with the academic program and the operating budget to bring about institutional effectiveness. For example, seven of the 21 major general-

fund-supported-borrowing (GFSB) projects requested by UW institutions were academic science facilities; all six top-priority major projects in the Regent-approved capital budget were science-related. Mr. Miller showed a slide summarizing the 2013-15 capital budget which indicated that the GFSB projects requested by the campuses were only a subset of total projects, with other funding sources being gifts and grants, program revenue, and program revenue-supported borrowing.

Mr. Miller said that 21 UW-institution-requested and systemwide classroom and utility projects totaled more than \$550 million. The recommendation to the Regents was approval of six major projects plus system-wide classrooms and utilities. The Governor's recommendation was for five of those, and the Building Commission's increased the Governor's recommendation by one project. The Building Commission recommendations totaled \$291 million, with \$240 million of that being taxpayer-supported GFSB.

Associate Vice President Miller said that a shift had taken place in how the capital budget is constructed. In 2009 and for 20 years prior, every capital budget contained bonding that was authorized in that biennia to be spent in that biennia. Most capital budgets have included bonding that is authorized in that biennia that is to be spent in the future ("advanced enumeration"). In the 2013-15 budget, there is no advance enumeration for the future. All of the funding that is authorized is to be spent in the 2013-15 biennium.

The reason for the change is that the statutes have always counted authorized borrowing in the biennium in which it is authorized and not when it is spent. For accounting purposes, the changed methodology will work much better, Mr. Miller said, because it simplifies accounting and reconciliation of budgets so that the legislature knows more about what it is actually spending.

However, this causes a problem though in planning. Advanced enumeration was used for large projects, generally built over multiple biennia, and sometimes funded over multiple biennia. It takes so long to do a complete design of a facility (e.g., two years on a larger project), that knowing that it was going to be funded in a future biennium helped to justify the investment of the planning in the current or previous biennium. The Building Commission would approve the design at 35% and then the project could proceed to construction. Mr. Miller said that this had changed significantly to planning full design, approval of the design, then enumeration of the project, and then construction.

Mr. Miller provided examples of how UW projects would be affected by this change. At UW-Madison, for instance, funding was proposed for the chemistry project over three biennia, in three phases: demolition, renovation, and construction of new space. The design fee to fully design this \$103 million project is nearly \$7 million. Under the new method, if UW-Madison wants to proceed with design of the facility to ready it for enumeration in 2015 and for breaking ground in the 2015-17 biennium, it has to spend \$7 million. This amount will be reimbursed; once the project is enumerated, it becomes a bondable amount.

Mr. Miller briefly described the recommended projects, which included the Science Labs building at UW-La Crosse, UW-Stevens Point chemistry building, UW Madison Babcock Hall dairy plant addition (which leverages 50 percent gifts). The addition to the capital budget by the Building Commission over the Governor's recommendation was the Madison Meat Science and Muscle Biology lab at \$42 million (leverages \$20 million in gifts). This latter project was added solely because the

industry partners wanted it enumerated. Also included was full funding of a request for \$10 million for systemwide classrooms, which will make a significant change in the ability to infuse the appropriate technology into classrooms, and the Laurentide Hall Student Success Center addition at UW-Whitewater. Mr. Miller also briefly mentioned program revenue projects that he had previously presented.

Mr. Miller said that the Building Commission also proposed motions that did not pass. One was to eliminate the UW-Milwaukee lease buyout of the Kenilworth Building, for which the buyout would be about \$65 million, and another was a lease buyout at UW-Platteville. Mr. Miller indicated that there were serious concerns about the total level of state debt, not the amount caused solely by the capital budget. He noted that this concern extended to program revenue borrowing, as all state borrowing is through general obligation bonds, even though there is a program revenue source for it.

In closing, Associate Vice President Miller said that there would be more negotiations and discussions before the capital budget would be complete, but he expressed optimism that there was significant support for individual projects among legislators that represent regions with UW institutions and among the Building Commission legislators. He said that by June it should be possible to report on the capital budget in its totality.

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The meeting was adjourned at 12 o'clock noon.

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Submitted by:

/s/ Jane S. Radue  
Jane S. Radue, Secretary of the Board