

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in 1820 Van Hise Hall
1220 Linden Drive
Madison, WI 53706

Friday, February 8, 2013
9:00 a.m.

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- President Smith presiding -

PRESENT: Regents Jeffrey Bartell, Mark Bradley, Tony Evers, Michael Falbo, Tim Higgins, Tracy Hribar, Edmund Manydeeds, Regina Millner, Katherine Pointer, Charles Pruitt, Gary Roberts, Brent Smith, Mark Tyler, José Vásquez, and Gerald Whitburn

UNABLE TO ATTEND: Regents John Behling, John Drew, and David Walsh

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**APPROVAL OF THE MINUTES OF THE OCTOBER, NOVEMBER, AND
DECEMBER 2012 MEETINGS**

President Smith noted that the minutes of the October, November and December 2012 Board meetings had been distributed. Upon the motion of Regent Whitburn and second of Regent Bartell the minutes were approved as distributed.

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REPORT OF THE PRESIDENT OF THE BOARD

Hospital Authority and Wisconsin Technical College System Board reports

The reports of the Higher Educational Aids Board, the Hospital Authority Board, and the Wisconsin Technical College System had been provided. There were no questions or comments.

Board of Regents Updates

President Smith began his report by saying that the Board would be welcoming a guest speaker, Molly Corbett Broad, President of the American Council on Education, and would also be joined by special guests for the presentation of the fifth annual Regents' Diversity Awards.

He also noted that the Board's March meeting would include "Part 2" of an exploration of student success, continued from the Thursday meeting. A second major topic would be the biennial budget. Governor Walker will have presented his 2013-15 budget recommendations on February 20.

In Board news, President Smith noted that Governor Walker's office had announced that he is seeking applicants for a new student representative to serve on the Board of Regents, replacing Regent Katie Pointer, whose two-year term is due to expire on May 1.

Chancellor Searches

Providing a brief update on the two ongoing chancellor searches, President Smith remarked that the national search to find Interim Chancellor Ward's successor was launched in the fall. He said that UW-Madison history professor Dr. David McDonald chairs the 25-member search and screen committee, which was in the process of sifting through the semi-finalist pool culled from about 70 applicants. The committee would be forwarding a list of recommended finalists to a special committee of the Board of Regents and President Reilly for consideration. The full Board is expected to vote in April on the recommended finalist.

President Smith said that a similar process was being followed to identify a successor to Chancellor Brian Levin-Stankevich at UW-Eau Claire, where Gilles Bousquet of UW-Madison was serving as Interim Chancellor. UW-Eau Claire's 21-member search and screen committee, chaired by Dr. Rama Yelkur, commenced a national search in the fall and would follow a process similar to the UW-Madison process, with full-Board consideration also expected in April.

Legislative Activity

With respect to legislative activity, President Smith noted that a new Legislature had been inaugurated since the Board's last meeting, including 27 legislators who would be serving their first term. UW System leaders had been reaching out and meeting with both new and returning lawmakers, particularly those serving on key committees dealing with the UW. President Smith said that this included visits by President Reilly, Board members, chancellors, and other UW staff with members of the Governor's staff, DOA Secretary Mike Huebsch, legislative leaders, members of the respective Higher Education committees, and the Joint Committees on Finance and Audit.

President Smith said that Senator Harsdorf had called for an informational meeting on February 13th to discuss the UW Task Force on Restructuring and Operational Flexibilities. Regent Vice President Mike Falbo, who was chair of that Task Force, would be testifying.

President Smith announced that on March 6th, the UW, along with the other higher education sectors, the Higher Educational Aids Board (HEAB), Representative Joan Ballweg, and Senator Fred Risser were planning to facilitate a financial aid forum for legislators and their staff. This would be an important opportunity to talk about the financial need of UW students.

President Smith noted that Albert "Ab" Nicholas, founder and chairman of the Milwaukee investment firm Nicholas Co., had created a new foundation with a \$50-million endowment in order to provide scholarships for selected Wisconsin high school basketball players to attend UW System institutions. "Ab" Nicholas played basketball for UW-Madison in the 1950s. Once the scholarship

program is up and running, up to 250 players a year may benefit from his generosity, President Smith said, expressing gratitude on behalf of the UW System. President Smith turned to President Reilly for his report.

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REPORT OF THE PRESIDENT OF THE SYSTEM

Flexible Option

President Reilly highlighted a *Wall Street Journal* story from January 25 about the UW Flexible Option. The story had generated significant interest. UW Flex was also featured on Southern California Public Radio and in stories in from the National Review Online and the American Enterprise Institute. It was the subject of considerable attention at a recent meeting of the Association of American Colleges and Universities (AAC&U) in Atlanta. Senior Vice President Mark Nook and Rebecca Karoff, Senior Special Assistant to the Senior Vice President, were invited to speak to AAC&U's board of directors about UW Flex, and they indicated that the board expressed strong praise for the UW's boldness in developing UW Flex as a public system of higher education. President Reilly indicated that nearly 650 people to date had requested more information from UW-Extension about the Flex Option, suggesting that the new approach had "struck a chord." UW-Extension also reported that the target enrollment of 100 students for the UW Flexible Option pilot had already been met.

News from Around the System

Sharing news from around the UW System, President Reilly said that UW-Stout's property management undergraduate degree program had received a \$1-million donation from the owner of a major U.S. property management company. Dean Weidner, founder and owner of Weidner Apartment Homes of Kirkland, Washington, made the donation to the Stout University Foundation, and it will be used to establish the Weidner Center for Residential Property Management within the School of Hospitality Leadership in UW-Stout's College of Management. The relatively new UW-Stout program came to Mr. Weidner's attention after his company recruited some of its graduates. President Reilly congratulated Chancellor Sorensen and the UW-Stout campus community.

The UW-La Crosse College of Business Administration won a national award for making sure students learn the skills they need to enter the workplace. UW-La Crosse was one of four institutions selected from a field of more than 3,000 to win the Council for Higher Education Accreditation's 2013 Award for Outstanding Institutional Practice in Student Learning Outcomes. According to Bruce May, Dean of the College of Business Administration, educators want students to learn basic ideas such as critical thinking, communication, and ethics, so they make a "curriculum map" to ensure that those skills are included in the classroom. A student's progress in each of those skill sets is then tracked and assessed. President Reilly said that the award was founded in 2005, and UW-La Crosse's business college was the first higher education institution in Wisconsin to receive the honor; he congratulated Chancellor Gow and UW-La Crosse.

In a new collaboration that President Reilly said would strengthen both business education and regional economic development, the United States Association for Small Business and Entrepreneurship announced that it would be moving its headquarters to UW-Whitewater's Timothy J. Hyland Hall, home of UW-Whitewater's College of Business and Economics. It is hoped that the three-year collaboration would increase regional economic development initiatives, encourage new research, and foster business development.

The UW-River Falls Hudson Center was opened in fall 2010 to meet the educational needs of the thousands of adults in the St. Croix Valley with some college credit but no degree, by offering courses at times and in a location convenient for working adults. Fall 2012 enrollment was at an all-time high of 414 students, creating the need for expansion. President Reilly said that renovations were underway on an additional 44-seat classroom in the Hudson Center, to be ready for use during the spring 2013 semester.

In news from UW-Parkside, President Reilly reported that Interim Provost Fred Ebeid traveled to India last month and signed an exchange agreement with IndSearch, a business management school in Pune, India. These new exchanges will connect the two schools' Master of Business Administration and Master of Science in Computer and Information System degree programs. Dr. Ebeid also served as keynote speaker at the International Conference on Innovative Practices for Business Excellence, where he addressed the changing landscape of American higher education; his address was covered widely across south India.

President Reilly reported that the UWM Real Estate Foundation announced that ABB Inc. and the Zilber Property Group entered into a letter of intent to develop a three-story office building at UW-Milwaukee's Innovation Campus. The proposed 95,000-square-foot building will house ABB's businesses operating in Southeast Wisconsin. ABB is a leader in power and automation technologies that enable utility and industry customers to improve performance while lowering environmental impact. The new office represents a total of 350 jobs, including more than 100 engineers and scientists, and will be the first private development at Innovation Campus.

President Reilly said that the Center for Investigating Healthy Minds at the Waisman Center was reaching out to veterans who served in Iraq and Afghanistan to participate in a wellness study that may help scientists discover new strategies for addressing Post-Traumatic Stress Disorder, or PTSD. The Center for Investigating Healthy Minds is offering free complementary and alternative programs to veterans as part of a pioneering research study, including a workshop featuring group discussions, breathing exercises, meditation, and gentle stretching. These techniques are cost-effective and free of side effects, and have the benefit of veterans being able to practice them on their own

UW-Platteville was named Wisconsin's 2012 RecycleMania Grand Champion and was also chosen to receive the 2013 Associated Recyclers of Wisconsin Outstanding Achievement in Recycling Award. RecycleMania is a competition for college and university recycling programs across the U.S., Canada, and Mexico to promote waste reduction activities in their campus communities. UW-Platteville also began offering a new major in sustainable and renewable energy, and had begun presenting a new series of honors called the Campus Sustainability Awards.

Closing his report, President Reilly said that Max Garland, a UW-Eau Claire professor of English and a widely published, award-winning poet, essayist, and fiction writer, had been named the 2013-14 Wisconsin Poet Laureate by the Wisconsin Academy of Sciences, Arts and Letters. During his two-year term, Dr. Garland will promote poetry and creativity and act as an advocate for imaginative engagement in poetry and the other arts in Wisconsin. In honor of Professor Garland's appointment, President Reilly concluded his reports by reading one of the professor's poems, entitled "Bowling."

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PRESENTATION BY MOLLY CORBETT BROAD, PRESIDENT, AMERICAN COUNCIL ON EDUCATION: "HIGHER EDUCATION AT THE CROSSROADS: MULTIPLE CHALLENGES, LEADERSHIP AND INNOVATION"

President Reilly introduced Molly Corbett Broad, President of the American Council on Education (ACE). He noted that she had served as the President of ACE since 2008 and prior to that served as the President of the University of North Carolina from 1997 to 2006, leading UNC through a period of unprecedented growth. He also stated that she served in several high-level positions within the California State University System and the Arizona University System and at Syracuse University. He said that President Broad had written and spoken widely on strategic planning for higher education, K-16 partnerships, information technology, globalization, and biotechnology. He said that she currently held seats on the boards of the Public Broadcasting Service and the Parsons Corporation and was past chair of the National Association of State Universities and Land Grant Colleges, past chair of the Internet2 board of trustees, and past president of the International Council for Distance Education. He said that he was honored to have President Broad address the Board of Regents, and welcomed her to the meeting.

Overview

President Broad thanked President Reilly for the introduction, noting that she was a huge fan of his and of the University of Wisconsin. She said that the array of achievements at the UW campuses was impressive, and it was heartening to hear of all of the good work that President Reilly had mentioned in his report.

Ms. Broad began her presentation by noting that higher education is experiencing a confluence of forces of change, the likes of which she has not experienced during her professional lifetime. She said that higher education is experiencing tremendous financial pressures, coming from all directions -- tuition problems, state and federal funding issues, philanthropy, and investment returns. She added that higher education had become more connected to the federal government, and increasingly dependent upon federal funding for financial aid and for research. She said these financial issues are troubling and difficult to manage.

She also referred to a profound change in the demographics of who enrolls in American higher education, with overwhelming numbers of students now referred to as "post-traditional" placing pressure on the academic model. She explained that the world of higher education had been thought of as an iron triangle, in which the issues of cost, access, and quality are fixed, and that one of the issues cannot be altered without altering the other issues; i.e., quality cannot be improved unless costs are

increased, or access cannot be expanded without increased costs. She said that this concept was now being challenged in the face of all of the pressures, precipitating interesting innovations and advances in teaching and learning. She said that universities had been the cradle for the development of advances in technology, with some bright university graduates going on to develop companies such as Amazon, Google, Facebook, and LinkedIn. She suggested that now was the time for some of that expertise developed within the universities to be applied to the universities themselves.

Financial Challenge

Ms. Broad shared that Moody's Investors Service recently issued a report in which it downgraded institutions of higher education, asserting that "...U.S. higher education has hit a critical juncture in the evolution of its business model..." Referring to reduced prospects for revenue growth, she said that the downgrade was primarily due to economic pressures, the slowness of the economic recovery, and the heightened political and public pressures that higher education was experiencing from the state and federal government.

Ms. Broad referred to her next slide, which illustrated that tuition dependence has become central to both private and public institutions in the U.S. She explained that in the past, there were three different kinds of universities and colleges in America -- tuition dependent, state tax support dependent, and philanthropy dependent -- but today more and more institutions are tuition dependent. She also noted that the U.S. experienced a decline in family income, with the Federal Reserve reporting that average household income has declined by 8 percent since 1992. As such, more and more low-income students are populating colleges, and approximately half of all students in American higher education, or 9.7 million students, are recipients of Pell grants.

President Broad highlighted the relationship between state support and tuition for public institutions, noting that prior to 2003, states made more of an investment in institutions than the investment resulting from tuition. Since 2003, tuition revenue has grown in response to diminishing government support, and the gap between tuition and state support grew at an accelerated pace. She said that instead of states' providing most of the revenue to support public institutions, most institutions are now increasingly dependent upon tuition, such that tuition is almost twice the relative share of revenue for public institutions. Public institutions are as much market driven as private institutions are, and are still at a lower price point than private institutions. She noted however, that the strategy since the 2008 recession of raising tuition by ever larger amounts each year is not sustainable. She pointed out that over the previous five years, the average increase in tuition was approaching 7 percent per year, but this year the rate of increase in tuition was down to 2.7 percent.

Ms. Broad also described a growing dependence on Pell grants, particularly for public universities, and said that Moody's ratings of institutions are linked to the institutions' dependence on Pell grants. Ms. Broad explained the "hidden divide" among institutions of higher education in the U.S, with Aaa-rated institutions being more selective and devoting more financial resources per student than Baa-rated institutions. She also noted that these resource disparities had been accelerating in recent years.

She then turned to the issues related to the student loan burden, noting that student loans now exceeded \$1 trillion in outstanding student debt. In addition, she said that federal loan volume had

doubled since 2003, as had default rates. She said that Pell grants and student loans are funded by the federal government. She said that the two programs had been expanded and fully funded the last four years, but if the sequester is implemented at the federal level, there will likely be declining support for the Pell program and an increasing interest rate levied against student loans. She added that these forces had caused the Moody's rating agency to sound the alarm bells about the financial structure of higher education.

Quality Challenge

President Broad also noted that the forces of change extend beyond financial dimensions. She referred to Richard Arum's book, "Academically Adrift," as having caused a stir. She said that while people may argue about the book's methodologies, merits, and shortcomings, the book was a signal that greater attention must be paid to raising the quality of academic achievement and academic models. She said that the evidence suggests that higher education is not fully meeting the traditional goals of developing an array of intellectual skills, specialized knowledge in areas of concentration, and the ability to communicate in writing and apply knowledge in a real-world environment.

Ms. Broad mentioned the open letter that ACE recently issued to college and university presidents on raising educational attainment in the U.S. She said that the hope was that the ACE report on improving educational attainment would bring new levels of commitment to raising the quality of programs across American higher education.

Demographics Challenge

The next issue that Ms. Broad addressed was the changing demographics of higher education. She explained that students are getting older, taking longer to finish, working more, and seeking credentials that have labor market recognition. She said these students, who now represent the overwhelming number of students, are called post-traditional learners because the term "nontraditional learners" no longer applies.

Increasing Demand for Higher Education

President Broad said that the changing demographics had been driven by the demands of the economy and the marketplace as talent pools are being created all around the world. Higher education is increasingly looked at to help meet the challenge of sustaining economic prosperity and ensure family-sustaining wage rates. Ms. Broad said that most of the jobs in the U.S. are routine work, and the share of the routine work that can be done by machines rather than people is growing. As a result, the race is to do the more creative work, such as research, development, design, marketing and sales, and global supply chain management.

She referred to the research of Dr. Tony Carnevale of Georgetown University, which indicated that over the past four decades the number of jobs for people with only a high-school diploma had fallen, while the number of jobs that require some college, or at least a bachelor's degree, increased. She said that this was driving up the demand for higher education by post-traditional learners who want greater earning power. She also noted that the unemployment rate for people with a college degree is approximately one-half of the unemployment rate for those with only a high school diploma. She also pointed out that Wisconsin ranks 40th for jobs for high school dropouts, which means that most of the

jobs in Wisconsin cannot be held by individuals who have dropped out of high school. The state is ranked between 26 and 28 for jobs that require an associate, bachelor's, or graduate degree.

Innovation in Higher Education

Ms. Broad said that all of this information suggests that higher education must innovate. She explained that ACE defines postsecondary education innovation as the intentional discovery and application of new institutional, instructional, credentialing, and financial models that maintain quality, reduce costs, and increase value.

Ms. Broad stated that she wanted to conclude her remarks by discussing three of the most promising models. She then shared a video regarding MOOCs, or Massive Open Online Courses, which deliver learning content online to virtually any person, at no cost, and with no limitations on the number of students who can be registered for the class. She noted that ACE is evaluating the college-credit-worthiness of MOOCs offered by Coursera, Udacity and edX, which include creative uses of videos, blogs, discussion boards, game interfaces, and social media. Ms. Broad showed a video related to free online courses.

Following the video, Ms. Broad stated that another promising innovation was identifying patterns of student behavior and conduct to facilitate more rapid degree completion and identify students who may be at risk of dropping out or failing a course. She explained that data mining had grown in every part of the commercial world and was now coming to American higher education in ways that would enable instructors and counselors to facilitate the success of students. She then shared a second video on student analytics that assist students in selecting and registering for classes.

Ms. Broad shared a final video, this one regarding educational innovation and the promising use of technology in the UW System's Flex Option, which incorporates many of the emerging innovations that are enabled by technology: competency-based education, self-paced learning, modular course work, and customized learning. She said these tools were enabling the delivery of the highest quality educational experience at a more affordable price.

Leadership Challenge

Ms. Broad closed her presentation by highlighting the leadership challenge for higher education. She said that higher education needs bold and responsible leaders and management of its academic and business processes and academic models. In addition, transformational changes are being precipitated by financial stress related to tuition limits, low returns on endowments, declines in state support, and growing concerns about federal support, especially in light of sequester.

President Broad said that innovation really is imperative due to the breakthroughs that universities are experiencing in areas such as cognitive science, information technology, and artificial intelligence. She said that it is an exciting and fulfilling time to be in higher education, but also a challenging time. She then thanked the Regents for their attention and asked if they had any feedback or questions.

Discussion

Regent Whitburn thanked Ms. Broad for her wonderful presentation, stating that it was very helpful. Referring to the student debt that she mentioned, he said that the Board had recently heard that 70 percent of students graduate with debt, and the average debt is \$25,000. He also noted a national study that talked about \$1 trillion in debt, and again an average \$25,000. He noted that the data she presented suggested a lower debt level.

Ms. Broad said she did not think the national study was flawed but that there were a small number of students who borrowed beyond what was reasonable and who lacked financial sophistication, which led to stories in the media. She said that the average debt is about \$25,000, and 75 percent of all students in American higher education who borrow money have debt when they graduate that is at or below \$25,000. Some students graduate with more debt, particularly if they attend graduate or medical school or private institutions, but overall the debt was still at a manageable stage, she said.

She indicated that there is a risk that the interest rate on student loans will increase unless there is congressional action to prevent it. She also said that she believed that institutions have to do a better job at counseling students about what they can afford to pay back and their anticipated level of income.

Regent Whitburn asked Ms. Broad if her references to tuition increases of 7 percent, and more recently 2.7 percent, included public and private institutions, to which Ms. Broad responded that she was referring only to public institutions. He then asked if she was referring to the current school year or the previous year. Ms. Broad stated that for 2012-13, the average tuition increase for public institutions was down to 2.7 percent. Regent Whitburn then asked for her best estimate of how that number would track in the next two academic years.

Ms. Broad indicated that there was political pressure to control costs and acknowledged that if states cut their budgets for higher education by 5 or 10 percent, institutions would have to increase tuition just to replace those dollars. She said she believed there would be continued pressure on institutions to limit increases in tuition.

Regent Smith asked Ms. Broad what role governing boards have in addressing the challenges she outlined. Ms. Broad said that across the nation, higher education was experiencing some real challenges to healthy governance. She explained that with shared governance, the president, the board, and the faculty all have important roles to play; sometimes those roles get out of balance, and it requires hard work hard to get the roles back into the appropriate balance. She said that an especially important role the board can play is to support innovation and to encourage active involvement in areas where improvement is needed, being open to hearing the points of view of the faculty, because faculty support is needed for a successful initiative. She said that when all three components of the governance system are trusting of one another and working together, sharing points of view and differences in points of view, it is much healthier for the institution.

Regent Bartell thanked Ms. Broad for her presentation and noted that the open letter to university leaders that she referred to stated that college completion must be the priority, rather than stating that postsecondary education or some amount of higher education was the priority. He asked Ms. Broad to

comment on that choice of words, as well as on the use of financial aid and how financial aid should be allocated to accomplish the objective.

Ms. Broad explained that the effort was prompted by President Obama's setting a goal for the U.S. to restore its international leadership in the level of college attainment. The level of college attainment in the U.S. compared to other countries had fallen steadily, and President Obama's goal is for the U.S. to restore its leadership by achieving greater graduation and college completion rates by 2020. She said that the use of the word "completion" comes from the 2020 target President Obama set, but the concept is very compatible with the things she addressed in her presentation -- the importance of being innovative, of changing the culture, and of making completion as important as admission. She pointed out that institutions have people with titles such as "vice president for enrollment management" to ensure they enroll a full class with the right distribution of students, but institutions do not have a "vice president for completion." She suggested that it may be necessary to put somebody in charge of ensuring institutions are doing everything they can to help students complete college.

Regent Bartell offered that attention to the allocation of financial aid is also important and suggested that aid be directed to those who are more likely to finish, rather than spread evenly across the board.

Regent Vásquez thanked Ms. Broad for a thought-provoking presentation. He asked her if there had been any thinking done about the potential fiscal impact of all of the innovations, and whether that might lead to a reduction in the cost of education. He acknowledged that he has a bias with regard to this issue and gets nervous when people talk about the need to impose cost controls, as there are some forms of education where it is difficult to reduce the costs. He also expressed nervousness about one professor teaching thousands of students to reduce costs, and he asked if that type of teaching is in the future.

Ms. Broad said that one of the greatest strengths of American higher education is the richness of the diversity of the institutions and their missions -- public and private, two-year and four-year, religious, teaching-focused, research-intensive. She said that increasingly there would be greater diversity in the kind of students being served. She noted that what an 18-year old wants from college maybe be very different from that of a 40-something.

President Broad said that one of the things she had found the most fascinating was listening to an endowed professor at an Ivy League institution talk about how they had been able to deepen the learning in a class of a thousand students more than they had been able to do in a seminar with 15 students. She said there is no way to generalize, and it would be unfair to assume that reducing costs was the only reason for adopting a MOOC; she said, though, that she could imagine that in a college where a faculty member retires, the state has cut the budget, and there is not enough money to fill that vacant position, the college might take the free content from an endowed professor at some great institution and build it into their curriculum, within their existing department. She said that some of that is already being tested at San Jose State, where they are offering a course in circuits and electronics from Massachusetts Institute of Technology by "flipping" the classroom; the students participate in the MOOC as their homework, and in class the faculty applies the materials, asks questions, and engages students in individual tutoring and mentoring. She said there are ways of increasing quality while at the same time reducing cost, and that is the aspiration.

Regent Tyler thanked Ms. Broad and said that when he thinks about MOOCs, it raises questions of cost and how to maintain delivery. He added that he sees MOOCs as a real challenge, possibly a threat, but also an incredible opportunity, and he asked Ms. Broad to comment.

Ms. Broad said that MOOCs open up opportunities for individuals of all ages, from children to adults, who can raise their knowledge and skill level in ways that are hard to predict. She said that some universities are using the MOOC results to recruit students who did well, and software engineering firms in the Silicon Valley offered Stanford University a very handsome stipend for the contact information of every student who scored a perfect result at the end of the artificial intelligence MOOC. She said she was confident that a year from now, MOOCs would not look like they do today, and while she did not know how they would evolve, it would be an exciting journey.

Chancellor Gow said that UW-La Crosse has a MOOC in developmental math of which he is very proud, and which the Gates Foundation had generously funded. He suggested focusing for a moment on traditional-age students, particularly those from modest socio-economic backgrounds, and asked if she had any concern that those students may not have the discipline to learn on their own. He said that these students have traditionally been the students who needed the most personalized attention, and he expressed concern about rushing to a solution and not focusing on the fundamental challenge of not being able to offer competitive pay to the great faculty and staff who are passionately committed to students. He asked what kind of college experience Ms. Broad foresaw in the future.

President Broad said that the issues that Chancellor Gow mentioned may be the reason that 70 to 80 percent of the people who sign up for MOOCs never complete them. She suggested that the students who need the most academic support probably are not going to be successful; however, there are many students who have developed the capacity to struggle, which is central to learning.

Regent Bradley, referring to states that had invested in relatively large residential-life campuses, such as New York, Wisconsin, California, and Texas, asked whether there might be fewer residential campuses as a result of the trends that Ms. Broad had been discussing, or whether there might be the same number of campuses, with different focuses.

Ms. Broad said that the latter was more likely, but there may be some institutions that are now living on the very edge which might not be around in five to ten years. This has already been the case for a number of decades, Ms. Broad said, and the solution was to sell the failing institution to a for-profit; the for-profit thereby gained accreditation by buying a small institution. She suggested that there may be an increase in institutions on the edge, but good ideas are contagious on college campuses, and this would enhance campuses' strength.

Regent Pruitt indicated that he thought President Broad's analysis of the growing political pressures that affect state university systems seemed very wise. Tapping into this wisdom, he asked if Ms. Broad could offer advice with respect to how a governing board can best navigate relationships between external stakeholders, including political leadership, and shared governance arrangements on campuses.

President Broad said that a board's responsibilities are even greater in the face of the various forces of change and challenges. Board members must serve as a buffer for people who wish to intrude on the institution with directions that may not be aligned with the mission of the institution. On the other hand, she expressed the hope that board members would be willing to support modest risk investments at a time when innovation is increasingly important. As an example, she applauded the Board of Regents for the support given to the President in exploring the Flex Option, which she said was innovative and also gives the faculty the essential controls and responsibilities for assessing its value.

President Smith turned to President Reilly for closing comments. President Reilly praised President Broad for being a wonderfully informed, passionate, and articulate leader in her role as President of the American Council on Education. He said that she was an advocate, but also willing to push higher education to tackle the big challenges facing it. He expressed his great appreciation for Ms. Broad's presentation.

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PRESENTATION OF 2013 REGENTS' DIVERSITY AWARDS

Introduction

President Smith asked Regent Hribar to introduce the Diversity Awards in the absence of the Regent committee's chair, Regent Drew. Regent Hribar began by expressing regrets and congratulations on behalf of Regent Drew. She noted that the other members of the section committee were Regent Manydeeds, Regent Vásquez, and herself. She welcomed this year's award recipients and their families, friends, and colleagues, saying that 2013 was the fifth year that the Board of Regents had presented its Diversity Awards, which are meant to recognize the outstanding contributions to diversity and inclusion by people and programs at UW institutions. She said that while the awards are relatively new, these are ideals that the UW System has promoted for more than two decades.

The Regents Diversity Awards were established through a Board directive calling for the formal recognition of individuals, teams or units within the UW System who have successfully fostered greater access and success for historically underrepresented populations. Regent Hribar said that it was inspiring and rewarding to see all the exceptional work on diversity and inclusion being done around the UW System. Regent Hribar said that the people and programs receiving awards may have different backgrounds and strategies, but they share a genuine respect for human differences, a deep attentiveness to the learning process, and a keen responsiveness to students and their educational needs.

Individual Award: Dr. Angela Bauer, UW-Green Bay

Regent Hribar began the awards ceremony by presenting the first 2013 Board of Regents Diversity Award in the Individual category to Dr. Angela Bauer, Professor of Human Biology and Special Assistant to the Provost at UW-Green Bay. She said that a centerpiece of Dr. Bauer's commitment to issues of diversity was the highly successful Targeted Opportunities for Success in Science (TOSS) workshops she helped to develop at UW-Green Bay. Created in collaboration with the American Intercultural Center on campus, TOSS grew out of Dr. Bauer's concern that relatively few

students of color were choosing to major in the sciences. To address this problem, she focused her efforts on eliminating the achievement gap that often exists between multicultural and white students in the foundation or gateway science courses.

Starting with introductory Human Biology, weekly TOSS workshops provide students with active learning activities, often led by multicultural tutors, which allow students to review the content covered in lecture for the week and also to establish connections with peers. The results have been very promising, Regent Hribar said. TOSS workshops actually closed the achievement gap in the course for four straight semesters. In addition, the number of students of color going on to declare a Human Biology major at UW-Green Bay increased by almost 30 percent between 2008 and 2011, going from 24 to 31. Dr. Bauer has already engaged in discussions with other disciplines about strategies to address achievement gaps in their gateway courses.

In addition to the TOSS workshops, Dr. Bauer was a lead proposer for UW-Green Bay's Campus Common Theme, "Celebrating Differences, Creating Community," and as part of that effort she spearheaded bringing a number of scientists of color to campus to mentor students. Dr. Bauer was also closely involved with the UW System's "Give Students a Compass" project and Equity Scorecard, both of which aim to reduce or eliminate inequities in educational opportunities and outcomes.

Regent Hribar presented the award to Dr. Bauer, who was met with a standing ovation. Dr. Bauer accepted the award and expressed her thanks to Regent Hribar and the selection committee. Mentioning each by name, Dr. Bauer also thanked colleagues at UW-Green Bay who nominated her for the award and collaborated with her on many of the inclusivity efforts on campus.

Dr. Bauer described their passion for the projects that are making a difference for students. She said that some efforts had made a significant impact on students' experiences, specifically with respect to opportunity gaps. She said that she had been surprised by what she had learned to be of utmost importance for promoting the success of all students: for faculty and staff to be intentional about creating community within classrooms and also on the campus as a whole. She said she used to think that achievement gaps were all about differences in academic preparation or in content knowledge. While those things are important for student success, they are not key to closing the achievement gaps, based on what they learned from their model. Rather, creating community is the key, she said. It is important to intentionally create opportunities for students to connect with each other, to connect with faculty and staff, and to feel valued. Sending positive, affirmative messages about students' potential makes all the difference, Dr. Bauer said, and she again expressed her appreciation for the award.

Individual Award: Dr. Douglass Henderson, UW-Madison

Regent Vásquez presented the second Regents Diversity Award in the Individual category to Dr. Douglass Henderson, a professor in the Department of Engineering Physics at UW-Madison's College of Engineering. Quoting the former chair of that department, Regent Vásquez said that "Professor Henderson stands as a shining example of how institutional change begins with the persuasive commitment of one person."

Regent Vásquez said that in his first ten years at UW-Madison, Dr. Henderson developed a national reputation for high-quality research in his scientific discipline. At the same time he began to develop a real interest in mentoring students, primarily those from under-represented minority groups. In 1998, he worked with the UW Graduate School to develop the Graduate Engineering Research Scholars (GERS) program, a unique fellowship program designed to offer students a support network of peers. Through GERS, students become members of a supportive community of UW-Madison engineering graduate students, faculty and staff. The larger goal of this program is to increase the number of underrepresented minority graduate students in Engineering receiving doctoral degrees, and to increase the likelihood that they will pursue a career as a faculty member.

Regent Vásquez said that when it started, the GERS program served three underrepresented minority Ph.D. students in the College of Engineering, and currently there were 51. Over the past decade, 46 Ph.D. students graduated from the program, an increase from 17 graduates in the nine years prior to the program. Regent Vásquez said that ten of these students were currently faculty members at universities, five were in post-doctoral positions, seven were at National Laboratories, two graduated from the M.D./Ph.D. program, and the others found jobs with industry. The GERS model is now being copied throughout UW-Madison for STEM education and by several other Research-1 universities, including University of Michigan and University of Illinois.

Regent Vásquez presented the award to Dr. Henderson, who was met with a standing ovation. Dr. Henderson said that he was very honored to receive the award, which he said actually recognizes work that transpired over the past 13 years in the College of Engineering. He said that everyone has heard about the achievement gap at the K-12 educational levels, and it is important to increase the number of minorities entering college; but it also important to improve the number of under-represented minorities at the upper level of education.

Dr. Henderson said that these individuals can serve as role models for students, as he could attest based on his own experience as an under-represented minority teacher. He said that he became a faculty member at UW-Madison in 1989. When there were discussions about diversifying the faculty ranks, he would hear the comment that there were not enough minorities in the field to recruit for faculty positions. He said that his response was that if there were not enough minorities in the field, then the university should be producing them.

He said that the Ph.D. numbers were very low at first, with 10 or 12 individuals who were minority students in a college of 1,200 or more students. Dr. Henderson cited recent statistics, some of which Regent Vásquez had provided, and said that about 25 percent of the department's students go into faculty positions, which is unusual. The program was also graduating more women than men, about 55 percent women and 45 percent men.

Recognizing a number of colleagues who were instrumental in the program's success, Dr. Henderson again expressed his thanks for the award and said that he accepted it in the name of the students.

Team Award: McNair Scholars Program, UW-Whitewater

Regent Manydeeds approached the podium to present the Regents Diversity Award in the team category to the McNair Scholars Program at UW-Whitewater, represented by its director, Samantha

Samreth. Regent Manydeeds said that since 1992, the McNair Scholars program at UW-Whitewater prepared multicultural, first-generation, and low-income students for graduate study and eventual careers as faculty. The McNair Scholars Program is a federal TRIO program funded at about 200 institutions across the United States and Puerto Rico by the U.S. Department of Education. Dr. Ronald E. McNair, the second African American to fly in space, was killed in the Challenger Space Shuttle accident in 1986. Funding for the program in his name was provided by Congress.

Regent Manydeeds said that the UW-Whitewater program provided educational and professional role models for students; a high-quality research setting; and enhanced preparation in writing, critical thinking, technology, research methodology, applied research, and test taking. A central feature of the program is the mentoring each scholar receives from faculty members on their individual research project, which they go on to present at regional and national conferences. The program matches talented students with faculty mentors to learn what it takes to understand and conduct academic research and to achieve ambitious goals in academic careers. Describing the program's success at UW-Whitewater, Regent Manydeeds said that the program had graduated 99 percent of its participants, or 190 out of 192, with more than 80 percent of those going on to graduate school. To date, the program had produced 16 Ph.D.'s, 10 Ph.D. candidates, 90 master's degree recipients, and 38 master's degree prospects. Currently, 30 students in the program were working towards their bachelor's degrees.

Regent Manydeeds presented the Regents Diversity Award in the Team category to the McNair Scholars Program at UW-Whitewater, represented by Program Director Samantha Samreth, who was met with a standing ovation. Ms. Samreth expressed appreciation for the award on behalf of UW-Whitewater administrators, faculty, staff, and students. She said that the award demonstrates the Board's support for and commitment to serving under-represented multicultural groups and low-income and first-generation student populations.

Ms. Samreth said that UW-Whitewater established its McNair Scholars Program in the 1992-93 academic year, with the intent of changing the perceptions of multi-cultural, low-income and first-generation college students on campus. The program provides students with a tool to prepare them for graduate education and careers in higher education. With its 99-percent retention rate, and with 80 percent of students continuing on to graduate school, the program was fulfilling its expectations. She noted that 20 students had now earned doctoral degrees or other terminal degrees.

She expressed gratitude to all of those who had contributed to the success of the program, mentioning many of them by name, and also to the faculty mentors who serve as the "glue" of the program's success. She also noted that the program received excellent guidance from the McNair Faculty Advisory Committee. She said that, overall, the recognition demonstrated that students from low-income, first-generation and under-represented multicultural backgrounds can be successfully prepared, by a regional comprehensive campus with an access mission, for careers where graduate training is required. She again expressed her thanks on behalf of UW-Whitewater.

President Smith congratulated all of the award recipients and thanked them for being present at the meeting.

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REPORT OF THE RESEARCH, ECONOMIC DEVELOPMENT & INNOVATION COMMITTEE

President Smith turned to Regent Bradley for the report on the Research, Economic Development and Innovation Committee. Regent Bradley began his report by extending congratulations to Reed Hall, who was appointed by Governor Walker to fill a permanent position as the CEO of the Wisconsin Economic Development Corporation (WEDC). Regent Bradley reported that Lisa Johnson, Vice President of Entrepreneurship and Innovation at WEDC, made a presentation to the committee. She highlighted WEDC's initiatives in the area of start-ups, innovation, and small business development. She said that the focus of her mission at WEDC was to encourage business start-ups in the state, and she called for supporting an entrepreneurial ecosystem in the state by increasing investment capital; she also said that it is very important to accelerate the pace of change in what she characterized as Wisconsin's risk-averse culture.

Regent Bradley said that the committee next heard from Associate Vice President for Economic Development Dave Brukart. He discussed the UW System's economic development road map and posed questions for the committee's discussion. Three initiatives that he highlighted included (1) the metrics and reporting required by Act 32; (2) building stronger connections among WEDC, the UW and private industry; and (3) establishing sustainable funding for the UW's economic development priorities. After his presentation and some discussion, the committee passed a resolution calling for the creation of two "subcommittees." One of these groups would identify opportunities to reward faculty members who engage in activities related to research, economic development and innovation. The other would develop a framework to support the development of a sustainable resource pool to be used to advance promising research from seed capital through early-stage start-up; it is hoped that this group would be comprised of representatives of the Wisconsin Alumni Research Foundation, the UW Milwaukee Research Foundation, WiSys, WEDC, and others.

Regent Bradley said that the committee also heard from UW-Oshkosh Chancellor Rick Wells and Vice Chancellor for Administrative Services Tom Sonnleitner about the role that comprehensive universities can play in regional economic development. One effort that was unique to UW-Oshkosh is its Business Success Center, established in 1998. The Center consists of faculty, staff, students, and also community-based experts who combine their knowledge to offer customized training, applied research, business consulting, student internship programs and survey services to firms in the area. Regent Bradley said that the Center had been very successful, and other campuses might look at it as a model for their activities. He said that Chancellor Wells also highlighted an initiative underway to create the UW-Oshkosh Business Accelerator Program; the program would focus on fostering business growth in five industries, with an initial focus on aviation and space technologies. Finally, Regent Bradley said that the REDI Committee learned that UW-Oshkosh is a leader in anaerobic digestion of solid waste and is becoming a leader in renewable energy production. UW-Oshkosh reported that operating in a more environmentally friendly way helps to reduce operational costs, with savings redirected to the expansion of the core mission of academic programs.

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REPORT AND APPROVAL OF ACTIONS TAKEN BY THE BUSINESS, FINANCE & AUDIT COMMITTEE

President Smith turned to Regent Whitburn to report on the actions of the Business Finance and Audit Committee.

Committee Business

Regent Whitburn said that the Business, Finance, and Audit Committee reviewed the summary of gift, grant, and contract awards for the period of July 1 through December 31, 2012. The committee also discussed the UW Medical Foundation's intention to purchase a 50-percent position in Chartwell Wisconsin Enterprises, a provider of home infusion therapies. Currently, Regent Whitburn said, the remaining 50 percent of the entity was owned by UW Hospital and Clinics Authority. He noted that the Board did not need to act on the acquisition, but consistent with founding documents surrounding the UW Medical Foundation, the Board is informed when such transactions occur.

Annual Audit and Human Resource System

Regent Whitburn said that the committee was also presented with the annual financial report and auditor's opinion. As part of this year's audit, the Legislative Audit Bureau (LAB) had brought to the Board's attention material weaknesses in the internal controls of the new Human Resource System (HRS). The committee had an extensive discussion of the findings related to HRS and internal controls, and also received additional disclosures regarding challenges being faced.

Regent Whitburn said that President Reilly would like to update the full Board on issues related to HRS. President Reilly explained that because a number of Regents are not on the Business, Finance, and Audit Committee, some of the material covered in that committee would be covered again for the benefit of those Regents. He said that when he testified before the Joint Legislative Audit Committee on January 22, he told the Audit Committee that he was deeply troubled by the mistakes made in the administration of employee benefits accounts. Recognizing that the Board has a fiduciary and stewardship responsibility, he said that he wanted the Board to be fully informed about the mistakes. He noted that the President and Vice President of the Board, as well as the Chair and Vice Chair of the Business, Finance, and Audit Committee had been extensively briefed. In briefing the full Board, he expressed the hope that Board members would begin to feel confident in the way the administration was attacking the problems.

President Reilly expressed his commitment to a three-pronged approach: (1) an internal audit, led by Operations Review and Audit Director Elizabeth Dionne; (2) an external risk assessment by an independent outside expert to help identify risks that may have been missed in the four domains of policy, process, people and technology; and (3) full cooperation in the audit LAB was conducting. All three lines of inquiry would examine the interconnected challenges that arose from the implementation and use of a very large, complex payroll and benefits system designed to serve a large, complex university system.

Detailing the complexity, President Reilly noted that in any given month, the Service Center at UW-Madison uses HRS to issue paychecks to almost 79,000 faculty, staff, classified staff, graduate

assistants and student employees. In January the Service Center generated more than 102,000 W-2s, one for every person who worked in the UW System during calendar year 2012. In addition, data are entered into HRS by employees in individual departments and colleges and divisions throughout the System. The extensive benefits data must be matched up with information from Employee Trust Funds (ETF), the agency that administers the university's core health and retirement plans. The UW System pays for employee benefits using a myriad of funding sources, including state GPR, tuition, federal grants, private gifts, student segregated fees and other sources. In addition, the funding sources used to compensate an individual can fluctuate from semester to semester or month to month.

President Reilly said that he mentioned this complexity not to make excuses, but to point out that fixing the issues with HRS would require patience and tenacity. He said that while issues were uncovered and fixed, continued enhancements would be made to the way that HRS is administered. In his eight months as the HRS Service Center Director, Larry Henderson reorganized the staff and was working to redesign the work processes from end to end; he also appointed a new manager to focus exclusively on reconciling UW benefits data with systems maintained by ETF.

President Reilly said that these changes at the Service Center, along with due diligence by internal audit staff, had uncovered problems that were being remedied. He provided examples, saying that by September 2012, one month after the discovery of the UW's overpayments to retirement accounts, ETF had credited the UW System for 100 percent of the overpayments made to the Wisconsin Retirement System. In October 2012, UW System Administration alerted LAB to the amount of overpayments made to employee health benefits and then worked with ETF to recover \$2.4 million of that amount. Also in October 2012, the Service Center identified state group life insurance overpayments that resulted from an invoicing error. The insurance vendor immediately issued a credit for the full overpayment, which in that case was \$450,000. Appropriate controls to mitigate the risk of a recurrence were put in place in that same month.

President Reilly said that in their earlier report, LAB staff recommended that the UW System review HRS security roles and permissions granted to the individual staff members authorized to use HRS, recommending more limited access to certain parts of the system by those authorized users. UW System agreed and began to take steps to implement those measures.

President Reilly noted that since HRS went live in April 2011, the system had been working, even if imperfectly. Employees received their payments and benefits. The mainframe system that was retired was dangerously outdated, and therefore, the switch was made to a new, more sustainable and integrated system. Conveying appreciation for the cooperation and assistance extended by ETF, President Reilly concluded his remarks by expressing a 100-percent commitment to identifying and solving the root causes of the HRS problems as quickly as possible.

President Reilly then asked Audit Director Dionne to discuss her recent findings. Ms. Dionne said that she would speak about implementation challenges related to HRS that had been disclosed to her in recent months in the course of inquiries she had made. These were in addition to the issues already mentioned by President Reilly.

Ms. Dionne suggested that the question of greatest remaining interest may be whether there were known issues with a net fiscal impact, referring to net amounts that would not normally have been

incurred by the UW System and had not yet been recovered. She said that this was indeed the case, and based on information available as of the present date, she estimated there was a net known fiscal impact on the System of approximately \$1.1 million stemming from configuration challenges, withholding errors, and other such matters since HRS went live in April 2011.

She said that of this approximately \$1.1 million net impact, about \$700,000 related to various errors in withholding FICA or income taxes from certain categories of employees subject to less common withholding rules. Providing an example, she said that the largest component in this category of error was an estimated \$600,000 net impact attributable to not withholding FICA from student employees during the summer of 2011. For student employees there are IRS rules that dictate whether or not students are exempt from FICA; e.g., undergraduate and graduate students are not subject to FICA if they are enrolled more than half time. If a student changes his or her course load to less than half time, such as during the summer, the employer (UW System) is required to withhold and subsequently remit both an employee and employer share of FICA to the federal government.

During the summer of 2011 an under-withholding error occurred because multiple systems tracking student enrollment were not properly integrated with HRS to identify students subject to FICA when enrollment levels changed. After identifying this issue, the UW System did remit payments to the federal government in the gross amount of approximately \$1.2 million for both the employee and employer shares. UW management made a decision to not recover the approximately \$600,000 employee share from students. She said that this was an example of the type of FICA and income-tax withholding issues that were experienced.

A separate type of issue pertained to benefits billing. This constituted about \$350,000 of the approximately \$1.1 million dollar net impact and resulted when amounts were not properly billed to employees. For example, this may occur when a UW System employee is responsible for paying the full cost of both the employee and the employer shares of benefits while on an extended leave of absence. Policies and practices were not in place to ensure that the employees were billed and amounts collected.

Ms. Dionne said that other challenges also existed, in addition to items with a net fiscal impact on the UW System, for which the UW System had since made full recoveries. For example, there were circumstances in which deductions were not withheld from employees during the proper time period but were later identified and subsequently withheld. There was another situation in which \$450,000 of overpayments to a life insurance benefit provider were not identified in a timely manner but were subsequently identified and fully recovered.

Ms. Dionne said that, regardless of whether or not there was a net fiscal impact, every issue being identified needed to be explored for all categories of errors to identify the root cause. This would ensure that sufficient controls and corrected actions would be implemented in order to mitigate the risk of similar occurrences in the future.

In closing, Ms. Dionne said that although she had identified some known challenges that affected the UW System since the implementation of HRS, since a number of review processes were underway, it was possible that additional issues or fiscal impacts would come to light. She said that the Office of

Operations Review and Audit, as liaison to LAB during the conduct of their audit, was committed to sharing that information as it is identified.

President Smith asked Regents if they had questions. Regent Bartell asked if, in addition to overpayments, any underpayments to student employees had been discovered. Ms. Dionne said that they had not.

Regent Tyler asked about the decision to not recoup from student employees the amounts that should have been withheld. He wondered whether this creates an additional tax liability for the students. Ms. Dionne indicated that she had not yet done the research necessary to answer this question; President Reilly said that information would be provided to Regent Tyler at a later date.

Regent Millner, expressing appreciation for the update, but surprise that the Board was not updated in the fourth quarter of 2012, asked about the role of the various campuses in integrating the complex new system. President Reilly said that he had asked Mr. Henderson in the Service Center to produce a clear description of problems and issues. This list would be used at the next meeting of the chancellors to discuss what needs to happen differently in the academic departments and human resources departments at campuses when, for example, they report that a professor has left or is on leave for the summer. In many instances, a new way of doing business was required, and this was not easy. Referring to training and campus interactions with the new system, President Reilly said that more work needed to be done.

President Reilly turned to Larry Henderson, Service Center Director since April 2012, who commented that much of the data is put into the system from the campuses and different divisions and departments. When the system was designed, one of the things that may have needed additional consideration was time; only two months are available from entry of data to reconciliation. This is the time limit for seeking the return of overpayments for state group health insurance, for example. Also, an individual may change benefit eligibility four or five times a year; it is a dynamic environment. Mr. Henderson indicated that if there is a disconnect between what is on the record, either at ETF or in HRS, then the Service Center asks the campus to confirm the employee's status so that the records can be corrected.

President Smith asked Ms. Dionne about how far along she was in her review. She said that she was going through inquiries and past issue logs and had an understanding of issues that arose in the course of HRS's going live. A big component would be to look for other issues that may not yet have been identified.

Vice President Falbo asked whether the UW System had given up on recouping the health insurance premiums that should not have been paid. President Reilly said that the System was continuing to seek those funds.

Vice President Falbo also asked to hear the campus perspective about progress in implementing HRS. Chancellor Sorensen offered that Mr. Henderson had taken a team from the Service Center to UW-Stout over the summer, spending two or three weeks with campus staff, educating them about how the system worked and correcting errors being made. He said he had not heard any explicit issues since then.

Chancellor Ford said that UW-Parkside also worked closely with Mr. Henderson and the Service Center. She said that she identified some implementation and training challenges and worked with Senior Vice President Morgan in the spring. A group from the Service Center performed an assessment to determine what the issues were, and the campus identified 14 individual projects or tasks to be accomplished over a period from about July through December. The projects were successfully completed on time and under budget.

President Reilly noted that the System would learn from the experiences of these institutions and apply this knowledge when working with other human resources departments around the System.

Chancellor Patterson referred to Regent Bartell's earlier question about underpayments and said there had been underpayments. Although this had improved, he said that there were a number of cases in which employees did not receive a paycheck on time. He said that this problem was addressed when "people drove to Madison to pick up checks and they met people from Madison halfway to pick up checks." Nevertheless, it was a difficult problem. The campus had other implementation issues, as well, but these were getting better, he said. He said he heard good reports about Mr. Henderson's work and how things were changing and improving, but it had been a difficult time.

Regent Vásquez asked Regent Whitburn what kind of follow-up reports Regents would be receiving. Regent Whitburn replied that the Business, Finance, and Audit Committee, and then the full Board, would receive an update at the next meeting. Meanwhile, LAB and the State Auditor had indicated that interim updates to the Joint Audit Committee would be provided if information was uncovered that warranted this; the UW System would also be notified, and President Reilly and senior UW staff would keep Board members informed.

President Smith asked whether interim reports would be provided by the external risk-assessment group. Regent Whitburn said that this group would keep the Business, Finance, and Audit Committee posted. In addition, he and Regent Behling would receive biweekly updates from Ms. Dionne regarding progress.

Regent Millner, referring to earlier remarks by President Broad about the importance of the governing board, commented on the importance of the Board's understanding, as part of its oversight responsibilities, the quality of the integration of the system. She also suggested that the Board needed to consider the quality and timeliness of issues being reported to the Board.

Regent Bartell commented that Board members were embarrassed about what had happened with HRS. The first task should be to find out what happened, why it happened, and fix it. However, it would also be important to focus on how to prevent future such occurrences. It would be important to learn from the experience, and there should be improvement in the process and procedures, including governance procedures, as a result. Regent Millner followed up by also stressing the importance of learning from this particular incident.

Regent Vásquez followed up on his earlier question about reports to the Regents, saying that Regents had requested to be kept informed, but suggesting that perhaps the request had not been structured in such a way as to elicit appropriate information. The information the Regents had requested

was about the technology side of the HRS implementation, and the Board had received regular reports on this critical component. However, maybe this focus was too narrow, Regent Vásquez suggested.

President Smith responded by saying that if the request for information was narrow before, and he said he was not sure that it was, it was now clear that the issues were not narrow. He said that the Board would want and expect information not only about the technology, but also about any additional findings and about efforts made to fix problems. President Smith said that he believed that the current discussion and every discussion in the past month made clear that the Board's interest is broader.

Regent Whitburn observed that during Regent Falbo's watch as Business, Finance, and Audit Committee chairman, as well as during his own watch, the committee received project updates at every meeting. He indicated that he and others with experience with large information-technology cutovers understood that "the proof is in the pudding" with such cutovers, which may result in everything working appropriately or in bugs in the system, or worse. He said that he had come to understand that this was the broadest, most complicated and sophisticated human resources system ever implemented anywhere in Wisconsin, in the private or public sectors. He indicated that while the problems were not catastrophic, the System should not be going through the present situation.

President Smith, summarizing the discussion, said that in the future, information that becomes available to President Reilly or himself would be shared shortly thereafter with the remainder of the Board. President Smith said that he had only just learned on Monday or Tuesday about the issues that Ms. Dionne had raised during the morning's discussion. He said that in the future anything even remotely like what was reported by Ms. Dionne would be transmitted to the entire Board without delay; it would not stay only with Vice President Falbo, Regent Whitburn, or himself.

Vice President Falbo, following up on President Smith's remarks, suggested that at the end of the meeting, nobody – whether Board members or those working on HRS – would have a happy feeling. He expressed the hope, however, that recent conversations would inspire confidence that the System was putting all the resources it could toward resolving the problems. President Smith expressed his agreement with this statement and turned to Regent Whitburn to complete his committee report.

Remaining Committee Business

Regent Whitburn reported that during its meeting the day before, the Business, Finance, and Audit Committee had approved the Operations Review and Audit plan for the upcoming year. Highlighting the initiative to expand and enhance the System's work related to crimes against children, Regent Whitburn said that new procedures and protocols were to be implemented on all campuses by March 1; he said that UW System staff had received draft proposals from 11 of the institutions to date.

Regent Whitburn indicated that the committee also accepted the report on trust funds and how they performed in fiscal year 2012. Saying that net assets were down from the end of the prior fiscal year, he noted that this was typical of the performance of funds at other institutions and endowments; performance in fiscal year 2013 had improved.

The committee also approved a new travel policy for the UW System, based on authority given the UW System by the Legislature. Regent Whitburn reported that the policy would give President

Reilly and his staff the authority to implement an appropriate travel policy across all campuses, activities of the university, and employees.

Regent Whitburn moved adoption of Resolutions 10168A and 10168B, which had been approved by the committee. The motion was seconded by Regent Bradley and adopted on a unanimous voice vote.

Operations Review and Audit Calendar Year 2013 Audit Plan

Resolution 10168A That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Calendar Year 2013 Audit Plan.

UW System Travel Program, Regent Policy Document on University Travel Policies

Resolution 10168B That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Regent Policy Document on University Travel Policies.

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REPORT AND APPROVAL OF ACTIONS TAKEN BY THE CAPITAL PLANNING & BUDGET COMMITTEE

President Smith next asked Regent Bartell to give the report of the Capital Planning and Budget Committee. Regent Bartell reported that the committee heard an interesting report about city and county support of UW Colleges, with specific reference to UW-Sheboygan. This was one of the reports provided annually about the UW System's partnership with the counties and the cities in which UW Colleges are located. In 2012 city and county financial support for UW-Sheboygan was \$13.2 million; Sheboygan County's financial support was \$4.3 million of that amount. The support included the science center addition, fine arts and music and theater facility, physical education and athletics facility, and major improvements in existing buildings.

Regent Bartell moved adoption of Resolutions 10168C, 10168D, 10169, and 10170, which had been approved by the committee. The motion was seconded by Regent Millner and adopted on a unanimous voice vote.

Authority to Construct a Parking Lot, UW-Madison

Resolution 10168C That, upon the recommendation of the UW-Madison Interim Chancellor and the President of the University of Wisconsin System, authority be granted to expand a parking lot into the land vacated by two demolished buildings for an estimated project cost of \$334,000 Program Revenue-Cash Transportation Funds.

Authority to Request the Release Funds for Campus Planning, UW System

Resolution 10168D That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to request the release of \$1,466,800 Building Trust Funds and \$319,000 Program Revenue-Cash for the purpose of hiring consultants to prepare a farms master plan for UW-River Falls; a space plan study for UW-Waukesha; a multi-campus arc flash study for UW-Parkside, UW-Madison, and UW-Milwaukee; and Spill Prevention, Control, and Countermeasure Plan (SPCC) updates across UW System (UW-Madison and other campuses and facilities).

Authority to Construct All Agency Maintenance and Repair Projects, UW System

Resolution 10169 That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct various maintenance and repair projects at an estimated total cost of \$14,466,600 (\$6,972,200 General Fund Supported Borrowing; \$3,207,900 Program Revenue Supported Borrowing; and \$4,286,500 Program Revenue Cash).

Waukesha County: Multiple Building Energy Conservation Project, UW Colleges

Resolution 10170 That, upon the recommendation of the Chancellor of UW Colleges and the President of the University of Wisconsin System, authority be granted to construct the Multiple Building Energy Conservation Project at UW-Waukesha County at a total project cost of \$3,692,660 (\$1,942,660 Program Revenue Supported Borrowing–Energy Conservation Funds and \$1,750,000 Waukesha County funds).

Regent Bartell also noted that the committee had heard a wonderful and thorough description by Director of Planning Kate Sullivan about the comprehensive (and sometimes arcane) capital planning process. Regent Bartell said that he urged Associate Vice President Miller and Ms. Sullivan to provide the same presentation either in writing or in person to the entire Board; given the large capital budget, it is important for Regents to understand the process of working with campuses to identify projects, the analysis involved, and the prioritization of projects.

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REPORT AND APPROVAL OF ACTIONS TAKEN BY THE EDUCATION COMMITTEE

President Smith turned to Regent Vásquez for a report on the actions of the Education Committee. Regent Vásquez reported that the committee had in-depth discussions on several topics, including a Provost Weissenburger’s presentation in support of the Doctor of Education degree in Career and Technical Education at UW-Stout. Two presidents from technical colleges were present, from

Wisconsin and Indianhead Technical College and Gateway Technical College, to express enthusiasm for the degree program.

Regent Vásquez said that the committee also heard from the new director of the UW-Milwaukee Charter School Office, Celeste Meyers, with respect to the two charter school contracts that would be renewed and the replication of a charter school at a separate facility.

Dr. Aaron Brower of UW-Extension spoke about the Flex Option program, including progress and challenges involved in creating and pioneering the program. Challenges include the handling of financial aid for the unique program, as well as accreditation.

Regent Vásquez moved adoption of Resolutions 10171, 10172, 10173, 10174, 10175, 10176, and 10177, which had been approved by the committee. The motion was seconded by Regent Higgins and adopted on a unanimous voice vote.

Program Authorization (Implementation) Bachelor of Science in Nursing, UW-Stevens Point

Resolution 10171 That, upon the recommendation of the Chancellor of the University of Wisconsin-Stevens Point and the President of the University of Wisconsin System, the Chancellor be authorized to implement the Bachelor of Science in Nursing at UW-Stevens Point.

Program Authorization (Implementation) Bachelor of Science in Nursing@Home, UW-Stevens Point

Resolution 10172 That, upon the recommendation of the Chancellor of the University of Wisconsin-Stevens Point and the President of the University of Wisconsin System, the Chancellor be authorized to implement this new program that will make UW-Stevens Point the sixth partner in the existing collaborative online Bachelor of Science in Nursing@Home.

Program Authorization (Implementation) Bachelor of Science in Accounting, UW-Parkside

Resolution 10173 That, upon the recommendation of the Chancellor of the University of Wisconsin-Parkside and the President of the University of Wisconsin System, the Chancellor be authorized to implement the Bachelor of Science in Accounting.

Program Authorization (Implementation) Doctor of Education in Career and Technical Education, UW-Stout

Resolution 10174 That, upon the recommendation of the Chancellor of the University of Wisconsin-Stout and the President of the University of Wisconsin System, the Chancellor be authorized to implement the Doctor of Education (Ed.D.) degree in Career and Technical Education at UW-Stout.

The University of Wisconsin-Milwaukee Charter School Contract Renewal, Bruce Guadalupe Community School

Resolution 10175 That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the renewal of the charter school contract with United Community Center, Inc., maintaining a charter school known as the Bruce Guadalupe Community School.

The University of Wisconsin-Milwaukee Charter School Contract Renewal, Woodlands School

Resolution 10176 That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the renewal of the charter school contract with Woodland School, Inc., maintaining a charter school known as the Woodlands School.

The University of Wisconsin-Milwaukee Charter School Contract Approval, Woodlands East Charter School

Resolution 10177 That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the charter school contract with the Woodlands School, Inc., establishing a charter school known as the Woodlands East Charter School, effective July 1, 2013.

Regent Vásquez added that the committee had asked that the new format for new-program requests include a fiscal note in the future.

Also, Regent Vásquez noted that UW-Platteville was in the process of revising its mission statement, and this was also discussed by the committee. The process of changing the mission includes a public hearing with at least one Regent presiding. After the hearing and further internal discussions, the UW-Platteville mission will be brought back to the Board for approval.

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COMMUNICATIONS, PETITIONS AND MEMORIALS

President Smith recognized President Reilly, who extended condolences to the family, friends and colleagues of former UW-Stout Chancellor Robert S. Swanson, who died on January 27 at his home in Rochester, Minnesota at the age of 88. With the exception of four years when he served during World War II, Chancellor Swanson dedicated his adult life to UW-Stout, President Reilly said. He spent more than 40 years at the school, including as an undergraduate and graduate student in the late 1940s, professor and administrator from 1950 to 1972, and then as the school's sixth leader from 1972 to 1988.

He became chancellor the year after the 1971 merger of the system. A year later Stout State University was renamed UW-Stout. During those years, he oversaw major academic enrollment and physical changes on campus, while reaffirming and redefining the institution's historic focus on applied learning. President Reilly said that he would be remembered and missed.

He invited Chancellor Sorensen wanted to say a few words about his predecessor. Chancellor Sorensen added that he had known him very well for 25 years. He said that Dr. Swanson was a consummate reader, a gentle man, a civil man, and a man with a phenomenal memory. He could recognize a person he had met 20 years before and remember their name, their family, and their connections. Chancellor Sorensen said that he did a very commendable job. He was called a "steady leader," which Chancellor Sorensen commented must have been a rare attribute during the merger years. Chancellor Sorensen said that Chancellor Swanson started some very significant programs, such as vocational rehabilitation, which is known internationally, and industrial technology. He initiated the advisory boards that led to outreach the campus does now. Chancellor Sorensen said that he would miss Dr. Swanson very deeply.

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The meeting recessed at 12 noon and reconvened at 12:25 p.m.

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CLOSED SESSION

President Smith called upon Regent Falbo to present Resolution 10178 to move into closed session. The motion was seconded by Regent Bradley and adopted on a roll-call vote, with Regents Bartell, Bradley, Evers, Falbo, Higgins, Hribar, Manydeeds, Millner, Pruitt, Roberts, Smith, Tyler, Vásquez, and Whitburn voting in the affirmative. There were no dissenting votes and no abstentions.

Closed Session Resolution

Resolution 10178 That the Board of Regents move into closed session to consider UW-Milwaukee honorary degree nominations, as permitted by s. 19.85(1)(f), Wis. Stats.; and to confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.

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The meeting was adjourned at 12:55 p.m.

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Submitted by:

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