

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in the Wisconsin Room
UW-Milwaukee Union
University of Wisconsin-Milwaukee
Milwaukee, Wisconsin

Thursday, June 6, 2013
9:00 a.m.

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-President Smith presiding-

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

UNABLE TO ATTEND: Regent Mark Tyler

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PRESENTATION BY UW-MILWAUKEE CHANCELLOR MICHAEL LOVELL, "THE TRANSFORMATION OF UWM: DRIVING AN INNOVATION ECOSYSTEM IN MILWAUKEE AND WISCONSIN"

Regent Smith greeted meeting attendees and thanked Chancellor Lovell and his team at UW-Milwaukee for their hospitality. He said that the Regents looked forward to hearing more about the exciting ideas and activities at UW-Milwaukee.

President Smith first invited President Reilly to make an introduction. President Reilly welcomed and introduced the new Provost and Vice Chancellor for Academic and Student Affairs at UW-Stout, Dr. Joseph Bessie. He noted that Dr. Bessie was most recently the Provost and Vice President for Academic Affairs at St. Martin's University in Lacey, Washington, and is also familiar with the upper Midwest, having earned his doctorate in philosophy from the University of Minnesota and Master's of Business Administration from Southwest Minnesota State and having held administrative positions at Valley City State University in North Dakota. Dr. Bessie's areas of academic specialization include the Philosophy of Science, Mathematical Logic, and Management Ethics. President Reilly wished Provost Bessie success in his new position.

President Smith invited Chancellor Lovell to begin his presentation. Chancellor Lovell started by noting that in spite of the recent press, he and his chancellor colleagues know that there were great things happening on the UW campuses and he appreciated the opportunity to tell the Regents about some of the things that are happening at UW-Milwaukee.

Rapid Rate of Change

Chancellor Lovell explained that UW-Milwaukee was changing faster than at any time in its history, with unprecedented growth over the last decade. This past year, UW-Milwaukee graduated almost 5,500 students, a 38-percent increase over the last decade. Ninety percent of graduates stay within the state after graduation, making an impact upon the state once they leave UW-Milwaukee. With the addition of two new dormitories, UW-Milwaukee now requires all freshmen to live on campus and is becoming more of a traditional campus, with 15,000 students now living within four blocks of the campus, creating a much different dynamic than 30 or 40 years before, when UW-Milwaukee was primarily known as a commuter campus.

Chancellor Lovell said that the transformation at UW-Milwaukee was also happening in other ways. UWM has 1,250 international students on campus, with a goal to reach 3,000 students, as the institution is recruiting heavily in China, Taiwan, India, Brazil and Korea. He noted that UWM is also recruiting more out-of-state students, with 8 percent of students from outside of Wisconsin and a goal to reach 15 percent of students.

Service to Nontraditional Students

He also said that in spite of the fact that UWM has more traditional students on campus, UWM also has more students from outside of Wisconsin and is still true to its access mission. Recent data shows that 48 percent of students are first-generation students, significantly above the national average of 21 percent. He also noted that the family median income of students is approximately \$60,000, as compared to UW-Madison, with a family median income of almost \$100,000. Nearly all UW-Milwaukee students work, and many work two jobs. UWM is cognizant of its student population and tries to serve students the best way it can.

Chancellor Lovell said that one of the fastest growing populations on the campus was military veterans, with more than 1,500 veterans or dependents currently on campus, which is the most among the UW System campuses. He said that UWM recently opened a new Veterans Center, and had been designated a “military-friendly” campus, but UWM was continuing to try to find ways to better serve veterans.

Chancellor Lovell then shared a video of a recent graduate who enlisted in the Marines, eventually joined the Army Reserves, and served two deployments to Iraq and one to Afghanistan. At the age of 30, the veteran returned to school at Milwaukee Area Technical College (MATC), then transferred to UWM, and was graduating after 7½ years. In the video, Chancellor Lovell noted that the student veteran was like so many students at UWM who take a nontraditional path to their degree, and he has a remarkable story that includes a family with two young children. The student said in the video that he had fantastic teachers and advisors at

UWM, and that both the military and college were challenging. He also noted that following graduation, he would be employed at Rockwell Automation.

Physical Transformation of the Campus

Following the video, Chancellor Lovell noted that in addition to a changing student body, the other part of UWM's transformation was the physical transformation of the campus, with \$300 million in capital projects underway. He explained that part of the growth was because UWM is the second densest campus in the country, and in order to accommodate students, the campus has had to expand beyond its footprint. He said that he was excited about the expansion beyond the footprint of the campus, because it had led to development in the surrounding areas and was helping to transform not only the physical space for students and faculty, but also the city of Milwaukee. Chancellor Lovell updated the Regents on the Zilber School of Public Health, which they helped to open last June. He also remarked that the new School of Freshwater Sciences was scheduled to be completed in October 2014. He said that it was very exciting to see the great transformation happening there, and while UWM would not have the first school of freshwater sciences in the country, it would have the best, with state-of-the-art labs and classrooms for students and faculty.

Chancellor Lovell also noted that for the first time in 18 years, there was actually a crane on the campus, constructing an academic building that would house UWM's core sciences -- physics, biology, chemistry, engineering, and others. The December 2010 purchase of Columbia St. Mary's Hospital added 11 buildings and 828,000 square feet; was already home to the Honors College, portions of the School of Education and College of Health Sciences, and 400 faculty; and would eventually house the Children's Center.

Chancellor Lovell then introduced a short video from the prior night's beam-raising ceremony at the Innovation Campus. Following the video, he commented that there was much positive energy at the ceremony, in part because so many people had been involved in the Innovation Campus. He added that from a personal perspective, he fulfilled a childhood dream of operating a crane when he raised the beam into place! His evening got even better when he went to dinner with Michael Cudahy, who drives a Tesla, and Mr. Cudahy let him drive the Tesla to dinner! He joked that he checked two things off of his "bucket list" in one night!

Innovation and Entrepreneurship in Greater Milwaukee

Chancellor Lovell remarked that the Innovation Campus and the Accelerator Building were part of an effort to develop an innovation and entrepreneurship ecosystem in Milwaukee. One of UWM's great partners in that effort is the Greater Milwaukee Committee and its President, Julia Taylor. The chancellor invited her to speak about the exciting things happening in Milwaukee and how the city is changing and transforming.

Ms. Taylor explained that the Greater Milwaukee Committee has existed since the 1940s, and was involved in building stadiums and zoos and creating regional medical complexes, but in recent years the focus had been on education, economic development, and effective government. Recent projects focused on entrepreneurship with BizStarts and the formation of the Milwaukee

7 and the Water Council. She said that over the last two years, the Greater Milwaukee Committee had worked very closely with UWM to develop another project -- MiKE (Innovation in Milwaukee). MiKE plays off of the strength of innovation in the region and creates meaningful connections between talent and businesses to develop solutions to global challenges and foster a culture of innovation in Milwaukee. Ms. Taylor said that UWM had played an important role in MiKE by fostering a significant start-up culture.

Ms. Taylor also shared information regarding Scale Up Milwaukee, a project focused on developing the entrepreneurial capacity in Milwaukee by bringing together the policies, structures, programs and climate that foster entrepreneurship and highlight both Chancellor Lovell's and UWM's significant role in this effort. She noted that what UWM was doing to align its research with the start-up community was a model for the larger corporate community to follow. Ms. Taylor also identified a continuum of capital for investing in start-ups as an issue, and her organization had been closely working with UWM to fill those gaps by working to attract private investors to Milwaukee. She also noted that the Regents' investment in UWM projects was important not only for UWM, but also for the Milwaukee business community.

Following Ms. Taylor's remarks, Chancellor Lovell said that he hoped the Regents would take pride in what was happening in Milwaukee because they were at the forefront of these efforts. He reiterated that there was something special happening in Milwaukee, and the city was recently recognized as one of the top 15 emerging cities in the United States by Forbes magazine. He noted that while Milwaukee had a long way to go in comparison to the top cities for tech start-ups, there was a realization that within any region experiencing major economic growth there is a major research institution that is helping to drive that growth; he said that UWM wants to be that driver for Milwaukee.

Student Entrepreneurship

Chancellor Lovell said that he and others recognize that it is critical for UWM to develop pathways for innovation across the campus, both for students and for faculty. He said that he and Regent Emeritus Sheldon Lubar visited Babson College a year earlier because Babson was ranked first in the country by U.S. News and World Report for 19 straight years for entrepreneurship. Following his visit, he invited faculty from seven different schools and colleges to participate in a workshop to learn more about the Babson model; out of this grew a great idea -- the Student Start-Up Challenge. Chancellor Lovell introduced another video to explain the Student Start-Up Challenge, which supports students' business ideas and entrepreneurship.

Following the video, Chancellor Lovell explained that three student teams that won a competition received \$10,000 to develop their products and launch their companies. In addition, these teams were paired with students in other courses. In the fall semester, the teams worked with engineering and art students to build their prototypes, and during the spring semester the teams worked with business students to develop business plans and launch their companies.

Chancellor Lovell said that UWM was not just helping students attain their degrees and have success in the classroom, but was also trying to help them to be successful as they try to

launch their own ventures. He noted that today's students are a new breed of students, with 54 percent of students wanting to work for themselves. He then introduced Carlton Reeves, President of Reeve Technology in Milwaukee and a Ph.D. candidate at UWM, as the person who best represents that on campus.

Mr. Reeves, a-fourth year Ph.D. student in the Mechanical Engineering Department, studied mechanical engineering and business administration at Carnegie Melon University. He shared information regarding his academic experiences and achievements, as well as information regarding his start-up company, Tally Payments.

Mr. Reeves explained that he chose to attend UWM because of its tribology program, which is one of the largest tribology programs in the United States. He also explained that tribology is the study of friction, lubrication, and wear; and as part of his Ph.D. work, he developed environmentally friendly biolubricants for energy conservation and sustainability. This research had led to numerous academic awards from UWM, the National Science Foundation, and other national and international conferences and organizations. He said that at UWM he was able to participate in world-class research that is recognized both nationally and internationally.

Mr. Reeves also discussed his start-up company, Tally Payments, which is an electronic payment service for restaurants that allows customers to view menus, place orders, and pay using their mobile devices. He said that the company helps restaurants achieve lower wait times, serve more tables, and increase their sales. He said that UWM helped him to achieve academic success, as well as entrepreneurial success. He explained that he got involved in entrepreneurship and started Tally Payments when he entered the Lubar School of Business's New Venture Business Plan Competition and placed second. He also entered the BizStarts Milwaukee Business Plan Competition and placed second. In addition, UWM funded his business through the Scheinfeld Entrepreneur Fund. He entered the Miller-Coors Urban Entrepreneurial Business Plan Competition and placed in the top ten nationally for his start-up company.

Mr. Reeves said that in nine months, Tally Payments went from an idea, to teambuilding with many of his teammates and business partners, to launching a product at approximately 60 venues with thousands of users. He said that he is both a student and an entrepreneur, and he wants to create internship opportunities for undergraduate and graduate students at UWM like he had when he was at Carnegie Melon University. He also said he wanted to keep his business in Wisconsin and create jobs in Wisconsin, as well as compete with other tech companies in Wisconsin, Boston, New York, and California. He said that ultimately, he wanted to see exposure for UWM in which UWM becomes synonymous with success.

Faculty Entrepreneurship

After thanking Mr. Reeves for his presentation, Chancellor Lovell said that he thinks everyone can see why UWM is so proud of him and what he is accomplishing. He said that in addition to developing pathways for students to be more innovative and more entrepreneurial, UWM was doing the same thing for faculty and staff. He reminded Regents that in 2006 UWM

launched a research foundation. Though UWM was supported by WiSys in the past, it became clear that UWM needed an organization on the ground in Milwaukee to take advantage of the exciting research that was being generated at UWM.

Chancellor Lovell explained that when the research foundation was launched, the primary focus was innovation and entrepreneurship, but it also helped spin off technologies which had an impact on the campus. He provided examples of the programs launched by the UWM Research Foundation, and added that over the last decade, the research on the UWM campus had almost doubled, with research funding increasing from \$31 million to \$59 million. He noted that when he arrived on campus in 2008, the campus had only one patented technology and now had over 100 faculty and staff with patented or licensed technologies, as well as six or seven start-up companies that had launched. He said that it was very exciting to watch this explosion, and to see so many people engaged in the activities that the Research Foundation had put forward.

Chancellor Lovell said that people most often think of entrepreneurship and innovation occurring within the sciences or engineering, but UWM's most successful endeavor to date had come from its School of Social Work. Dr. Rhonda Montgomery, who holds the Helen Bader Endowed Chair of Applied Gerontology, launched a software product called TCARE, or Tailored Caregiver Assessment and Referral; the software matches caregivers for the aging with the appropriate services and helps caregivers make decisions that are most appropriate for the elderly people they are serving. The product has helped to reduce health care costs, as well as caregiver stress levels. Dr. Montgomery's product, launched in August 2012, is being used by six states. In addition, Dr. Montgomery is in negotiations with private insurers, self-insured employers, and federal agencies.

Research and Business Partnerships

Chancellor Lovell said that in spite of the research growth at UWM, everyone recognizes that the research component is small in comparison to the state's other research institution, UW-Madison. He also noted that UW-Madison had a 150-year head start on UWM and received significant investment from the state; he acknowledged that the state will not be able to invest in UWM in the same way. As an alternative, UWM is partnering with local industry to bring more resources to the campus, and to do more research that is relevant to and adds value to the partnering companies. He said that by sharing resources, it is possible to accomplish more with less. He introduced a video highlighting UWM's partnership with Johnson Controls.

Following the video, Chancellor Lovell highlighted several benefits of UWM's partnership with Johnson Controls:

- better students are attracted;
- students are employed, trained, and mentored by faculty and Johnson Controls scientists, and gain marketable skills;
- students have post-graduation employment opportunities at Johnson Controls;
- faculty are working in the best lab facilities in the country, paid for by Johnson Controls;
- faculty are more successful because they are working on scientific problems, side-by-side with Johnson Controls colleagues; and

- Johnson Controls is funding additional research at UWM.

The chancellor said that Johnson Controls benefits from the partnership through greater return on its investment because of the technology and talents developed through the partnership. The company is training its next generation of employees and creating a pipeline of leaders. Chancellor Lovell said that what was unique about the partnership was the 16 Ph.D. scientists from Johnson Controls with offices and labs in the UWM Engineering School. They have adjunct appointments at UWM and are helping to teach, train, and mentor students. Because of the partnership with UWM, Johnson Controls has been able to recruit scientists from around the world and across the United States.

Model for the Future

After sharing some of the scientific successes that UWM and Johnson Controls have had, Chancellor Lovell said that this type of partnership is the model for the future. He said that the UWM faculty and scientists at Johnson Controls had brought in \$35 million in federal grants over the past year, with an amazing 92-percent success rate on securing those grants, which had garnered a lot of national attention. He said he was also being asked by his colleagues from around the country to talk about the partnership so that it can be replicated at other universities. UWM is also using this model to partner with other organizations within the region, such as GE Healthcare and Rockwell Automation.

Chancellor Lovell pointed out that one of the key aspects of the Johnson Controls model is the co-location of Johnson Controls' scientists and UWM students and faculty. He said that he was very proud of the fact that when the Global Water Center opens in Milwaukee's Fifth Ward in August, UWM will be a major tenant along with AO Smith, Veolia, Badger Meter, and others. In addition, the project is attracting talent and companies to Milwaukee, and 13 start-up companies from all over the world will be moving into the location. He said that the idea of co-locating and sharing resources is very exciting for UWM, and he believes it will transform the whole Fifth Ward of Milwaukee. Chancellor Lovell continued his presentation by explaining how UWM plans to scale up its partnerships through the Innovation Campus, and he showed a video describing what the Innovation Campus project means to some of UWM's partners.

Collaboration with Medical College of Wisconsin

Following the video, Chancellor Lovell invited one of the "stars of the video," John Raymond, President of the Medical College of Wisconsin, to talk about his organization's partnership with UWM. Dr. Raymond explained that the Medical College of Wisconsin was founded in 1893 and had grown into one of the largest private medical schools in the country, matriculating over 200 students each year. The College has a significant economic impact in the region, with revenues of about \$1 billion per year, including \$100 million from federal funding through the National Institutes of Health and competitive research grant programs. He also said the College has \$200 million in annual research expenditures, which makes it the second largest research institution in the state of Wisconsin. The College also has the largest physician practice in the state and the largest accumulation of peer designated "best doctors" in the state, with 45 percent of those physicians being on the faculty at the College.

Dr. Raymond explained that the College is also the academic anchor of the Milwaukee Regional Medical Center campus, which has revenues of approximately \$4 billion per year and provides faculty for the Children's Hospital of Wisconsin, Froedtert Hospital, and the Blood Research Institute and the Blood Center of Wisconsin, all of which are nationally recognized institutions.

Dr. Raymond also spoke about the College's collaborations with the UW System, noting that the medical school is expanding so that it can serve the entire state of Wisconsin. He said that one of the lynchpins of that strategy is the partnership with UW System and with individual institutions, including UW-Green Bay, UW-Stevens Point, UW-Marathon County and UW-Marshfield/Wood County, and UW-Eau Claire. He also complimented the exceptional academic and administrative leadership of the System, and thanked and congratulated President Reilly for his leadership in helping the College to form bridges between the UW System and the private medical school.

Dr. Raymond said he wanted to take the College's excellence in clinical care and strength in life sciences and bring a partner, a great university, to the campus so that faculty have direct and immediate access to experts in quantitative sciences, engineering, humanities, public health, applied research, business and entrepreneurship. He said that UWM can bring all of those things to the table and help the College to leverage that \$4 billion of annual revenue into something great for the state of Wisconsin.

Dr. Raymond concluded by saying that it had been an honor and a pleasure to work with Chancellor Lovell, a true force in the state Wisconsin. He said that UWM is key to the Innovation Campus, and its involvement would allow the Milwaukee Regional Medical Center to convert ideas into therapies, products, companies, and jobs that benefit the UW System and the entire state of Wisconsin.

Chancellor Lovell thanked Dr. Raymond, noting that he had been a great partner and a great leader, and it was a pleasure to work with him. He then provided the Regents with an update on the development of the Innovation Campus, ABB Inc.'s plans to locate there, plans to develop a charter school on the campus, and plans for an extended-stay hotel. He said the master plan also included housing and a wildlife habitat, and it had been exciting to see the "building out" of Innovation Campus as it had been envisioned. He concluded by saying that the campus was changing and transforming, faster than ever before, and it was an exciting time to be at UWM.

President Reilly recalled that when developing the *Growth Agenda for Wisconsin* a number of years before, there were many comparisons to the state of Minnesota and the barriers in Wisconsin to more college graduates, more jobs, and more thriving communities. He said that if one looks at Minnesota, it is clear that the Twin Cities metro area is a magnet for talent from all over the upper Midwest, the country, and internationally, which influences why Minnesota has more college-educated people in their population as compared to Wisconsin. He noted that it had often been said that if Milwaukee could be that kind of talent magnet for the state of Wisconsin, the state would jump ahead of Minnesota by leaps and bounds. Addressing Chancellor Lovell and his partners, he said that he believed that Milwaukee was about to become

that talent magnet, and this would not only change the metropolitan area of Milwaukee, but would change the whole state of Wisconsin for the better. He congratulated Chancellor Lovell and all of UWM's partners.

UW-Milwaukee's Strategic Priorities

Returning to the podium, Chancellor Lovell said that he was also asked to make a brief presentation about UWM's strategic priorities. He said that as part of the effort for strategic decision-making, the institution examined its unique mission, defined a vision for the future, established values for transparent decision-making, and defined how people on campus would treat one another.

Chancellor Lovell said that UWM was the only institution in the UW System that has the dual mission of being both an access institution for high-quality instruction and a premier research university. He said that in 2012, the institution developed a vision statement that addresses UWM's being a top-tier research university that is the best place to learn and work. He said that vision statement had become a real emphasis for UWM in defining what it wants to be going forward, and how to proceed. He also noted that the vision statement was approved by all of the governance groups, indicating agreement on where the institution wants to go. UWM also worked to define its guiding values, to use when making strategic decisions, as well as a code of conduct for defining how people would treat each other when interacting and making decisions.

Chancellor Lovell said that UWM had now embarked on a significant initiative on the campus that includes a three stage approach:

- academic planning;
- strategic planning; and
- creating a new budget model.

He said that the most important aspect of the academic planning was assuring that graduates have the skills that will ensure their future success in terms of technical and critical thinking. In addition, UWM is trying to align its academic programs with the cluster growth areas that have been identified within the region and the state, such as water, energy, bioengineering, food and beverage, innovation, and health care. The institution has examined its program array to determine how some of what is currently being done can be repackaged, oftentimes across discipline boundaries, to fit into the growth areas. This has led to creating more efficiencies as redundancies on the campus are identified and addressed, identifying some of the high-impact programs that UWM should be moving into, and incorporating technology into the new educational paradigm on campus.

He explained that UWM also launched its strategic planning process in November 2012, which would be driven by the academic planning work that had been done. The idea behind the strategic plan was to ensure that UWM resources are aligned with programs that will help the campus to grow, to use the plan as a road map for decisions about how to allocate resources, to invest in ways that create new opportunities for faculty and students, and to bring new resources

and funding streams to the campus. He said there were more than 220 faculty, staff, and students involved in 18 different teams, with an anticipated completion date of May or June of 2014.

Chancellor Lovell said that the most challenging portion of these three efforts was the new budget model. He explained that the current budget model was about a decade old and was created when UWM was experiencing record enrollment growth. The model needed to be modified because enrollment has stabilized, and many building projects are underway or nearing completion. He also said that developing the new budget model in parallel with the academic and strategic planning efforts would help the institution to invest wisely.

In addition to developing a web portal for employees and students to access information about each of these different efforts, UWM had also made efforts to adapt strategically. Based on a diagram used by Sysco, UWM leadership developed a form that can be used to describe the proposed initiative; how the initiative fits with the campus's vision and values; how the program would be planned, managed, and implemented; and who would be responsible for the execution and results. He asked his staff and other leaders on campus to begin using this when decisions need to be made.

The chancellor then invited Dr. Joan Prince, Vice Chancellor for Global Inclusion and Engagement, and Dr. Mike Laliberte, Vice Chancellor of Student Affairs, to describe how they are using the template within their units to make strategic decisions.

Dr. Prince described how her Division for Global Inclusion and Engagement used the template to identify their top three or four priorities, but also to look for alignment with the campus's strategic planning process and priorities. The example she provided focused on the Mosaic Faculty Recruiting and Retention Program.

Dr. Laliberte indicated that the template has been important to campus leaders in terms of holding each other accountable. He explained that within the Division of Student Affairs, the template was used to look at the strategic enrollment management plan and how UWM would compete in a marketplace in which the number of high school graduates in Wisconsin is decreasing, necessitating expansion of enrollment beyond Wisconsin. Specifically, his division looked at the Milwaukee Advantage program and a goal of increasing out-of-state enrollment by between 2 and 5 percent by 2014. The template was used to identify goals and specific objectives.

Chancellor Lovell returned to the podium and explained that while the strategic planning process is underway, UWM is continuing to focus on three things: enrollments, retention, and research. He said that freshman class enrollments need to stabilize, and the goal is to reach 4,000 students by increasing the numbers of international students and out-of-state students. He said that the institution is also focused on improving retention and improving its six-year graduation rate from 42 percent to 50 percent and first-year retention rate from 70 percent to 75 percent over the next five years. He also noted a desire to have equivalent retention and graduation rates for all of the different populations of students, regardless of their background. Finally, he said that UWM is focused on increasing its research by 66 percent over the next 5 to 7 years. He

concluded by thanking everyone for their attention, and President Smith expressed his appreciation for the UW-Milwaukee presentation.

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PRESENTATION AND BOARD DISCUSSION: UW SYSTEM 2013-15 BIENNIAL BUDGET UPDATE

Turning to the next item on the agenda, the 2013-15 biennial budget, President Smith indicated that President Reilly would share a few comments and then Associate Vice President David Miller would make a presentation. He encouraged Regents and Chancellors to make comments or ask questions during Associate Vice President Miller's presentation, rather than waiting until the end.

Introduction

President Reilly started by noting that the biennial budget landscape had shifted a few times since the Regents' last meeting. He explained that Governor Walker released his original biennial budget in February, and then amended that budget following a great deal of public discourse about the program revenue balances held by UW institutions and the System. He emphasized that information about those balances was contained in the UW System's financial reports, which had been and always would be public, and those reports are audited by the Legislative Audit Bureau, discussed at public meetings, and shared widely. He said that, nonetheless, the UW System is committed to being even more transparent in the ways it reports financial information and how it uses those data in setting budgets and tuition rates. He added that these topics would be the focus of the discussion in the Business Finance and Audit Committee later in the day, where Regent Whitburn and his committee members would begin work on new policies that achieve several goals.

President Reilly stated that the first of the goals should be to ensure the financial health and stability of each UW institution and the UW System as a whole. He said that the UW System must develop new mechanisms for prudent fiscal management and accountability while providing flexibility needed by each UW institution to fulfill its mission. He said that the Committee's discussion and any full-Board conversation that follow are the first steps that would be taken in demonstrating the UW System's commitment to transparency and to nurturing public trust.

President Reilly said that the morning's presentation and discussion would focus on the upcoming biennial budget, which would be considered by the State Assembly and Senate in the near future. He explained that the amended budget released by Governor Walker on May 15th called for a two-year tuition freeze, for reduced state support for the UW System, and for the UW System to self-fund several new initiatives and other expenses. He noted that the Legislature's Joint Finance Committee subsequently amended the Governor's budget. He then called on incoming Senior Vice President David Miller describe the evolution of the biennial budget and how the changes would impact UW institutions.

Review of Governor's Budget Proposal

Associate Vice President Miller started his presentation by reviewing the Governor's amended biennial budget recommendation. He explained that the proposed budget included a \$181 million increase in general purpose revenue (GPR) funds for the 2013-15 biennium. This increase would result in \$2.3 billion GPR funding over the two-year biennium, or approximately, \$1.15 billion each year. He explained that the Governor's proposed budget contained no base cuts, which was very good news; funded the majority of the "cost-to-continue" items; and included funding for base compensation, normally placed in a compensation reserve for all state employees, in the UW System's base budget.

Joint Finance Funding Reductions

Mr. Miller continued with his explanation, noting that the actions taken by the Legislature's Joint Committee on Finance resulted in a \$2.5 million reduction in GPR funds over the fiscal year 2012-13 base funding level. He explained that funding for base compensation was moved from the UW System's budget to the state's compensation reserve, and the good news is that the funds were retained and would be applied to compensation for university employees, but would be paid out of the compensation reserve instead of the UW System's base budget.

He also noted that the Joint Committee on Finance budget included no GPR funding for new initiatives; however, the UW System would be required to fund those initiatives. Funding was included for both debt service and "cost-to-continue" items. However, that funding would be offset by a base reduction of \$65.7 million. Overall, the result would be a biennial reduction of \$2.5 million, which is \$183.8 million less in taxpayer support for the university system than what was included in the Governor's budget proposal.

Associate Vice President Miller said that a different way to look at biennial budget proposals would be to consider the unfunded obligations for the biennium. He explained that the Governor's proposed budget, which again included a \$181 million increase in taxpayer support, would have resulted in an unfunded liability of \$47 million, which would have been paid for from tuition and/or reallocation. He noted that a 2-percent tuition increase over the biennium would have generated about \$42 million.

The UW System's proposed budget from the Joint Committee on Finance included unfunded liabilities of \$202.6 million. He said that to look at the proposed budget in terms of the reduction in GPR support -- \$2.5 million -- can be misleading, because that does not take into account the new bills that the UW System will have to pay. He explained that the \$202.6 million in unfunded liabilities includes a share of compensation that has traditionally been funded by tuition; but due to the tuition freeze now being proposed, there would not be any new tuition dollars to cover compensation costs. He also noted that "cost-to-continue" items were traditionally covered by GPR and tuition, but because of the tuition freeze there will be no new tuition generated to share in those cost increases. In addition, \$58.3 million for the Wisconsin Higher Education Grant (WHEG), traditionally funded with GPR, would be replaced with program revenue funding. He also noted that with the base cut of \$65.8 million, unfunded

liabilities increased from \$47 million to \$202.6 million, an increase of \$155.6 million, with no new revenue to cover those liabilities.

Referring again to the tuition freeze proposed by the Joint Finance Committee, Associate Vice President Miller noted that the freeze would limit tuition for 2013-14 and 2014-15 to the amount charged at each institution in 2012-13. However, differential tuitions approved prior to June 1, 2011 would be exempt from this limit. He also noted that a freeze would be placed on the allocable portion of segregated fees charged at each institution at the 2012-13 level. He said this would create some management difficulty for institutions because those budgets were adopted by students who were now gone for the summer, and budgets would have to be adjusted when students return in the fall.

Associate Vice President Miller said that he thought the best way to look at the budget was in terms of expenses and operating revenue, and what the UW System owes versus what it has. He explained that for the 2013-14 year, the UW System would have new expenses of \$59.7 million that would have to be paid, a \$5.9 million reduction in base funding, and a one-time reduction of \$62.1 million. This would mean that the UW System would owe \$127.7 million more than the expected revenues for the year, which would require reallocation of funds to cover these costs. He noted that for 2014-15, the UW System would have new expenses of \$78.3 million and a minor funding increase of \$3.4 million, because GPR funding for WHEG would return, resulting in a shortfall of \$74.9 million for the year. He added that because some of those biennial costs are only for the biennium, there would be an ongoing obligation of \$62 million.

Associate Vice President Miller explained that the UW System would be expected to cover \$58.3 million in WHEG funding from its program revenue balances in 2013-14, but GPR funding was expected for the second year of the biennium. He also summarized the economic development initiatives that would have to be covered out of reserves or base reductions.

Human Resources and Pay Plan

Mr. Miller explained that the effective date of the new UW System University Personnel System and UW-Madison Human Resource Design project was postponed from July 1, 2013, to July 1, 2015 and would still require approval by the Legislature's Joint Committee on Employment Relations. In addition, the Governor's recommendation to permit the Board of Regents and the UW-Madison chancellor to establish compensation plans without legislative approval was postponed to July 1, 2015. He added that the Board's Business, Finance, and Audit committee would consider a resolution at its afternoon meeting that would address this issue; through this resolution the Board would direct the UW System President to request authority to return to the Joint Committee on Employment Relations to seek supplemental authority to use institutional funding for a pay plan later in the biennium.

Reporting Requirements

Associate Vice President Miller also shared that the Joint Committee on Finance budget also included new reporting requirements for the UW System, which must develop a methodology to calculate program revenue balances and reserves and submit this information to

the Joint Committee on Audit by September 1, 2013. In addition, the UW System must submit proposed appropriation balance limits and reporting requirements for the UW System and institutions, by January 1, 2014, to the Joint Committee on Finance, for approval through a 14-day passive review process. The Joint Finance budget also included two additional reporting requirements, regarding: (1) policies for the annual distribution of tuition revenues and state GPR funds to UW institutions; and (2) policies for the expenditure of GPR funds and tuition revenues during the fiscal year. Mr. Miller said that the latter reporting requirement is related to state statutes that prohibit the UW System from carrying over GPR funds at the end of the fiscal year; the balance of funds carried forward from the GPR/tuition pool is tuition, and the Legislature is looking for a policy on how those funds are spent throughout the year.

Other Joint Finance Changes

The Joint Committee on Finance also: (1) made a change to the language regarding core credit transfers, to broaden the credits that would transfer; (2) changed the process related to the Mandatory Refundable Fee, currently used to fund United Council, to make this an optional, rather than required, fee for students to pay; and (3) added a new annual report that would have to be submitted to the Joint Committee on Finance by October of each year related to all fees charged to students, at each institution, and the amounts by which these fees have increased in each of the last five years.

Capital Budget

Associate Vice President Miller also provided Regents with an update on the capital budget, noting that the total capital budget for 2013-15 included \$517.8 million in general fund supported borrowing and \$652.5 million in program revenue/other borrowing. He noted that the Joint Committee on Finance would require the State Building Commission to reduce that by \$250 million, even though they authorized the borrowing. He said that there would be a lot of work between UW System and the State Building Commission to figure out where that money would come from.

Conclusion

Summarizing, Mr. Miller said that the situation had changed from one in which the university had a very favorable budget in the Governor's initial proposal, but now reductions would need to be managed through decisions to not take actions that were previously planned. He said; however, that those decisions would be made, and the UW would move forward and adjust and improve the transparency of its reporting.

President Reilly thanked Associate Vice President Miller for the budget overview and highlighted the Joint Finance Committee's action to remove a provision that would have let the Board take full responsibility for faculty and staff compensation. Legislators also delayed the implementation of the new UW personnel policies that had been worked on for two years. President Reilly said that, together with the financial challenges that Mr. Miller had outlined, the university was left with a growing threat to the health and the vitality of UW institutions, especially with faculty salaries remaining 18 percent lower than those at peer universities. He

said that this gap should concern anyone who wants our public university to strengthen Wisconsin's workforce and boost its economy. While the budget in its current form does not give the Board sole authority over compensation plans, neither does it eliminate the need to confront this challenge.

President Reilly reiterated the need for the Board to adopt the recommended resolution that would ensure UW employees receive the same pay plan increase as all other state of Wisconsin employees. As part of that resolution, he said that he hoped that the Board would state its intent to return to the Legislature's Joint Committee on Employment Relations later to request the use of institutional funds for a supplemental pay plan. That would be a strategic effort to offer more performance-focused pay adjustments for faculty and staff.

Regent Discussion

Regent Walsh began the discussion of the budget presentation by asking Mr. Miller to review the status of the University Personnel System, which he recalled as being part of the 2011-13 budget, and also the \$250 base cut in that biennial budget. Mr. Miller indicated that the budget included a \$250 million biennial base reduction, a \$65-million lapse on top of that amount, and tuition revenue of 5.5 percent each year. As for the personnel systems (UW System and UW-Madison), there was little discussion in the Joint Finance Committee meeting; those systems and the Regents' authority for pay plan authority were lumped together and postponed. Most committee members said they were postponing them but not deleting them because they wanted to work with the Board and the university staff in the future and fully understand the university's finances better.

Regent Pruitt commented that Associate Vice President Miller had done a very good job of comparing the Governor's initial proposal with the Joint Finance Committee's suggestions. He asked him to highlight the key differences between the Governor's amended proposal -- not the proposal he made in February, but his later, amended proposal -- and the Joint Finance Committee's conclusions.

Mr. Miller responded that the Joint Finance Committee added the one-time lapse of the \$58 million in the first year and also postponed the human resources flexibility. Associate Vice President Harris added that other changes were the allocable segregated fee change and a new provision added during the current week, related to the Center for Investigative Journalism.

Regent Bradley observed that the UW's cash reserves were below those of neighboring states. He asked, if the Joint Finance Committee recommendation were to go through, where the UW would be in terms of its percentage on cash reserves. Mr. Miller said that it was difficult to assess this, but that the Governor's errata, issued prior to the recommended additional \$58 million one-time draw down, indicated the balance would be 22 percent of prior year's spending. With the reduction of \$58 million, this percentage would be lower. Regent Bradley asked if the percentage would drop below 20 percent, and Mr. Miller indicated that 20 percent likely would be very close to the resulting proportion.

Regent Bradley asked about the recommended best practices of the National Association of College and University Business Officers, which had been cited during discussions of the UW's cash balances. Mr. Miller indicated that that organization's marker is 40 percent; 17 percent has also been referred to by government financial officers. It is difficult to identify an applicable standard, because the UW System does not carry debt obligations as other higher education institutions do. The primary reason that institutions want to carry significant reserves is the debt coverage ratio, which is one of the important metrics used to develop the composite financial index, which uses four ratios: net operating, return on net assets, primary reserve ratio, and liability (debt coverage ratio).

Mr. Miller said that it is because of the complexity of the situation that the UW System was being given some time to report back to the Legislature regarding a reasonable standard for cash balances. An annual report that the university submits on student-fee-funded balances, with a reporting threshold of 15 percent over prior year's spending, is another consideration. Also, some additional accounting work will be necessary to understand the types of funds that constitute the balances at UW institutions.

Regent Drew commented on what he said he would consider to be two non-budgetary items adopted in the Joint Finance Committee meeting. One was the attack on the Center for Investigative Journalism, with the Regents being forbidden to allow the Center on campus. Regent Drew said that this represented micromanagement of academic affairs by the Legislature and an attack on academic freedom, which goes against the tradition of sifting and winnowing and finding the truth. The second was the attack on United Council, with the change from an opt-out to an opt-in fee system, which represents an attempt to silence the voices of students. He remarked that students, faculty, and the System do not do a good job of advocating for the UW with one voice, but it was unfair to target United Council and effectively cut off their funding.

As for the budget items, Regent Drew said that the UW System took a lot of unfair hits regarding the fund balances. Based on the Legislative Fiscal Bureau's analysis, the UW System's fund balances were lower than those of most peer systems. The UW-Madison and UW-Milwaukee fund balances were the lowest of their peers. Regent Drew said that if the System hadn't had fund balances, it would have been criticized for that. He said that he thought that the balances were an excuse to go after the System and an excuse to cut funding, part of the unsustainable trend over the last couple of decades of decreasing state support. Tuition has gone up, which has created crushing debt for students and an inability of working kids to graduate.

Regent Drew said that there was a great story in the *Milwaukee Journal Sentinel* recently, which showed that it is physically impossible to work enough hours at a minimum-wage job to work one's way through school anymore, although students find a way to do it. The tuition freeze was probably a long time coming, but tuition kept going up because state appropriations kept going down. In the process, the faculty is left behind. Adopting resolutions will not close the gap between UW faculty and their peers.

Regent Drew said that it was a sad day for the System and a sad day for the state of Wisconsin, because the proposed budget would move the state away from a high-quality public education that is affordable and accessible. Saying that he did not foresee the trend changing,

Regent Drew suggested that flexibility is a great idea, but the flexibility to address compensation was taken away at the last moment.

Regent Whitburn, following up on Regent Drew's remarks, said that he thought there was more to the situation than Regent Drew had enunciated. Even while the new gubernatorial administration made efforts to get the statewide structural deficit under control, with the university participating, the UW's carryforward increased 50 percent in two years. He said that no one knew that, and Regents did not know that. Further, carryforward on the tuition line increased 49 percent in 100 weeks; and no one knew that.

Regent Whitburn referred to President Reilly's opening remarks about information that was in the public view. However, the details were not in the public view, he said. Rather, there was a line that said that unrestricted assets were \$850 million, up substantially in recent years.

Regent Whitburn said that he had made a motion at the previous year's annual meeting for a 4-percent rather than 5.5-percent tuition increase, urging Regents to consider the state of the economy and the effect of the economy on Wisconsin households. The response was that the university could not possibly get by with that. He said that what he proposed would have cost less than \$15 million on the tuition line. Three weeks later a report was published that did not specify what was left over on the tuition line at the end of fiscal 2012, but later it became known that what was left over was \$414 million. Regent Whitburn said that this was why the university had lost \$200 million in the proposed response from the Legislature.

President Smith, responding to Regent Whitburn's remarks, said that the Board's vote on tuition in June 2012 reflected overwhelming support for the 5.5-percent increase. In addition, the report to which Regent Whitburn referred – the February financial report – included the carryover in at least four different places. President Smith said that nobody would be left with the impression that this information was not in a public document or discussed publicly. The report was discussed in the Business Finance and Audit Committee meeting in February and had been discussed every year; it showed the reserve amount, how many months-worth of operating revenue this represented, and percentages that were consistently below the national average. President Smith said that it was not right to suggest that the information was not provided.

Regent Whitburn responded that there was no detail. President Smith disagreed, and Regent Whitburn said that there was no detail on the tuition balance, on the federal indirect balance, or on other balances; rather, there was a gross number without the detail. President Smith suggested that the record would show otherwise.

Regent Vásquez cautioned that in discussing fund balances and reserves, it would be responsible to note that this does not mean that there is a pot of money, available for any purpose. Normally, an organization would build a reserve to address specific projected needs. Referring to "unrestricted" money could seem to suggest that there is a wish list, rather than specified purposes, for the funds. Regent Vásquez said that there are real commitments for the funds, and it is important for Board members, the Legislature, and citizens to understand this.

Regent Higgins followed up on Regent Vásquez's comments by saying that he agreed with what Regent Vásquez had said and that a hard lesson was being learned. He said that it was important to make lemonade out of the lemons and to work hard with the Legislature and the people of the state to assure them that the UW System's funds are being used as well as possible and being reported in a transparent way.

Regent Higgins asked Associate Vice President Miller about data that had been provided previously, which showed a high reserve level at the University of California System. He asked about the structure of the UC System, compared with the UW System, and how this might affect the reported reserve amounts.

Mr. Miller responded that the comparative data that Regent Higgins referred to had been provided in a Legislative Fiscal Bureau paper prepared for the Joint Finance Committee's consideration. The Fiscal Bureau paper noted that a greater understanding of the institutions would be necessary to understand and compare the numbers. For example, relevant questions would include who controls the institutions' operating budgets and ancillary foundations and how debt is structured. Preliminary discussions with experts suggest that they are not aware of institutions that have thresholds in place for tuition funds. Also, Wisconsin is structured differently than many states in that the UW does not have debt held by the university, and foundations are detached here but may not be handled similarly at other institutions.

Vice President Falbo said that he wanted to talk about going forward, and he said he was going to come down somewhere in between Regents Smith and Whitburn. He said that there had been acknowledgement and agreement that more transparency is needed in the UW's reserve balances. Part of the reason for that, as Regent Whitburn had mentioned, was how fast the balances grew. There was not enough explanation and breakdown of the balances. Vice President Falbo said that he thought it was appropriate to break down the financials better so that they are better understood by all who look at them.

As for appropriate reserves going forward, this would be a work in progress because there are so many nuances in the comparisons. Considerations such as debt service coverage and cash flow, and how these relate to appropriate reserves, are applicable to institutions looking for a bond rating. The more reserves they have and the better those performance measures are, the lower their interest costs are. The UW System is fortunate to enjoy the bond rating of the state of Wisconsin, Vice President Falbo said. However, this does not mean that the university should not have a very explainable set of criteria and objective financial goals. Developing the criteria was a work in progress, he said, with a timeframe of September 1st and January 1st. The future direction needs to involve more transparency and financial goals that are reasonable and that ensure the System is financially sound.

Regent Walsh asked about the UW System's allocable share of state bonds, as in a sense the UW does have debt. Mr. Miller said that all bonds issued for the university are state general obligation bonds. Discussion ensued about how to calculate the university's share, and Regent Walsh concluded that the university does have debt, although it is not in the form of a straight-line obligation.

Regent Walsh commented that the university needs to consider what it is. It is a System with a \$5.5 billion budget, with 46,000 employees, 26 institutions with 181,000 students, and annual graduates of 33,000 to 34,000. He said that it is a big, complicated institution. Regent Walsh said that he disagreed with Regent Whitburn's conclusion that the information was not transparent. The university is complex, it has audited statements, it is audited to death, and it meets with DOA. The information was there, Regent Walsh said, but the university has a responsibility to answer questions that have arisen.

With a great, nationally-recognized and respected institution, there will be pushes and pulls and tensions, Regent Walsh said. There are different decision makers every other year, making decisions about the university, different agendas, different politics, and different partisanship. Disagreement happens. Regent Walsh said that he believed that the reserves were a red herring, when the real issues were the economy or political philosophy; but, whatever the reasons, the decision makers make the decision.

Regent Walsh said that the challenge for the university, and especially for the Regents, is to go forward and tell the university's story. He suggested looking at what had been done in the past in response to similar problems. In 1986, the Legislature and the Board of Regents got together and wrote a document called "Planning the Future." They rewrote that strategy with the document called "A Study of the UW System in the 21st Century." In 2004 the Board, under the direction of Regent Guy Gottschalk, wrote "Charting a New Course." Regent Walsh said that one message that was common to every one of those documents was that the university was facing declining state support. They expressed pride in the University of Wisconsin System and a desire to have a quality educational system, despite the declining state support.

Regent Walsh reiterated that he believed the present balances issue was a false issue, because it was known over time to DOA; the real issue is to persuade the decision makers that the university is not an expense on a balance sheet or an income statement, but rather, is part of the solution. The second message of the reports was that the UW System has the greatest capacity to be the economic driver in Wisconsin. Regent Walsh said that this is what decision makers needed to be persuaded of. He said that it is not that they dislike the UW system, but they have their own pressures and issues. It is the university's job to convince them that it is the solution.

Regent Walsh also commented on something that he said was not in the budget, a commitment to families -- particularly first-generation families -- to promote the value of higher education among sixth- and seventh-grade students. He indicated that he would like to persuade legislators that the Wisconsin Covenant program was a valuable program that had changed the momentum of the state

Regent Bartell said that he agreed with Regent Walsh's comments and that he saw the present situation as a teaching moment. What was originally a substantive concern about the UW's finances had now turned into an effort to urge the university to be more transparent and informative. Regent Bartell said that he agreed with this idea; not enough had been done to educate decision makers about the UW's finances. The numbers were available publicly, although maybe not in the form that some people would want them. The vitriol of some

legislators during the recent JCOER meeting was unparalleled in his experience, he said. It was uncalled for and unwarranted. He said the relationship needs to be repaired.

Regent Bartell said that the Board was now divided between appointees of Governor Doyle and appointees of Governor Walker. He said that he was often asked if the changeover is going to change things for the University. He said that his response had been that once an individual is appointed to be a Regent, their primary objective is to support the UW System, regardless of who appointed them. He expressed the hope, as he prepared to retire from the Board, that his successor and future successors would keep in mind that they are not partisans on the Board, but are supporters of the University of Wisconsin System.

Regent Vásquez, commenting on the concept of transparency, expressed concern that the suggestion that there is a need to be more transparent implies a lack of openness. He said that he did not believe that this had been the case, citing the example of the UW's Red Book, which lists salaries of all UW employees. He said that he thought it necessary to improve communication, but he cautioned that this is different from being more transparent, since the university was not hiding anything.

Regent Vásquez, alluding to his experience with non-profit organizations and boards of directors, followed up on Regent Bartell's comments by saying that the foremost responsibility is to ensure the strong viability and the quality of the institution being governed. He expressed concern about the number of instances in which external entities were making decisions about the institution that the Board of Regents is responsible for governing. Regent Vásquez suggested that if the Board loses the ability to make decisions for the System, then it is no longer a true governing board, but rather an advisory body or ambassadorship body. This is more of a worry than the budget, Regent Vásquez said, and he expressed concern about requirements to not only report back to the Legislature, but to seek its approval in new ways. He suggested that Regents have a meaningful dialogue with key leadership in the state about the Board's role as a governing body that holds its institution accountable.

Regent Millner, referring to the changes and complexities of financing and educational delivery occurring throughout the System, as exemplified by the UW-Milwaukee presentation, agreed with Regent Bartell's statement about a teaching moment. She said that it was an important teaching moment for UW System Administration and the Board, and the Board should examine how it can learn from the situation and decide how to proceed in the future to support the work of the fine universities in the System.

President Smith recognized Chancellor Gow, who said that UW-La Crosse was honored to have a visit from the Governor the day before. In a conversation the chancellor had with the Governor, the Governor indicated that the UW needed to rebuild relationships with legislators. Chancellor Gow said that he thought this could be done, and observed that the vote in the Joint Finance Committee was not a strictly partisan vote. Chancellor Gow said it was indeed a learning moment. GPR would be needed in the next biennium to address employee compensation, and he suggested that a lot of work needed to be done to build relationships. He said that campuses were eager to know how they can help. He also noted that the Regents' dialog on the reserves policy would be critical.

The chancellor noted that the housing fee at UW-La Crosse would be flat in the next year, and parking fees and textbook rental fees would be reduced. Students at UW-La Crosse will pay \$95 less next year. This has been accomplished through the use of reserves, which allowed costs to be spread out. Chancellor Gow said that he was delighted to hear Associate Vice President Miller say that the System would weather the current situation, learn from it, and move ahead.

Regent Pruitt, following up on Chancellor Gow's remarks, said that there was an uphill challenge, but there was an alternative to the Joint Finance Committee budget, that being Governor Walker's amended budget of May 15. If the Joint Finance Committee had gone along with it, it would have been challenging, but it provided some important tools in terms of addressing the compensation crisis that the university faces. It would freeze tuition for the next two years, which is something that all are in agreement on. Regent Pruitt said that although it would be difficult, consideration might be given to raising the System's individual and collective voices to the full Assembly and full Senate and asking them to consider whether the Governor's proposal would provide many of the things that they desire, while also providing the University System with the opportunity to more effectively move forward.

Regent Hribar said that she had heard a lot about the need to be responsive to legislators and elected officials so they can support the great UW System. She observed that the elected officials are ultimately responsible to their constituents, who are scattered throughout the state in small towns and big cities. She said that she would like to see the Board start a grassroots effort to remind the citizens of the state of the importance of the System to the economic well-being of the state. She said that she was a first-generation student, as are her children, since she has not yet earned her degree. For many middle-income families, the UW System is their option, as they cannot afford other options out of state.

President Smith called upon UW-Oshkosh Provost Earns, who remarked that he had been a member of a System campus for more than a quarter of a century and had been coming to Board meetings for a decade. He said that he thought that this had been one of the most important and profound discussions he had heard during that time. He expressed appreciation for the level of the discussion and its emphasis not only on the best way to finance the System's educational needs, but also on maintaining quality.

President Reilly commented that the financial model had now changed profoundly enough that it would be necessary to find new ways to talk about it. He said that Chancellor Lovell indicated, soon after the balances were making news that the balances do not represent funds that are laying around; UWM has committed those funds for the School of Fresh Water Sciences, the School of Public Health, and the Innovation Campus. The chancellor told him he had state funding for buildings, but not for operating these buildings and programs, and the balances were to be used for these purposes. President Reilly said that it would be necessary to communicate with the people of Wisconsin in greater detail about the financial model. He expressed his appreciation for a very good discussion.

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UW-MILWAUKEE'S NCAA DIVISION I ATHLETICS 2013 ANNUAL REPORT

President Smith recalled that in November 2012 the Board of Regents approved a new reporting guideline calling for UW institutions that participate in NCAA Division I athletics to annually provide information to the Board regarding academic, fiscal, and compliance matters. The UW System has three institutions with Division I athletics; UW-Madison reported in December, Green Bay is going to report in the fall, and the current report would be from UW-Milwaukee. Chancellor Lovell and Athletic Director Amanda Braun would lead the presentation.

Chancellor Lovell, contrasting UW-Milwaukee Division I athletics with Big Ten athletics, noted that UWM and UW-Green Bay are part of the Horizon League. The Horizon League emphasizes student success in the classroom first and athletics second. At UWM, student athletes are some of the leaders on campus.

Chancellor Lovell posed the question why it is important for UWM to be Division I. He said that even without a football team, it is important to have brand recognition. With names like the Brewers, the Bucks, and Marquette, who have much bigger name recognition, UWM's having Division I athletics is another way to get publicity for the UW-Milwaukee name; he said that people will never apply to a school when they don't know its name.

Also, the chancellor said that UWM has a more traditional student body than it has had in the past, with 15,000 students who live near campus. Division I athletic events provide an activity and a way to connect students to the university so they are better students, more successful, and better alumni when they graduate.

UW-Milwaukee has 150,000 living alumni, the chancellor said. One of the best ways to engage them and to build a sense of pride in the institution is through athletics. Athletics also build pride in the campus community, among faculty and staff, among neighbors, and in the greater Milwaukee community.

Chancellor Lovell said that measuring success in the athletic program starts with measuring success in the classroom. For 25 straight semesters, the athletics program has had a grade point average (GPA) of above 3.0; during the past year it was a 3.17. More than one-third of the 300 student athletes are on the academic honor roll, and during the past semester, 22 achieved a GPA of 4.0. The women's volleyball team had a team GPA of 3.6 last year. The graduation rate of 82 percent for student athletes is almost double the rate of the general student body.

The teams have also had success on the playing field, even without having facilities that match up to the standards of their athletic success. UWM has won many Horizon League track and field championships without a track and many baseball championships without a baseball field. The chancellor detailed other athletic successes, giving credit to the program's coaches and staff.

He said that few of UWM's student athletes expect to become professional athletes. Rather, the athletic programs building the future leaders of society. Chancellor Lovell introduced Dan Simon and Emily McClellan, who he said represent what UWM's student athletes stand for. The chancellor mentioned some of their accomplishments. For example, Mr. Simon was Academic All League in track and field, a five-time Horizon champion, and holder of both the school and league decathlon record. Ms. McClellan won Horizon League championships in all three swimming events, She competed in the 200 individual medley and the 100- and 200-meter breast stroke; was a two-time collegiate swimming All American; and will be competing as part of Team USA at the World Games in Russia later this year.

The chancellor asked Mr. Simon to speak about what it meant for him to be in Division I athletics at UWM and said that Ms. McClellan would be available to answer questions. Mr. Simon spoke of being a multi-event competitor on the track and field team. He said he was a walk-on, and his past four years as a student athlete had not been easy. He had learned to take all possible opportunities and his experience left him with many memories, most of which were great memories, such as winning conference meets, winning races, attaining new personal records, and making friends. Some were not the greatest, such as fighting injuries every season, having bad performances and competing in cold and rainy weather. Overall, Mr. Simon said that he could not be more proud to be a Panther student athlete and to contribute to his team and to the University of Wisconsin-Milwaukee.

Chancellor Lovell said that the biggest challenge to mid-major athletics is the fiscal challenge. When he became chancellor he was surprised to learn that only 20 athletic programs in the country actually pay for themselves. All of the rest need support from the institution. The institutional support, both from student fees and from the institution itself, help athletics to be successful at mid major Division I schools.

The chancellor said that UWM has presented a balanced athletic budget over the past three years, but still had a fiscal deficit, which had gone up for two reasons: (1) the recession has hurt fundraising and sponsorship efforts; and (2) leadership had been a challenge, with four athletic directors in the past four years. He said that Andy Geiger, who was at the Board's meeting last year and is in the Athletic Directors' Hall of Fame, was able to stabilize the athletic program during the search for a new full-time athletic director.

Chancellor Lovell introduced Amanda Braun, who came to UWM from Northeastern but before that was from Green Bay. She is a Wisconsin native, he said. She has a very strategic approach for moving the athletic program forward, particularly in addressing facilities and fiscal challenges.

Ms. Braun expressed appreciation for the opportunity to talk about UWM athletics. She had started her new job just a few weeks before, she said. She said that she appreciated the Chancellor's approach to leading the university and how he prioritized the best interests of the students.

She said that the UWM athletics program has a great deal of which to be proud, and she reviewed what it means to be at the mid-major level, which is very different from being at the

football-bowl subdivision level. She also shared additional information with respect to the program's financial position within the Horizon League. UWM is about average in its conference for number of sponsored programs. As a percentage of overall university expenditures, UWM is below the average (within a broad range and mix of institutions).

With respect to support from students and from the university, the \$8.6 million that UWM devotes and invests in athletics is about \$4.7 million in student fees and about \$3.9 million from university support. At UWM, fewer than 50 student athletes are on a full scholarship. That leaves us with a little over 250 student athletes who pay a part of or all of their way to come to UWM; this represents an estimated \$3.5 million that student athletes contribute. As a percentage of the athletics' revenue, university support and student fee support are just above the league average nationally, and nationally that number is about 80 percent.

Ms. Braun said that she was excited to get started on developing more support for the athletics programs. There are about three major categories of revenue that UWM can influence: (1) corporate sponsorship sales; (2) ticket sales; and (3) fundraising. Ms. Braun suggested that there is room for growth in each of these. She pointed to a strategic plan that was underway when she arrived, saying that activating that plan and being a significant part of the university's comprehensive campaign would be very important to the program as it moves forward. She indicated that it was a good time to tell the story of the success of UWM athletics and inspire additional support for student athletes like Dan Simon and Emily McClellan.

In response to a question from Regent Millner about how the department handles compliance issues and whether it has a compliance officer, Ms. Braun said that the department has terrific people, which is important. She also said that an assistant athletic director and another staff person work on day-to-day compliance matters, and this is a high priority.

President Smith thanked Chancellor Lovell and the other presenters, and the meeting was adjourned at 12:20 p.m.

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Submitted by:

/s/ Jane S. Radue

Jane S. Radue, Secretary of the Board