

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

Thursday, March 7, 2013
9:00 a.m.

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- President Smith presiding -

PRESENT: Regents Jeffrey Bartell, John Behling, Mark Bradley, John Drew, Michael Falbo, Tim Higgins, Tracy Hribar, Edmund Manydeeds, Regina Millner, Katherine Pointer, Charles Pruitt, Gary Roberts (joining by phone), Brent Smith, Mark Tyler, José Vásquez, David Walsh and Gerald Whitburn. Tony Evers was present for the afternoon session.

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APPROVAL OF THE MINUTES OF THE FEBRUARY 2013 MEETING

President Smith noted that the minutes of the February 2013 Board meeting 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

President Smith welcomed the meeting attendees and noted that during the Board's one-day meeting, Board members would have an opportunity to discuss several significant issues in greater depth, to further inform future decision-making. He indicated that the two major topics would include a closer look at the long-term *More Graduates* plan to increase the number of UW graduates by 2025, as well as a discussion of the 2013-15 biennial budget.

Regent News

Before beginning those discussions, President Smith announced that Regent Tracy Hribar's appointment to the Board was officially approved by the State Legislature on a 33-0 vote. In other Board news, Regent Mark Tyler was honored in February at the 2013 Wisconsin Manufacturer of the Year Awards. Regent Tyler, president of OEM Fabricators, Inc., in

Woodville, Wisconsin, was named the Grand Award Winner in the Workforce Development category. OEM Fabricators' team was recognized for continually exploring new ways to promote manufacturing opportunities and creating effective partnerships that advance manufacturing in Wisconsin.

Chancellor Searches

Providing a brief update on the chancellor searches underway at UW-Madison and UW-Eau Claire, President Smith indicated that there were four finalists for the UW-Madison position and four finalists for UW-Eau Claire. In both cases, the candidates were in the process of making their campus visits. President Reilly and the UW-Eau Claire Special Regent Committee, chaired by Regent Manydeeds, would be interviewing the four Eau Claire candidates on March 13. On March 15, President Reilly and the UW-Madison Special Regent Committee, led by Regent Chuck Pruitt, would conduct their interviews of the four Madison candidates. Following those interviews, the names of the recommended candidates would be submitted to the full Board of Regents for approval at the April meeting.

Legislative Activity

President Smith mentioned that dialogue with the Governor's office and other legislative leaders was continuing. Also, on February 13, Vice President Falbo appeared before the Senate Universities and Technical Colleges Committee, chaired by Senator Sheila Harsdorf, to brief the committee on the Report of the Special Task Force on UW Restructuring and Operational Flexibilities. Regent Falbo, who chaired that taskforce, provided a high-level overview of the report and answered questions. On February 19, UW Colleges and UW-Extension Chancellor Ray Cross, Interim UW-Extension Provost Aaron Brower, and President Reilly appeared before the same committee and shared an informational presentation about the UW Flexible Option. President Reilly and Chancellor Cross also updated committee members and answered questions regarding the status of operational flexibilities provided to the UW System in the 2011-13 state budget, and President Reilly provided an update concerning the HRS project.

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PRESENTATION AND DISCUSSION: MOVING FORWARD TO ACHIEVE QUALITY, ACCESS, AND SUCCESS

President Smith turned to President Reilly to introduce the first major topic of the day. President Reilly noted that at the heart of the *More Graduates* initiative was a goal to produce a cumulative 80,000 more UW graduates by the year 2025, more than the usual trajectory would yield.

Reviewing recent discussions, President Reilly said that during the August meeting, the Board had discussed the UW System's Accountability Report which measures, among other things, the UW System institutions' progress in meeting their *More Graduates* goals. In October, the Board heard an update on enrollments across the System; the systemwide

undergraduate enrollments for fall 2012-13 were the highest in more than a decade and about 2 percent behind the plan goals. In response, the Board requested a deeper look at the *More Graduates* plan and progress toward meeting the goals. In February, the Board examined retention rates, graduation rates, and achievement gaps and also heard from Molly Corbett Broad, the President of the American Council on Education, about the importance to the country of accomplishing the completion agenda. At the present meeting, President Reilly said that Senior Vice President Mark Nook would lead a fuller discussion of the *More Graduates* goals and investigate the threats to and opportunities for achieving those goals.

Dr. Nook said that he would discuss progress toward the goals and would also be joined by three chancellors to talk about progress toward the goals on individual campuses. He began by noting that in the *More Graduates* plan, the top goal was not only increasing the number of degrees produced over 2008-09 levels by approximately 80,000, but also to ensure that graduating students are better prepared for the economy. Retention rates, graduation rates, and equity gaps would also be examined, he said.

Undergraduate Degrees Conferred

Referring to his first slide, Senior Vice President Nook said that the System was on track to meet its goal for the number of degrees, having produced almost 1,100 more degrees than projected. The question of whether graduates are better prepared is harder to address. One marker for this is the fields in which students are earning degrees. In this regard, Dr. Nook noted that about 140 graduates had been added each year for the past five years in the business, management, and marketing area. Numbers have been increasing in business, the STEM (science, technology, engineering and mathematics) fields, and health care. Increases have been seen in areas in which it is hoped that the Wisconsin economy will grow. Graduates are declining in a few other areas, such as education – especially elementary education – where there were more graduates than there were jobs. Dr. Nook suggested that the System was, therefore, producing more graduates in fields where the economy needs those graduates.

Retention Rates

Dr. Nook next examined second-year retention rates for 2012, saying that the System was on track, having expected to be at 80.5 percent and being at 80.2 percent. Retention rates are somewhat difficult to influence, he said, but progress was being made here. An 80-percent retention rate nationally is considered very high. The System's goal is 84 percent.

Graduation Rates

Four- and six-year graduation rates were also largely on track and growing, Dr. Nook said. He said that the four-year graduation rate was 29 percent, and the goal was 28 percent. With respect to the six-year graduation rate, he said that the System was about two percentage points above the six-year graduation rate nationally.

Looking at both new freshmen and transfer students, Dr. Nook indicated that about 45 percent of the new freshmen that graduate do so in four years. Of transfer students who graduate, about 80 percent graduate in four years. He cautioned that the data on transfer students are complicated by the fact that students bring credits with them; it would be expected that they would have a high graduation rate. In general, whether freshmen or transfer students, about 54 percent of the students that end up graduating do so in four years.

In response to a question from Regent Bartell, Dr. Nook said that he had been describing the graduation rates for new freshmen and transfer students who graduate. For all new freshmen, the graduation rate is 29 percent. He did not have similar data available for transfer students.

In response to another question about whether the growth in degrees in certain majors was due to student choice or actions on the part of the UW, Dr. Nook said that some was due to student choice; but the numbers also reflect fields, such as STEM and business, where programs had been added.

Regent Pruitt asked about the System's ability to reach an 84-percent retention rate at the same time that it is attracting more nontraditional students. Dr. Nook acknowledged that this is an issue, because the pool of students would expand to include more students who are coming to college less academically prepared.

Regent Whitburn asked about the percentage of freshmen accessing one or more remediation programs. Dr. Nook turned to Associate Vice President Kim to respond, and she indicated the number was 3 or 4 percent systemwide. Also, returning to the subject of transfer students, she said that about 55 percent of transfer students graduated in four years.

President Smith asked about retention statistics for nontraditional students. Senior Vice President Nook noted that the retention rates being reported were for new entering freshmen; rates for students older than 24 were not separately reported, but would be lower than for students entering the UW right out of high school.

Speaking again of new freshmen, entering after high school, Dr. Nook said that there is a difference in the retention rates and graduation rates of students of color and between those that are Pell eligible and not Pell eligible. That is also true in their four-year graduation rates and six-year graduation rates. He said that the System was working actively to try to increase these.

President Reilly observed that when it comes to graduation rates, there is no "absolute good." It would be easy to increase retention and graduation rates by accepting only the students from the wealthiest high schools, with the highest averages. However, if the System is to broaden the base of educated people and have many more working-adult students, it is important to recognize that the average time to degree will go up.

Regent Whitburn asked about how the systemwide rates would be affected if the Madison data were separated out. Dr. Nook said that he did not have this number available, but would provide it later.

Transfer Students

Dr. Nook said that about two-thirds of UW students are traditional students, entering as freshmen, and about one-third are transfer students. Among the transfer students, about one-third come from another UW institution, another one-third come from outside of Wisconsin, and about 6 percent come from the technical colleges. Transfer from the Wisconsin private institutions is quite limited, he said.

In response to a question from Vice President Falbo about how transfer students are counted in the data, Dr. Nook said that transfer students are counted from the time they enter a particular UW institution and graduation rates are measured at four years; tracking such students back further would be very difficult.

Responding to a question from Regent Whitburn about whether students from outside Wisconsin have a faster time to degree because they pay higher tuition, Dr. Nook mentioned the caveat that some students in the out-of-state group were Wisconsin residents who went to the University of Minnesota or Illinois and then came back. However, he said that out-of-state students who pay full out-of-state tuition would tend to have higher graduation rates. Regent Whitburn asked about the percentage of out-of-state graduates, and Associate Vice President Kim said that she would obtain this information.

Elaborating further on transfer students, Senior Vice President Nook said that students transferring from another UW institution have about the same four-, five-, and six-year graduation rates, whether they come from four-year or two-year institutions. The rates for those transferring from Wisconsin technical colleges are about 5 percent lower, perhaps because those transferring within the System know better how to navigate the System. Also, there may be differences in the ability to transfer courses that apply toward a degree.

Fall Undergraduate Enrollment

Referring to 2011 enrollment data and recent trends, Dr. Nook said that graduate enrollments had decreased significantly in the past year, due largely to changes in teachers' ability to achieve pay increases by increasing their credentials. As for undergraduate enrollments, which Dr. Nook referred to as the "heart and soul" of the *More Graduates* plan, enrollments were down about two percent between fall 2012 and fall 2011. He indicated that one of the challenges in enrollment is in the racial and ethnic make-up of new students. The Hispanic and Southeast Asian populations are growing, he said. He also indicated that there have been data-collection changes related to the federal definition of "Hispanic," as well as the ability to select two or more races.

As for African American students, graduation rates have been just below 2 percent. The proportion of students graduating is not in proportion to enrollment when it comes to African American students. The graduating proportion is similarly lower for Hispanics, Native Americans, and Southeast Asians. However, the proportion of students graduating is equal to the proportion of students enrolled for Asian students other than Southeast Asian.

In response to a question from Regent Whitburn, Dr. Nook indicated that the six-year graduation rate for minority undergraduates at UW-Madison is relatively small.

Threats to Quality and Quantity

Although the numbers overall are on track to meet identified goals, Dr. Nook said that he would talk about threats to the ability to meet the goals. He mentioned faculty and staff salaries, a recent increase in retirements, high school demographics, and financial aid. He also said that the status of the economy could pose a threat to graduates' ability to find jobs. Vice President Falbo observed that the economy is a two-way street, in that it is also important that graduates have the skills for the jobs that are available.

Turning to salaries, Senior Vice President Nook said that full-professor salaries in the UW System are about 18 percent behind peer salaries. Referring to other national data, he also said that per capita income in Wisconsin runs about 5 percent below the national average. This per-capita comparison has been relatively flat during the time that full-professor salaries have decreased relative to peers.

With respect to enrollments, Dr. Nook described recent trends, saying that the number of students graduating from Wisconsin high schools peaked in about 2007 and was predicted to continue to go down until about 2015, then recover relatively slowly but never return to the 2007 level. This has affected enrollments in that the number of new-freshman full-time-equivalent enrollments declined by about six percent between 2007 and 2012. Dr. Nook said that this trend posed a significant threat to future enrollments.

In response to a question from Regent Tyler about the trends, Dr. Nook said that predictions were based partly on the number of students enrolled in earlier grades and were built on assumptions about the percentage of students who would actually graduate from high school. Vice President Falbo asked about the percentage of resident high school graduates enrolling in the UW; Dr. Nook indicated that this trend has been flat, between 30 to 32 percent.

Regent Pruitt asked how Wisconsin's demographic trends compare to the national picture. Senior Vice President Nook said that the decline in high school graduates is an issue for about the northern one-third of states, including Minnesota, Michigan, Illinois, and Iowa. The deep south is facing some similar trends; but the trend is different in Texas, California, and the southwest.

Regent Whitburn asked about the total number of students at Wisconsin private institutions. Senior Vice President Nook said that he thought they had about 60,000 students, or one-third of the UW student population. Regent Whitburn asked if it was possible to track the effect of the declining high-school population on those institutions, and Dr. Nook responded that this comparison had not been done.

Regent Hribar asked about the ease of transfer from private institutions. Dr. Nook said that there may be some differences in general education requirements that would affect the

transferability of certain credits. There is also an “affinity” factor, as many students feel committed to graduating from the private institution at which they originally enroll.

Senior Vice President Nook turned to financial aid, which he said was another threat, because the average need per student is increasing rather significantly and is currently at about \$9,000, without loans. This is not only because of increasing tuition, but also because students with need have less financial capability, as seen in a higher percentage of students who were eligible for Pell Grants.

Regent Bradley suggested that without these students, the *More Graduates* goals would not be reached, and Dr. Nook responded that the economy of the state also would not be improved. It is important that people in the lowest income levels earn degrees to be able to be active in the growing knowledge economy.

Regent Higgins commented that the steep curve in increased need was because of tuition increases. Senior Vice President Nook said that this was only partly true. He said it was also the case that a greater population of students with limited financial resources was being reached. Regent Higgins responded that this was a good thing, observing that the UW was doing a better job of convincing people who had not historically thought about college to consider attending. He asked whether the university was doing more to recruit such students. Dr. Nook suggested that the availability of financial aid was one influence, but so is the national culture and a growing awareness that education beyond high school is necessary for an improved financial picture in the country.

Regent Higgins noted, though, that large increases in traditionally underrepresented minority students were not being seen. Dr. Nook said that there had been increases, saying that the percentage of the student body that are underrepresented minorities had increased by about 5 percent in the past decade.

Regent Higgins also asked about the demographics of high school graduates, to which Dr. Nook replied that the African American population was holding relatively flat, while the Hispanic and Southeast Asian populations were growing rapidly as a percentage of the students graduating from high school. He commented that the System needed to be able to address these racial and ethnic groups and to provide programs so that they can be successful.

President Reilly, responding to Regent Higgins’ question about whether the UW System was doing anything to expand the underrepresented minority population, said that a couple of years before the UW System had been part of a campaign called “KnowHow2Go,” put together by ACE, the Ad Council, and universities around the country. With the help of the Ad Council, there were commercials for TV, radio, and social media, aimed at prospective students who may not have thought before about going to college.

Regent Higgins mentioned a program he had been involved with in the Fox Valley, through which Hmong students from the area are brought to Madison to learn about the financial, social, and academic support available to them should they choose to enroll in UW-Madison. He suggested that as underrepresented minority students become a larger target group, it would be

necessary to put resources into the UW admissions offices so they can do a better job of recruitment.

Opportunities

Senior Vice President Nook spoke next about opportunities in enrollment and efficiency. With respect to enrollment, he mentioned increasing enrollments among traditional students and nonresident students, moving transfer students through more quickly, and using Flex Option or other initiatives to better tap the adult market.

With respect to efficiencies, Dr. Nook reiterated that the percentage of Wisconsin high school students enrolling in the UW was 31 percent and had been a relatively flat rate. However, growth had been seen in the percentage of Hispanic/Latino and Native American high school graduates enrolling in the UW. For African American students, the percentage of high school graduates coming to the UW is about half of the overall average, or 15 percent. Dr. Nook suggested that nontraditional markets such as this would be a place to make up some ground.

Regent Vásquez asked about what is known about the high-school students in the groups Dr. Nook was discussing who do not enroll in the UW. Dr. Nook indicated that this was not known; but he commented that underrepresented minorities, African American and Hispanic students in particular, have higher enrollment rates at technical colleges and two-year colleges.

Regent Vásquez expressed concern about the possibility that racial-minority students might enroll in private colleges, which they would leave with higher amounts of debt than if they had attended a public institution. Senior Vice President Nook followed up on this concern by emphasizing that increasing the enrollment of underrepresented minority students represented an opportunity for the UW.

In response to a question from Regent Drew about the flat enrollment rate among African American students compared with the increase in the Hispanic and Southeast Asian rate, Dr. Nook observed that African American female participation rates and graduation rates are climbing nationwide. The difficulty is with African American males, he said. Some UW institutions have made special efforts to recruit in the African American community in Milwaukee, in particular, and also in Chicago; they found that it is important to make contact with prospective students' mothers and pastors and other community leaders. Regent Vásquez commented that private choice and charter schools represent another opportunity, in addition to public schools.

Responding to a question from Regent Tyler about a lower-than-expected enrollment rate among high school students and whether this is attributable to financial fallout, Dr. Nook said that some students may decide to attend school out of state, to attend private institutions in the state, or to attend technical colleges.

Regent Vásquez commented on how important it is that students of color not only attend, but also that they graduate. Dr. Nook said that the graduation rates were improving, but that

opportunities existed to both enroll more students and to improve the efficiency with which they move through the system.

Regent Whitburn asked about specific, campus-by-campus, multi-year improvement goals and graduation rates, and Dr. Nook indicated that each institution has goals for increasing the number of graduates and retention and graduation rates among various populations of students. Regent Whitburn followed up by asking whether this was one of many goals or if it was “Job One.” Dr. Nook indicated it was that the latter, but added that each institution has its own specific priorities, which vary depending on numbers of faculty, physical room to grow and other factors.

Turning to overall undergraduate enrollment, Senior Vice President Nook said that the number of undergraduates had held constant over the past two years, even though the peak in high school graduates occurred in 2007 and had since leveled off. He said that the System had taken advantage of the opportunity to enroll nontraditional students and nonresident students, including international students. He noted that all UW institutions were trying to increase the percentage of international students, which increases the global nature of the discussions in their classrooms.

Examining the four-year graduation rate as a measure of efficiency, Dr. Nook said that data over a 30-year period showed an increasing time to degree. Some of that was attributable to nontraditional students, some to students deciding to attend longer, and some to needed courses not being available. He said that in about a five-year period, from 1998 through 2003, the time to degree had been cut by a full semester, from 5.5 years to 5 years.

With respect to four- and six-year graduation rates, Regent Whitburn noted that the four-year rate, unlike the six-year rate, was below the national average for public institutions. He said the System was working to improve this.

Regent Whitburn suggested analyzing the System data with UW-Madison considered separately. Dr. Nook indicated that this would not make a substantial difference in the overall data and that for most UW institutions the four-year graduation rate had been increasing over a 30-year period.

Regent Miller commented that she had recently visited UW-Eau Claire and heard about the Blugold initiative to, among other things, improve time to degree. She suggested that the three chancellors who would be speaking and others might address their campuses’ experiences in this regard.

Regent Pruitt raised a question about the ability to capture in the data graduation rates for students who transfer to one UW institution from another. He observed that a student who starts at UW-Parkside and graduates from UW-Madison is not a failure for UW-Parkside but, rather, is a success for the System and a success for that student. Dr. Nook said that it is possible to track such graduations as long as the institution from which a student graduates is in the national clearinghouse database. These data were used to analyze transfer students’ graduation rates.

Regent Bradley, following up on an earlier comment by Regent Whitburn, cautioned that the focus should stay on systemwide data. It is important for the Board to look at every single institution and what each institution has been asked to do for the state of Wisconsin, he said.

Returning to his slides, Senior Vice President Nook discussed the importance of comparing similar institutions. Even comparing Green Bay and Stevens Point has its problems because of their difference in mission, he said. Using data from College Results Online allows comparisons of institutions with similar student make-up (e.g., based on ACT/SAT scores, public vs. private institutions, admissions selectivity, etc.). Dr. Nook said that he used this data to examine each UW institution and found that seven of the 13 UW institutions are below their peer average and six are above for retention rates. On average, they are very close to the mean in retention rate of that peer group. For six-year graduation rates, similarly, seven of 13 are below the peer average. However, for four-year graduation rates, all 13 UW institutions are below the average, with differences ranging from 18 percent to one percent below. He noted again that this was an area that all UW institutions were working to address.

Regent Whitburn indicated that he was sensitive to the differences among campuses, but suggested that because they face different challenges, it is important to monitor them individually.

Regent Drew complimented Dr. Nook on the presentation and asked about his ability to project the future unmet need of students receiving financial aid. Dr. Nook said that this had not been done, but the future trend would depend on tuition and student demographics. Regent Drew commented that he saw this as the biggest challenge to the identified goals.

President Smith affirmed that the discussion had been excellent and observed that one of the key reasons enrollment levels had stayed where they were was a sharp increase in nonresident students. Dr. Nook said that enrollments would have been 7 percent below current levels.

Regent Millner asked about initiatives that can increase the enrollment rate among Wisconsin high school graduates. Dr. Nook said that each UW institution has a different focus for addressing admission goals.

UW-Parkside

After a short break, President Smith welcomed some visitors in the gallery, a delegation from the University of Ilorin, Nigeria. The visitors were in Wisconsin to investigate collaborative research endeavors with partner institutions in the UW System, including at UW-Stout and UW-Madison. They were also interested in learning about the UW's governance system and the role of the Board of Regents.

President Smith then turned to Dr. Nook to introduce the next portion of the presentation. Dr. Nook first introduced UW-Parkside Chancellor Debbie Ford, who expressed her thanks for the opportunity to speak and said that UW-Parkside continues to focus on its mission of

providing high quality education through its four hallmarks of student success, academic excellence, diversity and inclusion, and community engagement.

Focusing on students and their success, she said that the *More Graduates for Wisconsin* initiative in 2010 served as a catalyst at UW-Parkside to set and reach its enrollment, retention, and graduation targets. The *More Graduates for Wisconsin* initiative aligns with the strategic plan, known as the “UW-Parkside Promise;” with “Graduate Parkside,” the institution’s Title III grant; and with its academic plan.

Chancellor Ford said that she would present progress to date while sharing characteristics of UW-Parkside students. Results in the first three years are mixed, she said; but she noted that the institution was taking the long view and monitoring trends, using data to drive decisions, and keeping students at the center of all of our actions.

Starting with overall enrollment, Chancellor Ford said that UW-Parkside was not meeting its target for undergraduates but was exceeding its target for graduate enrollment. She referred to changes in recruitment and admissions practices. She also indicated that, fortunately, more students had graduated than predicted, but this led to fewer returning students. She mentioned a new program through which students with lower ACT scores start at Gateway Technical College before starting at UW-Parkside. She also mentioned that many UW-Parkside students “stop out” due to work or family responsibilities and do not have continuous enrollment. She said that the institution understood the challenges and was working hard to have an impact.

Demographics

Referring to student demographics, she noted that the decrease in high school graduates which Dr. Nook had discussed was not unique to Wisconsin, but was also true for surrounding states. She said that UW-Parkside was seeing a decrease in traditional students, those graduating directly from high school, as well as an increase in Hispanic students. Adult learners represent an opportunity for outreach.

Data have shown that students with ACT scores between 21 and 24 were the most successful. Chancellor Ford said that the campus had been working with school districts to improve college readiness and performance on the ACT; in the fall of 2003 the average ACT was 19.9 and in the fall of 2012, it was 21.3. The chancellor said that the institution was recruiting a better-prepared student. Early indications for fall-to-spring retention from this year showed a slightly better retention rate.

With respect to students with lower ACT scores, Chancellor Ford said that UW-Parkside had signed new articulation agreements and had dual enrollment pathways with Gateway Technical College. She said that UW-Parkside’s commitment to serving first-generation students and students of color was undiminished.

Chancellor Ford referred to a slide showing the program areas in which students are enrolled. She noted, in particular, that an applied health sciences program which started in September 2009 had succeeded all enrollment projections.

Based on the 2011 National Survey of Student Engagement, Chancellor Ford said that UW-Parkside freshmen and seniors pay more than their counterparts at the UW comprehensives. For freshmen, 52 percent of UW-Parkside freshmen are paying their way, as compared to 48 percent at the comprehensives. For UW-Parkside seniors, 79 percent of students are paying their expenses, compared to 65 percent at the comprehensives.

At UW-Parkside, more than 70 percent of students receive some type of financial assistance -- grant, scholarship or loan -- and 60 percent receive loans. Pell Grant recipients have increased at UW-Parkside, as they have across the country.

Referring to other data about UW-Parkside students, Chancellor Ford said that UW-Parkside students work more than 20 hours a week off campus. Recent data show some declines in the number of such students. With respect to first-generation students, 62 percent of graduates are the first in their families to earn a university degree. UW-Parkside had 28.6 percent students of color in fall 2012, and this percentage has been increasing. Following up on the earlier discussion, she said that UW-Parkside was working with high schools and local churches to try to increase the number of African American students.

Retention

Noting that UW-Parkside was not meeting its targets for fall-to-fall student retention, Chancellor Ford said that this only takes into account full-time entering freshmen. A factor affecting student retention is the number of students needing remedial English; this percentage has been decreasing. A slight decline had been seen in students needing remedial math. Elaborating upon this, she noted that in 2011, UW-Parkside had a 33-percent pass rate in remedial math, which she said was obviously unacceptable. Under the leadership of UW-Parkside's learning assistants and Provost's Office, a competency-based math program was introduced; in fall 2012, the pass rate had improved to 56.5 percent passing to the next level of math.

Chancellor Ford also spoke about a Student Support Services program aimed at first-generation students who need remedial education. The students are part of learning communities and are provided extensive advising, supplemental instruction, and career exploration.

Graduation Rates

Chancellor Ford showed a slide reflecting graduation rates and indicated she was pleased that data soon would be collected that would show graduation and retention data for transfer students and part-time students; this would allow the institution to tell a better story about student success. She also showed a slide that indicated that when UW-Parkside students do not graduate from UW-Parkside, they have often transferred to other institutions. She said that UW-Parkside has greater success for students who transfer into UW-Parkside; she showed a slide indicating the proportions of transfer students who had either graduated from or were still enrolled after six years, noting that greater success would be shown after six years, because UW-Parkside students take longer.

Using Ed Trust data, and referring to graduation rates compared with UW-Parkside's peer institutions, such as West Texas A&M, Black Hills State, and others, Chancellor Ford said that UW-Parkside is "in the middle of the pack," and not where it wants to be.

Points of Distinction

Chancellor Ford also mentioned some "points of distinction," saying that 89 percent of Parkside students who apply to a professional school, such as for dentistry, medicine, or physical therapy, get into the school of their choice. On average, 20 percent of students of color, from 2001 to 2012, went on to professional schools. She noted that some of the actions that had contributed to these early successes included:

- a commitment to an integrated and strategic enrollment management philosophy at UW Parkside, including a strong recruitment effort in our high schools, with technical college partners, and with a community college partner in northern Illinois.
- articulation agreements with Gateway Technical College, Moraine Park Technical College, Milwaukee Area Technical College, Waukesha County Technical College and the College of Lake County, to provide pathways from two-year programs.
- a five-year grant focused on improving retention and graduation.
- Ranger Link, which is a partnership between Career Services, Graduate Parkside, the Center for Community Partnership, and regional employers to introduce first-generation students and underrepresented minorities to the world of work and work experiences.
- creation of an academic plan, related to how and what to teach, which was driven by the student profile and approved by the faculty in April 2012.
- a new academic calendar.

Chancellor Ford focused, in particular, on the new academic calendar, which extended the winter session from two weeks to four weeks. The first of these terms, during the winter, saw an increase of 140 percent in enrollment, from 268 students to 640 students. Students have told her they loved the opportunity to be continuously enrolled.

Opportunities and Threats

Chancellor Ford said that she thought that one of the strengths of UW-Parkside is a shared vision for student success. Strong efforts are being made to align all planning and resource allocation with students in mind. Data are being used more than ever before. UW-Parkside will continue to partner with K-12 partners, including charter and choice schools, and to be one of the campuses exploring the Flex Option to make higher education more available to adult learners in southeastern Wisconsin who have some college education. Threats to success include diminishing resources, competitive compensation, and keeping up with the accelerated pace of change in many dimensions.

Discussion

In response to a question from Vice President Falbo about graduation rates, Chancellor Ford explained that the six-year graduation rate captures only first-time, full-time students. UW data also capture transfer-student enrollment. However, students not being counted in these rates are part-time students who are graduating but may be taking eight or ten years. Regent Falbo observed that the actual graduation rate would actually be higher than reflected in the data.

Regent Walsh asked about the messages reflected in the peer comparisons. In response, Chancellor Ford indicated that the peers are selected based on campus size, ACT scores, and demographic profile. Talking with presidents and chancellors at those institutions has yielded some information about each others' initiatives.

Regent Vásquez stated that he was pleased to hear about articulation agreements with the technical colleges and the community college. He expressed interest in understanding what was being done at the middle- and high-school level to eliminate the need for remedial math and English in college. Chancellor Ford said that she is part of a regional group of business leaders, government leaders, K-12, and higher education leaders which has as part of its strategic plan the goal of raising educational attainment. One of the first steps is awareness and sharing information. UW-Parkside faculty work with colleagues in K-12 to help them understand what students are missing. Also, Chancellor Ford said that she meets regularly with local superintendents about the challenges their graduates face.

Regent Tyler expressed appreciation for the work with the technical colleges. He said that Chancellor Ford's region has a very strong reputation for having developed such relationships.

Regent Pruitt complimented Chancellor Ford and, referring to Pell Grant recipients, asked about the effect if the program is significantly reduced by sequestration or other budget debates in Washington. Chancellor Ford indicated that the Pell Grant was not currently part of sequestration, but it would be important to continue to monitor the extent to which funding would remain available. She also commented that UW-Parkside was working to raise more funds for need-based scholarships. President Reilly added that while it was true that Pell would not be affected by sequestration, some other federally-funded campus-based programs, such as Gear Up or TRIO, would be.

Regent Drew asked about the prevalence of students "stopping out" to work for a semester or a year, and what strategies could be used to stay connected with them while they are out of school. Chancellor Ford said that UW-Parkside was trying to stay connected to them through technology. Students who are at the beginning of their educational experience, freshman or sophomore year, have a higher likelihood of not returning. If they are closer to completing, they do come back at some point or they transfer, she said. Students "swirl" and are on a variety of pathways to complete their education.

UW-River Falls

UW-River Falls Chancellor Dean Van Galen spoke next, expressing thanks for the opportunity and saying that UW-River Falls' faculty and staff are highly committed to effectively teaching and mentoring students.

Context and Demographics

Describing the context in which UW-River Falls operates, Chancellor Van Galen first showed a map illustrating UW-River Falls' location, not far from the Minnesota border and only 25 minutes from downtown St. Paul. He discussed some of the strengths the institution has in the region, such as agriculture; UW-River Falls has the third-largest dairy science program in the country. At the same time, River Falls is part of the Minneapolis-St. Paul statistical metropolitan region, with the Twin Cities being an economic engine not only for Minnesota, but also for the entire St. Croix Valley and far western Wisconsin. The region has been growing significantly; between 2000 and 2010, St. Croix County grew by 34 percent and was the fastest growing county in the state of Wisconsin.

The chancellor provided information on the students UW-River Falls serves, as this is significant for student success and degree attainment. Enrollment is approximately 6,500 students; 37 percent of students live on campus. The average ACT in fall 2012 was 22.5. Forty-four percent of undergraduates were first-generation students. Chancellor Van Galen described UW-River Falls students as "earnest," saying that many hold part-time jobs. College may be a new experience for their families. They come from small towns and dairy farms, as well as from some of the less affluent areas of the Minneapolis-St. Paul area. Underrepresented minority undergraduate enrollment grew from about 4 percent in 2007 to about 6 percent in fall 2012. As of 2006, UW-River Falls was second-lowest (after UW-Superior) for median family income.

The largest major at UW-River Falls is business administration, followed by animal science, including the dairy science program and biology.

Goals and Trends

Chancellor Van Galen provided information on the institution's goals and trends. Comparing undergraduate degrees conferred goals with actual performance, he indicated that in 2012 the institution graduated the largest class in its history, at about 300 students larger than any other time in its history. It conferred 1,249 degrees, which was about 100 above what was planned in *More Graduates for Wisconsin*.

He mentioned that UW-River Falls had ambitious projections for retention and graduation rates for the future, which must be considered in the context of the projected growth in the far western part of the state.

Showing four- and six-year graduation rates for new freshmen entering full-time in the fall, Chancellor Van Galen said that UW-River Falls was falling short in its six-year graduation rate and doing relatively as planned in its four-year graduation rate.

Initiatives

Focusing on efforts to address retention and graduation challenges, Chancellor Van Galen showed a list of high impact practices, which he said speak to the quality of the degree that is granted and are also tools for enhancing retention and graduation rates. He specifically mentioned undergraduate research as an historic strength and a strategic priority for UW-River Falls. The university's five-year strategic plan includes three goals, one of which is a specific aspiration to become a national leader in collaborative and undergraduate research because this has a tremendous impact on students. Part of UW-River Falls' modest differential tuition supports undergraduate research across a range of disciplines.

Another high impact practice is living and learning communities, through which a community of students, typically a group of 25 or 50, live as a cohort in a residence hall and also take one or more classes together. The idea, based on an Oxford model, is to connect their living and learning experience. UW-River Falls has five living and learning communities, each having a theme. The Taking Care of Business Living and Learning Community, for example, involves students majoring in business and computer science-related disciplines. They live in Grimm Hall, take some of the same classes together, and form a peer-group connection with those with whom they live and learn. Data so far show significant improvement in first- to second-year retention for the living and learning communities.

Chancellor Van Galen also mentioned the UW-River Falls Hudson Center, located only about eight miles from River Falls, but in a different world because of its proximity to I-94. This learning center, was opened in the fall of 2010. Expressing his appreciation for the support of President Reilly and the UW System in this initiative, Chancellor Van Galen said that the primary goal is to serve adult learners, including with baccalaureate degree completion programs. This was a new venture for UW-River Falls, which has been a very traditional campus, and it has turned out to be quite successful.

Along with an MBA program, the Center offers an Adult Degree Completion Program in the form of a Bachelor of Science in Business Administration. The enrollment at the Hudson Center has grown in the first year from 241 to 412 and includes 93 students in the Adult Degree Completion Program. Their average age is 41 years; 78 percent are Wisconsin residents; 49 percent are first generation students; 60 percent are female; 15 percent are veterans; and many bring credits from different institutions. The location, convenience, evening classes, and single-advisor model are all important in the success of the program.

Chancellor Van Galen also mentioned the recently-approved Bachelor of Applied Science Degree, to be offered by UW-River Falls. This is intentionally designed also to serve nontraditional adult students, in many cases students who have attended or have a degree from a technical college; one of the focal points in the program is computer science. UW-River Falls has worked closely with the technical colleges in the region to build the articulation agreements and pathways for students in this program. The chancellor said that by 2018 the projection is to have 90 students in the BAS, graduating about 35 students each year.

Mentioning a final initiative, Chancellor Van Galen discussed the focus of fundraising efforts on need-based scholarships. As the institution serves students from modest means, financial resources make a great difference. The goal is to increase scholarships from \$68,000 to about \$310,000. The institution recently launched its first-ever comprehensive fundraising campaign, and this is a centerpiece of that campaign. The chancellor also mentioned the Falcon Scholars Challenge, which is offering four-year \$1,000-per-year scholarships from donated funds to incoming students and \$2,000 from students through differential tuition for the purpose of studying abroad or doing research in the junior or senior year. He said this was a unique partnership between students and alumni and friends.

Opportunities and Threats

Chancellor Van Galen said that the university's location in the dynamic, growing St. Croix Valley is a tremendous asset and opportunity. Further expansion of service to adult learners and a global focus are critical parts of the new strategic plan. Other opportunities are encouraging students to study abroad and recruiting additional international students.

Threats to success include the decline in the number of high school graduates and a competitive college-and-university market in the region. Retention of the student body is a challenge, as is serving students who have vulnerability to the economy and need financial aid. Resources, including supporting faculty and staff and recruiting and retaining excellent faculty, are also important. High impact practices require resources, and this is also a challenge, Chancellor Van Galen said.

Discussion

President Smith asked the chancellor about the number of Minnesota students at UW-River Falls. Chancellor Van Galen said that Minnesota students represent about 48 percent of students, so the reciprocity agreement has a huge impact.

In response to a question from Regent Higgins about the percentage of Hmong students on campus, Chancellor Van Galen said that 115 students were from Southeast Asia during the fall semester. Among this group was a growing Hmong population, not only from the Twin Cities, but also from central Wisconsin.

Regent Whitburn commented that the Hudson Center's efforts with adult learners was impressive and asked whether participation in the Flex Option program was being considered. Chancellor Van Galen indicated that Flex Option was something that it would make sense for UW-River Falls to consider.

Regent Vásquez asked about efforts with respect to Native Americans and the Tribal Councils, and Chancellor Van Galen indicated that the university has a connection to the Lac Courte Oreilles for recruiting. He said that, at 19 students, the number of Native American students was relatively modest.

UW Colleges

Chancellor Ray Cross of UW Colleges and UW-Extension was next to speak. He referred to the *More Graduates* plan of his predecessor as an aggressive plan which UW Colleges were striving to meet.

Degrees Conferred

So far, the goals for associate degrees had been met and exceeded. The BAAS degree, a new bachelor's degree, was recently added and would result in additional degrees being granted.

Speaking about whether the current rate of degrees could continue, Chancellor Cross said that one threat to success was a slight decline in retention rates. Retention and actual enrollment go together, so part of the strategy is to incorporate an "iPlan" involving high impact practices and an early intervention program. Included is "intrusive" advising, or very direct intervention when necessary.

Enrollment

Chancellor Cross showed data for fall enrollment, comparing the first year and second year for new freshmen only. This prompted a question from Regent Millner about whether it is possible to track the role of the UW Colleges in providing an entry point for students who ultimately go to one of the comprehensive schools. Chancellor Cross returned to an earlier slide which showed that 83 percent of students who enrolled in 2006 were either still enrolled in a higher educational institution or had graduated in four, five, or six years.

He pointed out that the UW Colleges are a very different kind of institution within the System. They are often compared to community colleges around the country, but he said that the Colleges actually do not fit a traditional community college unless transfer students are isolated. He said that he likes to say that the UW Colleges "are the University of Wisconsin in your community, 13 different communities around the state." The UW Colleges represent the third-largest institution within the university by enrollment.

Saying that retention rate and head count are related, he noted that the iPlan includes both an effort to reach out for new students and an effort to retain existing students. Other efforts in addition to intervention techniques include an aggressive communications effort with students who make contact with the institution, a change in the enrollment cycle, and creation of an integrated plan that is owned by everybody.

Turning to enrollment of underrepresented minorities, Chancellor Cross said that the institution was doing a much better job overall of retaining most categories of students.

Opportunities and Threats

Referring to opportunities and challenges, Chancellor Cross said that cost is important. When tuition was increased 5.5 percent last year, the UW Colleges saw an immediate drop in enrollment. This has also happened in the past when tuition was increased. The UW Colleges are an access point, and one of the things that is critical to access is affordability.

Changing demographics will also contribute to enrollment issues. Predictions are that between the years 2010 and 2015 Wisconsin high school graduates will decrease by 6.3 percent.

Referring to first-generation students, Chancellor Cross said that 61 percent of students come from families where the parents did not attend college or did not graduate. That has a huge influence, and these students are more likely to drop out. The chancellor said it was important to be particularly aggressive with that group of students. About one in five of all students within the System that are first time in any college are enrolled in a UW College.

With respect to part-time students, UW-Madison has roughly 0.2 percent part-time students, UW-Milwaukee has about 2.3 percent, and the UW Colleges have 13.5. Students who go to college full time are 300 percent more likely to graduate than those who attend part-time. This can affect graduation rates.

Other threats to success include faculty salaries roughly 18 percent below national averages and increasing competition from private institutions.

As for opportunities, Chancellor Cross said that the Flex Option was a huge opportunity for the Colleges, and they were being very aggressive in this area. The BAAS degree completion program and technical college partnerships present other opportunities. Finding a way to navigate through all of this will be important. He said that he also believed strongly in the importance of building business partnerships.

The College Options program is also important. There are opportunities to enroll more high school students in college courses. Chancellor Cross pointed to statistics from Minnesota, where the post-secondary enrollment option enrolls about 28,000 high school students, while the Youth Options program in Wisconsin is somewhere less than 5,000, or perhaps up to 6,500 if work that UW-Oshkosh is doing is considered. More progressive efforts to provide quality coursework will have an impact on the percentage of students attending the UW Colleges.

Chancellor Cross said that huge efforts had been made with respect to international students. Two-year colleges “do not sell well” in the international market, particularly in Asia. They are an unknown entity, so it is necessary to build awareness.

Returning to the UW Colleges expertise in remedial courses, Chancellor Cross said that his institution was working with Chancellor Lovell and UW-Milwaukee to find a way to partner with them. He mentioned flip classrooms for math, for which early reviews were positive. He said that the faculty were doing some groundbreaking work with remedial courses.

Discussion

Vice President Falbo returned to an earlier question about the percentage of UW Colleges students who go on to earn a degree at a comprehensive institution, after either four or six years. Chancellor Cross said that he had a general idea about this, but an exact number was not available. He said that it is known that the number of students who transfer before completing a degree at the UW Colleges is going up, and most of them are transferring to sister institutions.

Regent Bradley, referring to the College Option program and Minnesota's greater success in this area, asked who is covering the cost of the program in Minnesota. Senior Vice President Nook responded, saying that the school districts originally paid for dual enrollment courses and for Youth Options courses. The state had since set up a program which pays \$150 per student. Regent Bradley asked whether Minnesota was much more successful even when the school districts paid, and Dr. Nook affirmed that it was.

Regent Tyler commented that there is confusion between dual enrollment and Youth Options. With Youth Options in Wisconsin, the school district is required to pay for a student to attend, whether at the technical colleges or the university. With dual enrollment, a student attends a class, typically delivered in the high school by a high school teacher who is credentialed at the technical college; there is no tuition cost, and the student earns both high school and college credit on both sides. Regent Tyler said that he thought this was an area that should be examined and addressed to help create a pathway to college.

Senior Vice President Nook noted that Regent Evers had made a push at DPI to ensure that the funds would be available so that students do not need to pay for these courses out of pocket. If students have to pay, the result is that there is a difference in who can attend.

Regent Millner noted the importance of considering both the cost of education to the UW System and the cost for the taxpayers and families. Dual enrollment has significant financial implications which should be considered.

Chancellor Cross stressed the importance of quality. In New York, Corning Community College aggressively accelerated a dual enrollment program, and after a few years the College decided to no longer accept the credits and this killed the program. It is important to build off of a model such as UW-Oshkosh's accredited CAP Program.

Chancellor Cross noted that a high proportion of high school students nationwide need at least one remedial course in college. Resources are needed both for these students and for those students who are ready for college. How to allocate resources is a serious challenge.

Finally, following up on Regent Tyler's observation that there is no tuition, Chancellor Cross said that there is still a cost. He said that students who take dual enrollment in high school do not shorten on average their four-year experience, even though it seems that they would. Instead, these students tend to be the better students who dual major, add a minor, or do other things that enrich their experience but do not necessarily shorten the time to degree.

President Reilly remarked upon the good interaction and meaningful discussion. He observed that the *Growth Agenda* is intended to add 80,000 additional graduates by 2025. This plan pertains to graduates and degrees. However, national data indicate that with one year's worth of college credit, an individual's salary on average will be higher than that of somebody who has only a high school diploma. With two years of college credit, their salary will be higher on average than that somebody who has one year of college credit.

President Reilly said that there was a lot of talk in the jobs-preparation world and the workforce-development world about stackable credentials and recognizing achievements short of a degree. Ironically, he said, stackable credentials already exist in the sense that incomes are higher with more credits. Someone who earns some college credit makes more money on average, and probably makes a bigger contribution to society, than somebody who does not have college credit. He said that having a college degree is absolutely better than not having one, but having some credits short of that is also relatively better than having only a high school diploma.

President Reilly turned to Senior Vice President Nook to summarize the discussion. Dr. Nook raised the question of whether the System should continue with the *Growth Agenda* goals. He reviewed data presented earlier in the morning, noting that two UW institutions had dramatically improved their four-year graduation rates: UW-Madison and Eau Claire. Both have had large differential tuition increases focused on improving student quality.

Dr. Nook suggested that the goals could be met, but it would take resources. First, quality must be addressed through efforts to reduce the 18-percent difference between peers' and UW faculty and staff pay. Also, some efficiencies can be gained through improved retention and four-year and six-year graduation rate. Many of the programs and plans for addressing retention and graduation rates were based on new programs, some of which had been implemented by repooling resources, redistributing resources, and making choices about priorities. Investment is needed to put in place new high impact practices that have been proven to improve retention rates and improve graduation rates.

Dr. Nook thanked the three chancellors for participating and all chancellors, provosts, faculty, and staff for helping the System to achieve the numbers it had achieved.

Before the meeting recessed for lunch, President Reilly introduced Brooke Froelich from Senator Harsdorf's office, who was in the audience. He noted Senator Harsdorf's membership on the Joint Committee on Finance and chairpersonship of the Senate's Committee on Universities and Technical Colleges.

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The meeting recessed for lunch at 12:20 p.m. and reconvened at 1:00 p.m.

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PRESENTATION AND DISCUSSION: UPDATE ON 2013-15 BIENNIAL BUDGET AND OPERATING WITH NEW FLEXIBILITY

President Smith asked President Reilly to introduce the afternoon's main topic, the 2013-15 biennial budget. President Reilly noted that the new "block grant" era requires looking at the full picture of expenses and revenues. In keeping with the flexibilities secured during the last biennial budget process, the Governor's proposed 2013-15 budget provides for one sum of GPR that can be used for utilities and fringe benefits. Those same funds may be used for other UW System priorities, including academic programming and employee compensation. President Reilly said, however, that at this early stage, many key details about operating expenses for the coming two years are still unknown.

He said that narrowing the 18-percent compensation gap remains a top priority for the UW System, and the Governor's proposed budget would provide the Board of Regents with new authority to establish compensation plans for UW System employees. Authority is not yet provided, so the System must continue to work through the existing process with the Office of State Employment Relations (OSER) on developing the Governor's proposed compensation plans for state employees; those plans have not yet been announced.

Once more is known about the full compensation picture for the coming biennium, that amount can be added to the information about utilities, fringe benefit costs, and other operating expenses. Based on total expenses, and once the state budget passes, the university will know what kinds of revenues will be provided and, finally, what tuition adjustments may be necessary to achieve a balanced budget. President Reilly said that even with these uncertainties, it seems clear that the Governor's budget sets the stage for movement on employee compensation, along with the lowest tuition increases in many years.

Overall Budget Proposal

President Reilly introduced Associate Vice President Freda Harris to provide more details. Ms. Harris first described revenue sources for the UW System, saying that in 2012-13 the UW System's annual budget totaled \$5.9 billion, but the primary focus during the present discussion would be GPR funds. She identified several categories of funds: federal funds for financial aid, for research purposes and for overhead; gifts, grants, and contracts; auxiliaries, hospitals, and other; and GPR restricted to certain uses, such as debt service, State Lab of Hygiene, and Veterinary Diagnostic Lab. After subtracting the funds in these categories from the total, the net amount available for educating students would be about \$2.19 million. This more flexible funding can be used when adding new programs or when reallocating for new priorities.

Associate Vice President Harris said that, for the first time since the 1980s, the overall budget did not include any cuts or lapses. The budget also includes a continued implementation of the block grant which allows resources to be directed to the highest priorities. The Board would also have compensation authority and responsibility, including identifying the source of funding for compensation.

Ms. Harris showed a slide which showed \$181.4 million of new GPR over the two-year period. This amount would cover cost to continue (\$20.8 million); debt service (\$42.4 million); the block-grant amount for salaries, fringe benefits, utilities, expanded GI benefits, and other ongoing expenses (\$89.4 million); UW Flexible Option (\$2 million -- \$650,000 in the first year, and \$1.3 million in the second); Carbone Cancer Center (\$3.75 million); and WARM and TRIUMPH, two medical school programs (\$3 million). In past years, the salary funding for UW employees would have been in the state's compensation reserve, but was now being included in the UW's block grant.

Incentive Grants

With respect to the budget's proposed \$20 million for incentive grants, Ms. Harris said that the funding would be broken into three different categories: (1) economic development funding for establishing and growing businesses in Wisconsin, to be used in coordination with the Wisconsin Economic Development Corporation; (2) skilled-workforce funding to address high-demand fields identified by the Department of Workforce Development and the Wisconsin Technical College System, as well as for student internships and cooperative work experience opportunities; and (3) funding to address affordability related to reducing time to degree, having high school students earn credits towards a college degree, or improving credit transfer. The UW System is required to submit a plan to the DOA Secretary for how it would distribute these funds.

Ms. Harris said that in its budget request, the Board of Regents had requested funding related to quality access and economic development, which was not funded; however, the incentive-grant resources may help with addressing these priorities.

Regent Whitburn asked about whether the funds would be available in the future. Ms. Harris indicated that the provided funding would be \$10 million per year; however, the funds could not be used for base building at any UW institution.

Ms. Harris said that the budget would continue the flexibilities provided in the 2011-13 budget, under which the restrictions on the Board's ability to determine tuition rates and establish tuition rates for all students was retained.

Enrollment, Student Support and Financial Aid

Ms. Harris showed a graph that showed that at the time of merger, the state was paying about 75 percent of the total per-student cost. Currently, through tuition, students are paying about 70 percent of the cost of their education. She said that the proposed budget could potentially allow for the lowest tuition increase in many years.

Associate Vice President Harris said that the executive budget would not provide any increases in funding for the Wisconsin Higher Education Grant program or for the financial aid programs included in the UW System's budget. However, it would provide \$4 million and increases each year for the Wisconsin Covenant program so it can support the next cohorts of

Wisconsin Covenant students. In addition, for the federal Pell program, the maximum will increase in the next year, so this would lead to an increase in financial aid.

Statutory Language Changes

While noting that UW System Administration staff were still working to understand the full implications of the proposed statutory changes in the Governor's budget, Ms. Harris listed some of them. The budget:

- would remove some restrictions related to how the university could use its base resources for compensation;
- would require employees who use tobacco products to pay an additional \$50 per month for health insurance and afford all state employees the opportunity for a high-deductible health care plan;
- would require a new rehired annuitant to give up their annuity if they work more than two-thirds time and would increase the separation period before rehire from 30 to 75 days;
- would require the UW System and the Technical College System to establish a core credit transfer agreement for no less than 30 credits of undergraduate course work that could transfer toward a degree;
- would enable the sale of state heating plants and remove exemptions that the UW System had from DOA and the Building Commission's authority to sell or lease property;
- would allow UW institutions to continue to participate in certain Internet consortia that advance research, with WiscNet excluded from eligibility;
- would expand Wisconsin GI Bill benefits for veterans who did not enter service from Wisconsin but had lived in the state for more than 5 consecutive years and for the children and spouses of disabled veterans who are more than 30 percent disabled;
- would allow a public K-12 student to take up to two university courses at one time, with the school board paying the university the cost of providing that course, as determined by DPI; and
- would not allow UW institutions to establish or operate a new charter school, but would permit them to contract with an individual without Board approval to operate a charter school.

In response to a question about whether the tuition remission for the veterans' program would still come out of the UW's budget, Associate Vice President Harris said that about \$6 million in state funding would be available for the technical colleges and the UW System, but the balance would be paid through tuition. She estimated that the cost in the previous year was about \$13 million out of the university's budget.

Ms. Harris indicated that the Governor's budget would add several new reporting requirements:

- a biennial report on the fair market value of all real property within the System;
- an annual report on economic development grant activities;

- a report on core credit transfer agreements; and
- a report from UW-Madison on the Wisconsin Academy for Rural Madison (WARM) program.

Regent Millner raised a question about the expense of a biennial inventory of the fair market value of all real property. Associate Vice President Miller said that this requirement was the result of a drafting error; the report was intended to cover surplus property.

Ms. Harris also noted that the Board of Regents had requested some additional authority related to UW procurement, and that request was not met in the budget. The Board had requested funding for the student technology fee, which was similarly not included.

Next Steps

Ms. Harris said that the Governor's budget represented the second phase in the budget process, after submission of the university's budget request in September. The capital budget would be coming out soon. Joint finance would be expected to take action on the budget in April or May, to be followed by action by the Assembly and Senate, with a budget sent to the Governor after that.

Discussion

Regent Drew asked for clarification of the amount included in the Governor's budget as compared with the UW System's budget request. Through ensuing questions and answers, it was explained that the System's request was nearly met with respect to the amount of GPR requested for cost to continue; however, a requested \$21 million in financial aid and funding for student technology fees was not included. The requested \$17 million in ongoing GPR and tuition funds for Quality, Access, and Economic Development was not included; rather, the Governor's budget included \$20 million in incentive grant funding. Regent Drew asked if the budget came close to providing the \$36 million that the System requested, and Ms. Harris indicated that it did, although not precisely as requested.

Regent Walsh asked about the funding associated with hospitals in the budget. Ms. Harris said that the proposed budget included a small amount of GPR associated with the Hospital Authority.

In response to a question from Regent Walsh about potential changes affecting rehired annuitants, Ms. Harris indicated that if an annuitant is presently working full-time they could continue to do so. Associate Vice President Miller agreed that the proposed change would be prospective and would not affect current rehired annuitants.

Regent Walsh also asked about proposed changes affecting WiscNet. Associate Vice President Harris said that in the previous budget there were restrictions on the university's ability to participate in Internet2 and to participate in WiscNet, which also participated with K-12. The

proposed change was related to the ability to participate in Internet2, but provisions related to WiscNet were not changed. Ms. Harris suggested that issues related to WiscNet still remained.

Regent Pruitt asked about the GPR block grant concept and its connection to the flexibility that the Governor's budget would provide the Board with respect to compensation. He asked whether, if the flexibility being granted to the Board in the budget were not granted as a result of the legislative process, some of the GPR dollars would go back to the compensation fund for university employees. Ms. Harris said that the university share of the compensation fund was essentially moved into the block, but some of the funding in the block would also be available for the Board to prioritize for other purposes. Separate from the block would be the funding for the Carbone Center and incentive grants; these would be separate new appropriations. Regent Pruitt expressed congratulations to the Governor for the budget and the linkages to flexibility that seemed to be present. Ms. Harris indicated that the funding, along with the flexibility, were critical pieces that needed to remain in the budget.

Regent Bradley expressed his appreciation to the Governor for thinking "out of the box" and observed that the Governor's budget would move the UW System ahead of Corrections in terms of state support. He asked about how the university's share of about 7.9 percent of the budget compared with where it was before. Ms. Harris said that the UW was at about 7 percent for the 2011-12 budget year.

Regent Walsh remarked that in addition to funding for WARM, which he said was a wonderful and creative incentive, the proposed budget would also provide about \$7 million in funds for the Medical College of Wisconsin campus. He expressed appreciation for the commitment to this type of research.

Chancellor Gow indicated that he believed that the chancellors were enthusiastic about the budget. Having been in the System for six years, he said it was a new feeling to not be looking at major cuts. He expressed concern that some other constituency may seek the "new money" proposed for the UW's budget. Ms. Harris said that if the UW were to not receive this money, it would be a cut for UW institutions.

Chancellor Wells asked for clarification about the cost to continue and whether it would continue in the future. Ms. Harris said that in 2015-17 the UW System would not have a need for the cost-to-continue funding, because salary and fringe-benefit costs would already be covered in the GPR block grant; funding would be requested as part of the block rather than as cost to continue. Regent Whitburn clarified that the funding being discussed would be viewed as part of the university's base budget.

After some discussion about the incentive grant funds and the need to develop recommendations about how these funds should be managed, since they are specifically not allowed to be base-building, the discussion turned to the budget proposal's potential effect on proceeds from the sale of property. In response to a question from Vice President Falbo, Associate Vice President Miller said that he believed that the budget language would require that the net proceeds, after the repayment of any outstanding debt on that property, would go to repay

outstanding debt held by the state. Mr. Miller said, however, that in reality the university has limited land to sell.

Regent Bradley asked for clarification regarding language in the budget message about transforming part-time open enrollment into the Course Options program, under which students of any grade who want to attend a university class could take up to two classes. He asked where the program would be located administratively. Regent Evers responded, saying that he had not been briefed on this, but he thought this would be located in the Department of Public Instruction. Ms. Harris indicated that this would be in DPI's budget, rather than the UW's.

President Smith thanked Ms. Harris for her presentation, and President Reilly added that it was a good budget from the Governor; he expressed appreciation to the Governor for reinvesting in the university. President Reilly urged that it would be necessary to work very hard to hold the budget through the legislative review process. He asked for the help of all Regents, as well as others outside of the university.

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REPORT OF THE PRESIDENT OF THE SYSTEM

Human Resource System Update

President Reilly reported that in February, he and several colleagues testified before the Senate Universities and Technical Colleges Committee, chaired by Senator Sheila Harsdorf, to provide an update regarding the Human Resource System (HRS) project. He told the committee that the UW System is committed to solving the HRS issues efficiently and expeditiously, and providing regular and transparent reports on that progress, as well as on any "bumps in the road" that are encountered. He then invited Senior Vice President Michael Morgan to provide the Board with an update on progress to date.

Senior Vice President Morgan said he would describe the work of the UW System Internal Audit and Financial Services team, which was working cooperatively with UW-Madison's Service Center to develop solutions to the HRS overpayments and security challenges. He said the team continued to make good progress in its review of the HRS technology, people, processes, and policies. He said that since the February Board of Regents meeting no new problems related to overpayments had been identified.

Senior Vice President Morgan reported that Elizabeth Dionne, the UW System's Director of Internal Audit, and her staff were actively working on a variety of projects, including the validation of procedures and processes identified by the Service Center, to ensure that fixes to address overpayment issues were effective. In addition, due to concerns about the integrity of the system, Ms. Dionne and her team were continuing to search for "ghost" employees as a way of preventing fraud, and to date they had not found any evidence of fraud. Mr. Morgan said that Ms. Dionne was also working with the Legislative Audit Bureau, actively responding to their requests and fully cooperating with their efforts.

Senior Vice President Morgan noted that the UW System had also been involved in efforts to recoup health insurance premium overpayments of approximately \$12 million. He also reminded the Board that approximately \$2.5 million in health insurance premium overpayments had already been recovered, and all \$16 million in pension overpayments had been fully recovered.

UW System Administration has been in contact with the Department of Employee Trust Funds (ETF), the state agency that holds contracts with health insurance providers for the UW System employees. He reported that Tom Stafford, the UW System General Counsel, was working closely with the general counsel at ETF and with the Service Center to determine the facts and review the laws applicable to the health insurance benefits that were overpaid. He said that he hoped to provide the Board with a strategy for recovering overpayment dollars at the April Board of Regents meeting. He added that the UW System would be measured and deliberate in its discussions with ETF, and hopefully bring back to the Board a successful plan for recovering the overpayments. He said that it would be difficult to recover the overpayments, but the intent was to be very aggressive in this effort.

Senior Vice President Morgan said that the UW System was in the process of retaining PricewaterhouseCoopers to conduct a post-implementation risk assessment. He explained that the work of PricewaterhouseCoopers will serve as a third-party review of both the internal audit group and Service Center personnel to ensure that all necessary work is addressed.

Senior Vice President Morgan explained that the LAB audit included a finding related to security and recommended that access to data on HRS be limited to those who need it to complete work or transactions. He reported that UW System Administration was in the process of executing the plan to address the recommendations, with anticipated completion by the fall of 2013. LAB also recommended removing programmer access to HRS. He said that he anticipated that the work necessary to implement this recommendation would be completed very soon. A final LAB recommendation related to improving the credentials used to access HRS by implementing more sophisticated security measures before access to the system is granted. Measures might include a dual-authentication system that would require a password as well as a retinal eye scan to access the system.

In addition to the aforementioned work, Senior Vice President Morgan said that the UW System team was working with UW-Madison's Vice Chancellor Darrell Bazzell and his staff on an end-to-end analysis of HRS, from the Service Center at UW-Madison to the end users at the campuses, to look at policies, procedures, and other matters related to the operation of the system. He then invited Vice Chancellor Bazzell to address the Board.

Vice Chancellor Bazzell explained that the overpayment reconciliation process referred to by Senior Vice President Morgan was for fiscal year 2011, and the reconciliation process for fiscal year 2012 was underway and controls were being put in place to prevent future occurrences. The unit that addressed reconciliations was reorganized, and staffing was increased from 1.5 full-time equivalent employees to 14 full-time equivalent employees.

Vice Chancellor Bazzell said that President Reilly asked UW-Madison, and him specifically, to consider other kinds of things that would need to be put into place to not only address the benefits reconciliation issues, but to also make HRS the “best in class” with regard to human resources processing for payroll and benefits. To do so would require a look at policies, processing, people, and technology, and he had given President Reilly a plan to do this. He explained that some of the work was already underway, but what was needed would be a comprehensive look at and significant changes in the policies.

He noted that there was too much complexity in the system, with 197 modifications, which he described as “far too many.” He explained that part of the strategy was to simplify the system and allow the technology to operate the way it was intended. Vice Chancellor Bazzell offered an example of the HRS complexities related to benefits: in the 22 months since HRS was implemented, there had been more than one million job and data changes entered into HRS, and more than 550,000 of those changes had benefit-eligibility implications.

Vice Chancellor Bazzell provided some examples of projects being undertaken to address the complexity of HRS. He explained that the Service Center was working with ETF and vendors that provide the 12 different benefit plans to UW System employees to better align start dates, end dates, and termination dates of the multiple programs. He also explained that each UW institution has its own set of “pay events” or pay cycles which are often tied to academic calendars, resulting in 951 different “pay events” within UW System. He noted that reducing the number of pay cycles was another way to reduce the complexity of HRS and said that he hoped it would result in some savings for the UW System.

Vice Chancellor Bazzell also noted that the Service Center had been reorganized and efforts were underway to better integrate all of the HRS benefit modules. The Service Center was also working with campuses to simplify, streamline, and automate HRS-related processes. He concluded by saying that he believed that UW-Madison had a comprehensive strategy to address the identified issues, but the strategy may be further refined by any findings of the Legislative Audit Bureau and the planned risk-assessment.

Vice Chancellor Bazzell said that the strategy “resonates well” with staff at the institutions, and there was a lot of agreement that after addressing the HRS-benefit issues additional work should be done to make HRS more efficient and responsive.

Federal Sequestration

President Reilly provided an update on federal sequestration, explaining that sequestration is a series of automatic cuts to the federal budget that are applied evenly across most federal departments and agencies. He reminded Regents that he recently wrote to the Wisconsin congressional delegation to point out that UW-Madison alone could lose approximately \$35 million in research funding in the coming year, resulting in unfunded grants and research projects. He also explained that this effect would be compounded as every UW institution has projects supported by funding from the National Science Foundation, which is scheduled for deep cuts. It is feared that research agencies will respond to funding cuts by slowing their renewals and reducing the number of new awards that are approved, resulting in

fewer grants approved, less research undertaken, and a reduced capacity to grow the economy and advance medical care.

President Reilly said that while there were still many unanswered questions regarding sequestration, he was grateful that the sequester would not affect the Pell Grant program, as it was exempted from funding cuts. He added that campus-based financial aid programs, such as the Federal Work-Study program and the Federal Supplemental Education Opportunity Grant would not be spared and would be reduced for the 2013-14 year. He also noted that the TRIO and GEAR UP programs would face funding cuts which would result in less precollege programming, advising, and support services for underrepresented and first-generation students. President Reilly said that UW System Administration would continue to monitor how the cuts would impact the programs on which the UW System and its students rely.

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The meeting recessed at 2:15 p.m. and reconvened at 2:30 p.m.

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CLOSED SESSION

President Smith called upon Vice President Falbo to present Resolution 10179 to recess into closed session. The motion was seconded by Regent Bradley and adopted on a roll-call vote, with Regents Behling, Bradley, Drew, Evers, Falbo, Higgins, Hribar, Manydeeds, Pruitt, Smith, Tyler, Vásquez, and Whitburn voting in the affirmative. There were no dissenting votes and no abstentions.

Closed Session Resolution

Resolution 10179: That the Board of Regents move into closed session to confer with legal counsel regarding pending or potential litigation, as permitted by section 19.85(1)(g), Wis. Stats.

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The meeting was adjourned at 2:37 p.m.

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Submitted by:

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