

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held at University Center
500 Wild Rose Avenue
University of Wisconsin-River Falls
River Falls, Wisconsin

Friday, April 11, 2014
9:00 a.m.

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- President Falbo presiding -

PRESENT: Regents Mark Bradley, Tony Evers, Michael Falbo, Margaret Farrow, Tim Higgins, Chad Landes, Edmund Manydeeds, Regina Millner, Janice Mueller, Drew Petersen, and José Vásquez

UNABLE TO ATTEND: Regents John Behling, John Drew, Tracy Hribar, Charles Pruitt, Gary Roberts, David Walsh, and Gerald Whitburn

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APPROVAL OF THE MINUTES OF THE MARCH 6, 2014 MEETING

President Falbo noted that the minutes of the March 6, 2014 meeting had been distributed. Regent Higgins moved their adoption, and after a second by Regent Petersen, the motion carried.

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REPORT OF THE PRESIDENT OF THE BOARD

Hospital Authority Board, Higher Educational Aids Board and Wisconsin Technical College System Board Reports

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

New Regents

President Falbo began his report by noting that Spring is the annual “changing of the guard” for Regents. Regents would soon bid farewell to their colleagues Regents John Drew, Tracy Hribar, Chad Landes, and Gary Roberts. President Falbo said that it had been a privilege and a pleasure to work with them all. Governor Walker recently announced his four new appointments: José Delgado, of Brookfield, retired president and chief executive officer of American Transmission Co.; Dr. Eve Hall, of New Berlin, president of the African American Chamber of Commerce; Nicolas Harsy, of Madison, a junior mechanical engineering major at UW-Madison who spent five years in the U.S. Marine Corps, and who was appointed as the non-traditional student Regent to succeed Regent Hribar; and Anicka Purath of Mount Pleasant, a sophomore political science major at UW-La Crosse who will serve the remaining year of Chad Landes’ term as the traditional-student Regent. All four were unanimously confirmed the week before.

Search Updates

President Falbo provided brief updates on several ongoing searches. The searches for the UW-Stout, UW-Green Bay, and UW-Oshkosh chancellors were underway, President Falbo reported; President Cross had charged the search-and-screen committee for the UW Colleges and UW-Extension chancellor search; and a call for nominations for the UW-Milwaukee chancellor search committee would go out soon.

On the Chief Audit Executive front, it was decided that the search would be renewed in an effort to identify additional finalists; Regent Mueller will chair the committee.

Funding Allocation Work Group

At the March Board meeting there was a request for an update on the status of the Funding Allocation Working Group (FAWG), which was appointed by President Reilly to review the current methodology used to allocate state general purpose revenue and tuition. President Falbo asked Regent Mueller, a member of the committee, to provide an update. Regent Mueller reported that she serves on the workgroup with Regent Higgins, as well as five chancellors, three vice chancellors, and Interim Vice President Steve Wildeck. The group is chaired by Mark Bugher; Regent Mueller expressed appreciation that a man of his caliber and experience donated his time and energy to guide this effort.

Last December the group was charged with reviewing the methodology for allocating General Purpose Revenue (GPR) and tuition among the UW institutions. The group was asked to determine if changes are needed and, if so, to develop alternatives for consideration by the System President, chancellors, and subsequently by the Board.

Regent Mueller said that the group had so far met three times. She characterized the meetings as informative, instructive, and somewhat challenging, saying that the group was looking at analyzing the existing model and reviewing broad principles upon which funding allocation models are based. The group had been analyzing alternative resource models,

exploring the advantages and disadvantages of each, and also considering how modifications to a funding model can be made over time. Regent Mueller said that the conversations had been difficult but productive.

President Falbo noted that he had met with Mark Bugher the week before; he expressed his own appreciation for Mr. Bugher's leadership.

Update on Board Priorities and Goals

President Falbo reported that since the last Board meeting, he had sent Regents a memo that summarized the various Board committees' priorities and goals and indicated that he would like the committees to prepare brief reports to document progress toward their goals. He expressed the hope that there would be an opportunity to discuss the status reports at the June meeting.

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REPORT OF THE PRESIDENT OF THE SYSTEM

Listening Sessions

President Cross noted that he had begun his listening tour to hear about the concerns, ideas and issues that are important to the students, parents, community and business leaders, legislators, and many others around the state.

He said that he had recently spent two days in Milwaukee, where he met with a diverse set of stakeholders, including state and county government officials, as well as business, community and church leaders. He met with Will Allen and Growing Power; a Northside food group, the Institute for Urban Agriculture; and representatives from the Medical College, as well as UW-Milwaukee, UW-Extension and community leaders. He also met with ministers in the Milwaukee area to discuss what they think are the greatest issues facing their community and how the University might help, as well as with Julia Taylor, President of the Greater Milwaukee Committee; Chris Abele, Milwaukee County Executive; and County Supervisors Willie Johnson and Gerry Broderick. Finally, the listening session in Milwaukee ended with a reception at Steve Adams' and Thelma Sias' home. Mayor Tom Barrett was there, as was former Regent Danae Davis, UW System Associate Vice President Vicki Washington, and others.

President Cross reported that he had also visited UW-Parkside, where the Letters and Sciences Deans' Council was meeting. He listened to their issues and also met with and toured the facilities with Chancellor Ford and her staff.

President Cross also commented on interactions with the legislature and the Governor's Office. He said that Regents, chancellors and other key leaders had been actively engaged in dialogue and raising awareness of issues important to the UW, whether related to specific legislation or relationship development. He noted his commitment to promoting near-term approval by the Joint Committee on Employment Relations of the implementation of the

University Personnel Systems. He listed legislators with whom he had met: Speaker Vos; Minority Leader Barca; Representatives Nass, Ballweg, Jorgensen, Marklein, Kerkman and Sargent; Senate President Ellis; Minority Leader Larsen; and Senators Cowles, Gudex, Farrow, Jauch and Miller.

President Cross stated that he was working closely with the UW's educational partners and had met and would continue to meet with WTCS President Morna Foy, DPI Superintendent Tony Evers, and WAICU president Rolf Wegenke.

Dr. Cross also commented on opportunities to speak with students at the Posters in the Rotunda and the 4-H Centennial celebration in the Capitol. The day after the Board meeting, he would be meeting with student representatives from across the UW System as part of one of their regular meetings, along with Regents Millner and Landes.

President Cross emphasized the priority he placed on becoming acquainted with business and community leaders, including those in Milwaukee and others, such as Eric Borgerding with the Hospital Association and Mike Theo of the Wisconsin Realtors Association. There is a great degree of enthusiasm for a variety of partnerships.

Federal Update

Noting that about 30 percent of the UW System's budget comes from federal support, President Cross mentioned that President Obama had introduced his budget which calls for a small boost in the Department of Education's discretionary budget and at the science agencies, including the National Institutes of Health and National Science Funding. The President's budget would increase the maximum Pell Grant award by \$100, to \$5,830 in 2015-16.

Associate Vice President for Federal and Corporate Relations Kris Andrews was in Washington during the week of the Board meeting to share the UW System's federal priorities for 2014 with Wisconsin's federal delegation, their staff and other stakeholders. Joining her in Washington were Cooperative Extension staff and several members of Wisconsin County Boards, highlighting the work that Cooperative Extension does in all 72 counties in Wisconsin to support agriculture, community, natural resources and economic development, family living and 4-H programming.

President Cross reported that the UW Flexible Option was also being discussed in Washington. Dr. David Schejbal, Dean of Continuing Education at UW-Extension, would participate in a panel that is discussing competency-based education and its implications for federal policy. Those expected to attend include representatives from the U.S. Department of Education, the National Governor's Association, Inside Higher Ed, the Institute for Higher Education Policy, the Gates Foundation, College Board, ACE, AASCU, national student associations, and members and staff from both the House and Senate, including the Wisconsin delegation.

System Administration Updates

President Cross continued his report, noting that a Vice President for University Relations had been selected after a four-month national search. He said that his appointee, Jim Villa, has a 20-year record of building strong teams and of creative problem-solving, as well as extensive experience working with legislators; he begins his position on May 5. A search for a new Vice President for Finance, to succeed Debbie Durcan, was also underway.

News from Around the UW System

President Cross shared news from around the System:

UW-Stevens Point's First Endowed Faculty Position

A generous gift to UW-Stevens Point will establish the university's first endowed faculty position and enhance one of the nation's largest wildlife management programs, President Cross reported. A \$2-million gift from Gerald and Helen Stephens honors the memory of their son, Doug Stephens, a 1991 graduate of UW-Stevens Point. The gift will help create the Douglas R. Stephens Chair in Wildlife, a new faculty position in the College of Natural Resources. Dean Christine Thomas and Development Director Steve Menzel were instrumental in securing this gift.

Gates Foundation Planning Grant for UW System

The UW System has been awarded a \$200,000 planning grant from the Bill & Melinda Gates Foundation. The UW System is one of 12 state systems chosen to participate in this grant; and the funding will advance planning to align, integrate, and more effectively implement reform work already underway to dramatically improve access and success for underserved students. The planning grant will begin this spring and conclude in December 2014, with the potential for continued funding from the Gates Foundation. President Cross congratulated Senior Vice President Mark Nook and Senior Special Assistant Rebecca Karoff for securing the grant and moving it forward.

First Big Idea Tournament, Funded by UW System

The inaugural Wisconsin Big Idea Tournament, funded by the UW System and supported by WEDC, American Family, and other partners, held its first state finals event at the Pyle Center. The innovative program was developed by Eric Steege, of UW-Extension's Center for Technology Commercialization, and Mark Lange, executive director at UW-Extension's Division of Entrepreneurship and Economic Development; it featured ten student-led teams from UW System campuses which were competing for an opportunity to win \$100,000 at an international business model competition to be held later this year in Utah. The top prize went to a UW-Milwaukee student company called Gryphon Industries. Students developed a product line to increase maintenance productivity and safety for military aircraft.

Financial Literacy Program Recognized at UW-La Crosse

UW-La Crosse's "It Make\$ Cents!" financial literacy program received a 2013 Wisconsin Financial Literacy Award from the Department of Financial Institutions. The program was one of only 13 organizations and seven individuals recognized for promoting financial literacy at the State Capitol in February.

UW-Eau Claire First-Year Writing Program Honored for Innovation

President Cross reported that UW-Eau Claire's newly created first-year writing program was honored for its innovation and effectiveness in helping students develop the strong communication skills employers say they value in new college graduates. The Blugold Seminar in Critical Reading and Writing — designed to ensure that every student is prepared for the reading, writing and researching demands of college and beyond — has received the Writing Program Certificate of Excellence from the national Conference on College Composition and Communication.

Video Games Lab Offered at UW-Stout

At UW-Stout, the first-floor lab in the Robert S. Swanson Library and Learning Center will offer video games on one of four retro-style TV sets. The lab is also an applied learning and creative space where students and professors can do research on and teach about video-games.

UW-Milwaukee Astronomer on NASA Aircraft

President Cross reported that a UW-Milwaukee astronomer will take a ride aboard a NASA aircraft. Jean Creighton, the director of UW-Milwaukee's Manfred Olson Planetarium, will be a passenger this spring on NASA's Stratospheric Observatory for Infrared Astronomy (SOFIA), as it flies 45,000 feet into the stratosphere. Jean will join educators from ten other states on this flight. SOFIA is a specially-designed Boeing 747 equipped with a 100-foot telescope. The trip will help astronomers learn more about how galaxies were born.

UW-Platteville Biology Professor Receives Community Engagement Grant

UW-Platteville and Madison College will be collaborating to produce a protein used in the growth of stem cells. UW-Platteville biology professor Esther Ofulue received a Pioneer Academic Center for Community Engagement grant for her class to produce the proteins, which Madison College needs. The college has been doing work with stem cells to train students, as well as college educators. The UW-Platteville students will produce an alternative to mouse cells, which have been used previously.

UW-Madison Men's Basketball Final Four Appearance

President Cross congratulated Coach Bo Ryan and the Wisconsin Badgers men's basketball team for their appearance in the Final Four. He praised Coach Ryan's commitment to developing character in the young men he coaches.

UW-Whitewater Basketball and Gymnastics Teams

President Cross congratulated the UW-Whitewater men's basketball team, winners of the Division III national title for the second time in three years. The Warhawks gymnastics team won the National Collegiate Gymnastics Association title for the third straight year.

UW-Parkside Student Earns Brewers Internship

UW-Parkside student video producer Justin Helm recently earned an internship with the Milwaukee Brewers. The team nominated him to attend the Major League Baseball Diversity Business Summit in New York this month, which is the premier sports employment conference and supplier diversity trade fair.

Student Spotlight

President Cross said that as part of his regular reports to the Board, he would be starting a new feature, called Student Spotlight. He introduced David Pillman, a sophomore at UW-River Falls. President Cross said that David was born in Ecuador, where his parents were serving as missionaries for the Lutheran Church. At age 3, Mr. Pillman and his family moved to Canada; his mother is from Canada. He spent the next six years moving between Canada and Minnesota. At age 9 his family moved to Wisconsin, where he began helping out at a strawberry farm. Mr. Pillman was home schooled and graduated with his high school diploma in 2005. He began studying music at a Bible school in Minneapolis. After two years he left school and joined the Marines. He did three tours, the first at Guantanamo Bay; the second in the Middle East, working security and training foreign nationals from Iraq, Kuwait, Pakistan, Jordan, and Behring; and the third in Afghanistan, where David served from 2011 to 2012, switching from security to regular infantry.

David left the Marines and began attending classes at UW-River Falls in the fall of 2012. He is President of the Navigator Club and plays on the rugby team. In January he purchased the 40-acre strawberry farm at which he had been working since age 9; he is collaborating with Dr. Brian Smith on the development of a new breed of strawberries, the testing of which is taking place at UW-River Falls.

After thanking President Cross for his introduction, Mr. Pillman shared information regarding his background. He said that while he was born in Ecuador, his family moved to Minnesota and then eventually to Menomonie, Wisconsin. After high school graduation, he began studying music at a Bible school in Minnesota and then joined the Marines Corps in 2007. He attributed his interest in animal science and veterinarian medicine to working on dairy farms and strawberry farms while growing up, and noted that he really enjoyed helping the farm animals when they were suffering the most. His interest was further heightened while stationed in Afghanistan, as the local nationals would approach him with animals injured by improvised exploding devices (IEDs) or in other ways and ask him for help.

Since enrolling at UW-River Falls, Mr. Pillman noted a few adjustments he had to make. He said that trying to figure out his veterans' benefits was an important adjustment, as he had no prior knowledge of the great veterans' benefits available in Wisconsin or from the federal

government. Since enrolling at UW-River Falls, he had worked with the campus' Veterans Service Office to develop a special orientation for veterans.

Mr. Pillman explained that what brought him to UW-River Falls was that the small campus, located in a farming community, would allow him to connect to the community and provide opportunities to study animal science, which fit right into the plan he had for himself. He also shared information regarding the strawberry farm that he owns, and the assistance provided by UW-River Falls Professor Brian Smith. As far as his future goals, he said he was looking forward to applying to veterinary school at UW-Madison. President Cross thanked Mr. Pillman and wished him much success.

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REPORT AND APPROVAL OF ACTIONS TAKEN BY THE EDUCATION COMMITTEE

Vice President Millner, on behalf of President Falbo who had left the table briefly, called upon Regent Bradley to present the report of the actions taken by the Education Committee. He noted that an agenda item pertaining to faculty workload data had been removed from the agenda, as Senior Vice President Mark Nook was unable to attend the committee meeting.

Review of Program Array

Regent Bradley commented that among the Board's responsibilities, one of the most important is ensuring that students throughout the system are provided with a high-quality, diverse array of academic programs while minimizing unnecessary duplication. He said that he had found this area to be surrounded by assumptions made by parents, students, and legislators, and also by some myths. The myths need to be replaced by the facts, he said. He suggested that Regents be accurate advocates of what is going on with the array of programs throughout the System, and that every Regent familiarize himself or herself with the slide presentation that Associate Vice President Steven Kolison presented to the Education Committee.

He explained that while new programs indeed are added every year, programs are eliminated as well. Regents approve the additions, but they do not have their attention drawn enough to the deletions. Important decisions are made collaboratively by representatives of the institutions and System staff to manage the array, and it is managed quite well. For example, in the last five years there were 80 new programs added to the System array, but there were also 48 programs that were deleted or suspended. In a five-year period there was a net gain of only 32 programs.

With respect to duplication, Regent Bradley said that this may be the greatest area of myths, especially among people outside the university. Exploring this issue, he said that 58 percent of all undergraduate degree programs are offered by no more than one institution. Only one academic program is offered by all institutions in the System, and that is a Bachelor's degree in Psychology. The data show that there is ample demand for a psychology degree. The duplication beyond the amazing 58-percent figure is very minor.

With respect to how the System compares with other public systems, Regent Bradley said that the total array of UW System academic programs consists of about 1,200 programs. This is lower than the total number of academic programs that were offered at the time of System merger. It is also, comparing apples to apples, at or below the number of programs offered in public institutions in Minnesota, Illinois, and Michigan. The UW System compares very well to other large systems nationally.

Regent Bradley said that he wanted to repeat that this result does not just happen; it is the result of good management. It is a result of people throughout the System taking seriously the responsibility to provide adequate program offerings and, at the same time, avoiding duplication and doing this in a way that holds down costs to the citizens of the state.

UW-River Falls Presentation

Regent Bradley also reported that the committee heard a presentation from UW-River Falls Provost Fernando Delgado. He spoke about nontraditional students and building new partnerships at UW-River Falls, which is an amazing success story. Again, these results do not just happen; they happen because of leadership, vision, and talented people making it happen, on the home campus and at the Hudson Center.

Approvals

Regent Bradley provided an overview of the Education Committee's action items, reporting that Resolutions 10340, 10341, 10342, 10343, 10344, and 10345 were approved unanimously. Resolution 10346, also being moved for approval by the full Board, was approved by a majority vote of the committee. As a result of committee discussion of the request for renewal of the UW-Milwaukee Charter for Urban Day School, Resolution 10346 was amended to authorize the renewal of the Urban Day School contract for four years instead of the customary five, effective July 1, and subject to the submission of a UW-Milwaukee Charter School Evaluation Report at the end of the 2015-16 school year. The UW-Milwaukee Charter School Office will receive another report in two years to determine whether there has been any improvement in the performance over that two-year period. If there is not improvement and the Board believes that this contract should not be continued, UW-Milwaukee has the authority under the contract to terminate it at any time.

Regent Bradley moved approval of Resolutions 10340, 10341, 10342, 10343, 10344, 10345, and 10346. The motion was seconded by Regent Vásquez. Regent Evers requested that Resolution 10346 be removed for a separate vote. Regent Bradley moved approval of 10346, and his motion was seconded by Regent Vásquez.

President Falbo asked if anyone wished to discuss the motions. Regent Farrow commented that the statistics and demographic information on the Urban Day School were very interesting, and she appreciated having the information. Regent Evers remarked that he felt the contract should have been terminated.

Resolutions 10340, 10341, 10342, 10343, 10344, and 10345 were unanimously adopted on a voice vote; and Resolution 10346 was separately adopted, on a majority voice vote.

UW-Madison, Approval of a B.S. in Physical Education

Resolution 10340 That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison, as well as the President of the University of Wisconsin System, the Chancellor be authorized to implement the B.S. in Physical Education.

UW-River Falls, Approval of an M.S. in Computer Science

Resolution 10341 That, upon the recommendation of the Chancellor of the University of Wisconsin-River Falls, as well as the President of the University of Wisconsin System, the Chancellor be authorized to implement the M.S. in Computer Science.

UW-Parkside, Approval of a B.S. in Elementary Education

Resolution 10342 That, upon the recommendation of the Chancellor of the University of Wisconsin-Parkside, as well as the President of the University of Wisconsin System, the Chancellor be authorized to implement the B.S. in Elementary Education.

Approval of Annual Request to Trustees of the William F. Vilas Trust Estate for Support of Scholarships, Fellowships, Professorships, and Special Programs in Arts and Humanities, Social Sciences, and Music

Resolution 10343 That, upon recommendation of the Chancellors of the University of Wisconsin-Madison and the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the request to the Trustees of the William F. Vilas Trust Estate for \$7,104,020 for fiscal year July 1, 2014, to June 30, 2015, subject to availability, as provided by the terms of the William F. Vilas Trust, for Support of Scholarships, Fellowships, Professorships, and Special Programs in Arts and Humanities, Social Sciences, Biological Sciences, Physical Sciences, and Music.

UW-Milwaukee: Authorization of Milwaukee College Preparatory School-North Campus

Resolution 10344 That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the charter school contract with the Milwaukee College Preparatory School of Wisconsin, Inc., establishing a charter school known as the Milwaukee College Preparatory School-North Campus, effective July 1, 2014.

UW-Milwaukee: Authorization of Three Seeds of Health Schools under One Contract

Resolution 10345 That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the charter school contract with Seeds of Health, Inc., to continue to operate under one contract three charter schools known as Seeds of Health Elementary School, Tenor High School, and Veritas High School, effective July 1, 2014.

UW-Milwaukee: Renewal of Urban Day School

Resolution 10346 That, upon recommendation of the Chancellor of the University of Wisconsin-Milwaukee and the President of the University of Wisconsin System, the Board of Regents renew the charter contract with Urban Day School for 4 years, effective July 1, 2014, subject to the submission of a UW-Milwaukee evaluation report at the end of the 2015-16 school year.

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REPORT AND APPROVAL OF ACTIONS TAKEN BY THE RESEARCH, ECONOMIC DEVELOPMENT AND INNOVATION COMMITTEE

President Falbo called upon Regent Higgins to present the report of the Research, Economic Development, and Innovation (REDI) Committee. Regent Higgins reported that the REDI Committee heard four presentations:

- Dr. Barbara Bennie, Associate Professor of Mathematics at UW-La Crosse, provided an update on the Economic Development Incentive Grant Project. The UW-La Crosse grant is the smallest of the 12 grants that were selected as part of the Economic Development Incentive Grant Program, and received \$126,248. The grant will allow the program to extend its support services to businesses across the region and to expand student work experience and internship opportunities.
- Regent Hribar spoke about the Liberal Education and America's Promise (LEAP) education compact, which focuses on making high quality learning a national priority as employers increasingly seek college graduates with a broad set of critical thinking, leadership, and knowledge skills to help fuel the innovation-driven economy. Regent Hribar is the first state business owner to sign the LEAP compact. Signers commit to advocate for students who have hands-on experience with business. A UW-Whitewater alumna and Harley Davidson executive has become the second signer.
- The third discussion, led by Regent Higgins, focused on revisiting the REDI Committee's strategic goals and performance milestones. The committee is on track or ahead of schedule on each of the programs supporting its goals. To date, the plan has led to the implementation of the 2013-15 Economic Development Incentive Grants and the recapitalization of WiSys.

This has generated matching grants and in-kind contributions of nearly \$4.5 million from statewide business partners in key industry priority sectors and from the Wisconsin Economic Development Corporation.

- UW-River Falls Chancellor Dean Van Galen led a discussion that focused on undergraduate research, economic development and innovation initiatives across a wide spectrum of high impact practices. His co-presenters included Glenn Potts, Dean of College of Business and Economics; Scot Simpson, City Administrator for River Falls; and Shannon Zimmerman, CEO of Sajan, a global translation service based in River Falls which is hiring a growing number of interns and UW-River Falls graduates.

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

Regent Falbo called upon Regent Mueller, vice chair of the Audit Committee, to present a report of the actions taken by the Business and Finance Committee and the Audit Committee. Regent Mueller reported that the Audit Committee and the Business and Finance Committee met in joint session to hear from the Legislative Audit Bureau on two reports. She indicated that in Chair Whitburn's absence, she chaired the joint session and Regent Behling chaired the Business and Finance Committee. Because Regent Behling was not able to be present on Friday, she was reporting for both committees.

Legislative Audit Bureau Reports

During the joint session the Legislative Audit Bureau gave a briefing on two reports: the Annual Financial Audit for Fiscal Year 2012-13 and the Program Audit or Performance Evaluation that they conducted of the Human Resource System (HRS). Although these reports had been discussed by UW staff at the February meeting, it is a best practice for audit committees to hear directly from the external auditors. The auditors gave highlights, particularly focusing on the HRS Audit. Their review criticized the UW System for implementing HRS too quickly with insufficient planning. They noted disparate business processes, lack of standardization, and a high number of information-technology workarounds after the system went live.

The Audit Bureau staff also reviewed their financial audit. They gave an overall summary of the UW System's financial condition and gave an unmodified opinion on the accuracy of the financial statements; but they raised significant concerns about a material weakness, the third year this has appeared, related to ongoing security concerns with HRS.

Regent Mueller reported that Senior Vice President Miller responded to questions from the committee about the separation of duties issue, which is a key component of the security concerns. Efforts are well underway, and an external audit organization has been hired to review the System's plans to address security conflicts. An important report is due to the Joint

Legislative Audit Committee on July 1st that will detail the System's response to the audit findings.

Program Revenue Balances

The committee discussed revisions to the policy on program revenue balances and reserves, spending significant time talking about the fund-balance categories to be used in the future: obligated, planned, designated, reserves, and undocumented. Senior Vice President Miller talked about the changes to this policy since the Board first approved it, which range from minor policy changes, to technical changes, to additional clarification of the 15-percent reporting threshold. In the end, Senior Vice President Miller asked that he be given additional time to determine whether a change was needed. A revision was provided in Regents' Friday-morning folders which essentially clarified that if a fund balance exceeds the 15-percent threshold at an institution, the chancellor shall approve that fund balance, document it, and approve it. The Board eventually will review the fund balance, as well.

Regent Mueller reported that the projected year-end program revenue cash balance report was also discussed during the committee meeting. Although questions remain, the new report will be very helpful for improving transparency and openness in the financial information of the university.

University Book Store Bylaws

The committee approved a change in the bylaws of the University Bookstore. The bylaws revision reflects an organizational change from a trust indenture to the more common nonstock corporation structure. University Book Store is a separate legal entity from UW-Madison, but has an historical relationship with the university; and in honor of that history, the Book Store asked for Board approval of its bylaws revisions.

Trust Funds

The committee heard highlights from the Annual Trust Fund Benchmarking Studies, Regent Mueller said. Annualized returns for the UW Trust Funds were reviewed and analyzed; UW Trust Funds are roughly on par with peers and exceed the peer group in the 10-year comparison.

Action on the proposal for non-routine shareholder proxies for the UW System Trust Fund was tabled until a future meeting.

Consent Agenda

On behalf of the Business and Finance Committee, Regent Mueller moved adoption of Resolution 10347, approving the new revisions to the UW System Policy on Program Revenue Balances and Reserves, and Resolution 10348, approval of a change in the bylaws of the University Book Store. The motion was seconded by Regent Higgins and adopted on a voice vote.

Review and Approval of Revisions to UW Board of Regents Policy on Program Revenue Balances and Reserves (RPD 21-6)

Resolution 10347 That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revised methodology to calculate UW System Program Revenue Appropriation Balances and Reserves and directs the President to submit the methodology to the Joint Legislative Audit Committee for its subsequent review and approval.

Review and Approval of Changes in the Bylaws of the University Book Store

Resolution 10348 That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Second Amended and Restated Bylaws of the University Book Store Company.

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

President Falbo called upon Regent Manydeeds to present the report of the Capital Planning and Budget Committee.

UW-River Falls Presentation

Regent Manydeeds reported that UW-River Falls provided a very good update on projects in progress. The campus master plan was also described; it was an informative presentation about the plans for the beautiful River Falls campus.

Master Plan Process

In addition, Associate Vice President Alex Roe provided a presentation about what goes into formulating a master plan for a campus; it is an extensive process. Ms. Roe will provide another presentation in the future about the portion of the process that occurs after the Board acts on capital planning resolutions.

Consent Agenda

Regent Manydeeds provided a brief overview of the resolutions that he would move for adoption, including Resolution 10350, which would authorize amendments to the Priory lease to allow for renovations that will ease the housing shortage at UW-Eau Claire, and Resolution 10352 from UW-Whitewater, which increases the budget of the West Campus Residence Hall upgrade project by \$2 million, because the lowest bid for this project was almost \$2 million more than the original projected budget. On behalf of the committee, Regent Manydeeds moved

adoption of Resolutions 10349, 10350, 10351, and 10352, which had been approved by the Capital Planning and Budget Committee. The motion was seconded by Regent Vásquez and adopted on a voice vote.

UW Colleges: UW-Fond du Lac – Authority to Release a Parcel of Land to Fond du Lac County for the Purpose of Housing Development

Resolution 10349 That, upon the recommendation of the Interim UW Colleges Chancellor and the President of the University of Wisconsin System, authority be granted to permanently release approximately 3.0 acres from the UW-Fond du Lac lease back to Fond du Lac County.

UW-Eau Claire: Approval to Amend the Priory Lease for Space Remodeling

Resolution 10350 That, upon the recommendation of the UW-Eau Claire Chancellor and the President of the University of Wisconsin System, approval be granted for the Department of Administration to amend the previously approved lease for space in The Priory to renovate the remaining 42,743 ASF/55,952 GSF for \$3,800,000 Program Revenue-Cash for a total of 66,104 ASF/80,938 GSF of renovated space for \$5,909,000 Program Revenue-Cash. All other lease terms remain the same as the original approval.

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

Resolution 10351 That, upon the recommendation of the President of the University of Wisconsin System, authority be granted to construct various maintenance and repair projects at an estimated total cost of \$8,130,500 (\$3,395,400 General Fund Supported Borrowing; \$1,656,100 Program Revenue Supported Borrowing; \$703,000 Gifts and Grants; and \$2,376,000 Program Revenue Cash).

UW-Whitewater: Authority to Increase the Budget of the West Campus Residence Hall Upgrade Project

Resolution 10352 That, upon the recommendation of the UW-Whitewater Chancellor and the President of the University of Wisconsin System, authority be granted to increase the project budget by \$2,000,000 Program Revenue-Cash to accept bids received for the West Campus Residence Hall Upgrade project for a revised estimated total cost of \$19,683,100 (\$17,683,100 Program Revenue Supported Borrowing and \$2,000,000 Program Revenue-Cash).

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SYSTEM PRESIDENT'S DISCUSSION OF FINANCIAL MODELING CHANGES AND APPROACHES

Turning to the next item on the agenda, President Falbo said that President Cross planned to speak to the Board about financial modeling changes and approaches. President Cross took the podium and explained that he hoped to share with Regents a format and conceptual thinking related to financial modeling, and not necessarily the numbers. He indicated that the issues he would address break down into four categories: fund balances, financial management tools, annual budget development, and the biennial budget request.

Program Revenue Balances

He started by identifying some of the questions related to fund balances: What are the overall fund balances? What balances exist in each fund? What are the institutional fund balances? What funds are obligated, planned, designated, reserves, or undocumented? He said he wanted to share some concepts and address what he considers to be the two critical issues that affected the UW System in the last year or two: (1) the trends and how the UW System missed them, and (2) the systemwide fund balance within the tuition/GPR fund category. He said that he wanted to spend some time on those two issues because legislators have repeatedly told him that they found those two issues the most troublesome, and when he was a chancellor, he particularly found the issue of systemwide balances troubling.

President Cross referred to the next slide in his presentation, which illustrated the increase in program revenue balances between 2002 and 2013. He suggested that nobody knows what the UW System's fund balances should be, and if someone asked 50 people they would get 50 different answers; but there should be some rationale for determining what the level of the fund balances should be. He suggested that applying a percentage, such as 10 percent or 15 percent, to the UW System's total budget to identify the correct level of reserves isn't necessarily the right thing to do, and is really more of a management tool.

President Cross transitioned to his next series of slides, which illustrated the increase in program revenue balances between 2002 and 2013, as well as possible projections of the balances through 2022. He noted that the projections for the next two years were reasonably accurate, but beyond that the projections are just an extrapolation. Using the fund balance categories as defined by the Legislative Audit Bureau, he proceeded to show the share of recent and projected fund balances in each of the five categories: obligated, planned, designated, and undocumented. He explained that once funds are categorized as obligated, planned, or designated, what is left is approximately \$200 million in the reserves category. He also pointed out that funds in the undocumented category decreased rapidly primarily because the funds were identified for a particular purpose.

President Cross then turned his attention to the balances in one particular fund, the tuition/fee/GPR fund. He referred to a slide with a bar graph illustrating the tuition/fee/GPR fund balances at each UW institution, comparing FY 2013 to FY 2014, and focused attention on the fund balances in the UW "systemwide" account. He noted that the balances in the

“systemwide” account increased from about \$128 million in FY 2012 to \$151 million in FY 2013, which he said he found troubling. He also pointed out that by the end of FY 2014, the balance will be spent down \$76 million, and it will be under \$50 million in the near future. He emphasized the importance of the significant drop in the systemwide fund balance.

Financial Management Tools

President Cross then addressed the financial management tools that have been developed and that will be refined to make them cleaner, clearer, and easier to understand. He noted that a “budget-versus-actual” report will be shared with Regents on a quarterly basis, starting in October and every quarter thereafter. He noted that the report summarizes information by fund, including the tuition/fee/GPR fund; the auxiliary operations fund; the gifts, grants, and contracts fund; and the general operations fund. He added that the total at the bottom of the table should match or be very close to the number included in the “Red Book,” the UW System’s operating budget document.

He also showed a slide illustrating another possible management reporting tool that is under development. This tool will be used to develop more accurate forecasts by UW System Administration staff, in collaboration with chief business officers from the UW campuses; and it will also be very important to the Board. He emphasized that the UW System has typically worked in narrow slices of time—one or two years—when looking at budget or financial data, but a longer-term perspective is needed. He said that if the UW System had been looking at the fund balances more carefully over a longer period of time, the trend might have been identified. He said that in the future he would like to look at six-year projections or forecasts and use the information in decision making related to fund balances, budgeting, expenditures, and enrollment. He said that these pieces all interact in a way that will allow the UW System to more effectively project where it is going.

Budget Development

He also noted that in the future, Regents will see more dashboards and indicators to help identify problems that warrant additional attention. Another change involves the annual budget development process, which historically has presented new budget data based on the prior year’s budget. In the future, projected actual data will be provided, as well as fund balance information.

President Cross expressed the hope that Regents would continue to see openness and transparency, the disaggregation of financial data, and new financial management tools that allow them to look at financial information in different ways. He also said that Regents are seeing more inputs into the annual budget development process and a longer view of financial trends; and they will have a better understanding of the UW System’s fiscal position. He concluded his presentation by emphasizing that his goal is that there should be no surprises for the Board in the financial arena.

At the conclusion of President Cross’ presentation, President Falbo asked if any Regents had questions. Regent Vásquez indicated that while he did not have a question, he had a comment to share. He said that when he served on the board of directors for a hospital he

learned that first and foremost the hospital was a business. Every time the board met, board members received a two-inch volume of information indicating that the hospital could track every Band-Aid, pill, and injection. He said he found it a little bit disconcerting that patient care was addressed during the last few minutes of the board's discussion as they were rushing to finish the board meeting. He complimented President Cross for his presentation and expressed his appreciation for the information provided. He also said that he hoped the Board, in its zeal and desire to be transparent, does not forget that the UW System is first and foremost about educating and graduating students, and providing quality education.

Regent Vásquez also said that as the UW System moves forward with being more transparent, it is necessary to acknowledge that the UW System is a very complex organization. He said that he hoped that in an effort to reflect everything in a one-page dashboard report, something is not lost; there may be times when it is necessary to explain a very complex financial system with more than a one-page report. He again complimented President Cross's presentation and expressed his confidence that President Cross would find a balance between keeping the UW System on the straight and narrow, and not forgetting that the purpose of the UW System is to educate students.

After thanking President Cross for his analysis and presentation, Regent Farrow suggested that the issue of the fund balances be shared with journalism or communication departments in the UW System, to be used as a case study of how to properly write the story. She said that the media is using the wrong headline by focusing on the billion dollars rather than the clarification President Cross provided. She reiterated Regent Vásquez's comments regarding the complexity of the UW System's finances, and thanked President Cross for living up to the commitment he made to the Board.

Referring to explanations of the systemwide balances and efforts to reduce the balances in a relatively short period of time, Regent Petersen asked for a sense of how the money is being spent, and if it is being spent thoughtfully and wisely. President Cross said that he appreciated the premise of the question, and said that System Administration is trying to thoughtfully, diligently, and ethically spend the money with appropriate planning. Senior Vice President Miller further explained that approximately \$59 million of the reduction in the systemwide balance is due to a transfer of funds to the Higher Educational Aids Board, as required by the biennial budget. He noted that the budget also required other lapses that were required to come from the systemwide balance during the first year of the biennium, all of which have been reported to and approved by the Joint Finance Committee. He added that further drawdowns will occur during the second year of the biennium, while the remaining balance will fund ongoing systemwide costs, such as veterans' tuition remission, utilities, and other costs that are generally paid from the systemwide account.

Regent Petersen also commented that the overarching umbrella that UW System needs to keep in mind is the need for active communications, not only with legislative leadership, as Regent Farrow and others had suggested, but also with the citizens of the state. He said the UW System's finances are highly complex and there has been tremendous effort from System Administration staff and campus staff. He said that while he does not want to dilute that work, the information has to be transparent. He said that while he shares some of Regent Vásquez's

concerns about simplifying the information to a one-page document, he also wanted to make sure that Regents, the legislature, and the general public understand the issue and that the System is deploying tremendous resources to address the issue.

Vice President Millner said that she wanted to echo the comments of Farrow and Regent Petersen about getting the message out. She also said that while the primary mission of the UW System is to educate students and the citizens of the state, the job of the governing board of the UW System is to manage wisely to do good. She said that she was on the Board because she cares about higher education, as do other Board members, but the Board must also remember its overarching responsibility to manage wisely.

President Cross said that earlier in the morning, the Governor announced his intention to freeze tuition for two more years. In light of this announcement, President Cross said his goal would be to work with the Governor and the legislature to help everyone understand the UW System's situation. He said that he is hopeful that over the coming year, the UW System can help a lot of folks, including legislators and the Governor's Office, better understand the UW System's financial situation, and he intends to work at that very vigorously. He said he wanted to look at this situation as a partnership with the legislature and the Governor's office, working together to find a reasonable solution. He said he hoped that the Board would work with him and the chancellors, faculty and staff to find a way to partner over the next year to get the best budget possible for the university.

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RESOLUTION OF APPRECIATION TO UW-RIVER FALLS AS HOST OF THE APRIL MEETING

President Falbo called upon Regent Bradley to present the resolution of appreciation to UW-River Falls for hosting the April meeting. Regent Bradley remarked that two things that most successful organizations are able to communicate clearly to their employees and to the people to whom they provide their goods and services are: what defines the organization and what aspirations their leaders have for the future. He suggested that the Board had seen over the past two days that Chancellor Van Galen and his administrative team are accomplishing both.

He also noted that if he were a prospective student, whether coming out of high school or returning from the military or leaving a job, he would be very attracted to a university community that has coalesced behind initiatives of being global, innovative and excellent. He said that he was pleased, as the campus liaison for UW-River Falls, to present the following resolution to the campus community:

Resolution of Appreciation: UW-River Falls

Resolution 10353 WHEREAS, the members of the Board of Regents are pleased to recognize the University of Wisconsin-River Falls as the official host campus for the Board's April meeting of the 2014 calendar year; and

WHEREAS, the Board is grateful for the generous hospitality extended this month by Chancellor Van Galen and the entire UW-River Falls community; and

WHEREAS, the Board appreciated the opportunity to visit the Hudson Center, an education center designed specifically for the needs of adult students, and enjoyed the reception held there co-hosted by local legislators; and

WHEREAS, the Board applauds UW-River Falls' strategic efforts to pursue a pathway to distinction in the St. Croix Valley; and

WHEREAS, UW-River Falls has offered the Board useful insights during a presentation by Provost Fernando Delgado on the university's important efforts to build partnerships with nontraditional students, and Chancellor Dean Van Galen's discussion of the ties among UW-River Falls' undergraduate research, economic development, and business outreach initiatives; and

WHEREAS, UW-River Falls is taking an active approach to improving agriculture in the region with its River Falls Farms Master Plan;

BE IT THEREFORE RESOLVED that the Board of Regents hereby thanks UW-River Falls for this month's informative presentations, its forward-thinking spirit, and its many continued contributions to the UW System and to the state of Wisconsin.

Regent Bradley thanked Chancellor Van Galen on behalf of the Board and asked him to make closing comments. Chancellor Van Galen expressed appreciation for the thoughtful resolution and for the Board's presence in River Falls and expressed the hope that Board members had enjoyed learning more about what is being done at UW-River Falls.

The chancellor also thanked the entire campus community. Commenting that organizing and planning such events is a bit of an effort, he named some of the people who had stepped up to help. He especially acknowledged the Planning Committee chaired by Katie Koets, along with Dianne Monteith, Blake Fry, Deb Martin, Mike Stifter and Melissa Wilson.

Chancellor Van Galen also mentioned that there had been inquiries about the availability of UW-River Falls' Falcon Foods cheese for purchase; he noted that the Falcon Foods Store would be open today until 4:00. He also noted that Regents would be receiving gift boxes that included the newly-named Reggenti cheese. He again thanked Regents for being present and wished them safe travels home.

President Falbo, commenting that it had been a great experience to have breakfast with UW-River Falls students that morning, added his thanks to Regent Bradley's.

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REGENT COMMUNICATIONS, PETITIONS AND MEMORIALS

In response to President Falbo's call for communications, petitions or memorials, President Cross expressed sadness over the recent sudden death of Jim Mishefske, who was the state director of the Wisconsin Small Business Development Centers (SBDCs). Mr. Mishefske had collapsed the week before while working out and was pronounced dead at the hospital. He was 37 years old. He had just moved to Madison from Eau Claire with his wife and young daughter. President Cross said that he was doing an incredible job leading the SBDCs and was full of energy and enthusiasm for the future. He quoted from the obituary: "He would walk into a room and the room would light up simply because of his infectious personality. This world was a better place simply because he was a part of it." President Cross expressed sincere condolences to Mr. Mishefske's family, friends and colleagues.

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The meeting was adjourned at 10:35 a.m.

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Submitted by:

/s/ Jane S. Radue

Jane S. Radue, Executive Director and Corporate Secretary
Office of the Board of Regents
University of Wisconsin System