

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

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

Thursday, June 5, 2014
12:45 p.m.

INTRODUCTION OF NEW REGENTS 3

OTHER INTRODUCTIONS 4

RESOLUTION OF APPRECIATION FOR REGENT EMERITUS GARY ROBERTS’ SERVICE ON THE BOARD OF REGENTS . 5
Resolution of Appreciation for Regent Emeritus Gary Roberts’ Service on the Board5

RESOLUTION OF APPRECIATION FOR REGENT EMERITA TRACY HRIBAR’S SERVICE ON THE BOARD OF REGENTS .. 7
Resolution of Appreciation for Regent Emerita Tracy Hribar’s Service on the Board.....8

HOST-CAMPUS PRESENTATION BY UW-MILWAUKEE INTERIM CHANCELLOR MARK MONE: “MOVING FORWARD TOGETHER: STRATEGIC DIRECTIONS FOR UWM” 10

UWM’S ECONOMIC IMPACT 11

PROGRESS ON CAPITAL PROJECTS..... 11

RESEARCH AND PARTNERSHIPS 12

UW-MILWAUKEE – PRESENT AND FUTURE..... 13
Recent Trends and Current Targets..... 13
Future Pathways 14

PRESIDENT CROSS’S INTRODUCTION TO THE 2014-15 ANNUAL BUDGET AND 2015-17 BIENNIAL BUDGET DISCUSSIONS 16

ANNUAL BUDGET AND FINANCIAL MANAGEMENT 17

BIENNIAL BUDGET 18

UW SYSTEM 2014-15 ANNUAL OPERATING BUDGET AND TUITION AND FEE SCHEDULES 19

CURRENT-YEAR EXPENDITURES AND BALANCES 20

FUND SOURCES 20
2014-15 Operating Budget, Including Rates for Academic Tuition, Segregated Fees, Textbook Rental, and Room and Board; Academic Tuition Refund Policy and Schedule; Estimated Expenditures From Fund Balances; and Annual Distribution Adjustments 27

UW SYSTEM 2015-2017 BIENNIAL BUDGET UPDATE 28

OPERATING BUDGET PREVIEW 28

CAPITAL BUDGET PREVIEW 29

RECOMMENDATION ON FINANCIAL AID FOR THE 2015-17 BIENNIUM 30

Financial Aid: 2015-17 WHEG – UW Funding Recommendation32

CLOSED SESSION **32**

Closed Session Resolution32

Amended Compensation Agreement for the UW-Madison Head Basketball Coach.....33

Salary for Interim Chancellor of UW-Oshkosh.....33

Student Request for Review of a UW-Green Bay Decision33

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-President Falbo Presiding-

PRESENT: Regents Mark Bradley, José Delgado, Tony Evers, Michael Falbo, Margaret Farrow, Eve Hall, Nicolas Harsy, Tim Higgins, Edmund Manydeeds, Regina Millner, Janice Mueller, Drew Petersen, Charles Pruitt, Anicka Purath, José Vásquez, David Walsh, and Gerald Whitburn

UNABLE TO ATTEND: Regent John Behling

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INTRODUCTION OF NEW REGENTS

President Falbo greeted meeting attendees and thanked Interim Chancellor Mark Mone and his team for their warm hospitality, saying that Board members looked forward to learning and hearing about the exciting ideas and activities occurring at UW-Milwaukee.

Noting that the Board would be saying farewell to Regents John Drew, Tracy Hribar, Chad Landes, and Gary Roberts, as well as Chancellors Sorensen, Harden, and Lovell, and Senior Vice President Nook, President Falbo began the meeting by introducing and welcoming new Regents José Delgado, Eve Hall, Nicolas Harsy, and Anicka Purath, who began their terms on May 1.

José Delgado, of Brookfield, is the former CEO of American Transmission Company (ATC), now retired. He earned his Master's degree in business administration at UWM and also has a master's degree from Marquette University in electrical engineering. Regent Delgado worked for We Energies for 27 years, initially as an electrical engineer and eventually as Vice President of electric system operations, before leaving for ATC. He serves on advisory committees for UW-Milwaukee, Marquette University, and the St. Anthony School System, among other commitments. President Falbo welcomed Regent Delgado, who indicated that he was glad to be on the Board and had enjoyed his time as a Regent so far.

President Falbo next introduced Dr. Eve Hall, of New Berlin, president of the African American Chamber of Commerce. She earned her M.S. in Leadership and Supervision in Education at UW-Milwaukee and her Ph.D. in Education from Cardinal Stritch University. In 2001, Regent Hall began working for the Thurgood Marshall College Fund, directing a national school redesign program. She also coordinated international opportunities for students in historically black colleges and universities. She previously worked for Family Service of Wisconsin, the Milwaukee Public School System, and the Milwaukee office of former Governor Tommy Thompson; her charge was to lead efforts in education reform. Her current focus is on nurturing the development of African-American owned businesses. President Falbo welcomed Regent Hall, who expressed pride in being a member of the Board of Regents and said that she looked forward to serving.

Nicolas Harsy, of Middleton, is studying mechanical engineering at UW-Madison and is a member of several student groups: Wisconsin Superbikes, V.E.T.S. and the Wisconsin Gun Club. He served in the United States Marine Corps from 2008-2013, including two tours in Afghanistan, before receiving an honorable discharge with the rank of Sergeant. Regent Harsy served as a Platoon Sergeant, Infantry Squad Leader, and Squad Pointman. His awards include the Combat Action Ribbon and the National Defense Medal. President Falbo thanked Regent Harsy for his service and welcomed him to the Board of Regents. Regent Harsy said that he was excited to be a member of the Board, and looked forward to learning quickly and serving those around him.

President Falbo introduced Regent Anicka Purath of Mount Pleasant, a UW-La Crosse student who is studying political science. Regent Purath has been a member of the UW-La Crosse Lions Club, and she volunteers for the La Crosse Children's Museum and at a local nature center. In addition, she is a member of the UW-La Crosse Pre-Law Association. President Falbo welcomed Regent Purath to the Board of Regents. Regent Purath said that she was excited to be on the Board; she said she takes pride in being a student at UW-La Crosse and looked forward to sharing that pride in the UW System as a whole.

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OTHER INTRODUCTIONS

President Falbo called upon President Cross to make two other introductions. President Cross introduced two new members of the University Relations team, Jim Villa and John Diamond.

Jim Villa is the new Vice President for University Relations. He supervises a team that is broadly responsible for external and internal communications, state government relations, and federal relations. President Cross expressed confidence that Mr. Villa's experience in management, government relations, and marketing will help strengthen the System's relationship-building efforts.

John Diamond, formerly of the University of Arkansas, manages the System's communications team and coordinates strategic communications. He has worked in higher education communications for more than two decades, in addition to previously serving as majority leader in the Maine Legislature.

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RESOLUTION OF APPRECIATION FOR REGENT EMERITUS GARY ROBERTS' SERVICE ON THE BOARD OF REGENTS

Saying that the Board would officially recognize the service, commitment, and contributions of several colleagues who had recently left the Board, President Falbo invited Regent Emerita Katie Pointer to the podium. She said that she was honored to be speaking again before the Board to recognize Regent Roberts' impact on, and contributions to, the Board of Regents and the UW System. She explained that serving with Regent Roberts gave her the opportunity to watch, listen, and learn as he asked tough questions about the UW System and the way it does business. She said that as a successful businessman, Regent Roberts brought a powerful set of managerial skills and experiences that helped guide the work of the full Board, as well as the committees he served on. Ms. Pointer said that Regent Roberts had become one of her closest colleagues and friends; and his guidance, both professionally and personally, had been a cherished gift.

Regent Emerita Pointer said that she believed Regent Roberts' biggest contribution to the Board was to challenge the status quo, to ask tough questions of staff and other Regents, and to constantly look for ways to improve the UW System to deliver the best educational services to students. Referring to his passion and appreciation for the UW System, she said that his is a candid voice that represents a common-sense view. She said she found it noteworthy that Regent Roberts' tenure on the Board occurred at a critical juncture in the UW System's history, and his tough questions and "tell-it-how-it-is" approach were needed. She said his forthrightness should be applauded, and the Board and the System should aim to act in a similar way. She thanked Regent Roberts for his service to the Board and to the UW System, and personally thanked him for his friendship. She then read the resolution of appreciation, which was adopted by acclamation:

Resolution of Appreciation for Regent Emeritus Gary Roberts' Service on the Board

Resolution 10360 WHEREAS, Gary Roberts contributed three years of dedicated service as a Regent of the University of Wisconsin System, from 2011 to 2014; and

WHEREAS, Gary served on the Capital Planning and Budget Committee, ensuring that resources are invested wisely on behalf of the UW System's 26 campuses; 180,000 students; and the many stakeholders, faculty, and staff who support them; and

WHEREAS, Gary assisted in finding ways to make education more affordable for students by serving as the Regent member of the Higher Educational Aids Board; and

WHEREAS, Gary has worked to publicly honor and reward the commitment of outstanding UW educators by serving on the Teaching Excellence Awards Committee; and

WHEREAS, Gary is a proud graduate of UW-La Crosse, having earned a Bachelor of Science degree in Political Science and Psychology and has since dedicated his professional career to fostering a more vibrant community; and

WHEREAS, Gary helped identify the talent and vision of the next leader of the UW-Eau Claire campus through his participation on the chancellor search committee; and

WHEREAS, Gary approached financial and other challenges with a sense of purpose and resoluteness, once saying at a campus meeting, “We have some problems and that excites me because a problem to me is an opportunity to make things happen. Let’s all accept the challenge as a System and a university to make things happen;”

BE IT THEREFORE RESOLVED that the Board of Regents of the University of Wisconsin System extends its most sincere gratitude to Regent Gary Roberts for his leadership and invaluable service to the UW System and the citizens of Wisconsin.

Regent Emeritus Roberts approached the podium and was greeted with a standing ovation. He thanked Ms. Pointer and congratulated her on her recent graduation and new job with the UW System. Addressing his fellow Regents and Wisconsinites, Mr. Roberts said that while most Regents emeriti have commented on how they were honored to be able to serve as a Regent, he would not say it was an honor, but that it was an overwhelming responsibility. He explained that the responsibility gave him the opportunity to give back, but more importantly the opportunity to question the status quo.

He said that he hoped that everyone shared his sincere belief that the state and the country were forged on the anvil of a diversity of opinions. He said his personal goals for the System are based on his experiences in the business world. Commenting that those goals may have seemed at odds with others in higher education, he said that is okay, and a fundamental reason why Regents must continue to acknowledge the necessity of a diversity of opinions as the standard of all of the UW System’s great universities. He asked each of the Regents to explore and exchange contrary opinions during their deliberations.

Regent Emeritus Roberts said that during his short tenure on the Board, he observed some interesting activities and points of view; he asked Regents to consider certain events at

some educational institutions. He explained that recently a union political and organizing director spoke as a guest lecturer at a UW-Whitewater class, lambasting Republicans and Governor Walker for being racist. He said the racist diatribe was recorded by a freshman student, went viral on the Internet, and received national attention. He noted that there was no alternate point of view presented to the students at that time. He said that, amazingly, UW-Whitewater's Faculty Senate responded by unanimously passing a resolution banning the recording of any class without first getting the permission from the instructor. He added that Chancellor Telfer was quoted as saying, "I believe it is important that our faculty and our students are able to have a free exchange of ideas without concern of what is said and communicated beyond the limits of the classroom and the campus;" but after serious consideration, the chancellor refused to sign the Faculty Senate's resolution. Mr. Roberts said he believes it is important that this type of hate speech be exposed, because lectures like this are being presented in a classroom setting as facts, when in reality these lectures lack truth and are emotional, irrational race-baiting and propaganda-laden speech.

Regent Emeritus Roberts continued by mentioning an event involving Rutgers University and Condoleezza Rice, the first black woman to serve as National Security Advisor and Secretary of State. Regent Roberts quoted the Newark Star Ledger, saying, "The Rutgers' faculty seemed intent on proving right the conservative complaint that America's colleges and universities are dominated by close-minded liberals who restrict free conversation on campuses in favor of leftist indoctrination." He said that, thankfully, there are still a few people with class like Condoleezza Rice, who responded to the event with the following statement: "I am honored to have served my country. I have defended America's belief in free speech and exchange of ideas. These values are essential to the health of our democracy. But this is not what is at issue here. As a professor for thirty years at Stanford University and its former Provost and Chief Academic Officer, I understand and embrace the purpose of the commencement ceremony and I am simply unwilling to detract from it in any way."

Regent Emeritus Roberts asked Regents to consider whether the UW System should tolerate such events. He said that what is tolerated today becomes a norm for the future. He said that the UW System is the greatest university system in the world and that did not happen by accident. Referring to a culture of intimidation and lack of civility, and saying the issue is not about liberals or conservatives, Regent Emeritus Roberts said that for a healthy academic environment, the UW System needs to encourage tolerance and be accepting of all views; he referred to this as academic diversity. He concluded by thanking the Board for the incredible opportunity and said it had been his pleasure to serve with all of the Regents.

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RESOLUTION OF APPRECIATION FOR REGENT EMERITA TRACY HRIBAR'S SERVICE ON THE BOARD OF REGENTS

President Falbo asked Regent Mueller to present a resolution of appreciation to Regent Emerita Tracy Hribar. Addressing Ms. Hribar, Regent Mueller started her presentation by saying that she had to push her way to the front of the line in order to be able to give the tribute to Ms.

Hribar. She said that Regent Hribar was one of the first Regents she met, and she was taken with her welcoming smile. Regent Mueller said that in the last few months, as she had had the opportunity to work with, observe, and become friends with Regent Hribar, she was impressed with what has made Regent Hribar successful—her work ethic, determination, and intellect—as well as the important roles that preceded her appointment to the Board of Regents—wife, mom, small-business owner, and student.

Regent Mueller highlighted Regent Hribar’s success as a student, noting that she delivered the commencement address at her spring commencement from UW-Parkside and received the Chancellor’s Award as that institution’s top graduate. Regent Mueller joked that she saw a newspaper picture of Regent Hribar in which she was covered in so many colorful ribbons and medals that she could not see Regent Hribar in the picture! She added that every one of those awards, ribbons, and medallions was well deserved and well earned.

Regent Mueller said that she found an excerpt from an interview Regent Hribar gave when first appointed to the Board of Regents in 2012, in which the interviewer asked what Regent Hribar would have to accomplish in order to make her tenure as a Regent a success. Regent Hribar responded by stating, “I would like to be an asset to the UW System. I want to use my common-sense, small-business acumen and student experiences to improve the System.” Addressing Regent Hribar, Regent Mueller said that she had met and exceeded the goals she set for herself. On behalf of her colleagues on the Board of Regents, Regent Mueller said she was honored to present Regent Hribar with the resolution of appreciation for her service. The resolution was adopted by acclamation:

Resolution of Appreciation for Regent Emerita Tracy Hribar’s Service on the Board

Resolution 10361 WHEREAS, Tracy Hribar served as a dedicated student representative on the University of Wisconsin System Board of Regents, from May 2012 to May 2014; and

WHEREAS, Tracy has been an active and thoughtful member of the Diversity Awards Committee, where she demonstrated her commitment to recognize and support individuals and programs in the UW System that foster access and success in university life for historically underrepresented populations; and

WHEREAS, Tracy has served on the Higher Educational Aids Board, strategizing how best to make the college experience more affordable for UW students, via loans, grants, scholarships, and other methods; and

WHEREAS, Tracy increased awareness for the Association of American Colleges and Universities (AAC&U) Liberal Education and America's Promise (LEAP) – a national benchmark for college learning and liberal education – being the first business owner in Wisconsin to sign the LEAP employer-educator compact, a pledge by employers to support a well-rounded education; and

WHEREAS, Tracy served as chair of the Academic Staff Excellence Awards Committee, ensuring that the finest UW System academic staff and programs are recognized for their service and accomplishments on behalf of students; and

WHEREAS, Tracy helped select new campus leadership for the Blugolds as a member of the Special Committee for the UW-Eau Claire Chancellor Search; and

WHEREAS, Tracy is a new Bachelor of Science graduate of UW-Parkside, having earned a double major in Economics and Business Management with a Finance concentration, an accomplishment of which Tracy says, "I now have the expertise and confidence to accomplish things I had previously only dreamed of;"

BE IT THEREFORE RESOLVED that the Board of Regents of the University of Wisconsin System extends its most sincere gratitude to Regent Tracy Hribar for her leadership and invaluable service to the UW System and the citizens of Wisconsin, and wishes her all the best as she accomplishes her dreams.

Regent Emerita Hribar approached the podium and was greeted with a standing ovation. After thanking Regent Mueller for the wonderful introduction, she joked that as the “mom” in her household she was not used to having that many nice things said about her at one time! She expressed her appreciation to Governor Walker for giving her the opportunity to represent nontraditional students throughout the state of Wisconsin. She said that like many Wisconsin residents, before she became involved with the Board of Regents she had no idea what it took to maintain and grow such a wonderful university system. When she decided to apply for the position of the nontraditional student Regent, she said her first step was to google “Regent.” She depended on the UW System’s providing an affordable quality education, an alternative where people such as herself and her children could go.

Regent Emerita Hribar said that declining high school populations, along with the importance of offering educational opportunity to adults throughout the state, ensured that nontraditional students would continue to represent a key demographic in the UW System. She said that it is important to keep finding innovative ways to meet the educational needs of these students.

Ms. Hribar said she that she very much enjoyed her time on the Board and thanked all the Regents, President Cross, and everyone at the UW System for continuing to strive to make the University of Wisconsin an affordable, accessible place for everyone to get a good education.

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HOST-CAMPUS PRESENTATION BY UW-MILWAUKEE INTERIM CHANCELLOR MARK MONE: “MOVING FORWARD TOGETHER: STRATEGIC DIRECTIONS FOR UWM”

Turning to the next item on the agenda, Regent Falbo said that one of the best parts about meeting around the state is the opportunity to learn more about the great campuses of the UW System. He then invited Interim Chancellor Mark Mone to tell the Board more about what is happening at UW-Milwaukee.

Interim Chancellor Mone welcomed everyone to the UW-Milwaukee portion of the program and to the city of Milwaukee. Noting that he had been serving as interim chancellor for only about three weeks, he said that he had been at UW-Milwaukee for 25 years prior, working closely with the Chancellor’s Office for the last several years. He added that he also developed many community partnerships and relationships in his role in the Business School.

Interim Chancellor Mone said that he would talk about some of the things happening at UW-Milwaukee. He first highlighted recent newspaper headlines from the *Milwaukee Journal Sentinel*. The first headline, “It Has to be About Jobs,” from a June 1, 2014, editorial, provided some positive perspectives and reinforced that there needs to be an emphasis on jobs. He noted that the Milwaukee region is one of 12 federally-recognized regions with access to \$1.3 billion in federal funding.

With regard to a second headline, “State Near the Bottom in Entrepreneurship,” from a June 2, 2014, article, Interim Chancellor Mone said that UW-Milwaukee has for a long time been involved in research on what it takes for a community to truly thrive, and is positioning the institution to help move the state in a different direction. With regard to the third headline, “Milwaukee Infant Mortality Rates Heading in Wrong Direction,” from a June 3, 2014, article, he said that this is not news to anybody who is familiar with this issue and that in the Milwaukee community blacks have an infant mortality rate three times greater than whites. He said that Dr. Magda Peck, Dean of the Zilber School of Public Health, has noted that this is one of the indicators of population health, and it is simply unacceptable.

Interim Chancellor Mone indicated that while there are a number of other headlines regarding the quality of education and success rates, income levels, or other issues that he could highlight, he wanted to emphasize efforts to position UW-Milwaukee to have greater impact than it has had on local, state, regional, and global issues.

He explained that with a theme of “Moving Forward Together,” his presentation would focus on UW-Milwaukee’s impact and provide an update on capital projects, as well as research and partnerships. He then planned to address UW-Milwaukee’s current situation, and some of the actions and outcome areas that are critically important, and conclude with UW-Milwaukee’s future.

UWM's Economic Impact

Interim Chancellor Mone highlighted a recent economic impact study conducted by NorthStar Consulting Group. This study showed that UW-Milwaukee has an economic impact of \$1.5 billion through wages, real estate, and a number of different activities; almost 15,000 Wisconsin jobs; and \$85 million in state and local taxes. He also explained that beyond these traditional measures of economic impact, UW-Milwaukee's impact is well documented and includes 2,000 highly-talented faculty and academic teaching staff who contribute in research labs, in classrooms, and in the community every day, as well as staff who help make the university work in many different ways. The impact of UW-Milwaukee also includes students, such as the 28,000 admitted last fall, and the 150,000 graduates, more than 90 percent of whom stay in Wisconsin.

He also noted that UW-Milwaukee has an impact by supporting the key economic clusters in southeastern Wisconsin, including information technology, water, advanced manufacturing, health care, and financial services, and preparing students for jobs in these areas. He also noted that regions that thrive are focused on economic clusters. UW-Milwaukee's impact is also related to incomes, as the difference in income between someone who has graduated from college and someone who has not is about \$24,000 per year, which when applied to UW-Milwaukee graduates and their lifetime earnings, results in a substantial \$1.5 billion lifetime earnings differential. He also noted that UW-Milwaukee's impact extends to research and innovation.

Progress on Capital Projects

Interim Chancellor Mone continued by describing progress on UW-Milwaukee capital projects. The first project, the Kenwood Interdisciplinary Research Complex, is located on UW-Milwaukee's main campus, just west of where the Regents were meeting, and is scheduled to open by the summer of 2015. Saying that the space is long overdue, he explained that the new building would house physics, applied chemistry, public health labs, and other research areas.

He continued by explaining that UW-Milwaukee has four other locations in addition to its main campus, including the Freshwater Sciences Building, which was recently featured in a Milwaukee Business Journal article. He noted that the article also shared the history and decades of work of the Great Lakes Fresh Water Institute and UW-Milwaukee's plans to become one of the great freshwater research institutions in the country. He also noted that UW-Milwaukee also leases the 7th floor of the Global Water Center building in an effort to partner with the 140 members of the Water Council.

Interim Chancellor Mone also spoke about the Innovation Campus and the Innovation Accelerator Building, which opened in May and will be home to a number of different activities, including bioengineering, rehab ergonomics, and rapid prototyping, all of which reflect faculty interests. He explained that there was a competitive process for selecting faculty who will work with some of UW-Milwaukee's partners, including Froedtert Hospital, the Medical College of Wisconsin, Children's Hospital of Wisconsin, and others.

Research and Partnerships

Transitioning to the third portion of his presentation, Interim Chancellor Mone explained that the Milwaukee region has been recognized as one of 12 areas selected for a federal program on manufacturing, which means that the region receives preferential treatment for achieving federal funds. The Milwaukee region beat out 58 other entities that were applying for the designation, which recognizes its potential for training, research, and moving Wisconsin into the forefront of manufacturing and advanced research.

With respect to other research and partnership updates, Interim Chancellor Mone noted that UW-Milwaukee is participating in four of the UW System Incentive Grant projects, and is leading three of them: the Water Technology Accelerator project with UW-Parkside, the Aquaculture/Aquaponics Research and Training project with UW-Parkside and UW-Whitewater, and the Southeast Wisconsin Applied Chemistry Center with UW-Parkside. The fourth project, led by UW-Eau Claire, is a statewide initiative to address the nursing shortage, and also involves UW-Madison and UW-Oshkosh.

In addition, UW-Milwaukee is part of a prestigious eight-institution Science and Technology Center, led by the State University of New York-Buffalo. He said that UW-Milwaukee is a critical partner, looking at protein imaging. He also noted that the campus is part of the Midwest Energy Research Consortium (MWERC), which includes four universities, including UW-Madison, industry partners, and the U.S. Department of Energy, and which is involved in a substantial set of initiatives.

Interim Chancellor Mone highlighted UW-Milwaukee's Student Start-Up Challenge as an effort to bring students into entrepreneurship and connect research and applications to industry. He explained that UW-Milwaukee has been involved in this effort for the last three years, and some of the student teams had launched businesses and received additional seed funding.

He also mentioned the Mobile Innovation Lab, also referred to as the App Brewery, which involves students' working with nonprofits to help them with their smart technologies, to develop better software and applications, and to better use research and data.

Interim Chancellor Mone also highlighted WiscAMP, or the Wisconsin Alliance for Minority Participation, which engages underrepresented populations in undergraduate research, allowing students to do hands-on research projects. The project is being led by Vice Chancellor Joan Prince.

He also called attention to the Encyclopedia of Milwaukee, a decade-long project that started in 2007, which has received funding from the National Endowment for the Humanities, as well as the Greater Milwaukee Foundation. When it is completed the encyclopedia will include 7,000 entries and provide a rich resource for the community. He thanked Distinguished Professor Margo Anderson and Associate Professor Amanda Seligman for their leadership on this important initiative.

Interim Chancellor Mone said that another set of activities involving partnerships and research is UW-Milwaukee's Peck School of the Arts, which has put together 350 different performances that include dance, music, film and an array of other activities, both on and off campus. He also called attention to a recent event called "All About Godzilla," involving a UW-Milwaukee graduate, Jim Rygiel, and faculty member, Associate Professor Jason Jones. The event featured Dr. Jones, who discussed his forthcoming book on the importance of Godzilla in Japanese society, and a viewing of the movie Godzilla; this was followed by a Skype interview with Mr. Rygiel, who was special effects producer for the movie. He said that Mr. Rygiel talked about how his experiences at the Peck School of the Arts contributed to his being able to develop technologies, build teams, and create this remarkable product.

Interim Chancellor Mone said that he wanted to pull together some of the themes of his presentation by showing a short video that illustrates how one of UW-Milwaukee's professors, Mahsa Ranji, is using light to assess the health of tissue and reduce the invasive nature of biopsies.

UW-Milwaukee – Present and Future

Following the video, Interim Chancellor Mone indicated he would address UW-Milwaukee's current situation and how the institution would like to move forward. He said he wanted to discuss four areas: doing great things on an extremely lean budget; demographically induced enrollment declines; revenue declines; and faculty and staff morale and talent-retention issues.

Recent Trends and Current Targets

He started by noting that UW-Milwaukee, like many Wisconsin institutions, is incredibly lean and underfunded, and needs a recommitment of the investments that have made the institution great. He added that without investment, it is going to be very difficult for the institution to fulfill its commitments. He said that in the area of capital projects, UW-Milwaukee has a number of projects where the ground has been broken and the infrastructure is up, but a recommitment of investment is needed to put programs, faculty, staff, and equipment in place.

As Wisconsin's population of high school graduates decreased by roughly 6,000 students between 2009 and 2013, UW-Milwaukee's enrollment also declined from a peak of almost 31,000 to just under 28,000 students. This has had an impact on the institution in terms of tuition revenue. In terms of overall revenue declines, UW-Milwaukee, as well as other institutions, is dealing with a tuition freeze, budget cuts, and limited base GPR funding. He said that in comparison to its peers, UW-Milwaukee is 30 percent behind the median of peer institutions, which is important to recognize and another example of being asked to do more with less.

One of the consequences of this situation, especially felt in a research university, Interim Chancellor Mone said, is the impact on faculty and staff morale. He explained that in 2012 UW-Milwaukee conducted an examination of all of its risks, identifying 80 different risks; and the number one risk that emerged was faculty and staff moral and talent retention. He said this is not a secret for any of the UW System institutions; however, it is particularly problematic because other research universities are very competitive and view UW-Milwaukee as a great place to find

faculty. He said this affects the future of UW-Milwaukee and its ability to continue to have an impact and deliver the type of training, research, and education of which he had spoken. He then turned to the issue of what can be done about the current situation.

Interim Chancellor Mone described several target outcomes, which he said identify where UW-Milwaukee wants to go. These target outcomes include increased enrollments and improved retention and graduation rates. He said UW-Milwaukee's six-year graduation rate is currently at 43 percent, but the institution is aiming to improve that to 50 percent.

Another target outcome is to increase UW-Milwaukee's research profile to become a top-tier research institution and access additional revenues. He said that a higher research profile is entirely consistent with the types of activities in which the institution is engaged. He said that while greater financial viability will result from these activities, the institution must also look at increased and creative ways to identify sources of funding.

He noted that stronger brand image, as well as enhanced pride and climate, are also targeted outcomes for the institution. He said that these outcomes are important because of UW-Milwaukee students and the transformative effects that the institution has on individuals' lives; he introduced a video of recent graduates and the positive results of their education, such as employment in a medical laboratory, in nursing, and for an architectural and engineering firm.

Summarizing action areas that UW-Milwaukee needs to address, such as enrollment management responses, Interim Chancellor Mone noted that the institution will be completing and then implementing its strategic plan, which focuses on the institution's top-tier research aspirations, increasing student excellence and outcomes, community commitment, and institutional culture. Another action item is the institution's fundraising campaign, led by Vice Chancellor Pat Borger, which is focused on the institution's research, student success, scholarships, and things that will help with transformation. He also noted that he wants to continue moving UW-Milwaukee forward by being a significant partner in the community on many different fronts. He said that the institution will be part of some of the future requests for state support related to community and urban engagement work.

Future Pathways

Interim Chancellor Mone continued with his presentation by describing pathways for moving forward. He said that as a long-term student with a background in organizational management and strategic planning, he sees leadership as critically important across many levels of the campus. One of the key pieces of leadership is the chancellor's cabinet, which has recently been engaged in many conversations regarding collaboration, leadership and mutual accountability. Another pathway relates to funding sources and directions, and a need to be more creative in this area. He said that like all of higher education, UW-Milwaukee needs to look at its possible funding sources. He also added that many states have turned the corner and have begun to invest more in higher education.

He said that faculty and staff compensation has to be an important part of the conversation, and acknowledged that a number of his UW System chancellor colleagues also have this issue on their radar. He said the institution needs to move forward on this issue

because the current situation is not sustainable if the institution hopes to retain its talent, which is absolutely a top priority.

Interim Chancellor Mone also indicated that campus branding, image, marketing and communications, and the role that athletics play in branding and image, are all pathways being examined. He said that the campus is also looking to engage key stakeholders, including students, faculty, staff, alumni, community, and the leadership council, to a higher level of work. He indicated that these are just some of the different areas or pathways being explored.

Regarding the impact of UW-Milwaukee in the future, Interim Chancellor Mone said that at the highest level the impact is on innovation and job growth, public health, education, quality of life, income levels, workforce development, and talent retention. He also noted that UW-Milwaukee has not yet begun to realize the potential that it can have in the community. He then invited Tim Sheehy, President of the Metropolitan Milwaukee Association of Commerce, to provide his perspective on UW-Milwaukee's impact.

Mr. Sheehy said he wanted to address one key way in which UW-Milwaukee impacts the community—economic development. He said that his organization's member companies in southeastern Wisconsin employ over 300,000 people, and the only constant in the life of these companies is change. He added that the Milwaukee community and these businesses are competing every day in a global economy.

He noted that a recent article in *The Economist* reported that almost half of today's job categories are at risk of automation. He said that what that means for Milwaukee's economy is that while there has been growth in high-end manufacturing jobs and low-end manufacturing jobs, there has been a hollowing out of the craft jobs; the business community, UW-Milwaukee, and other higher education institutions are engaged in a race against technology.

Mr. Sheehy said that Wayne Gretsky used to say, "Don't skate to where the puck is; skate to where the puck is going to be." The local business community and his organization need UW-Milwaukee to help them figure out where that puck is going to be, or they are not going to do a very good job of skating to it. He said that UW-Milwaukee plays a critical role in the community in terms of talent development, as graduates stay in the region in significant numbers. He also noted that UW-Milwaukee's research and graduate offerings raise and enhance the talent base of the community and fuel life-long learning. UW-Milwaukee provides a door for college attainment for the state's most diverse and fastest-growing population, many of whom are first-generation college attendees. UW-Milwaukee's investment in developing talent helps to drive growth and jobs.

Mr. Sheehy emphasized that it is critically important that UW-Milwaukee remain a strong partner in developing talent, because that talent is going to drive the community's economic success. He said this is so important because by 2020, southeastern Wisconsin is going to have approximately 63,000 more jobs due to modest economic growth, but only 13,000 more people between the ages of 15 and 69 to fill these jobs. He noted that this math will not work unless the community is producing, developing, and attracting the kind of talent needed to fill these jobs; and if it is not, the jobs will be created somewhere else.

Mr. Sheehy said the bottom-line goal for the community and UW-Milwaukee was to make the region “stickier” for growing, developing, and recruiting talent; UW-Milwaukee has to be at the forefront of this effort. He said UW-Milwaukee has to be nimble and focused, and must be a resource that is going to meet the community’s needs.

In closing, Mr. Sheehy also said that he is passionate about the role that UW-Milwaukee has played in chartering some of the best value-added schools in the City of Milwaukee. He said he hoped the university and the Board of Regents would keep UW-Milwaukee “in that game,” as it is critical. He said he is grateful that the Board put Interim Chancellor Mone in a leadership role, saying that he would do a very good job. He also added that it is important to fund the great faculty at UW-Milwaukee so that the institution can continue to attract and retain great faculty and research dollars in the future. He concluded his remarks by thanking the Regents and expressing his appreciation for the invitation to address the Board.

After thanking Mr. Sheehy for his remarks, Interim Chancellor Mone said that a key example of UW-Milwaukee’s impact is a recent decision by a primary employer in the area, which had the option of locating anywhere it wanted to as the company was courted nationally. The employer recognized that it has 2,000 Milwaukee employees at its corporate headquarters, and 600 of those employees are UW-Milwaukee graduates. The employer, recognizing it had a workforce it could build upon, decided to build in the area and make a difference in southeastern Wisconsin.

Interim Chancellor Mone said that UW-Milwaukee’s future path forward is very clear: the institution is in the right place at the right time, and economic growth areas are seeded—but acceleration is required, and for that continuing commitment is needed. He said the issues of leadership focus and momentum are key, and he is absolutely committed to helping move UW-Milwaukee forward.

He then concluded his presentation with a final video, which he said would synthesize all of the good work that UW-Milwaukee has been doing. The video highlighted the work of faculty and students from UW-Milwaukee’s Peck School of the Arts, using their research and technology to develop a prosthetic hand for a young girl named Shea Stollenwerk. Following the video, Interim Chancellor Mone thanked the Regents for allowing him to share UW-Milwaukee’s story. President Falbo thanked Interim Chancellor Mone and Mr. Sheehy for their presentations.

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PRESIDENT CROSS’S INTRODUCTION TO THE 2014-15 ANNUAL BUDGET AND 2015-17 BIENNIAL BUDGET DISCUSSIONS

President Falbo asked President Cross to introduce the discussion of the 2014-15 annual budget and provide a preview of the 2015-17 biennial budget. President Cross said that his remarks would frame the annual budget, biennial budget, and student financial aid, although

much of his presentation would relate directly to the annual budget. He said that with the annual budget, the Regents would see the most significant internal organizational changes since the creation of the UW System, the ongoing reform of the UW System's financial management systems, and new ways to analyze and manage finances.

Annual Budget and Financial Management

One of the most noteworthy reforms is the disaggregation of finances, with the proposed annual budget broken down by fund and by institution. He added that before the Regents' October meeting, they would also see each institution's fund balances broken down by the categories identified by the Legislative Audit Bureau (LAB). That report, known as the Level of Commitment Report, requires that each institution consistently apply the LAB categories to their fund balances, with UW System Administration creating a review panel to ensure consistency.

President Cross said the proposed annual budget would provide new perspectives on finances and different approaches to the way the UW System looks at and presents its financial data. He recognized Interim Vice President Steve Wildeck, Associate Vice President Freda Harris, Associate Vice President Julie Gordon, chief business officers at the campuses and a number of individuals who worked hard to bring the System this far. He said that all of these individuals deserve a special thank you and asked that they be given a round of applause.

President Cross said that the ultimate goal is to be able to forecast financial conditions six years into the future, which will be an incredible step forward, as it will provide for better financial and policy decisions for each campus and for the entire System. He then highlighted several points that would be addressed in the proposed annual budget.

He started by explaining that he was seeking the Board's approval of a \$6.097 billion expenditure budget, as well as approval to spend an additional estimated \$160 million from fund balances. He emphasized that seeking Board approval to spend fund balances has never before been done. He also noted that there had been significant strategic reductions in the fund balances, even since the Board's last meeting, decreasing it from \$1.097 billion in June 2013 to a projected \$917 million by the end of June 2014, or a 16.5 percent reduction over the last year. He added that fund balances are projected to decrease to \$804 million by June 2015, which will be a 27 percent decrease since June 2013. He said that of the \$804 million projected fund balance, less than \$200 million would be considered true "reserves," and this represents just 3.3 percent of UW System's overall budget that is set aside for contingencies and emergencies. He said that while this does concern him, these reductions were both strategic and necessary. However, prudent business practices require adequate reserves to address volatility of an organization's finances, and he is committed to working with the Board and with campus leadership to find that appropriate "sweet spot."

President Cross continued by noting that the tuition portion of the fund balances is projected to drop significantly, from \$551 million in June 2013 to \$304 million by June of 2015, a 45 percent reduction over a two-year period. He also said he was pleased to note that within that particular fund, the systemwide account balance is projected to be down from \$151 million in June 2013 to about \$60 million in June 2014, which would fulfill his promise to the Board, the Governor, the Legislature, and the chancellors to reduce it by one-half by June 2014.

He said that some of the added benefits of the changes being made include a greater emphasis on the budgeting and planning process, improved accuracy in budgeting, and a better understanding of the university's fiscal position, both institutionally and as a system. He said that this year's annual budget documents looked significantly different than in prior years as there is considerably more information, and future budget documents will be even more informational and useful. He again reiterated that overall fund balances, the tuition balances, and the systemwide account fund balances had all decreased significantly. In addition, the System has fundamentally shifted the way it manages financial resources. He said he hoped this effort gives the Board, students, faculty, staff, the Governor, the Legislature, and all taxpayers a better understanding of the UW System's financial position. In addition, these efforts will also allow the UW System to better align its resources with its strategic goals and mission.

Biennial Budget

President Cross then turned to the topic of the biennial budget request. He said the request would officially come before the Board at its August meeting, but the present meeting would include the introduction of some of the various elements being explored and considered. He said that he and his staff were attempting to develop the biennial budget around four pillars, the first of which is financial management and reporting forms, some of which the Regents had already seen. He said that he was interested in Regents' feedback on the information presented thus far.

He continued by explaining the second pillar, affordability for Wisconsin students and families, means that the UW System must be aggressive in its efforts to keep costs down and to reduce student debt. Therefore, the UW System's biennial budget request would hold down costs for all students by proposing to continue the tuition freeze. In addition, to help technical college students reduce their cost to complete a college degree, he planned to officially sign a 30-credit transfer agreement the following day. He also noted that the UW System would provide more dual enrollment courses in high schools under the new Course Options Program, in an effort to help high school students reduce their cost of attending college. In addition, he said he intends to provide more financial aid to students through the Wisconsin Higher Education Grants program, as one in ten eligible applicants is currently turned away.

He said that the third pillar, or priority, of the biennial budget request is to focus on the university's workforce needs by committing to developing sustainable compensation solutions so that the UW System can more effectively compete in the global higher education marketplace. He said that while this issue will not be resolved in one year, the UW System cannot wait another year. He said that a multi-year plan will be needed to augment what has already been done on some campuses to address compensation challenges. In addition, the UW System will need to secure the statutory flexibility to use the resources it already has.

President Cross said that the fourth pillar involves seeking funds and support to more deeply engage the university in the serious challenges facing the state. While the UW System cannot address all of the state's challenges, it can focus on some of the most important ones, such as helping to reduce the achievement gap of under-represented minorities in schools, helping to create more jobs by helping companies grow, having an impact on the infant mortality

rate in the Milwaukee community, and more effectively translating research into commercial projects.

President Cross expressed his belief that the state has high expectations for its university. Wisconsin created, supports, and values its university and actually penned the university's mission statement into law: "... In this broad mission are methods of instruction, research, extended training and public service designed to educate people and improve the human condition." He said "let us not just be known as the University of Wisconsin, but also the University for Wisconsin."

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UW SYSTEM 2014-15 ANNUAL OPERATING BUDGET AND TUITION AND FEE SCHEDULES

President Cross asked Interim Vice President Steven Wildeck to discuss the specifics of the proposed annual budget. Mr. Wildeck explained that the Regents had two sets of handouts, the first of which was an excerpt from the annual budget documents included in their meeting materials, as well as a copy of his presentation slides. He started his presentation by noting that the 2014-15 annual budget documents looked both familiar and very different from those in past years. He said that the UW System is in the center of a major transition in its financial planning and management. This transition includes:

- creating more transparency in its financial reporting;
- showing financial information by institution rather than in the aggregate;
- estimating revenues, expenditures, and fund balances more accurately;
- incorporating balances, actual financial information, and performance into budget planning; and
- designing and implementing a six-year financial planning framework to be applied to major operational areas.

He then called attention to the 2014-15 annual budget resolution to approve the nearly \$6.1 billion annual budget. He noted that the resolution included not only the operating budget, but also one-time investments being planned over the next year, which would draw down fund balances. He said that nearly \$160 million in one-time use of program revenue balances was planned in 2014-15. He explained that some institutions were unable to pull all of these planned one-time expenditures into their official budget, which is why they were listed separately, but next year the planned use of balances would be incorporated into the budgeted amount.

With regard to fund source categories, he explained that the categories shown in the resolution align with the categories used in several new reports that the Board is receiving on a periodic basis: the Program Revenue Balance Report, the Financial Management Report (also known as the Budget to Actual Report), and the Level of Commitment Report.

Before reviewing the annual budget information in more detail, Interim President Wildeck emphasized that all of the information found in Section A of the budget materials is new

information that was not provided to the Board when prior annual budgets were approved. Section A provides important financial information for each institution and contains a great deal of information about how spending plans will affect fund balances. He then turned to Table A-1 in the annual budget document, noting that it showed the current 2013-14 budget and the proposed 2014-15 budget, which represents a 1.7 percent increase in planned spending. He added that all of the increase in planned spending is within three fund sources: GPR/Tuition, Auxiliary Operations, and General Program Operations.

Current-year Expenditures and Balances

Mr. Wildeck pointed out that Table A-1 includes estimated current-year expenditures of \$3.62 billion, which will exceed the current year budget of \$3.37 billion by about \$255 million, or 7.5 percent, largely due to the additional spending from fund balances due to Wisconsin Act 20 requirements and from the additional use of fund balances by the institutions.

He continued by noting that Table A-1 also includes a focus on fund balances. Total balances in the GPR/Tuition, Auxiliary Operations, and General Program Operations fund sources are estimated to be \$732 million at the end of the current fiscal year, and to decrease by 15.4 percent by June 30, 2015. He said that a primary goal of this budget document was to show the relationship between fund balances and budget plans. He emphasized that current year-end estimates of all fund balances, other than those with external restrictions, were approximately \$917 million, a decrease of more than 16.5 percent from the \$1.097 billion in these same funds at the end of last fiscal year.

Fund Sources

Interim Vice President Wildeck then turned to Table A-2 of the annual budget documents, which showed the entire UW System 2014-15 budget by fund source for every UW institution, UW System Administration, and systemwide accounts. He again noted that this was the first time that the Board of Regents had reviewed information at this level of detail as part of the annual budget. He noted that the GPR/Tuition fund source which supported the general educational program for students totaled \$2.5 billion, which represents 41.4 percent of the total UW System budget, with GPR funds providing about 19 percent of the total budget and Tuition funds providing about 22 percent.

Mr. Wildeck said that would provide a closer look at the six different fund sources that comprise the budget, starting with Table A-3 and the GPR/Tuition fund source. Noting the importance of the GPR/Tuition fund source to the UW System's overall budget, as well as its complexity, he explained that the GPR/Tuition category pays for things like instruction, libraries, buildings and grounds maintenance, academic and administrative technology, student services, debt service on academic facilities, utilities, and institutional administration. He said that in many ways, this category is the heart and soul of the university's funding.

Interim Vice President Wildeck noted that the left side of Table A-3 showed the 2013-14 budgeted and 2014-15 proposed GPR/Tuition amounts for each institution, System Administration and systemwide programs. He pointed out that the overall GPR/Tuition budget increase is 2.3 percent, or \$57 million, with about one-half of the increase coming in the form of

additional GPR to support “cost-to-continue,” and the remaining portion of the increase coming from institutions that are voluntarily increasing their budgets because they are planning for higher levels of tuition revenue in the coming year.

The center portion of Table A-3 provided information on how the proposed GPR/Tuition budget will affect tuition fund balances; this was provided at the request of Board members. He noted that one year ago on July 1, 2013, the UW System had a Tuition fund balance of \$551 million. At the end of the current fiscal year, institutions estimated their fund balances would be at \$381 million, a reduction of 30 percent. He explained that much of the reduction in the Tuition fund balance is due to transfers required by 2013 Wisconsin Act 20, base cuts and self-funding requirements. He said that under the 2014-2015 budget plan, institutions were estimating that Tuition fund balances would decrease another 20 percent, to approximately \$304 million. He said that the goal is not to drive the fund balances to zero, but to manage within the parameters of the new program revenue balances policy. He added that if estimates for July 1, 2014, are accurate, all but three institutions will be over the 12 percent threshold set by the new program revenue balances policy, and will be filing a report with the Board in October to justify those balances.

Interim Vice President Wildeck recalled that last year, particular attention was placed on the \$151 million Tuition fund balance held in systemwide accounts. He said that fund balance is expected to decline 60 percent, to \$61 million, by June 30, 2014; he expects the balance in systemwide accounts to hold steady throughout the next year. He explained that most of the 2013 Wisconsin Act 20 funding requirements came from systemwide fund balances for such items as the transfer to the Higher Education Aids Board and the Economic Development Incentive Grant Program; additional projects, such as the building of the new UW Network, were also being funded through systemwide balances.

He continued by explaining the planned use of balances, one-time plans to spend down balances in 2014-2015 that were not placed into the official budget this year due to timing. He said that this column of information is transitional and should go away next year as one-time spending is incorporated into the official budget along with operational expenditures.

Interim Vice President Wildeck next spoke about the “Cash Flow from Operations” column in Table A-3. He said that UW institutions have historically operated on a governmental budgeting model that focuses on spending allocations, and the emphasis in budget planning has been on the expense side of the ledger. However, because the university is a dynamic enterprise that is driven by revenues, a major part of the UW System’s financial transition over the next year is to move major fund source operations to both a revenue and expense budgeting format. He said that the “Cash Flow from Operations” column illustrated the beginning of that change. A positive cash flow number means that the institution’s planned revenues will exceed its expenses in 2014-2015. He said that it is important to note that the estimated ending balance on June 30, 2015, is largely encumbered. The far right column of Table A-3 shows the amount of one-time commitments that institutions reported beyond the 2014-2015 year. For example, even though the UW System is estimating Tuition fund balances of \$304 million for June 30, 2014, there are \$190 million of obligated, planned, or designated commitments against that ending balance and future ending balances.

Mr. Wildeck noted that the format of Table A-3 and the GPR/Tuition Summary is repeated for the major fund sources of Auxiliary Operations and General Program Operations, providing new information that has not been presented to the Board in the past, and is designed to give a clear estimate of the budget plan's impact on fund balances. Before moving away from Table A-3, he reiterated that the proposed GPR/Tuition increase from 2013-2014 to 2014-2015 is \$57 million, or 2.3 percent, with some of the increase coming in the form of additional GPR to support "costs to continue" and the rest coming from institutions voluntarily changing their budgets because of changes in predicted levels of tuition revenue.

Focusing on the changes in GPR/Tuition budgets from 2013-2014 to 2014-2015, Mr. Wildeck asked the Regents to turn to Table B-1 of the budget documents. He pointed out that the first and last columns in Table B-1 are the annual GPR/Tuition budgets for 2013-2014 and 2014-2015 from Table A-3, while the intervening columns show the adjustments, both additions and subtractions, explaining the changes between the two annual budgets. The first intervening column, titled "Tuition Targets and Differential Tuition," shows any voluntary changes that institutions requested to their budgeted tuition revenue level for 2014-2015, with an overall budget increase of \$30 million, or 2 percent, mainly due to enrollment and program changes. He added that none of the changes in this column are a result of tuition rate increases, as tuition rates will not increase in 2014-2015 due to the tuition freeze.

He explained that the changes in the rest of the columns in Table B-1 follow agreed-upon approaches for distributing funding to follow costs, noting that an institution is neither advantaged nor disadvantaged relative to others by following the approaches he would describe for the remaining columns. He said that the columns labeled "Compensation and Fringe Benefits Adjustments" and "Unfunded Pay Plan Costs" are closely related. The "Compensation and Fringe Benefit Adjustments" column shows that the UW System is allocating \$26.1 million to institutions to cover compensation-related costs of the 1-percent state-approved employee pay plan included in the 2013-2015 biennial budget. The costs include salaries and fringe benefits, as well as general cost increases on health insurance. He said that this unavoidable cost of \$26.1 million includes \$17.5 million of new state GPR funds. The remaining \$8.6 million would have ordinarily been generated through a tuition increase but because of the tuition freeze, the \$8.6 million is being reallocated from institutions to support these unavoidable compensation cost increases. In other words, he said that "the \$8.6 million is being taken from the right pocket so it can be added to the left pocket."

Moving to the next column, "Financial Aid," Interim Vice President Wildeck explained that the column is a redistribution of GPR funds provided for Lawton grants and Advanced Opportunity Program grants, noting that even though overall financial aid funding for these programs is flat, the UW System reallocates the funds according to student financial need. He continued to the next column, "Utilities and Debt Service," explaining that the column reflects nearly \$9.3 million in additional GPR funds, all of which is for increases in GPR-supported debt service. He added that utilities funding for next year is flat. He also noted that the state provides the debt service amount for academic buildings and later takes it away to make the actual debt service payments, with the UW System having no control over the actual amount or the debt financing rates. He also explained that the "Other" column includes minor reallocations within

the UW System which are footnoted at the bottom of the table. He said the result of adjustments to all of these columns is an increase to the GPR/Tuition budget of \$56.8 million for 2014-2015.

In response to questions from Regent Higgins, Interim Vice President Wildeck affirmed that Table B-1 includes both state GPR funds and tuition funds. He also explained that the existing base budget of each institution is not reformulated except for the changes listed in Table B-1. He noted that financial aid amounts are reshuffled every year according to each institution's overall student need for financial aid, which is an agreed-upon approach that has been in place for years.

Interim Vice President Wildeck continued with his presentation, drawing attention to Table A-4, titled "Auxiliary Operations Summary." He explained that Auxiliary Operations account for 11.5 percent of the UW System budget and include major functions such as student housing, food services, parking, intercollegiate athletics, student unions and retail stores. He added that this fund category also includes student segregated fees, which pay for student activities, clubs, and programs, and student-approved capital projects for unions and recreational facilities. He said the proposed 2014-2015 budget plan increases Auxiliary Operation spending by 1.8 percent. He reported that Auxiliary Operations fund balances are rising and expected to be at \$222 million by July 1, 2014, before falling throughout 2014-2015 as several institutions with rising balances this year report that unexpected delays in auxiliary-funded building projects have contributed to the increase in balances. He added that if the July 1, 2014, fund balance estimates are correct, eight institutions would be subject to reporting balances over the 12 percent threshold required by the program revenue balance policy, while two institutions would be reporting negative balances.

Mr. Wildeck continued by noting that cash flow from operations in this fund is expected to be negative as institutions use fund balances for one-time investments and operational needs. He added that several institutions show zero dollars in "Planned Use of Balances" because they have already anticipated one-time investments and are a step ahead in the transition to eliminate this column for next year. He said that it is important to remember that while estimated balances are listed for each institution, there are multiple auxiliary units within each of the institutions, and each of these units generate revenue, incur expenses, and manage their balances, all according to institutional policies. While an institution may appear to have an adequate fund balance in Auxiliary Operations to offset an increase in room and board rates, much of that fund balance may be located in parking, textbook rental, or other operations, and is needed to fund priorities in those areas.

Interim Vice President Wildeck explained that segregated university fees are charges assessed to all students for student activities, programs, and facilities that support the university's mission, and that students are deeply involved in the review and approval of programs and facilities that require long-term segregated fee commitment. He added that students' role in this segregated university fee process is described in state statute, Regent policy, and university administrative policies. This role includes formulating allocable segregated fee rates and budgets, which are the fees that are mainly for student organizations, clubs, and activities, and reviewing and consulting on the setting of non-allocable fee budgets, which are fees that involve long-term commitments, such as those for facilities and certain long-term programs like student

health centers. He noted that students are involved in discussions for major facilities projects to be funded by segregated university fees and they are to take action on the proposal prior to its coming before the Board of Regents for approval; the UW System President, System Administration staff and chancellors are all responsible for making sure these policies and procedures are followed.

With regard to Auxiliary Operations rates, Mr. Wildeck said that the rate schedules for student segregated fees, room and board, and textbook rental programs are included in Section D in the annual budget document. The proposed segregated fee increases at the four-year institutions range from 0.6 percent to 7.5 percent, for an average of 3.7 percent; segregated fee changes average 3.0 percent for UW Colleges. Room and board rate changes range from -0.7 percent to 4.8 percent for four-year institutions, for an average increase of 2.7 percent, and include both housing and meal plan costs. The average rate increase for UW Colleges of 5.6 percent includes only the two university-operated programs at UW-Marathon County and UW-Marinette. Textbook rental program rates average 2.5 percent under the 2014-2015 budget plan. He noted that several UW Colleges campuses currently offer textbook rental, but those programs are being replaced by a contract, which the Board approved in February. Under the arrangement, students will have five different options for acquiring textbooks, one of them being rental.

Interim Vice President Wildeck turned his attention to Table A-5, titled "General Program Operations Summary." He explained that while this fund accounts for only 4 percent of the budget, it includes a wide variety of activities that are revenue generating and closely linked to the academic mission of the university, such as remedial education programs; mission-related service units, such as copy centers and dairy stores; and major systemwide cooperative services which are funded through charge-backs, including the UW Service Center and Shared Financial System operations.

He said that the proposed budget increase in this fund category is almost 17 percent, from \$214 million to \$251 million; this is because staff under-budgeted in this category for 2013-14. Estimated actual expenditures are expected to be \$246 million. He added that budgeted categories in the 2014-2015 plan are a much truer reflection of actual experience and more likely to be in line with actuals going forward. He also pointed out that fund balances in the General Program Operations category are projected to decline over 9 percent during 2014-2015, and again, several institutions incorporated one-time uses into their budgets.

Interim Vice President Wildeck reminded Regents about efforts to create a six-year planning model for the three major fund source categories of GPR/Tuition, Auxiliary Operations, and General Program Operations. He said the vision is to forecast revenues and expenditures, cash flow, and balances six years into the future, all influenced by factors including enrollments, program changes, facilities, and rates.

He then touched briefly on budget information for the three remaining fund source categories, shown in Tables A-6 and A-7: Federal Indirect Cost Reimbursement; Gifts, Grants and Contracts; and Other Sources. He noted that Tables A-6 and A-7 are not as detailed and include only budgeted spending amounts per institution because these fund sources are not operational accounts per se, and the inflows and outflows for these fund sources do not follow a

rhythm that the UW System can control. He added that past annual budget documents have never included budget detail on these three fund source categories.

Mr. Wildeck pointed out that Table A-6 shows institutional budgets for Federal Indirect Cost Reimbursement funds. This fund source accounts for 2.5 percent of the UW System's budget and includes revenue that the UW System receives as part of federal grants to cover overhead expenses. He said these costs are calculated in accordance with federal cost principles and the rate is negotiated periodically with federal government agencies. He noted that Table A-1 showed an estimated July 1, 2014, Federal Indirect Cost Reimbursement fund balance of \$183 million. He said that while this is a high balance when compared to the fund budget for 2014-2015, that balance can be influenced heavily by the timing of inflows and outflows from federal grants. He added that it is also a fund source that is often used by institutions as a true reserve.

Next Interim Vice President Wildeck turned to Table A-7, which shows the budgeted amounts for the "Gifts, Grants and Contracts" category, as well as the "Other Fund Source" category. He said that almost all of the funds in these two categories come to the UW System with external restrictions, and no balance estimation or other operational information is shown. He said that while there are institutional variances in the budgets from the current year to 2014-2015, overall the UW System is expecting steady budget activity in these two fund sources. He explained that the Gifts, Grants and Contracts fund makes up 20 percent of the UW System's budget and includes federal and non-federal research grants, contracts, and expendable trust fund income. He added that gifts to university foundations are transferred to accounts in this fund source just prior to their expenditure. He also explained that 21 percent of the 2014-15 budget is in the Other Funds category, which mostly includes federal student aid programs, such as Pell Grants, other grants, and direct student loans; federal Smith-Lever funding for Cooperative Extension; an escrow for program revenue debt service; and state segregated funds for specialized programs, including the Wisconsin Bioenergy Initiative and the Rural Physician Residency Assistance Program.

He said that the rest of the annual budget document includes more background on the annual budget proposal, auxiliary rate changes, and tuition rates. He expressed his appreciation for the Regents' patience and attention as he walked through the various budget tables. He said he hoped they like the changes they had seen, and have a better sense of the direction in which the UW System is heading, a direction that includes a heavier emphasis on budgeting revenues as well as expenditures, multi-year forecasting and modeling, and combining budget planning and fund balance management for a more holistic financial planning process.

In closing, Mr. Wildeck extended his thanks to Associate Vice President Freda Harris, Associate Vice President Julie Gordon, their staff members in the Offices of Budget and Planning and Financial Administration, and the chief business officers and financial professionals at the UW institutions for all of their hard work, cooperation and commitment to this major transition. He concluded by referring back to the resolution to approve the 2014-15 annual budget of \$6.097 billion plus an estimated one-time use of balances of \$159.9 million. He said that individuals from the institutions and UW System Administration were available to answer any questions.

Regent Whitburn pointed out the budget increase of 1.7 percent from 2013-14 to 2014-15, and said he thought all of the UW System stakeholders would view this as a reasonable enhancement in spending in these economic circumstances. He also said he wanted to commend the staff for what is a fundamentally far more transparent budget proposal than the Regents have seen previously, which is helpful to Regents and to UW System stakeholders. He then moved approval of the 2014-15 annual budget resolution, as proposed. The motion was seconded by Regent Farrow.

During the ensuing discussion, Regent Mueller said that she echoed Regent Whitburn's comments. She said she was dismayed last year, when the Board was presented with the budget document, that there was so little detail provided. She indicated that this year's budget document is a complete transformation. She cautioned that the UW System cannot rest on its laurels, as there is a lot of work that needs to be done, especially with some of the estimates for future years. She also recognized that those numbers would be refined in the months and years ahead. She said that the transformation from last year to this year is significant, and needs to be acknowledged, and thanked the staff and President Cross.

Regent Higgins indicated that the Executive Summary for the budget documents noted a \$5 million decrease in other fund sources, including a reduction in anticipated Pell grants. He asked if the reduction in Pell grants is because the federal government is reducing the amount allocable, or if the UW System is admitting fewer students who qualify for Pell grants. Associate Vice President Freda Harris explained that as enrollments have decreased, there are fewer students who qualify for Pell grants. She also noted that as family incomes increase, students qualify for smaller grant amounts.

After confirming that the tuition freeze covers all tuition, including nonresident and graduate tuition, Regent Farrow said that she wanted to go on record as supporting an increase in nonresident tuition, as she believes the nonresident tuition rates at UW-Milwaukee, UW-Madison and some of the comprehensive campuses are a bargain for nonresidents and she wishes they were paying more.

President Falbo said that Regent Farrow's point would not be forgotten. He said that clarification had been sought and though it would not happen this year, it is something that will be worked on for the next biennial budget.

Regent Millner said that she would like to add to Regent Farrow's comments. She said the budget information provided gives the Regents a better understanding of the UW System's financials as the Regents pass an annual budget. She said she has twice had the opportunity to pass an annual budget and her feelings parallel those of Regent Mueller. She said the budget information gives the Regents another opportunity to take a serious look at out-of-state tuition and tuition in general. The format of this budget gives Regents a tool that the Regents have not had before, and it is a tool that can be used not only for UW System planning, but also in communicating with the legislature and with the students who attend UW System universities and their families.

President Falbo said he believed that everyone was aware that this is still a work in process and there will be more refinements in the upcoming years. He also pointed out that individual Regents were provided with a walk-through of the budget materials prior to the meeting. He recognized how much work by the staff, the leadership, and also the Regents, went into preparing and understanding the annual budget materials, and thanked everyone for their efforts.

Regent Higgins noted that page 4 of the Executive Summary indicates that one of the changes in funding for 2014-2015 includes \$30 million to re-estimate increases in academic tuition authority for existing differentials, self-supported programs, and credit outreach. He asked if those are the programs that are essentially profit-making programs for the campuses. Interim Vice President Wildeck said that those are largely self-supporting enrollments and programs and represented the voluntary changes in institutional tuition revenue expectations that he mentioned during his presentation.

Regent Falbo then called for a vote on the resolution, which was adopted on a voice vote.

2014-15 Operating Budget, Including Rates for Academic Tuition, Segregated Fees, Textbook Rental, and Room and Board; Academic Tuition Refund Policy and Schedule; Estimated Expenditures From Fund Balances; and Annual Distribution Adjustments

Resolution 10362 That, upon the recommendation of the President of the University of Wisconsin System, the 2014-15 operating budget be approved, including rates for academic tuition, segregated fees, room and board, and textbook rental; the tuition refund policy and schedule; the estimated expenditures from fund balances; and annual distribution adjustments as attached in the document, “2014-15 Operating Budget and Rate Schedules, June, 2014.” The 2014-15 operating budget amounts are:

Fund Source Category	2014-15 Budget	Percent of Total Budget	Planned Use of Balances
GPR	\$1,178,197,283	19.3%	
<u>Academic Tuition</u>	<u>\$1,348,961,629</u>	<u>22.1%</u>	<u>\$134,503,700</u>
Subtotal	\$2,527,158,912	41.4%	\$134,503,700
Auxiliary Operations	\$698,110,006	11.5%	\$12,755,200
<u>General Program Operations</u>	<u>\$250,670,103</u>	<u>4.1%</u>	<u>\$12,688,500</u>
Subtotal	\$948,780,109	15.7%	\$25,443,700
Federal Indirect Cost Reimb.	\$149,147,917	2.4%	
Gift, Grants and Contracts	\$1,205,616,063	19.8%	
<u>Other</u>	<u>\$1,267,167,861</u>	<u>20.8%</u>	
Subtotal	\$2,621,931,841	43.0%	
Total	\$6,097,870,862	100.0%	\$159,947,400

UW SYSTEM 2015-2017 BIENNIAL BUDGET UPDATE

Noting that President Cross had earlier provided some background on the biennial budget, President Falbo said that Senior Vice President Miller, along with Associate Vice President Roe would provide further information.

Operating Budget Preview

Senior Vice President Miller began his presentation by explaining that, unlike the annual budget, which is a detailed spending plan of revenue and expenses, the biennial budget is actually a request for new money, a way to petition the state for new money for a two year period. He said that he and Associate Vice President for Capital Planning and Budget Alex Roe would provide a quick overview of the biennial budget request and what Regents should expect at their next meeting.

He recalled that at the February and March Board meetings, he had explained that the biennial budget is a year-long process that begins with a lot of separate pieces that eventually come together in a nicely fitted puzzle at the end of the legislative session in approximately one year. He said the Board's role in this process is to request of the executive and legislative branches very specific pieces of that puzzle, but not the whole puzzle, as the state provides some of the pieces without direct petition from the Board.

He noted that statutes require that by September the Board make a biennial budget request, which the Board will consider and approve at its August meeting. He added that at the present meeting, the Board would consider and approve a request for financial aid that would be submitted through the Higher Education Aids Board (HEAB).

Senior Vice President Miller explained that a major part of the biennial budget is "cost-to-continue," which reflects costs to maintain operations, also known as fixed costs, and includes items such as debt service, fringe benefit increases, and utilities. He indicated that these costs are determined by the state, and rather than the Board's requesting a specific dollar amount for these costs, the Board authorizes the System President to negotiate with the Department of Administration in refining the amounts, which the Governor incorporates into the budget that he submits to the legislature.

He explained that the Board does request funding for any new initiatives, and he identified four new initiatives that were under consideration: (1) Economic Development Incentive Grants; (2) Performance Funding Initiatives; (3) Regional Development Initiative; and (4) Tuition Share of 2013-2015 Cost-to-Continue.

He explained that the 2013-15 biennial budget initially included new GPR funding for economic incentive grants, but instead of receiving new funding, UW System was directed to pay for the grants, \$11.25 million annually, using UW System program revenue fund balances.

He said that one potential new funding request for the 2015-2017 budget is to ask for one-time GPR funding for 2015-2016 only.

Mr. Miller also explained that performance funding is something that is being discussed nationally, but means something different at every place it has been implemented. A possible new initiative would be to request funding for targeted performance measures, which would involve an institution's setting goals that are clearly defined, establishing metrics to measure those goals, and assessing performance. He said that performance funding is a great way to allow an institution to experiment and seek continued funding for the things that work and discontinue the things that do not work.

The Regional Development Initiative ties back to the "engagement" pillar that President Cross discussed earlier. New GPR funding would be requested to address the state's largest challenges in urban or rural areas, impacting families and communities. He said this is the expansion of the Wisconsin Idea, engaging the university in the greatest challenges facing the state.

Senior Vice President Miller also explained the new initiative related to the tuition share of 2013-2015 cost-to-continue. He said that when the state decides to provide a 1-percent pay plan to state employees, what that generally means for the UW System is that taxpayers will pay for 69 percent of the cost of the 1-percent pay plan and tuition will pay for the remaining 31 percent of the costs. Because of the tuition freeze in 2013-2015, the UW System did not receive the tuition revenue to cover a portion of the pay plan increase, and institutions had to cover the cost for the pay plan increase out of their annual operating budget; this amounted to \$8.6 million in fiscal year 2014-2015 and created a structural deficit for the UW System. The biennial budget request would be for funds to cover ongoing compensation costs, eliminating the ongoing structural deficit.

Mr. Miller said that the biennial budget request also would include several statutory language changes. The first change would add "merit" to the Board's salary authority as specified in statutes, which would allow institutions to address retention by providing merit increases to deserving employees. The request would also seek changes to enhance contracting and purchasing authority and to expand delegated authority for capital projects. Finally, the budget request would seek changes to update the UW System's reporting requirements to eliminate some requirements.

Capital Budget Preview

Senior Vice President Miller then invited Associate Vice President Roe to provide an overview of the biennial capital budget request. Ms. Roe first noted that the UW System has more than 58 million square feet of space used to house, teach, research, and explore, and more than 65 percent of this space is 35 years or older. She also explained that the capital budgeting process is lengthy, and it takes approximately 56 months to do a major capital project. She said she hoped to bring the capital budget request to the Regents in August for their approval, obtain state approval next year, and then start the approved projects.

She noted that a big change occurred on January 1, 2014, when state law changed from a multiple prime bidding process to a single prime bidding process. However, because the change had been more involved than anticipated, for the Department of Administration and for UW institutions, it has led to delays in several projects that were calendar dependent. This is contributing to some of the program revenue balances held by some institutions.

Associate Vice President Roe highlighted some trends that Regents would see as part of the biennial budget request, such as inadequate science facilities, a need for improved learning environments, and residence hall renovations. She also explained the four types of capital funding sources: General Fund Supported Borrowing (GFSB), which are state issued bonds repaid with state GPR; Program Revenue Supported Borrowing (PRSB), which are state-issued bonds repaid with revenue earned through UW program operations, including segregated fees; Program Revenue Cash; and Gifts/Grants, which could include donor gifts or federal funding.

She also provided an overview of the different types of projects, including “major” projects, “all agency” projects, “classroom/IT” projects, and “small” projects. She reviewed recent trends in terms of the types of “major” projects funded, with a priority on academic space and housing/dining projects, some athletic/recreational projects and utility projects, and some limited administrative projects and parking projects.

Associate Vice President Roe reviewed recent and anticipated requests for both non-GFSB funding and GPR funding. She said that she is anticipating a 5-percent increase in GPR funding, which will be a challenge, as project requests exceed anticipated funding. She said this situation will lead to a deferral of projects, with \$167million in deferred projects during the 2015-2017 biennium, \$365 million in deferred projects in the 2017-2019 biennium, and \$610 million in deferred projects by the 2019-2021 biennium. She added that these estimates are not adjusted for inflation.

Following the conclusion of Associate Vice President Roe’s presentation, Regent Whitburn commented that the UW System has been less than adequately transparent with regard to growing debt service obligations. He said that as capital projects are proposed in the upcoming biennium, he hoped to see an illustration of the debt service implications, as well as current obligations. He noted that the university is obligated with university-related bonding through 2042. He also said this is a complicated issue and it is helpful and prudent for the Regents to pay attention to it. Senior Vice President Miller said that information could be provided. He also noted that the annual budget just approved by the Board included a \$9.3 million increase in GPR debt service and a \$1.8 million increase in program revenue debt service.

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RECOMMENDATION ON FINANCIAL AID FOR THE 2015-17 BIENNIUM

President Falbo turned to the issue of the Board’s recommendation to the Higher Education Aids Board regarding financial aid for 2015-2017 and asked Senior Vice President Miller for an overview.

Senior Vice President Miller explained that the Board's role in requesting state-funded financial aid is to ask the Wisconsin Higher Educational Aids Board to submit in its budget request a request on behalf of UW students. He noted that the Higher Educational Aids Board also requests state funding for private school students who receive financial aid and Wisconsin Technical College System students. He said that the Wisconsin Higher Education Grant (WHEG) is the largest state-funded financial aid program for UW students, though there are smaller grants embedded in the UW operating budget, such as the Lawton and Advanced Opportunity Grants. WHEG provides grants to undergraduate residents with financial need who are enrolled at least one-half time.

Mr. Miller reviewed the funding history and average award since 2007, noting that total WHEG funding has been flat since 2011, but the average award has decreased due to increasing numbers of eligible students. The average award amount peaked in 2010, at \$2,161, and has been decreasing since then. He explained that awards were reduced to cover more students as the number of eligible students increased. He noted that over the past four years, the number of awards increased by approximately 6,000; however, even with that adjustment, the wait list increased drastically. He said that the proposal to the Board pertained to how to address this condition.

Senior Vice President Miller also explained that 78.4 percent of WHEG recipients still have to borrow funds, compared to 82 percent of wait-listed, WHEG-eligible students who borrow funds. In response to a question from Regent Farrow, Senior Vice President Miller confirmed that only Wisconsin residents are eligible for WHEG grants.

He continued by explaining that the proposal before the Board was to request that the Higher Educational Aids Board make a request of the state, on behalf of the UW System, that totals \$14.99 million over the 2015-2017 biennium. He explained current WHEG funding for 2014-2015 is \$58.3 million; an increase of \$6.38 million in 2015-2016 would bring total WHEG funding to \$64.7 million, and an additional increase of \$2.22 million in 2016-2017 would bring total funding to \$66.95 million.

He noted that this proposal would eliminate the 2013-14 waiting list of 3,581, while maintaining an average award in 2015-2016 of \$1,776 and increasing the average award to \$1,837 in 2016-2017. While there were a range of recommendations that could have been made, requiring more or less funding, Mr. Miller said that this was the measured approach. He said that funding had been flat for five years, and while the UW System needs to make progress in this area, it is important to be realistic and prudent and yet be responsible to students.

Regent Mueller noted that the average award is influenced by the number of students who are full-time versus part-time, with eligible part-time students presumably receiving a lower award. Senior Vice President Miller indicated that the award amount is based on financial need less expected family contribution and other funds. Students who are half-time or more are eligible. He said that while the average award would be influenced by full-time versus part-time, he did not think that would have much of an impact on the level of the award. Associate Vice

President Harris said that what had been driving the number was the UW System's having decreased the maximum level of awards in order to provide awards to more people.

President Falbo asked for a motion to approve Resolution 10363. The resolution was moved by Regent Bradley, seconded by Regent Pruitt, and adopted on a voice vote:

Financial Aid: 2015-17 WHEG – UW Funding Recommendation

Resolution 10363 That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents submits the following 2015-17 WHEG-UW funding request to the Wisconsin Higher Educational Aids Board (HEAB), for inclusion in HEAB's 2015-17 Biennial Budget request:

“That the funding for the WHEG-UW program increase by \$6,382,696 in 2015-16 to provide grants to the current wait list of eligible students, and by an additional \$2,223,206 in 2016-17 to return the average award level for all eligible students to the 2012-13 level of \$1,837, providing a biennial increase of \$14,988,598.”

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CLOSED SESSION

President Falbo called upon Vice President Millner to present Resolution 10364, to move into closed session. The motion was seconded by Regent Drew and adopted on a roll-call vote, with Regents Bradley, Delgado, Evers, Falbo, Farrow, Hall, Harsy, Higgins, Manydeeds, Millner, Mueller, Petersen, Pruitt, Purath, Vásquez, Walsh, and Whitburn. There were no dissenting votes and no abstentions.

Closed Session Resolution

Resolution 10364 That the Board of Regents move into closed session to: (1) consider an amended compensation agreement for the UW-Madison head basketball coach, as permitted by s. 19.85(1)(c) and (e), *Wis. Stats.*; (2) review the appointment and consider the salary of a UW-Oshkosh interim chancellor, as permitted by s. 19.85(1)(f), *Wis. Stats.*; (3) consider a student request for review of a UW-Green Bay decision, as permitted by s. 19.85(1)(a) and (g); (4) confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), *Wis. Stats.*; (5) consider annual personnel evaluations, as permitted by s. 19.85(1)(c), *Wis. Stats.*; and (6) consider chancellors' and senior executives' compensation adjustments, as permitted by s. 19.85(1)(c), *Wis. Stats.*

The following resolutions were adopted during the closed session:

Amended Compensation Agreement for the UW-Madison Head Basketball Coach

Resolution 10365 That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the compensation for William (Bo) Ryan, Head Coach of Men’s Basketball, be increased according to the attached schedule, beginning June 5, 2014..

Salary for Interim Chancellor of UW-Oshkosh

Resolution 10366 That, upon recommendation of the President of the University of Wisconsin System, Petra M. Roter be appointed Interim Chancellor of the University of Wisconsin-Oshkosh effective September 1, 2014, at an annual salary base of \$205,046.

Student Request for Review of a UW-Green Bay Decision

Resolution 10367 That the Board of Regents adopts the attached Proposed Decision and Order as the Board’s final Decision and Order in the matter of a student request for Regent review of a UW-Green Bay decision.

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The meeting was adjourned at 5:22 p.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