

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in the Alumni Room
Dreyfus University Center
University of Wisconsin-Stevens Point
Stevens Point, Wisconsin

Thursday, October 9, 2014
1:15 p.m.

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-President Falbo presiding-

PRESENT: Regents John Behling, Mark Bradley, José Delgado, Tony Evers, Michael Falbo, Margaret Farrow, Eve Hall, 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 Nicolas Harsy

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UPDATES AND INTRODUCTIONS

President Falbo began by welcoming meeting attendees and thanking Chancellor Patterson and his team for making the Regents feel so welcome. He expressed appreciation on behalf of all the Regents for the wonderful reception held the previous night at the Pattersons' home.

Noting that the last time UW-Stevens Point hosted the Board of Regents was in 2008, President Falbo said that he could attest that things had changed on campus, including the newly-restored cupola on top of Old Main, which he called "pretty impressive." President Falbo said that the Regents looked forward to seeing and hearing much more about the very vibrant and beautiful campus.

President Falbo then called upon President Cross to make some introductions. President Cross first introduced UW-Green Bay's Associate Provost, Greg Davis, and thanked him for agreeing to handle most of the day-to-day operations of the Provost's Office following the recent resignation of Julia Wallace, former Provost and Vice Chancellor for Academic Affairs.

President Cross said that he also was pleased to announce the two newest staff members in the President's Office. Jeff Buhrandt joins the UW System from Senator Jauch's office, where he served as Chief of Staff, bringing over 15 years of service to the state in and out of the

capitol. Nick Probst previously served as legal counsel for Speaker Vos. President Cross explained that Mr. Probst's background as an attorney, as well as his legislative experience, would make him a solid addition to the UW System team. President Cross welcomed both of them, and thanked them for joining his staff.

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HOST CAMPUS PRESENTATION BY UW-STEVENSON POINT CHANCELLOR BERNIE PATTERSON: "A PARTNERSHIP FOR THRIVING COMMUNITIES," INCLUDING DISCUSSION OF UW-STEVENSON POINT'S STRATEGIC GOALS

President Falbo invited Chancellor Patterson to the podium. Chancellor Patterson thanked the Board, and recognized several elected officials who were present: Julie Lassa, State Senator for the 24th District; Tom Tiffany, State Senator from the 12th Senate District; Patty Dreier, Executive Director of Portage County; and Zach Vruwink, Mayor of Wisconsin Rapids.

Chancellor Patterson noted that a number of current and emeritus members of the UW-Stevens Point Foundation Board also were present, as were a number of community partners, CEOs of companies and organizations within the community with which UW-Stevens Point works closely. He asked them to stand to be recognized.

Chancellor Patterson said that UW-Stevens Point also was particularly pleased to have the other chancellors, provosts, faculty and academic staff, and classified staff present at the meeting.

The Symbol of the Cupola

Chancellor Patterson indicated that he wanted to help everyone understand a bit more about UW-Stevens Point's identity as a university. Noting that symbolism is important in society, he explained that at UW-Stevens Point the symbol is the cupola, the top of Old Main, which represents both old and new traditions at the university. The chancellor then presented a video about the recent renovation of the cupola, which was funded by a gift from UW-Stevens Point alumnus James Eggert and his wife Kathleen.

In 2012, Chancellor Patterson commissioned a replica of the cupola. Each year first-year students seal their covenant with the university by touching the cupola replica dome as they depart from convocation. Faculty and staff renew their commitment in a similar fashion. A "bookend tradition" is observed at commencement as students become alumni.

At the conclusion of the video, Chancellor Patterson explained that the cupola had become a guiding light for students, alumni, friends of the university, and the local community. For that reason, the cupola had become the foundation upon which UW-Stevens Point was building its strategic plan.

Strategic Plan

Chancellor Patterson stated that the creation of a strategic plan had been a journey for those at UW-Stevens Point, one that began with former Provost Mark Nook, and that was then taken up by current Provost Greg Summers and faculty members C.R. Marshall, Michael Williams, Charles Clark, and Kym Buchanan.

Chancellor Patterson said that when he charged the campus with developing a plan in the fall of 2010, he gave two instructions: The first was to be inclusive and to talk with everyone – faculty, staff, students, alumni, neighbors, businessmen, businesswomen – who would have a role to play and be involved with the university. The second instruction was to be done by May 1. Chancellor Patterson said that they were able to get it done, and they had it done on time.

Chancellor Patterson said that, following completion of the initial phase of the strategic plan, two years were spent in listening sessions. He said that for the first session they gathered together the university's closest partners, the other higher education institutions in the region. The next listening session involved the health care industry. Chancellor Patterson explained that though these systems have all been highly competitive, on this occasion they came together to work with UW-Stevens Point on ways to get more students into the pipeline, resulting in more careers in the health care industry.

A third session was aimed at elected officials and economic development executives. Chancellor Patterson noted that this session was a bi-partisan event with sixty-one participants. He said there were also sessions with community leaders and CEOs and friends of the university, on campus, in Wausau, and in the north woods.

From these sessions evolved the "Partnership for Thriving Communities," which is Phase Two of UW-Stevens Point's strategic plan. Chancellor Patterson said the primary architect was Provost Greg Summers, with significant input from the grassroots; the plan was endorsed by the faculty senate last spring. He said that this plan was rooted in the *Wisconsin Idea*, calling on UW-Stevens Point to be more responsive, more engaged, and more relevant.

Vibrant Communities

The plan has four pillars, the first being vibrant communities. Chancellor Patterson explained that vibrant communities are grounded in the arts and the humanities, which enrich the lives of everyone, and that UW-Stevens Point has to find ways to take the arts and humanities beyond the campus boundaries and into the community.

Healthy Communities

The second pillar of the plan is healthy communities. Chancellor Patterson noted that health care is the fastest growing sector of the economy, just as the baby boomers are retiring and also needing more health care themselves, resulting in a huge workforce development need. He explained that UW-Stevens Point's strong science program is an obvious answer to this need, stating that UW-Stevens Point sends more graduates on for research doctorates in STEM (science, technology, engineering and mathematics) than any other public university in

Wisconsin, except UW-Madison. Chancellor Patterson then said that when the 23 private colleges are included, only Marquette exceeds UW-Stevens Point, and then by only 25 students.

In preparing more students for careers in the health care profession, Chancellor Patterson said that the focus is on under-represented students, under-challenged students, under-financed students, students from the rural part of the state, and nontraditional students. He also suggested that for the last 20 years there had been much more of a hands-off approach to how universities deal with students, and that UW-Stevens Point needs to become more involved and more engaged with its students and their families.

Prosperous Communities

The third pillar of UW-Stevens Point's strategic plan is prosperous communities. Chancellor Patterson shared that UW-Stevens Point had established a new position, called Special Assistant to the Chancellor for Economic Development, which was filled by Dave Eckmann, formerly the Executive Director of the Marathon County Economic Development Corporation.

Chancellor Patterson said the position turned out to be a huge success, providing the tools to link what faculty are doing with business and manufacturing entities in the community. He named the Wisconsin Fast Forward Program as an example of how UW-Stevens Point plans to connect university resources with business and manufacturing communities.

Sustainable Communities

Sustainable communities is the fourth pillar of the UW-Stevens Point strategic plan. Chancellor Patterson quoted Christine Thomas, Dean of the College of Natural Resources, as saying that "our mission is to be leaders in shaping the ability of our world to respond favorably to the continuing need for sustainably produced resources." He said that is exactly what the Wisconsin Institute for Sustainable Technology is aimed at doing, as is the Northern Agriculture Demonstration Facility on the shores of Lake Superior, which he noted was incidentally housed on lands owned by the Red Cliff Band of the Lake Superior Chippewa.

Connections Among Initiatives

Chancellor Patterson emphasized that these four distinct initiatives – vibrant communities, healthy communities, prosperous communities, and sustainable communities – are interconnected and interwoven. He gave as an example the River Point Paper Project, and the Regents then watched a video to hear from some of the faculty and students and partners involved in this enterprise.

The chancellor said that students had developed and produced three different grades of paper, the top grade of which would continue to be produced on campus. Because the volume would be greater than could be handled on campus, the two other grades would be produced in a commercial mill in Wisconsin and marketed throughout North America. This was possible because of the UW System Economic Development Incentive grant that helped UW-Stevens

Point upgrade its paper machine. Chancellor Patterson thanked the Board, particularly the REDI Committee, for making this possible.

Chancellor Patterson stated that for UW-Stevens Point to reach its full potential, it needed to make changes. He explained that this year's program prioritization effort was about aligning the university's resources with its goals. He gave two examples of areas that would be reviewed to ensure alignment with the new strategic plan: class scheduling and faculty promotion and tenure criteria.

Chancellor Patterson said that UW-Stevens Point had shared the executive summary of its program prioritization with UW System leadership, Regent leadership, the Governor's office, and with 25-plus legislators; it received several responses that were quite encouraging. He then read aloud a portion of the feedback given by Steve Nass, State Representative of the 33rd Assembly District, which expressed appreciation for the UW-Stevens Point community's willingness to engage in such a positive process, "...with clear written goals and an unwavering commitment to accountability to students, parents, employees and taxpayers...".

Chancellor Patterson said the university would need the help of the Board of Regents. He explained that although the current program array at UW-Stevens Point would serve the state quite well for the most part, it would be necessary to bring a few key academic degree programs to the Board, to be put in place for this plan and this vision to work. He noted that these would be programs that UW-Stevens Point can mount with its current resources. He said that he wanted the Regents to know that UW-Stevens Point's degree program requests were well grounded in a carefully and thoughtfully developed strategic plan.

Chancellor Patterson said that UW-Stevens Point's intent was to be more purposeful, more focused, more intentional, more strategic and more tactical as a university. The bottom line is for the university to be more responsive to community needs and more relevant to community issues; he said that this is precisely what the Aquaponics Innovation Center in Montello, Wisconsin is all about.

He then showed a video about UW-Stevens Point's aquaponics program and the Aquaponics Innovation Center. Aquaponics combines two preexisting fields: aquaculture, which is the science of fish farming, and hydroponics, which is soilless growing of plants. Growing fish in tanks and feeding them creates nutrient-rich water, which flows through filters and then to plants that extract the nutrients; the water returns to the fish as cleaner water. About 100 pounds of fish and 10,000 pounds of lettuce can be produced in this manner. The Aquaponics Innovation Center will provide the platform for further research to help grow the industry.

Chancellor Patterson said that research in this innovation center is critical to growing the aquaponics industry, and that this talent development initiative and the Aquaponics Innovation Center's public-private partnership with Nelson and Pade, Inc., were made possible through a UW System Economic Development Initiative Grant. He said that the university was grateful to each and every one of the Regents for that opportunity. He then introduced Rebecca Nelson and John Pade, co-owners and co-founders of Nelson and Pade, Inc., who were welcomed with applause.

Chancellor Patterson emphasized that nontraditional students will be especially attracted to these kinds of career opportunities, and he noted that nontraditional students are certain to play a larger role in UW-Stevens Point's enrollment mix going forward.

Enrollment

Continuing on the subject of enrollment, Chancellor Patterson said that enrollment at UW-Stevens Point was down 329 students, creating a budget impact of \$1.9 million. He said they were currently consulting with university leadership and governance groups about how to manage that situation.

He explained that the enrollment declines at UW-Stevens Point were not among incoming and first-year students, but rather in its juniors and seniors. The good news here, he said, was that first-year enrollment was within 17 students of the university's goal. Chancellor Patterson said that this was quite an accomplishment given the current environment, which he noted combined a declining high school graduation rate with the UW System's flagship university's taking on more Wisconsin students, which had a ripple effect across the comprehensive universities.

Chancellor Patterson told the Regents that the recruitment strategy that was put in place at UW-Stevens Point for first-year students was working, saying that the university was more data driven and more intentional, and was targeting where it has capacity.

Graduation

More good news on this front, he said, was that in the past year UW-Stevens Point had the largest graduating class in its 120-year history, graduating 217 more students than it had ever graduated before. Chancellor Patterson said that this result represented 217 reasons why UW-Stevens Point was down a bit more than 300 students this semester. He said that the university's focus on graduating in four years was starting to pay off; and there also had been a culture change with its faculty, students, and parents.

Chancellor Patterson said that despite working in the higher education business for 37 years, in three states and at four universities, it was not until he came to Wisconsin that he ever heard the term "Super Senior." He said that the expectation that it would take five years to graduate was so common in this state that people had named it! Chancellor Patterson said that this part of the culture is something the university needs to work on.

Further emphasizing this point, Chancellor Patterson recounted how, not long before, he was walking across campus when he met some students on the sidewalk and stopped to chat. He asked them where they were from; what were their majors; and, since it was close to graduation, would they be graduating in May? Chancellor Patterson recalled that one student said she could graduate, but because her apartment and friends were here, and because she loved her classes and the faculty, she might decide to stay another semester, maybe even two. Chancellor Patterson joked that he replied, "Young lady, what is your daddy's phone number?"

Chancellor Patterson explained that at UW-Stevens Point student recruitment is everyone's responsibility. He said that one way of reducing student debt is getting students to

graduate on time. He noted that UW-Stevens Point had done many things in this area that had been very significant, but he would mention only two:

First, UW-Stevens Point has changed its general education requirements and reduced the number of hours required in its general education program by 15 to 24 hours, depending on how one counts. Chancellor Patterson said that this would do several things: it will help reduce the bottleneck issue, and it will help students more easily navigate the requirements in their degree program.

Chancellor Patterson said that UW-Stevens Point also was taking its program prioritization effort a step further by asking every academic department to look at what is required in its degree program. Chancellor Patterson said that there has to be a limit on how many hours are going to be required, which is a different matter from what courses are required. He said that all departments were being asked to lower their requirements to 120 hours, although in some cases that would be difficult. He said, though, that for most programs it would be doable.

Diversity

Chancellor Patterson indicated he had good news to share about UW-Stevens Point's diversity enrollment: diversity among U.S. students in the incoming class is at 12.7 percent, up 8 percentage points from 2004, when it was less than 5 percent. Diversity including international students also increased by 8 percentage points, from 6.1 percent in 2004 to 14.3 percent. Chancellor Patterson said that UW-Stevens Point had more than doubled the diversity of its incoming class within the last ten years.

He said that UW-Stevens Points also nearly doubled the diversity of its overall student body over ten years: diversity among the U.S. student body is at 9.1 percent, which is an increase from last year and almost double the 2004 rate of 4.8 percent. Student body diversity, including the international students, is at 11.4 percent, also an increase from last year, and almost 5 percentage points higher than 2004, when the rate was just over 6 percent.

Chancellor Patterson said that UW-Stevens Point must turn its recruitment success into success for diverse students, particularly in retention and graduation rates. He told the Regents that the retention rate at UW-Stevens Point has fluctuated between the high 70s and low 80s for some time, and that the stretch goal is 87 percent. Chancellor Patterson said that the focus of the university's program prioritization efforts is retention. He said that a \$1.8 million Title III Grant had allowed UW-Stevens Point to hire a retention coordinator, but like recruitment, retention is the responsibility of everyone on campus. He said that changing the campus climate and meeting the needs of a changing student body will be the university's challenge and charge.

As an example of something UW-Stevens Point is doing that he said is different and unique in higher education, Chancellor Patterson explained how the university had established a Center for Inclusive Learning. He said that many campuses have teaching and learning centers, including UW-Stevens Point until budget cuts forced the old center's closure a few years earlier. Chancellor Patterson said that UW-Stevens Point was now bringing that program back, not simply as a teaching and learning center, but also as a center for diversity and inclusivity.

The chancellor said the university wants to weave the issues of diversity and inclusivity through everything it does with respect to teaching. Chancellor Patterson said that he believed this approach is unique in higher education, and told the Regents to watch for a national model to be developed on the UW-Stevens Point campus.

Saying that this action is actually a natural evolution for UW-Stevens Point, Chancellor Patterson elaborated on the university's longstanding association with the tribal communities as an example. He began by recognizing Dorothy Davids, who in 1945 was the first American Indian to graduate from UW-Stevens Point, when the university was still known as Central State Teachers College; she passed away the previous weekend at the age of 91, after a very long and distinguished career.

Other key moments in UW-Stevens Point's history with the Native American communities include: the establishment of the first headquarters of the Ho-Chunk Nation, then known as the Wisconsin Winnebago Business Committee, on the UW-Stevens Point campus in the early 1960s; the organization of the university's first American Indian Student Organization in 1969; and the establishment of UW-Stevens Point's Native American Center in 1978.

Chancellor Patterson said that most recently UW-Stevens Point had been working with President Jon Greendeer of the Ho-Chunk Nation, as well as the Medical Directors and the Education Directors of the tribes across the state, to pull together a work group with personnel from the university, to be led by Andy Gokee, Director of the Native American Center and a member of the Red Cliff Ojibwe.

Chancellor Patterson then introduced Alton "Sonny" Smart, who had served as a professor in the UW-Stevens Point Sociology Department for 24 years and became the first Native American faculty member at UW-Stevens Point to earn tenure. Professor Smart developed the Native American Social Work Minor in 1992 and is the former Director of the Social Work Program at UW-Stevens Point. Chancellor Patterson then thanked Professor Smart for his long service.

Chancellor Patterson said that more must be done to understand the cultures and subcultures of society, while at the same time being careful not to underestimate the power of the arts and the humanities to change society. Chancellor Patterson stated that this is why totalitarian governments have always attempted to control the arts, and that freedom in society is easily measured by the freedom afforded the arts.

Chancellor Patterson explained that the UW-Stevens Point community was fortunate to have the world headquarters of Sentry Insurance based in Stevens Point; he said that Sentry's support for the arts has been unprecedented. Chancellor Patterson said that Sentry Insurance had proven to be an excellent partner with the university, and he called the company perhaps one of the best corporate citizens with which he had ever worked. The chancellor then invited the Regents to watch a video that explained how Sentry had made UW-Stevens Point a much more vibrant community with its partnership on the Sentry Insurance Invitation to the Arts program.

Chancellor Patterson then introduced Peter McPartland, CEO of Sentry Insurance, and he expressed thanks to the company for making a lasting impression on UW-Stevens Point and the community.

Quality of Workforce

Chancellor Patterson said that, as in any business, the quality of the university's workforce will impact the quality of its product. He explained that UW-Stevens Point's business and its challenge was talent development, for the economy and also for higher education.

He went on to describe changes in the UW-Stevens Point workforce, explaining that, of the faculty who left in FY14, 75 percent resigned and 25 percent retired. He shared that in the College of Natural Resources more than 34 percent of the faculty have served two years or less, and 50 percent have served six years or less. University-wide, more than 22 percent of the faculty have served two years or less at UW-Stevens Point.

Chancellor Patterson queried what kind of business could sustain that turnover rate. He said that the university knew the root of the problem, but needed a better, data-driven understanding of it. He explained that three years earlier UW-Stevens Point started an annual salary study, using the CUPA-HR national data of 262 Master's-level public universities. Chancellor Patterson told the Regents that these data allowed them to control for both discipline and rank, both variables that can impact salaries.

Chancellor Patterson said that because this was a national study, it also controlled for the cost of living; interestingly, he said, the study found that it costs more to live in Central Wisconsin than it does in cities such as San Antonio, Texas; Atlanta, Georgia; Spokane, Washington; Cincinnati, Ohio; Eau Claire, Wisconsin; Tampa, Florida; Dallas, Texas; Oklahoma City; Des Moines, Iowa; St. Louis, Missouri; and Omaha, Nebraska.

Chancellor Patterson said that this analysis allowed the university to provide each dean with a list of his or her faculty in rank order, with an indication of the extent to which each faculty member's salary deviated from the national average.

In an effort to solve this issue, Chancellor Patterson explained that locally UW-Stevens Point had invested \$1.4 million over four years, and that the state had invested 2 percent over the last 2 years; but the numbers ultimately were moving in the wrong direction. He said that the percentage of UW-Stevens Point faculty who were paid below the national average went from 87 percent in 2012 to 89 percent in 2013, and the preliminary analysis for 2014 indicates that 91.5 percent of faculty are being paid below the national average.

Chancellor Patterson explained that in 2013 the model used was enhanced by including the variables of merit and years of service, in addition to discipline and rank. Going by the results of this model, 94.3 percent of the faculty were paid below the national average in 2013, and preliminary analysis for 2014 showed that number increasing to 96.5 percent. Chancellor Patterson added that in 2013, 45 percent of the UW-Stevens Point faculty members were paid at least \$10,000 below the national average, and 12 percent were paid \$20,000 below the national average.

Chancellor Patterson noted that academic staff also were included in the study, but because they have thousands of job titles it made analysis much more complicated. He said that classified staff also have been included using the DMC method of adjusting salaries.

Chancellor Patterson told the Regents that last year he commissioned a Living Wage Taskforce that included several members of classified staff, along with an economist from the UW-Stevens Point School of Business and the university's Human Resources Director. He said that this taskforce unveiled two interesting findings:

First, on average and for the classifications examined, starting market wages in the public sector were more than 41 percent higher than at UW-Stevens Point. When combining the public and private sectors together the taskforce found the starting market wages for the classifications examined to be almost 39 percent higher than at the university.

Chancellor Patterson said that the university would continue to work on this. He explained that in FY14 UW-Stevens Point redirected 2.98 percent of its total budget for salaries, but that the university would ultimately need \$1.1 million to bring its average faculty salary to 90 percent of the national average. He emphasized that this would not mean bringing every salary to the national average, but rather would bring the average at UW-Stevens Point up to 90 percent of the national average. He said that then UW-Stevens Point would need \$3.7 million to actually bring its average faculty salary to the national average, while numbers for the university's academic staff and classified staff were not yet known.

Next, Chancellor Patterson showed a video that spotlighted the nanotechnology work of Mike Zach, Associate Professor of Chemistry, and then introduced Matt Lindsay, science teacher, and Dick Lind, Director of Curriculum and Instruction, both from Mosinee School District. The video indicated that UW-Stevens Point leads students in nanotechnology research and developing new methods for making large quantities of nanowires. These tiny nanowires can be used in small circuits that are embedded into new technologies to make materials "smarter." The program is creating a kit called NanoFab Lab...In a Box!, which can take the technology into schools to connect students to the cutting edge of science. NanoFab Lab...In a Box! has all the tools necessary to allow high school students to create microwires and nanowires of various materials.

Chancellor Patterson closed his presentation with the comment that UW-Stevens Point is in the business of talent development; it must prepare students for a successful life after graduation, but must also develop the talent of the faculty and staff responsible for teaching those students. He said that the university cannot succeed at one without succeeding at both.

Regent Discussion

Chancellor Patterson thanked the Regents for their kind attention, and said he was happy to take questions. Responding to a question from Regent Higgins about UW-Stevens Point's successes in increasing diversity on campus, Chancellor Patterson explained that he believed the issue required the right people to be working on it, and that UW-Stevens Point had the right people in the right places, including in its admissions office. He shared the story of one admissions counselor who flew to Washington, D.C., to ride a bus filled with recruited students from the east coast to start orienting them and to help them feel connected to the UW-Stevens Point campus; and he praised the admissions counselor for their dedication.

Regent Walsh then commented that he believed the UW System sometimes gets carried away about universities producing economic development and jobs. Referring to the last video

the Regents watched, he stated that what Professor Zach was producing at UW-Stevens Point is knowledge. Regent Walsh said that when asking the state to invest in the university it is important not to lose track of people like Professor Zach, who was producing something that was not a consumer good for big commercial profit, but rather knowledge in the high schools. Regent Walsh told Chancellor Patterson that he appreciated that reminder, and that it is the university's challenge to remind the state of Wisconsin that investment in people is necessary. Chancellor Patterson thanked Regent Walsh, and agreed that Professor Zach's heart was in education, saying that he was not trying to get rich in his work, but instead was trying to interest more students in science.

Regent Petersen asked Chancellor Patterson for an update about the Wellness Center and the impact it was having on students, recalling from an earlier visit to campus that the construction of the center was somewhat innovative. Chancellor Patterson explained that the effort to construct the Wellness Center was led by the university's Student Government Association. He credited the young people in the SGA with organizing and pursuing the initial effort, and said that they worked with the facility staff and the architects in designing the building. Chancellor Patterson noted that when they had the referendum for the Wellness Center project, it passed overwhelmingly by a larger turnout and larger margin than any referendum that UW-Stevens Point recently had; he said that this was what happened when good students were involved in good causes.

On behalf of Board members, President Falbo expressed thanks to Chancellor Patterson for his presentation.

REPORT ON THE LEVEL OF COMMITMENT OF PROGRAM REVENUE BALANCES, FISCAL YEAR 2013-14

President Falbo asked President Cross to introduce the report on the program revenue fund balances, which had been provided in the materials. President Falbo first acknowledged the considerable discussion and debate this topic had generated as the legislature and public raised questions about how the University reports, manages and plans spending for its campus-generated funds. He stated that the UW System took those questions very seriously. He said that over the past months many people, from both System Administration and at all of the campuses, worked diligently to provide answers. He then asked President Cross to lead the discussion of the report.

Efforts to Define Program Revenue Fund Balances

President Cross began his presentation by remarking that, unfortunately, he could not talk with people about the future of the university or the impact it could have on the state and on society, without those conversations shifting back to the fund balances. Program revenue fund balances are embedded in everything the university does, and President Cross said that he was proud that the report he was going to share with the Regents detailed this in great depth.

President Cross thought that this report would give the university the opportunity to change its focus, something the state needs the university to do.

President Cross said that the report he was presenting on the UW System's program revenue fund balances represented a milestone, noting that the journey to get to this point was at times difficult, but it was necessary for the long-term financial wellbeing and viability of the System.

President Cross said he was going to focus on several key issues. Most importantly, he said, would be a look at what the UW System's actual reserves are. He said that program revenue fund balances cannot and should not be confused or conflated with "true reserves" at UW institutions. With that in mind, President Cross said that he wanted to share with the Regents the progress the UW System had made in providing even greater accountability and transparency in how it plans, manages, and conducts its financial operations.

Looking back to his first Board of Regents meeting as System President in March 2014, President Cross said that at the time, his first order of business was clear: the university had to strive and work to regain confidence in the UW System's financial information, its budgeting processes, and its planning activities. President Cross said that to do that the UW had to reshape its financial operations, developing new tools and describing the System's finances in such a way that everyone in the room could understand them. Repeating his words from March, President Cross reiterated that one should not have to be a CPA to have a basic understanding of the UW System's finances.

President Cross said that, at the time, it was hard even for him to defend the UW's finances, because he could not answer questions with complete confidence. President Cross told the Regents that things were now different, and that the report before them contained an unprecedented level of detail. President Cross said he was now confident that the University could answer any questions, and he expressed his hope that as the Regents reviewed and analyzed this report they would share in that confidence as well.

Over the past several months the UW System had worked diligently to devise a thoughtful, organized process to ensure that its finances could be understood and, when questioned, defended. President Cross said that in April an effort began to look at the fund balances through the tools provided by the Legislative Audit Bureau. He explained that the Legislative Audit Bureau developed definitions by which to classify the funds.

In June the UW System unveiled its first ever Annual Operating Expense Budget, using many of the new financial tools that were introduced in April. President Cross said that important components, such as an actual versus budget quarterly report, were added. He noted that the Business and Finance Committee had seen Year One of that budget in their meeting earlier that day.

Next President Cross explained that the System incorporated projections for Program Revenue Balances into its annual budget recommendations for the first time. Fund Balances had never before been part of the annual budget development and approval process, and so this was a substantial development in restoring confidence in the University's finances. From now on, President Cross said, the UW System would not have a separate fund balance discussion because

program revenue fund balances would be an integral part of all of the university's financial reporting.

In August the university started to show how these new financial tools and models could be put to work. President Cross shared how, as part of the UW System's biennial budget recommendation, he proposed a joint investment with the state to better align the university's efforts and resources to more effectively meet the needs of the state, in talent, in ideas, and in knowledge. He explained that this joint investment is called the Talent Development Initiative.

President Cross said that overall this initiative had been quite well received. He said that as he visited with campus, community, and business leaders, everyone seemed to agree with and support its goals and objectives, and to understand that the state needs more high-impact talent and ideas, and more knowledge, if the economy is going to rebound and grow.

Actual Reserves

Before proceeding, President Cross said that he wanted to review some key definitions:

- (1) Program revenue is revenue collected at the campuses for services provided, such as tuition, food, residence hall fees, and payments related to general program operations. These are funds generated locally through individual activities on individual campuses.
- (2) Fund balances are not reserves or slush funds. While there may be reserves within fund balances, the majority of fund balances are typically committed at some level, similar to accounts payable or a contract.

The Legislative Audit Bureau created five different categories, based on levels of commitment, intended to give the university, legislators, the Governor, the campuses and the public a clear understanding of what program revenue fund balances are and how they are spent. Noting that these definitions had been discussed at previous meetings, President Cross said that for the purpose of this discussion he would focus on two categories: reserved and undocumented (or discretionary).

President Cross explained that, taken together, these categories represented what could rightly be called the System's actual or true reserves. Reserved funds are intentionally held or committed for emergencies or unplanned contingencies. Undocumented funds are funds that are truly discretionary; that is, funds for which the University does not yet have plans. They are one-time-opportunity investment funds that a chancellor or a president may use, and they are a necessary buffer essential to managing any complex organization.

President Cross said that he was now able to stand before the Regents and say with complete confidence that the UW System can account for every dollar of its program revenue fund balances at every single institution within the entire System. He emphasized that, for the first time, the UW knows exactly what its actual, true reserves are: \$174,819,036 as of June 30, 2014, which is about 3 percent of the UW System's overall operating budget.

President Cross repeated that the university's true reserves are only about \$175 million, and that this is spread across all of its institutions. The actual reserves for every campus are also known and accounted for. In addition, President Cross said that it was worth noting these

reserves declined in the last fiscal year, and it was projected they would continue to decline in the future.

Correcting Misconceptions

To understand how the System arrived at this number, President Cross said it was necessary to understand how perception and reality do not always meet. First, President Cross addressed the misperception that all of the program revenue funds are in one big pot held by the UW System. President Cross said that was simply not true, although he joked that he wished it were. He noted that program revenue is generated on individual campuses, and managed and distributed on those individual campuses.

Continuing on this thread, President Cross said that the fund balances are spread with great variance among all campuses and institutions. They are generated locally, planned locally, and spent locally, with strategic purposes at UW-Green Bay, Madison, Milwaukee, Superior, Stevens Point, Eau Claire, La Crosse, Oshkosh, River Falls, Stout, Whitewater, Parkside, Platteville and throughout the colleges and Extension.

To explain why people keep seeing individual institution fund balance numbers get aggregated and rolled up into one grand total, President Cross said that because the UW System is a state agency, it must provide this information in aggregate form for the whole System. This is why the public thinks all of the money is available in one pot, President Cross said. He noted that this is confusing not only to the public but also to many in the UW System.

President Cross stated that he hoped everyone now realized that there is no single pot of money. He said that the university had worked hard to apply and organize the tools it had been given, with the help of the Legislative Audit Bureau, to report this information in a simple, straightforward, clear manner.

President Cross issued another reminder not to confuse or conflate fund balances with true reserves, saying that this would be misleading, since more than \$700 million of the total program revenue fund balances are in some stage of obligation, in the categories defined by the Legislative Audit Bureau as obligated or planned.

Another misperception that President Cross said he wanted to address was the idea that program revenues should be redistributed by the System office. He noted again that these funds are revenues generated on individual campuses to pay for the services and products provided, and so those funds should stay on those individual campuses. He said that this was a fundamental commitment the university makes to its campuses and chancellors, as well as to the students and families who spend their money on the campuses. President Cross asked whether a family paying to send their son or daughter to UW-Eau Claire would want to hear that their money was actually being spent at UW-Oshkosh or UW-Milwaukee.

President Cross pointed out that the only program revenue that the UW System directly administers is in the systemwide and System Administration accounts. Most of the systemwide account balances are designated for needs that affect all UW campuses. About \$20 million is in the reserve category, which is set aside for emergencies and contingencies. Another \$41 million

is in what is essentially an escrow account, where funds are held for subsequent redistribution to campuses for costs that impact all institutions, like veterans' tuition, fringe benefits and utilities.

President Cross then gave an example, noting that last year the System set aside about \$20 million of the \$41 million total for veterans' tuition remission. He explained that those funds are held at the System level until it is known where those veterans will enroll. Then the University disburses the funds directly to the campuses where that enrollment occurs – the money follows the veteran.

New Level of Accountability

President Cross said that, because of the measures the UW System has taken, the tools it has developed and implemented, and the hours of work staff have put in on the campuses and in the System offices, he could now say unequivocally something he could not say six or seven months ago: the university knows exactly what its program revenue fund balances are, how they were generated, how they are being managed, and how they are planned to be spent.

President Cross then explained that the program revenue fund balances had been integrated into the budget and planning processes, as well as the financial reporting processes; from now on, program revenue fund balances would not be a separate conversation, but would instead be considered a normal and regular part of the University's financial discussions and decisions. President Cross commented that the level of detail and transparency about the UW System's financial information provided in this report was virtually unprecedented, not only in Wisconsin but throughout higher education in the United States. President Cross said that the UW System had been responsive to what the Board of Regents, legislators and the public said they wanted.

President Cross said that the UW System was more transparent, more accountable, more open, and better able to forecast and plan for the future. He said that the university was also better equipped to move forward with clarity and confidence, now that it knows that its current, true reserves, spread across the institutions statewide, are about 3 percent of its total annual budget. He said that the UW System needs to decide whether that is adequate if it wants to uphold its standing as a world class educational leader and as an organization with the capacity to help Wisconsin move forward.

President Cross suggested that the university must make long-term decisions and investments that align the System's mission and actions with the needs of the state and the students it serves; it also must work hard to be more efficient in its efforts, in order to be a good steward of its funds. To that end, President Cross said, the university cannot and should not spend its reserves or program revenue fund balances without careful, strategic planning and thoughtful consideration.

President Cross acknowledged that legislators and the public raised legitimate concerns about how the university was spending and managing its program revenue fund balances; legislators not only asked the questions, but they also worked closely with the UW System to get to this point. He thanked them for their openness, patience, and commitment to helping the University of Wisconsin.

Referring Regents to the meticulous detail of the report before them, President Cross said that the university had addressed the concerns thoroughly and that it was stronger and more efficient for doing so. He continued by saying that the University of Wisconsin, with its institutions, its deeply engrained commitment to the *Wisconsin Idea*, and its ability to help create and grow businesses and put people to work, was critical to the economic and social wellbeing of the people of the state. He said that the UW is not only the University of Wisconsin, but is also the University for Wisconsin.

President Cross indicated that it was time to move forward, suggesting that the University of Wisconsin and the state of Wisconsin are at a critical juncture and that their futures are inextricably interwoven. He said it was time for the university to focus its energies on the needs of the state, and particularly on the development of the knowledge, high-impact talent, and ideas that the state so vitally needs.

Regent Discussion

To begin the Regents' discussion of the Report on Program Revenue Balances, President Falbo invited Senior Vice President David Miller to provide the Regents with a brief synopsis of the process and methodology that went into producing the report. Mr. Miller explained that the process began at the department level, noting that throughout the UW System there are thousands of departments, and that within each department there may be many accounts; for example, UW-Stevens Point has 2,000 accounts, while UW-Madison has more than 10,000 accounts. He cited UW-Stevens Point as an example of the time involved in producing the report, noting that Vice Chancellor Greg Diemer had reported to the Business and Finance Committee that the work involved for UW-Stevens Point was about \$24,000 worth of work; UW-Stevens Point has an average-sized budget among the comprehensives.

Senior Vice President Miller said that within System Administration there was a ten-person team, including Associate Vice Presidents Julie Gordon and Freda Harris, who put together the report and worked with the Legislative Audit Bureau staff on refining the definitions. Mr. Miller thanked the Legislative Audit Bureau staff for clarifying those definitions for the institutions, so that a great deal of time was not spent debating the definitions. He also acknowledged the work of consultant Don Bezruki, a retired long-time Legislative Audit Bureau administrator.

Mr. Miller concluded by saying that there were also about 50 teleconferences among the ten-person project team at System Administration and the institution staff to work out all of the details that were in the report before the Regents.

President Falbo then invited Regents to ask any questions that they had about the report. Regent Millner began by thanking the staff at the System, as well as the chancellors, the chief business officers, and everyone who worked on the project throughout all of the campuses. She commented that people needed to understand the complexity of the organization and its importance to the state. Regent Millner then asked a series of questions about program revenue debt service lines within the document, which Mr. Miller answered by referring her to the definitions and providing an example, using UW-Eau Claire's reported numbers for reference.

UW-Madison Chancellor Rebecca Blank followed up on Mr. Miller's response to Regent Millner with comments about why the debt service lines were a good example of how and why the campuses must hold the program fund balances for reasons that are often completely outside of their control. Noting that the state-level approval process for buildings is very slow, Chancellor Blank explained that the fund balance in the auxiliary category begins to build up when a campus has renovation or construction projects that are delayed while the campus waits for state approval, over which the campus has no control.

Regent Mueller indicated she would share some cautionary notes, noting that this report was only the first step in a process, and it provided information for a single point in time. She said that Regents would need to look at a similar document every year to be able to spot trends.

President Cross agreed with Regent Mueller, noting that the Regents would receive this information every year, not only in the program revenue fund balances report, but also in the annual budget, the biennial budget request and the annual financial report. He said that he appreciated Regent Mueller's point about this report being a snapshot in time, noting that the information in the report was current as of June 30th, and many things may have changed since then.

Regent Mueller then said that by publishing this much detail, the UW System would likely open itself up to some criticism, although she said she personally was pleased to see the level of detail included in the report. Regent Mueller suggested that legislators and policymakers would be looking carefully at every line, and the university needed to recognize that might happen.

Regent Mueller shared another observation that the categories of System and systemwide were easily confused. She said that it was hard to understand how revenues collected by individual campuses remain on those campuses when some of the funds flow through or are temporarily housed in System accounts. Regent Mueller wanted President Cross and Mr. Miller to know that there would always be a laser focus on that part of the finances, because the systemwide amounts were so high.

Responding to Regent Mueller's last comment, President Cross noted that there were two points on which legislators continuously "hammered" the UW System: (1) why the university was asking for a 5.5-percent tuition increase when it was sitting on roughly \$500 million in the tuition fund alone; and (2) what was the purpose of the \$127 million in the systemwide account.

Noting that Regent Mueller's comments related to the second point, President Cross gave a brief explanation using examples from the systemwide account. He said that the \$20 million seen in the systemwide account under the "reserved" column represented funds the System was setting aside for emergencies throughout the System or contingencies. He stated that these typically fall into four categories: a precipitous drop in enrollment, a manmade disaster, a natural disaster, or some contingency activity.

Moving on to the next column, President Cross said that the \$41 million dollars listed there was set aside under three principle groupings, including veterans' tuition. He noted that because the UW System does not immediately know which institution a veteran will attend, the

GPR allocation for veterans' tuition is brought into an escrow account, which is categorized as undocumented and discretionary. Once the university knows where the students are enrolled, that money is distributed for those students.

In response to a follow-up question about how the UW System determines what the right level of funds should be in the systemwide account, President Cross replied that he did not have a good, analytical, logical answer. He suggested that, based on what he had seen, it should be somewhere between \$40 million and \$65 million. He noted that the most important thing was to be open and honest with the chancellors and the Board about the systemwide account. He said that one of the ways systemwide funds had accumulated was when money was set aside for a specific purpose, but only part of that money ended up needing to be distributed; for example, if in one year \$20 million was set aside for veterans' tuition, but only \$16 million needed to be distributed, the remaining \$4 million would have stayed in the account. President Cross said that the System was in the process of revisiting the escrow-type accounts.

Saying that she wanted to switch gears to another broad category, Regent Mueller commented on the issue of chancellors' ability to use one-time reserve funds for one-time salary increases, which she said raises an equity issue because some campuses do not have those reserves to tap.

Regent Mueller concluded by telling President Cross that he had spoken with clarity and confidence, and she congratulated him on a job well done. She said that if the System could have done this earlier it could have avoided some pain, and that she looked forward to future reports.

Regent Whitburn said that he wanted to reflect on when this reporting had started, which was when the UW System's Annual Financial Report for fiscal year 2012 listed for the first time \$860 million in unrestricted assets, with no detail. Regent Whitburn recalled that from the legislature there was sharp criticism of the Regents, and since then the Regents had worked hard to facilitate greater trust. He said that this was very different from the policies that the Regents were sometimes asked to approve; this was a highly-detailed financial report that the Regents were now going to "own." Regent Whitburn reminded his colleagues that when this process started he had challenged Senior Vice President Miller to make sure to deliver a bulletproof product. He then asked Mr. Miller if he believed that the UW System now had a bulletproof product in this report. Mr. Miller replied that he was completely confident that the report was bulletproof, stating that preparing it was an arduous process that required a great deal of engagement from all of the chancellors, and that there was now an extremely high level of confidence in the quality of the report.

Regent Whitburn then moved adoption of the resolution to approve the report, and Regent Farrow seconded the motion.

Discussion continued, with Regent Pruitt congratulating President Cross on a complete, transparent report. Now that it had been revealed that there were no pots of money around to redistribute to the campuses to address ongoing expenses, he asked whether state dollars could be expected to fund the shortfall in tuition dollars if the UW System's partners in state government desired to freeze tuition again.

President Cross said that before he answered Regent Pruitt's question, he thought there were a couple of important things to say. First, the university would have to establish credibility that these numbers are valid. He noted that it is hard to ask for new money until legislators trust the numbers the UW System has, but he thought the university was doing a good job of getting past that.

President Cross's second point was that the UW System was asking for new state investment in the form of \$95.2 million, and the debate over that request has yet to occur. He stated that the university's budget proposal was built on the concept of no new tuition, which would require an investment as Regent Pruitt had suggested. President Cross said that he believed that the UW System was part of the solution to the economy, and that the university is an investment, not an expense. He acknowledged that at times, when revenues are questionable at the state level, it can be hard to understand that, and so the System would need the help of the Regents, as well as all of its allies and friends, to help explain the importance of investing in the university. President Cross said that the UW System is committed to helping meet the needs of Wisconsin and reenergize the economy.

Regent Farrow said that she hoped that those who pushed for the reporting process understood the cost of the effort to the institutions in terms of human resources. She stated that her only concern was the various debt items, and she echoed Regent Mueller's and Chancellor Blank's earlier remarks on the subject, saying that the large numbers listed there were not because of anything the campuses or the System had been doing but, rather, were due to delays in getting approval from the state. She said that people needed to understand that sometimes the flow of work on these projects hits a snag that is completely out of the hands of university leaders.

Regent Farrow said that the UW System could now begin the discussion about the UW's finances at a much higher level of knowledge and information than was true before. She said that she was pleased that this transition had happened while she was serving on the Board of Regents, and that she believed that this was the healthiest thing that could have happened to the System and to the state, the budget, the taxpayers, and parents and students. In response to Regent Farrow's comments, Mr. Miller said that he intended to invest time and resources into automating more of the work involved in producing the report.

President Cross responded that he believed this report was the beginning of forecasting and modeling for the future. He said that hoped this would allow conversations to take place about specifics, rather than an imagined pot of money.

President Cross thanked all the chief business officers, provosts and chancellors, as well as Senior Vice President David Miller. President Falbo added that the UW System also received help from some outside partners, particularly the Legislative Audit Bureau.

President Cross noted that it might seem as though not many questions were being asked about this complex report. He noted that the Regents had been looking at this information for several days; even while the report was being constructed, Regents were asking questions and challenging staff. He thanked the Regents for their involvement.

With no other questions or comments, President Falbo called for a vote on Resolution 10414, which had been moved and seconded. The resolution was adopted on a voice vote.

Approval of UW System Program Revenue Balances Report, FY 2013-14

Resolution 10414 That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the UW System report on the 2013-14 year-end program revenue balances as categorized by each institution and the System as a whole. In so doing, the Board approves: (1) the spending plans for institutional balances above 12 percent of total year-end expenditures in Tuition, Auxiliary Operations, General Operations, or Other Unrestricted Program Revenue; (2) the savings plans submitted by institutions with a negative balance in Tuition and Auxiliary Operations; and (3) the justification and multi-year spending plan submitted by UW System Administration for the entire UW systemwide balances maintained for the System as a whole.

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PRESENTATION AND DISCUSSION: UPDATE ON UNIVERSITY OF WISCONSIN FLEXIBLE OPTION

President Falbo announced that the Board would next hear an update on the UW Flexible Option from Aaron Brower, Interim Chancellor of UW Colleges and UW-Extension.

Interim Chancellor Brower began by saying that getting financial aid approved through the federal government required “only” 100 pages of materials and 20 hours of conference calls, which now seemed like nothing. He recalled that the last time Regents received an update on the UW Flexible Option was in December, which was before the program – which began in January – had any students. He said that in his update he would speak about the student experience and then provide update on enrollment numbers, financial aid, and other items.

He introduced David Schejbal, Dean of Continuing Education E-Learning and Online Learning, who would be available to answer questions after Interim Chancellor Brower’s presentation.

Student Experience

Interim Chancellor Brower’s presentation began with a short video detailing the experience of one student enrolled in the UW Flexible Option program. The video profiled a married father of two, trained as an automotive technician at Wyoming Tech. He was enrolled in Flex and expressed appreciation for being able to move through the program without needing to be in a classroom at specific point in time; he credited his Academic Success Coach with being a fantastic resource.

Afterwards, Interim Chancellor Brower explained that students were progressing as expected. The Flex Option program had been attracting its target students – that is, older

returning students, typically with some college but not a degree, who had full-time jobs and were looking for a program that would fit around their life rather than forcing them into an academic calendar.

Interim Chancellor Brower said that students are progressing through material quickly when they have the knowledge and they can demonstrate it. Then students hit points at which they need to stop and study and make use of the resources and supports that the UW Flex Option program offers.

Interim Chancellor Brower then proceeded to provide a summary about the program's enrollment numbers, financial aid, and approvals, as well as some of its challenges and future plans. First he noted that typical programs have learning outcomes that are embedded in the degree. Those outcomes are distributed throughout the courses that students take. With the Flex Option program, he said, the standard course activities are removed, but ultimately the outcomes are the same; students progress through their degree programs by demonstrating those outcomes through assessments.

Interim Chancellor Brower stated that the UW continues to be a national leader, as demand for the UW Flex Option is quite high and the program has received intense national attention. He noted that if one searches in Google for "competency-based degree," the UW Flex Option program comes up as the number one result, and if one searches for "competency-based program," it turns up as number two or three.

Enrollment

Interim Chancellor Brower reported that, as of the middle of September, the UW Flex Option program had enrolled 214 students since its start in January. He noted that the budget model for the program projected that it would have 150 students by the end of 2014, and so the program was a little bit ahead of that. He indicated that enrollments were distributed differently across the different programs offered, with the IT program being the most popular, with about 40 percent of total enrollments.

Interim Chancellor Brower said that the UW Flexible Option program received federal financial aid approval at the beginning of September, after an eight-month process. He said that the program had submitted an application for UW-Milwaukee's programs earlier that week, and he hoped to have approval for those programs by the end of 2014.

Interim Chancellor Brower explained that one of the challenges at the federal level was to apply for financial aid through what is called "non-term," which had not been done before. Non-term would allow the program to award aid without compromising the essential feature of Flex, which is that it is self-paced and students are able to choose their path through the program.

Regent Whitburn recalled that when the Flex Option program was announced there were 500,000 Wisconsin adults, or one in five, who had been to college but dropped out, and that the university had a systemwide strategic plan in place calling for 80,000 to 90,000 additional college graduates. Regent Whitburn expressed his frustration that the UW Flex Option program was not going to scale up quicker. Noting that only one of the System's four-year institutions

was currently participating in the Flex Option program, he asked Interim Chancellor Brower if that was going to change.

Interim Chancellor Brower replied that three other institutions had programs in the pipeline – UW-Stevens Point, UW-Parkside, and UW-Madison. He explained that the demand for the Flex Option program is ten times what the numbers show, and enrollment was currently being limited because the program cannot handle more until its behind-the-scenes processes become automated. He said that program staff were literally keeping track of students on spreadsheets, entering student information into database systems by hand, which is not a sustainable model. Explaining that no off-the-shelf automated system exists, he said that building such a system was one of the major challenges that the Flex Option program would face as it ramped up.

Interim Chancellor Brower then responded to a series of questions about financial aid from Regent Vásquez and Regent Mueller, and explained that the ability to award financial aid internally currently was confined to tuition reduction. With the financial aid approval, students could be awarded financial aid as if they were in a brick-and-mortar program. The students who apply to Flex also complete the FAFSA as a way to evaluate their aid eligibility. Based on that evaluation, they would be able to receive federal aid, including not only tuition but also cost of living, and other loans that could be packaged in with their aid.

Challenges

Discussing challenges the program faces, Interim Chancellor Brower stated that the biggest two issues were infrastructure and program array. With respect to infrastructure, as previously noted, there existed no system to handle students on a non-course/non-term/non-credit basis, and so the program staff were forced to keep track of students individually. He said that the program is trying to explore all of the options.

With respect to program array, Interim Chancellor Brower said that the challenge was making sure that Flex offers programs that are wanted. He said that because the Flex Option was a cost-recovery program, after the start-up phase degree programs would have to stand on their own. Enrollments for the current programs being offered were good, he said; any new programs will have significant market research done first to make sure that they will be attractive.

Regent Vásquez expressed his concern that the UW Flex Option program had opened doors that other higher education institutions could take advantage of when starting similar programs. He also observed that the Flex Program might not be able to ramp up fast enough to keep pace with potential competitors, who would not have spent the same amount of time and resources that the UW System had in laying the groundwork.

Interim Chancellor Brower replied that right now every program was facing the same challenges with automated processes. He said that in the long term, it probably would take about 18 months to two years to have an automated system fully operational, although pieces of the system could get started sooner; the admissions part of the UW Flex Option program was well on its way, he said.

Interim Chancellor Brower said that the short-term solution to the problem Regent Vásquez posed was to hire people to do more of the manual processes. He said that this option was being explored, but it would use up the program's start-up funds differently than originally planned.

Interim Chancellor Brower indicated that the UW Flex Option program opened the door to a new financial aid model, and said that the program was getting calls weekly from almost every state in the nation from people looking into that template. He said that in that sense it is a very competitive market.

Interim Chancellor Brower continued by saying that the wonderful thing about the Flex Option program was that it takes advantage of the partnerships that exist across the System. He emphasized that the program would not exist without the fact that degrees were being granted by the System's regular institutions, with UW-Extension providing the support for that work. He stated that one of the reasons the UW Flex Option program was being sought out by others was its ability to build the program within the context of the UW System institutions, rather than developing something that resides outside of the System.

In closing, Dr. Brower provided another example of a student who was enjoying success in the Flex Option program. The student had been working for 16 years as an IT professional for the Legislative Technology Services Bureau in Madison. He began the program in May. Between May and the end of July he completed about 33 competencies, or about one-third of the program. He saved an estimated \$7,500 and a year of work.

President Falbo acknowledged the questions that had been asked during the course of the presentation and thanked Interim Chancellor Brower for providing his update.

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CLOSED SESSION

President Falbo called upon Vice President Millner to present Resolution 10415, to move into closed session. The motion was seconded by Regent Bradley and adopted on a roll call vote, with Regents Bradley, Delgado, Evers, Falbo, Farrow, Hall, Higgins, Manydeeds, Millner, Mueller, Petersen, Pruitt, Purath, and Walsh voting in the affirmative. There were no dissenting votes and no abstentions.

Closed Session Resolution

Resolution 10415 That the Board of Regents move into closed session to: (1) consider a UW-Green Bay honorary degree nomination, as permitted by Section 19.85(1)(f), *Wis. Stats.*; and (2) confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), *Wis. Stats.*

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The meeting was adjourned at 4:20 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