

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held at University of Wisconsin-Waukesha
1500 N. University Drive
Waukesha, Wisconsin

Thursday, April 9, 2015
1:15 p.m.

UPDATES AND INTRODUCTIONS 2

**HOST CAMPUS PRESENTATION BY CHANCELLOR CATHY SANDEEN: “UW COLLEGES AND UW-EXTENSION:
INSPIRING INNOVATION, CREATING FUTURES” 3**

STATEWIDE REACH OF UW COLLEGES AND UW-EXTENSION3

UW COLLEGES4

UW-EXTENSION5

Broadcasting and Media Innovations5

Business and Entrepreneurship6

Continuing Education Outreach and E-Learning7

Cooperative Extension8

Challenges9

Planning for the Future10

PRESENTATION AND DISCUSSION: 2015-17 BIENNIAL BUDGET 12

INTRODUCTION12

CAMPUS VISITS AND LEGISLATIVE WORK13

FLEXIBILITIES SOUGHT IN BUDGET15

Need for Flexibility Related to Construction Projects16

Need for Flexibility Related to Procurement17

Need for Flexibility Related to Cash Management18

Need for Flexibility Related to Human Resources19

ACCOUNTABILITY19

REGENT DISCUSSION21

CLOSED SESSION 31

Closed Session Resolution32

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held at University of Wisconsin-Waukesha
1500 N. University Drive
Waukesha, Wisconsin

Thursday, April 9, 2015
1:15 p.m.

-President Falbo Presiding-

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

UNABLE TO ATTEND: Regent Janice Mueller

- - -

UPDATES AND INTRODUCTIONS

President Falbo greeted meeting attendees and thanked UW Colleges and UW-Extension Chancellor Cathy Sandeen, Dean Harry Muir, and the UW-Waukesha campus community for their warm welcome and good-natured acceptance of “this traveling show we call the UW Board of Regents.” President Falbo said that the Regents appreciate the opportunity to get to know a host institution and its people and programs a little better.

President Falbo noted that the Board had addressed a significant amount of business in committees that morning, and that the Regents would receive a full report on those actions on Friday morning. He announced that in the afternoon the Board would again take up the topic that was on a lot of people’s minds, the 2015-17 budget. He explained that President Cross would provide the Regents with an update of where things currently stood.

President Falbo then reminded everyone that Jim Steinbach, director of television at Wisconsin Public Television (WPT), would be retiring in July. He said that he had the honor of working closely with Mr. Steinbach and his people over the years. He then invited Mr. Steinbach to say a few words.

Mr. Steinbach thanked President Falbo, saying that he had been in public television for 25 years and that it had been a privilege. He said that he thought Wisconsin Public Television (WPT) had done good things with public radio and public television, but that it could only do these things with the support of the people of Wisconsin and the support of the University. He

added that, individually and together, the Regents and their predecessors had kept the university strong, and he wanted to thank them for that.

Mr. Steinbach explained that public broadcasting was invented in Wisconsin about a hundred years ago, on campus, and it grew out of things that mattered then and still matter now: boundless curiosity, a commitment to the people of Wisconsin, and a sifting and winnowing and search for the truth. He said that, although he was only here for 25 of those years, the past hundred years had been remarkable and WPT had done great things. Looking ahead for the next hundred years, he said he was confident that, with the Board's support, WPT would continue to be a vital and essential resource for the people of Wisconsin.

Mr. Steinbach's remarks were met with applause.

- - -

HOST CAMPUS PRESENTATION BY CHANCELLOR CATHY SANDEEN: "UW COLLEGES AND UW-EXTENSION: INSPIRING INNOVATION, CREATING FUTURES"

President Falbo turned to Chancellor Cathy Sandeen to talk about "UW Colleges and UW-Extension: Inspiring Innovation, Creating Futures."

Chancellor Sandeen thanked President Falbo and the Regents, saying that she was delighted to be able speak about the two institutions. Chancellor Sandeen reminded the Regents that she had been in her position for a little less than four months, adding that she had learned a lot about what UW Colleges and UW-Extension do and was very excited about it.

She said that the theme of her presentation would be uniting the wisdom of the UW Colleges' and UW-Extension's past with charting a course for the future. She would talk about each of the institutions and divisions, touching on their history and talking about what they are doing today. She would also speak about the effects of the pending budget reductions on the institutions, as well as some future directions.

Statewide Reach of UW Colleges and UW-Extension

Presenting a map of Wisconsin that showed the locations and reach of each of the UW Colleges and UW-Extension, Chancellor Sandeen said she thought this was what President Charles Van Hise had in mind when he first articulated the Wisconsin Idea in 1904.

She explained that a couple of ideas connect all of the units within the UW Colleges and UW-Extension organization. The first is access; the organization can touch citizens throughout the state through its various programs and divisions. The second is partnerships and collaboration; Chancellor Sandeen observed that she could not think of one thing that UW Colleges and UW-Extension does that is not done in collaboration with someone else. She explained that the organization is able to leverage every dollar it receives from the State of Wisconsin through its partnerships and collaborations.

UW Colleges

Looking closer at the UW Colleges, Chancellor Sandeen pointed out that the locations of the Colleges cover a great deal of the State of Wisconsin. These two-year liberal arts transfer colleges are the access arm for the UW System.

Chancellor Sandeen said that she thought it was important for the UW Colleges to have this very focused transfer mission; they allow students throughout the state who know that they are headed toward a bachelor's degree to start their education. She explained that the UW Colleges have a pedagogical model that helps students just starting their education; "late bloomers," who did not realize that they wanted to pursue a bachelor's degree; and those who are coming back after serving in the military, or after taking some time off to do something else. Noting that the Colleges accept 98 percent of the students who apply to them, Chancellor Sandeen said that the faculty align with UW Colleges' mission and are particularly astute at helping these students. She said that the UW Colleges were very proud of what they do, observing that they have a high proportion of both first-generation and low-income students.

In addition to the two-year undergraduate curriculum leading to an Associate of Arts Degree, the UW Colleges also offer a Bachelor of Applied Arts and Sciences, in collaboration with the UW System's four-year institutions, on six campuses.

Chancellor Sandeen said that the UW Colleges started in 1910 with the Milwaukee Center, when faculty from UW-Madison would take the train to Milwaukee to teach the first two-year curriculum there for students who had planned to transfer to Madison. It was not until the 1950s and 1960s that the System saw an expansion of the UW Colleges campuses. Chancellor Sandeen stated that the colleges partner with the counties and the cities in which their campuses are located. These partners provide the land, the buildings, and the renovations and expansions to those buildings, which is extremely important.

Chancellor Sandeen pointed out that the UW Colleges are the most affordable option in all of the State of Wisconsin, at an average of \$5,100 a year for tuition and fees. UW Colleges are very productive as well, she said, noting that the faculty teaching load included four classes each semester plus advising, student mentoring and committee work. She noted that because the colleges have small faculties, the committee work obligation for each individual faculty member is quite high. She expressed appreciation for the hard-working faculty of the UW Colleges.

Reminding the Regents that UW Colleges students include many first-generation college students, those who are as yet unprepared for college work, and low-income students, Chancellor Sandeen said that she was very proud of the 83-percent first-year to second-year retention rate and 77-percent transfer rate. She said that this is where one can see the power of the focused two-year transfer mission, which is very unusual in this country. Based on her time in Washington, D.C., studying national statistics, Chancellor Sandeen said that these statistics far exceed what one would see in other places.

With more than 14,000 students on its campuses, the UW Colleges in total represent one of the larger institutions within the University of Wisconsin System. Chancellor Sandeen stated that UW Colleges also pride themselves on being highly efficient and highly effective, with one of the lowest average instructional costs per student in the State of Wisconsin. She explained

that the colleges call themselves “taxpayer generators” because the majority of their students want to get jobs and stay in their communities and regions after they graduate. UW Colleges do not contribute to the brain drain that people hear so much about, she said.

Chancellor Sandeen then played a short video for the Regents, which told the story of one student who is participating in the Wisconsin Physician Assistant Community-based Track (wisPACT). The student explained that wisPACT allows her to stay in her home community and study medicine through interactive or livestream lectures that deliver the same content as the UW-Madison program. She said that she planned to stay in the area and work in primary care after finishing the program.

Chancellor Sandeen also suggested that the Regents might be surprised by the level of research that UW Colleges faculty are involved in. As an example she told of a unique protein, found in blue walleye, that was discovered by Professors Schaefer and Schmitz of UW Colleges. The professors have filed international patents and the protein is currently undergoing a commercialization process through WiSys. Chancellor Sandeen explained that the protein would most likely be used in biomedical research as a deep tissue dye indicator or for gene expression in cancer research or stem cell research.

UW-Extension

Speaking next about UW-Extension, Chancellor Sandeen noted that UW-Extension ranks third among the institutions in terms of the amount of external funding brought into the UW System; last year it brought in over \$35 million, mostly in the form of federal grants. She also explained that a number of UW-Extension faculty are joint appointments with UW-Madison, and the grants that those faculty bring in count toward UW-Madison. Noting that UW-Extension pays 60 percent of these joint faculty salaries, Chancellor Sandeen observed that 60 percent of that grant productivity would add \$6 million to the amount UW-Extension brings to the System, for a total in excess of \$45 million.

Chancellor Sandeen stated that there are four divisions in UW-Extension: Broadcasting and Media Innovations, Business and Entrepreneurship, Continuing Education Outreach and E-learning, and Cooperative Extension. All of these divisions work in partnership with each other, allowing UW-Extension to reach across the whole state of Wisconsin.

Broadcasting and Media Innovations

Broadcasting and Media Innovations is the home of Wisconsin Public Radio, Wisconsin Public Television, and Instructional Communication Services, which runs the WisNet System and provides video streaming services, including for the Board of Regents meetings.

UW-Extension’s partners in the Broadcasting and Media Innovations division include the four-year campuses and communities that house its stations and transmitters, as well as the Educational Communications Board (ECB), which provides the transmitters and infrastructure for the broadcast signals. Chancellor Sandeen said that it was important to note that 18 percent of Wisconsin households do not have access to cable or satellite, and therefore depend on broadcast signals. She observed that ECB is facing a \$5-million cut to its budget, stating that UW-Extension was very concerned about its partner.

Chancellor Sandeen shared that together Wisconsin Public Television and Wisconsin Public Radio are the sixth largest public broadcasting system in the country. Elaborating on their connection to education, Chancellor Sandeen shared a conversation she had with a Manitowoc community leader, who said that the one-room schoolhouse she had attended as a child had depended on Wisconsin Public Radio's School of the Air to bring in additional content because the teachers were not trained in every single subject area. The chancellor commented that this was a great way for public broadcasting to supplement education.

In addition to access and a connection to education, Chancellor Sandeen said that another important part of the Wisconsin Public Broadcasting tradition is local programming. She said that Wisconsin Public Broadcasting ranks at the top of the country in terms of its local programming, which is a very important aspect of its fundraising.

Chancellor Sandeen then listed some of the stars of Wisconsin Public Radio, including Judith Siers-Poisson, Larry Meiller, Joy Cardin, and Kathleen Dunn, and gave examples of Wisconsin Public Television's local programming, including the film "Wisconsin From the Air" and "Vel Phillips: Dream Big Dreams", a documentary about a social justice advocate who, among other achievements, was the first African American woman to graduate from the UW-Madison Law School.

Chancellor Sandeen also described "Wisconsin War Stories," Wisconsin Public Television's longstanding program to support the state's veterans, and noted that President Falbo had been involved with the production of "Vietnam Wisconsin War Stories." She then played a short video about Wisconsin Public Television's new website, "Veterans Coming Home," which connects veterans with local services in addition to providing programming.

Business and Entrepreneurship

Chancellor Sandeen moved on to the next division, Business and Entrepreneurship, which she said was both the newest and smallest division of UW-Extension, although it is mighty. She showed the Regents a map of UW-Extension's Small Business Development Centers, many of which are located on four-year campuses. She explained that the Division of Business and Entrepreneurship works with statewide organizations like the Wisconsin Economic Development Corporation, and also works virtually so that it covers the whole state of Wisconsin.

This division's work supports entrepreneurs, the creation of new companies, and the creation of an entrepreneurship ecosystem in the State of Wisconsin, but it also helps "second stage" companies, those companies with between 10 and 99 employees who are set to grow. Through its Economic Gardening Team, UW-Extension helps these companies access the services that they might not have realized existed to help them. Noting that the Research, Economic Development and Innovation Committee had heard from the CEO and Vice President of one of those companies earlier that morning, Chancellor Sandeen said that she would share a short video with the Regents to explain the work that UW-Extension has done.

In the video, Al Leidinger, President of Mathison Manufacturing, explained that his small company does not have the tens of thousands of dollars required to get a marketing team together, but the experts at UW-Extension were able to show Mathison Manufacturing potential

growth markets. Then Vice President of Sales and Marketing Mike Arntz stated that the amount of information available through UW-Extension was remarkable and the expertise provided in different niches like website development or marketing was invaluable. UW-Extension Division for Business and Entrepreneurship Executive Director Mark Lange was shown saying that Wisconsin needs to become as good at growing existing companies as it is at starting new ones, by providing them with better information so they can make better decisions; this would help all the way down the line and throughout the community. The video concluded with Mr. Leidinger saying that the relationship his company had built with UW-Extension and the wealth of knowledge available to him was priceless.

Chancellor Sandeen went on to share some information about the work the Business and Entrepreneurship division does on the national level and through its Business Intelligence Center. She described a licensed database that tracks 55 million U.S. enterprises over a period of 20 years, allowing UW-Extension to see the dynamics of the economic engine and business growth at the local, regional, state and national level. The database uses cutting-edge visualization tools to help tell the story, and it is used by economic developers and researchers around the country. Chancellor Sandeen called this a perfect example of how UW-Extension is serving locally and nationally.

Continuing Education Outreach and E-Learning

Next the chancellor told the Regents about the Division of Continuing Education Outreach and E-Learning (CEOEL), which she said was the entrepreneurial arm of UW-Extension. This division partners with all of the other campuses, but as an early adopter of technology and online education it spans the entire state of Wisconsin and beyond.

Chancellor Sandeen explained that the CEOEL division has a deep history, going back exactly 100 years to the first meeting of the National University Extension Association in 1915. The keynote speaker at that meeting was Charles Van Hise, who talked about the Wisconsin Idea. That organization was the precursor to the University Professional Continuing Education Association, whose current president is David Schejbal, dean of UW-Extension's CEOEL division. Chancellor Sandeen stated that this shows the tight links between UW-Extension and the entire field of continuing education.

Chancellor Sandeen said that a hallmark of CEOEL is its use of very innovative, cutting-edge techniques and technology. One example of this is the early adoption of competency-based education approaches. Emphasizing that competency-based education really disaggregates degree earning from the classroom, Chancellor Sandeen explained that traditionally an individual earns a degree by taking a certain number of classes, logging in those classroom hours or units, which then add up to a degree. Competency-based education turns this on its head by having faculty develop a series of competency sets and a series of assessments, so that an individual can go through the program towards a degree as quickly or as slowly as he or she needs.

Chancellor Sandeen said that this form of education is particularly good for nontraditional students, older adults with some college and no degree; UW-Extension estimates that in the State of Wisconsin there are 750,000 individuals who fall into this category. Competency-based education is also good for people who have gained skills and knowledge in

other places, whether in college courses, in the military, or in the workplace, she added. By participating in a competency-based program, these students can move through and test out of the assessments by proving what knowledge they already have or skills they have already acquired.

Chancellor Sandeen reminded the Regents that the University of Wisconsin was one of the first in the country to develop a groundbreaking direct-assessment, non-term, competency-based program. Noting that the UW Flexible Option program had been in operation for a couple of years, Chancellor Sandeen said that she looked forward to returning with a more detailed progress report. She said that the UW Flexible Option program has a number of degrees in operation, including the Associate of Arts Degree with the UW Colleges, as well as a Nursing bachelor's, Diagnostic Imaging bachelor's, and Information Technology bachelor's with UW-Milwaukee. The program also offers a certificate in Technical Communication with UW-Milwaukee and two certificates, Global Skills and Sales Skills, with UW-Parkside.

Sharing some current statistics on the UW Flexible Option, Chancellor Sandeen reported that it was going well. The business plan had predicted that there would be 150 people enrolled in the program at this time, but actual enrollments have been in excess of 350 people and the program's first graduate is expected in May. She said that the UW Flexible Option is meeting its goals and had great plans to expand.

The chancellor went on to say that she thought it was important that the University of Wisconsin serves as a national leader and convener in conversations about competency-based education, adding that someone from the UW System will have a key role in any national conference on this subject. She then shared some numbers that illustrated the size and scope of the CEOEL division: 226,500 enrollments in all educational programs, from seminars and certificate programs to bachelor's degree programs and graduate programs; over 165,000 learner-support contracts each year through the various services, like the Higher Education Location Program (HELP), provided throughout the state; and 4,625 enrollments in CEOEL's collaborative degree programs that are counted as enrollments on other campuses.

Cooperative Extension

Finally, Chancellor Sandeen spoke about the Division of Cooperative Extension, which includes the following program areas: Community, Natural Resource, and Economic Development; Agriculture and Natural Resources; youth leadership programs such as 4-H Youth Development; and Family Living, which includes home programs such as those related to nutrition, education, financial literacy, and relationships.

The footprint of UW Cooperative Extension extends into every county and tribal nation in Wisconsin. Chancellor Sandeen explained that UW-Extension is in partnerships with the counties, which provide offices and facilities, but is also in partnership with Wisconsin's cities, school districts, correctional facilities, community groups, gardens, etc. She explained that the division operates under a place-based process or system, where it goes into a community and works with the leaders there to identify needs and develop programs that are specific to those needs. A deep and complicated web of relationships is made through UW Cooperative Extension.

Recalling that E. L. Luther, UW-Extension's first agriculture agent, once took one of the first motorcycles through Oneida County as he was bringing the latest applied research from UW-Madison to the farmers and dairymen in the region, Chancellor Sandeen stated that UW-Extension continues to use new technologies to help Wisconsin's important agriculture and dairy industries. She then introduced a short video about a farmer who wanted to expand his operation to make it more efficient, more profitable, and safer for employees. The farmer explained how UW-Extension helped him set a long-term goal and identify ways to modernize the farm, resulting in increases in milk production, number of cattle, and livestock sales.

That innovation continues, Chancellor Sandeen said, as she shared a photo of some farmers in Barron County who were participating in a demonstration of a drone used for crop monitoring, allowing them to see what was happening in the middle of their crop, in addition to the edges that they could see from the road. The chancellor explained that this was a perfect example of taking inventions and discoveries from UW System campuses and literally getting them out into the field where people can start to use them.

Another marquee program of Cooperative Extension is the 4-H youth leadership program, which was developed to serve rural areas. Chancellor Sandeen observed that this program had changed quite a bit; its roots were in agriculture and livestock, but the program had shifted to a STEM orientation. She then shared a photo from Upham Woods, a 300-plus-acre 4-H camp near Wisconsin Dells, which was transitioning from a nature camp to a STEM education center. The photo showed campers using digital learning kits, which include items such as heat monitors and iPads, that allow them to actually go out and collect and analyze data.

Chancellor Sandeen added that while many think of 4-H as a more rural, agrarian program, it has changed a lot. She noted that in many counties the most popular 4-H program is digital photography, and said that 4-H has a significant presence in Wisconsin's urban areas as well. The Regents then watched a short video about a STEM activity provided by the Milwaukee County 4-H program.

Concluding her overview of the institutions, Chancellor Sandeen said that she had just scratched the surface of all that UW Colleges and UW-Extension do to bring the great strength of the University of Wisconsin out to the citizens, listing the common threads across both institutions – access, collaboration and partnerships, efficiency, leadership, and innovation.

Challenges

Chancellor Sandeen acknowledged that UW Colleges and UW-Extension were not without challenges in the current environment, as they were facing a significant budget reduction along with all of the other institutions in the System. Assuming the amount of the reduction would remain at \$300 million and that it would be allocated out to the institutions according to the historical formula, UW Colleges would be facing a \$6-million cut and UW-Extension would be facing a \$6.9-million cut. Chancellor Sandeen mentioned that there were a number of targeted cuts in the budget that also affect UW Colleges and UW-Extension a great deal, including \$1.2 million in cuts for specific programs such as Discovery Farms and the Solid and Hazardous Waste Education Center, as well as a \$5-million cut to the Educational Communications Board.

Chancellor Sandeen informed the Regents that the institutions had budget task forces that were working on this, and they also were working very closely with governance groups to make sure that they were a part of the conversation and a part of the solution. She reported that some recommendations from those groups would arrive as soon as the next day, so the institutions soon would know more about specific budget reductions.

To give the Regents an idea of some of the recommendations that she expected to receive, Chancellor Sandeen said that she anticipated that there would be less variety in terms of classes offered; that in some cases the faculty would be teaching at more than one campus, which they had not been required to do in the past; and that opportunities would be reviewed for consolidation of administrative functions across the 13 campuses and online education. She said that she believed there would be some opportunities to save money and improve some services.

Chancellor Sandeen added that, unfortunately, there also may be a reduction in the amount of local programming and live remote broadcasts from Wisconsin Public Television and Wisconsin Public Radio, and they might see the elimination of the undergraduate entrepreneurship program.

Chancellor Sandeen said that what worried her most were the opportunity costs, the things that the institutions should be doing but would not be able to do because they were enduring a contracting budget. She explained that this would limit their capacity to develop and invest in potential new revenue-enhancing programs, and would probably limit their ability to market to new student segments, which would be needed to reach out to more nontraditional students and to better market the Flexible Option program.

She said that she also worried about the inability to correct some severe under-market salary issues within the organizations that were hurting the ability to recruit and retain the talent needed to move UW Colleges and UW-Extension forward.

Planning for the Future

Even while dealing with the present situation, Chancellor Sandeen said it was important to plan for the future. She then briefly described how the flexibilities that were being discussed in the biennial budget would be helpful to UW Colleges and UW-Extension.

First she discussed the smart use of data, which she explained as the need to define as a group what key metrics are needed by the institutions, both internally and externally, and to start to do a better job across the organization of collecting those data so they can be used as needed.

She continued by saying that more needed to be done to enhance the awareness of the organizations and programs around the state, and to enhance their reputation. Observing that UW Colleges and UW-Extension tend to be frugal and humble, Chancellor Sandeen stated her belief that they needed to do a better job of making clear what they do and what they have to offer to the State of Wisconsin. She also pointed out the need to do a much better job in reaching out to all of the nontraditional students in the state who can really benefit from the innovative degree programs that UW Colleges and UW-Extension now offer.

Next she talked about how the institutions were going to be enhancing their revenue streams by looking for new fee-based services and potential opportunities for bringing in

additional federal dollars. Chancellor Sandeen also said that, though the institutions do a great job at fundraising in many of their divisions, particularly public broadcasting, she thought there was a lot more that could be done in terms of development and fundraising.

Chancellor Sandeen described a new program called Extension Reimagined, where groups of trained facilitators go throughout the state talking to leadership groups and groups of regular citizens to get an understanding of how they are using UW-Extension and what they might envision for the institution for the future.

She also discussed the Urban Extension initiative, which explores how UW-Extension can utilize and capitalize on its well-developed, place-based model to work with communities in urban areas to help them define needs, create programs to serve those needs, and to make those programs sustainable.

Referring back to the UW Flex Option program, Chancellor Sandeen said that it was important to scale this program up now that they had proved the concept is successful. She explained that there were a couple of small hurdles to overcome along the way.

First, she said that Flex Option would need to vastly increase the program array. Chancellor Sandeen explained that it already takes a while to develop a new academic program and get it approved, and that when working in partnership with other institutions it takes even longer. She said that UW-Extension would need to work hard to see how it can compress that timeline so it can bring this great program to more people.

In addition, because the whole industry is so focused on the credit hour (including the student information systems or the financial systems), when a program breaks away from the credit hour, it means that the institution has to create all new systems for the competency-based flexible model. Chancellor Sandeen said that the institution was working very hard to either source and license a program, partner with other competency-based education providers to develop programs, or develop one themselves, so they could scale up the Flex program.

For the Colleges, Chancellor Sandeen described the Curriculum Reimagined program, which looks at how to bring the two-year general education curriculum and the Associate of Arts degree into the 21st Century by embedding broad competencies across all courses, including high-impact practices such as experiential learning, project learning, service learning, internships, and undergraduate research. She added that the Colleges wanted to work with the four-year sister institutions because it is important that the lower-division associate's degree curriculum developed by the Colleges transfer smoothly to those institutions.

Referring to statistics showing retention, persistence and transfer rates in the 70- to 80-percent range, Chancellor Sandeen announced that she would like this to be higher, adding that she had learned about a lot of innovations to help students learn and succeed when she was at the American Council on Education in Washington, D.C.

As the institutions would be going through change, Chancellor Sandeen said that she thought they needed to have a proactive program when looking at the internal climate and culture, adding that it was very important to keep their very talented faculty and staff engaged, connected, and doing their best work.

Chancellor Sandeen also said that she thought this was a good time to think about strategic planning again. She quoted the late Steve Jobs as saying that “innovation is saying no to a thousand things,” and that he was just as proud of what he did not do as what he did. Chancellor Sandeen explained that this described what strategic planning is, and that UW Colleges and UW-Extension would be asking, “What are we going to focus on? Who are we going forward?”

Circling back to the beginning of her presentation, Chancellor Sandeen said that she thought the institutions would end up doing something that is a combination of the wisdom of the past but is also poised for the future, which she was calling “The New Face of the Wisconsin Idea.” She then showed the Regents a short video illustrating this concept, before concluding that the Regents now know why she has the best job in all of Wisconsin.

Closing her remarks, Chancellor Sandeen thanked those had assisted her in preparing her presentation. She was met with applause.

- - -

PRESENTATION AND DISCUSSION: 2015-17 BIENNIAL BUDGET

President Falbo said that the Regents had plenty of budget updates and discussions ahead of them for the day, but before getting into the business of the afternoon he wanted to take a moment to point out a few of the many things that the System should be proud of, things that can be too easy to overlook when facing great challenges.

Introduction

President Falbo reflected on the month that had passed since the Board’s last meeting, which was capped off by a bright national spotlight for the Wisconsin Badgers men’s basketball team as it played in the 2015 NCAA Division I Men’s Basketball Championship. Saying that it was hard to put into words how proud they all were of the team, Coach Bo Ryan, UW-Madison and all of the Badger Nation, President Falbo congratulated UW-Madison Chancellor Blank on an exciting run. His comments were met with applause.

President Falbo continued by saying that all around the UW System the season had been full of great stories, with an emphasis on the spirit and accomplishments of student athletes in multiple sports at several institutions. He said that the Regents would hear some more about that the next day.

President Falbo added that the UW System need not limit its pride to athletics. He shared that the week before the Badgers marched into the Final Four, it was announced that UW-Madison researchers had achieved a breakthrough in pursuing an Ebola whole-virus vaccine. He noted that when a discovery like this reaches its full potential, it can change the course of human history.

In another field, one of UW-Waukesha’s honored faculty members appeared on the front page of the *Milwaukee Journal Sentinel* this week for her innovative and often artistic teaching

to help students succeed in math courses. President Falbo stated that there were UW success stories like this everywhere.

He said that there were many reasons to feel good about what the University of Wisconsin is accomplishing in Wisconsin, no matter the conditions – whether it is on the court or in the classroom and lab. President Falbo said that the System should be proud of how it had brought people together to help reduce the budget cut, to consider new flexibilities and consider the creation of a dedicated funding structure for the future. He said there was a growing chorus of legislators committed to working with the System to achieve these priorities. He thanked President Cross for all the time and effort he had invested in conversations one-on-one with Regents, legislators and with campus communities over the last few months, stating that it was working and everyone was playing a role.

Meanwhile, each UW institution and campus community around the state was playing a role in the efforts to find efficiencies, rethink how the UW System delivers services, and explore the generation of new revenues. Chancellors were harnessing the creativity and entrepreneurialism of students, faculty and staff to turn challenge into opportunity. That is what is expected of the UW System, President Falbo said. He said the System could be proud of how it was keeping a balanced focus on budget decisions that carry more immediate impact, with those that will have a long-range impact on the future of the UW System.

Saying that he would keep his remarks brief so the Board could devote plenty of time to President Cross's budget update and discussion, President Falbo said that he thought there was encouraging progress in the UW System's efforts to strengthen its priority in the state budget. He once again thanked President Cross and his team and also thanked his fellow Regents for all of their efforts.

Campus Visits and Legislative Work

Before beginning his remarks, President Cross took a moment to recognize Chancellor Patterson and UW-Stevens Point for winning the Division III National Basketball Tournament, and for coming in second in the hockey tournament. This announcement was met with applause.

Noting that it had been a busy and productive month, President Cross reported that he had spent some time on the road in March and April, visiting ten campuses in about four weeks, with another four still on his calendar, engaging in dialogue with faculty, staff and students.

Based on what he learned on those visits, combined with what he had heard from Regents and from legislators, President Cross said he thought the System was on the right track with regard to its budget. He acknowledged that there were plenty of questions from students, staff, faculty and administrators, including him, but noted that these questions were not just about the budget, even though people were very concerned about the cuts.

President Cross emphasized that the System was making progress in reducing the budget cuts. He explained that the legislature was interested in helping the System, as was the Governor. The chancellors were working hard; students' voices were being heard; and CEOs, chambers of commerce, alumni and others around the state are speaking up and showing support

for the University of Wisconsin. President Cross stated that everyone was doing what they could to help strengthen what was becoming a strong alliance for the future of the university.

With this momentum, President Cross said he was not going to spend a lot of time discussing the budget cuts that afternoon, other than to remind everyone, particularly in light of the tuition discussion the next day, that in addition to the proposed \$300-million reduction there are \$45 to \$50 million in additional costs and cuts, resulting in a net reduction of closer to \$350 million. While it was important that the discussion about the reductions be based on this larger amount, President Cross said that the System was making steady progress toward its goal of reducing the cut.

Similarly, he told the Regents that he felt good about securing legislative support for a dedicated funding structure. He reported having had open, honest and positive dialogue with dozens of legislators about a future UW System built upon a responsible, predictable and stable revenue source. With that comes the potential for a responsible, predictable and affordable tuition for Wisconsin families. On his tour of campuses, President Cross said that he emphasized that point with students and with faculty, but added that it was also attractive to legislators, who see this opportunity and its potential just as the System does.

President Cross explained that it was for these reasons that people may have heard him answer a rather lengthy question from a faculty member at UW-Milwaukee [about whether he would quit if the budget cut were not significantly reduced] with an emphatic “yes.” Some may have interpreted his one-word answer as a threat: vowing to pick up his marbles and go home, or to quit if he did not get his way. President Cross said he was sorry if some misinterpreted his meaning, but stated that he was confident in the UW System’s momentum and in the new relationship it was developing with the legislature. Describing the legislators as committed to working in partnership with the System, President Cross said he took them at their word when they tell him they want to work with the System to build a stronger future.

Giving an example of something on one of his recent campus visits that he called quite impressive, President Cross said that he heard from UW-Eau Claire’s volunteer student, faculty and staff Rapid Action Taskforces, which look to not only address the budget cuts but also to reimagine how the university operates, how it educates, and how it serves students. Each team asked the question, “if they were starting a university today with a clean sheet of paper, what would it look like?” President Cross said that he considered this shared governance at its best: swift, effective, innovative, and generating not only best practices but also several new ideas.

President Cross noted that several other campuses were going through similar exercises, and acknowledged that tough decisions lie ahead. Given the momentum in the legislature and statewide to reduce the UW System’s budget cut and the momentum to create a dedicated funding structure, he said he wanted to talk about a third piece of the System’s request to the legislature in greater detail – the granting of flexibilities and the responsibility that goes with it, which the System calls “accountability.”

Flexibilities Sought in Budget

President Cross said he wanted to focus on the impact both flexibilities and accountability would have at the campus level, whether flexibilities were delivered through an agreed-upon public authority or permitted within state statutes. He began by listing the flexibilities the UW System was seeking.

- 1) **Funding:** a dedicated funding structure that gives campuses the ability to better model revenue expectations and allows for the type of reasonable tuition planning that will make the cost of public higher education in Wisconsin more predictable for families, taxpayers and decision-makers.
- 2) **Human resources:** the flexibility to allow the Board of Regents to establish competitive pay plans and merit pay plans, and give chancellors more freedom to effectively recruit and retain a quality and diverse faculty and staff.
- 3) **Capital planning and construction:** a streamlined process for planning, designing and constructing state- and university-funded capital projects. It is also seeking revenue bonding authority, which will reduce the state's overall bonding obligations while improving the System's ability to address serious facility needs.
- 4) **Financial management:** the flexibility to invest and leverage funds generated from UW System institutional activities so as to maximize their benefit for the university's stakeholders.
- 5) **Purchasing and procurement:** the flexibility to engage in strategic contracting practices that would help to reduce costs through an enhanced ability to recognize and more directly meet the product and service needs of UW System institutions. This includes: purchasing specialized material, supplies and equipment unique to higher education; purchasing through coalitions or national alliances for the benefit of the System and the benefit of the state; and, when possible, looking at less costly local options when they make sense.

These five broad flexibility categories are not new, uncommon, or unique, President Cross said. Almost every other higher education system in the country has them, and the System has been seeking some of these flexibilities since the 1970s. It needed them then, President Cross said, and it needs them now, to help the System move forward into a new era. He went on to say that while these flexibilities would not solve the budget challenges, they would help. The System cannot create a nimble, responsive or flexible system for the future without securing relief from the restrictive requirements that treat it just like every other state agency.

President Cross said that Wisconsin remains one of the top four most-regulated state higher education systems in the country, the others being New York, Oregon, and Rhode Island. He added that New York and Oregon were already providing their public universities with greater autonomy.

Posing the question of why it had been so hard for Wisconsin to deregulate its university system, President Cross said that he had heard that some doubt whether the Board and System

Administration were ready to handle this freedom. President Cross answered that the System was ready, and had been for a long time. He stated that it was time to let the UW System compete with universities from 46 other states that had already granted this freedom.

President Cross said that some would argue that the requested flexibilities would save the System very little money, and others believed they would address the entire budget cut. He explained that the System's careful analysis suggested that the flexibilities may save between \$15 and \$20 million annually. He observed that this amount was significant, but it did not come close to offsetting the proposed budget cuts. However, he emphasized that it was not only monetary savings that the System was after; it also was seeking to end the frustration, aggravation and hassle of unnecessary and duplicative work, which cannot be measured financially.

Need for Flexibility Related to Construction Projects

President Cross invited UW-River Falls Chancellor Dean Van Galen to talk briefly about how the capital planning and construction flexibility could have saved his institution considerable time and money on the Falcon Center project.

Chancellor Van Galen thanked President Cross and said he was happy to tell the Regents a little bit about the Falcon Center project and how the lack of flexibility and agility of the current capital project system in the state was hurting UW-River Falls.

The Falcon Center is a mixed-use building being constructed on the UW-River Falls campus. The chancellor explained that it would support the university's academic vision in terms of its Health and Human Performance Department, and it would support recreation and wellness for the students and also athletic programs. It is a \$63.5-million project, including \$50.5 million from state support, about \$11 million from the students, and \$2 million from charitable gifts to the UW-River Falls Foundation.

Chancellor Van Galen said that UW-River Falls had sought the building since 1994, and in 2011 it was advance numerated by the legislature. Though he said that UW-River Falls was grateful for that and all the support that helped make this project possible, he noted that the project had seen significant inefficiencies. Specifically, he focused on the time lag in the process between completion of bid documents and the granting, through DOA, of the authority to proceed. Explaining that typically that timeline should be about three months according to industry standards, Chancellor Van Galen detailed what UW-River Falls had experienced instead:

- Phase 1 of the project, which cost \$8 million, took a total of nine months to progress from bid documents to notice to proceed with the project – six months more than usual.
- Phase 2, which cost \$44 million, took six months. During that time there were cost escalations due to delays and a lack of agility in the process which, based on information provided by System Administration, resulted in about a \$600,000 impact on the project.

Chancellor Van Galen explained that this meant less square footage, less program and/or less quality for a building that would be on the campus for at least 50 years. He said this was an example of the need for a more agile, responsive process.

He added that he was also concerned about the willingness of alumni and friends to continue to invest in these types of projects. He said that his campus was charged with raising \$2 million as part of the Falcon Center project, which the UW-River Falls Foundation was committed to raising. Currently they had \$1.7 million in gifts and pledges, including the \$750,000 gift from Ab Nicholas to name the Don Page Arena in the Falcon Center. However, with a process that is difficult to predict and time consuming, Chancellor Van Galen said that the conversations become very difficult when people ask him what is taking so long, when will this building be done, or when will he know that the campus can proceed with the project.

Chancellor Van Galen said that his plea was for the State of Wisconsin to move the authority and the accountability for these capital projects to the UW System and campuses, enabling them to be better stewards of the resources that they receive from taxpayers, students and donors.

Need for Flexibility Related to Procurement

President Cross next invited Chancellor Rebecca Blank to talk about how procurement flexibility at UW-Madison could have saved her institution time and money.

Chancellor Blank began by sharing that UW-Madison estimates that it employs four individuals full-time not to work on procurement, but to deal with the state back and forth on procurement issues -- obtaining permissions, asking for waivers and completing reports required by the state.

She went on to share a few examples, noting that the majority of UW-Madison's procurement activities are not paid for by state or tuition dollars, but are instead paid for by research dollars. Much of the procurement is on research projects, usually paid for by federal-government or foundation grants.

For instance, UW-Madison had a project with multiple locations in South America in which graduate students and faculty were involved. The cheapest way to move between these locations was to buy a used vehicle with which to drive back and forth. UW-Madison needed permission from the state in order to make that purchase. Chancellor Blank explained that to buy that vehicle to use that summer on a research project, they actually had to eliminate a vehicle on the UW-Madison campus, even though the few hundred dollars that it cost came entirely out of federal funds for the research project.

As another example, Chancellor Blank cited an instance when UW-Madison asked for permission to use a consortium contract that provided certain gases used in research, which would have saved the campus \$30,000 annually. There was no state contract with any organization that could provide these gases, and the consortium of other research universities was cost efficient. Chancellor Blank indicated that it took a very long time to receive state permission.

Chancellor Blank concluded that asking to have flexibilities in procurement does not mean that the university would not have rules and regulations about making sure it procures things cheaply, efficiently, and with all due responsibility for the fiscal management of its resources; but it would mean that UW-Madison would be able to make decisions based on its

specific needs as a major research institution rather than being tied to a set of state rules that often simply do not make sense for the organization.

Need for Flexibility Related to Cash Management

Noting that some of the flexibilities are most needed at the System level, President Cross turned to Julie Gordon, Associate Vice President for Financial Administration at UW System Administration, to share an example of how the new flexibility in financial management could benefit all of the UW institutions.

Ms. Gordon said that one of the great flexibilities that the UW System has is with cash management. The public authority would give the System the ability to manage cash and invest balances related to auxiliaries, segregated fees related to building projects, gifts, grants and donations. Ms. Gordon explained that with the System's current structure, all of its balances were invested with the state in the state investment fund (SIF), specifically created for the State of Wisconsin or other governmental units to manage their operating needs.

The #1 factor that is needed in that fund is liquidity, and so the investments of the SIF are all short-term investments. Ms. Gordon noted that the FY 2014 Annual Report for the SIF indicated that none of the investments in the fund were longer than 10 months in duration, and many of them were much, much smaller than that. The primary investment vehicle was short-term investments from the federal government, and so for the last few years the UW System's return on investments had ranged from 0.25 percent about 4 years ago to about 0.09 percent for the last fiscal year.

Ms. Gordon explained that the intention would be to look at and have an understanding of where the peaks and valleys are, what is the minimal balance historically, and what the nature of those funds are, as the funds do differ in terms of their cyclical natures and when they might be needed.

In relation to what Chancellor Van Galen had shared about a facility being built on the UW-River Falls campus, Ms. Gordon said that if an institution knows it will be collecting revenues or accepting gifts for a particular building project in the near future, the System would actually have some control over that process and be able to manage the timing of that project with the new flexibilities, and so it would be able to invest those funds in longer-term investments to maximize the returns.

Ms. Gordon observed that in her experience prior to the UW System's balances becoming such an important topic, she had never been asked by the Department of Administration about what the UW System's cash needs were. That is something that the state managed on the System's behalf, and so she said the System would have some expertise it would need to develop. However, she said there is a significant opportunity for potential investment income to be earned on top of what the System had earned in the past.

Need for Flexibility Related to Human Resources

Finally, President Cross invited UW Colleges and UW-Extension Chancellor Cathy Sandeen to discuss how flexibility in human resources could help potentially provide competitive compensation for UW employees.

Chancellor Sandeen commented that she was happy to talk about this, because she thought it was an area where flexibilities are much needed, one that is important throughout the institutions.

To put it into perspective, Chancellor Sandeen told the Regents that according to a recent analysis, on average the UW Colleges faculty are compensated 15 to 20 percent below their peer group, meaning that a beginning assistant professor with a Ph.D. earns \$43,500 a year within the UW Colleges – less than most public K-12 teachers make, and far less than many technical college faculty with less education earn.

Chancellor Sandeen said that this problem had been compounded over time. Under the current system, even if it had the resources, there was no way that the UW Colleges could do a general salary adjustment in order to correct this inequity. Chancellor Sandeen said that it also did not have the mechanism of merit increases, which are very important tools for rewarding talented faculty and staff. She noted that there was a similar issue in UW-Extension, as well.

She explained that young faculty tended to use the UW Colleges as an informal post-doc system; they worked for a couple of years, with full knowledge that they would pack up and move someplace else. She added that oftentimes the faculty were going across the street to the technical college, where they could increase their salary by 20 percent in a matter of moments.

Chancellor Sandeen shared that the Colleges had lost 50 assistant professors, out of a total faculty of about 290, over a span of six years, which is a very large turnover rate compared to the past. She noted that industry standards indicated that the average cost to replace an employee who leaves is approximately equal to their annual salary, considering opportunity costs while they are gone, recruitment costs, and training costs. She added that her institutions were finding it much more difficult to recruit faculty and to retain them.

Chancellor Sandeen stated that the UW Colleges needed a radical correction, and said that she knew there were similar situations throughout all of the institutions, because they do not have the flexibilities needed to create an appropriate human resources system and compensation structure.

Accountability

Noting that those were only four examples of new approaches and processes resulting from added flexibilities that could be replicated throughout the System, President Cross said that the UW institutions must speak loudly and clearly together if they ever expected to secure them. He added that the legislature was asking the UW System to be more responsive, to be more nimble and to be more agile, but that without these flexibilities, it was very difficult to do so.

President Cross acknowledged that the System was asking for a big change – a change to remove the excessive restrictions and regulations that bind the UW System. The System also

appreciates and understands that flexibility without greater accountability cannot endure. In the spirit of trust and openness, the System had embraced accountability and transparency as an integral part of flexibility, with its practice of reporting to the legislature and the public about how and where it does well and where and how it needs improvement.

President Cross reported that in order to build upon and improve that tradition, the System has been having a series of discussions and quality discussions with key lawmakers, such as Senator Harsdorf, who were helping to shape new and more focused accountability standards. President Cross said he was grateful to Senator Harsdorf for acknowledging the UW System's needs and direction in a column that week, where she stated, "providing greater flexibilities as we hold the University accountable will provide them with the ability to be nimble and responsive to our changing economy and encourage new initiatives and policies that improve student outcomes."

President Cross said that those who watched the Joint Finance Committee testimony would know that Senator Luther Olsen, another key legislator, directly asked him about accountability. He noted that the System currently has more than 40 accountability reports, but said that reports alone would not be enough; the System should focus on seven or fewer accountability metrics. There still would be more than 30 reports, but President Cross explained that reports and accountability metrics were two different things: reports inform stakeholders, while metrics hold the System accountable.

President Cross stated that this was why the System was seeking new, more sharpened measures, adding that the university had always welcomed accountability. He shared some of the potential accountability categories that the System was considering, with legislators and national experts involved in the conversation:

- Graduation rates: Measuring and improving two-year, four-year and six-year graduation rates as compared with nationally-recognized peers.
- Retention rates for first- and second-year students: Monitoring and measuring retention rates between the first and second year.
- Degrees granted: Monitoring and increasing the number of degrees granted year over year.
- Closing equity gaps in retention and graduation: Measuring and reducing the retention and graduation equity gap. Continuing to improve the success of under-represented and minority students and keeping Pell versus non-Pell student success gaps in the spotlight.
- Math remediation: Measuring and reducing the number of students coming to the university needing remedial math. Monitoring and improving the success of students taking remedial math courses within the university.
- Alumni: Surveying and tracking alumni satisfaction, understanding what careers alumni move into and those who pursue graduate and professional education.
- Affordability: Developing and reporting an annual affordability index that also contributes to the university tuition-setting process.

President Cross explained that holding the UW System accountable drives down the System's costs and the time-to-degree, which drives down students' costs. He reiterated that flexibilities without accountability cannot endure.

President Cross concluded that the System had been making diligent and significant efforts to progress on the principles of the Board's March resolution. He stated that the goals remain the same, and so he asked the Regents to join him in continuing to press for a reduction in the size of the budget cut, for the flexibilities the System had long sought and which were now packaged in the public authority model, and for the dedicated funding structure that would be the basis for an ever better and stronger UW.

President Cross observed that this was not just about the future of the UW System or of the individual institutions, but rather was about the future of the state. The University of Wisconsin also should be the University for Wisconsin.

Regent Discussion

President Falbo opened the floor to Regent questions or comments. Vice President Millner said that she had been receiving a lot of questions about the timeline and the steps going forward for the budget, and she asked President Cross to explain that process.

President Cross said the Joint Finance Committee had already started, or would be starting the next week, its executive meetings with respect to other agencies. Those meetings would progress through April and into May. President Cross said that he expected the UW System's portion of the budget would be near the very end, if not last, and that it probably would happen near the end of May. He said that the Joint Finance Committee probably would finish its work in early June.

Following up on Vice President Millner's question, Regent Whitburn asked if there was a known target date. President Cross replied that he was not aware of one.

Regent Whitburn observed that President Cross had talked with quite a bit of specificity about the flexibilities. He noted that one of the tensions in the budget process is how much policy will be in the budget. He asked about the drafting of the flexibility-related measures and whether work had begun to seek Senate sponsors. President Cross answered that the System had been looking at this from all angles and had prepared a list of changes that it would like to see in the Governor's proposed budget. He said that the Governor's errata should be out shortly and would help determine changes the System would need to request. President Cross reported that the System had been having a number of conversations but had not decided arrived upon sponsors.

Regent Bradley commented that Representative Spiros of Marshfield and Representative Heaton of Wausau were championing an effort to protect UW Colleges from the impact of the cuts, and said that he hoped the System would not only oppose this but also explain why that would be hurtful to the total effort.

He said that the Regents all know how the work of UW Colleges is connected to the work of the UW four-year institutions. To say that the Regents should take the UW Colleges and absolve them from the cuts would mean that one could make an argument that they should take the doctoral campuses and absolve them from the cuts as well. Regent Bradley concluded that either the institutions have to stand together as a System or they all were going to fall apart.

President Cross agreed with Regent Bradley, adding that this did not suggest that some campuses were not being harmed more from the budget proposal than others, but that it was the responsibility of the Board, not of the legislature, to work this through. However, he said that he did appreciate that there were legislators who understood the impact of the budget proposal locally on their campuses.

Regent Higgins said that he appreciated President Cross's excellent report. Explaining that he had the opportunity to visit with chancellors and faculty members on several campuses, Regent Higgins said he had been impressed with the general recognition of the opportunities and challenges being presented to the institutions. He asked UW-Green Bay Chancellor Gary Miller and UW-Oshkosh Vice Chancellor for Administrative Services Tom Sonnleitner to discuss their strategies for being proactive in developing new or additional revenue streams.

Chancellor Miller said that he thought the essence of Regent Higgins' question was true for all of the chancellors, and that the approach to this systemwide challenge had been to take a hard look at what UW-Green Bay is about, what its structure is, where its money is, and where its future is. He explained a focus on UW-Green Bay's cost structures and at how they relate to possible revenue streams; in order to make revenue, they needed to better understand the cost structures.

Chancellor Miller stated that this was an enormous challenge for every campus in the System, and observed that it was amazing how collegial and collaborative everyone has been, on campuses, with legislative colleagues, and with the System. Having said that, Chancellor Miller warned that it could be a very damaging blow to the System if the cut were not mitigated in some way. Though the campus was trying to apply as much creativity and innovation to the issue as possible, using it to look to the future, he said he did not want that to divert attention away from the important point that the cuts need to be reduced and the flexibilities are very important to the UW System's future.

Mr. Sonnleitner said that he would echo what Chancellor Miller had said, and explained that UW-Oshkosh was trying to approach the base reduction by first looking at a voluntary retirement program. He said that the institution was trying to do some re-engineering to meet the cuts, and then make the appropriate investments in order to move forward in as agile a way possible. Though the cuts were devastating to the campus, Mr. Sonnleitner said the campus was taking a three-year view and trying to approach the cuts in a smart way.

Regent Petersen commended the UW System staff for the detailed discussion of the flexibilities and also observed that chancellors and others recently had spent time describing the real impacts – human, practical, academic, athletic – the cuts were having on the System. Regent Petersen said he thought the staff had done a very good job under difficult circumstances. He asked about fringe benefits funding as well as the predictable revenue stream that had been sought from the legislature.

President Cross began by explaining that he was using the term “predictable revenue structure,” because this legislature cannot commit future legislatures to provide funds. However, the structure would be a tool for saying what the System should receive, and then the legislature would have to act in the future to make changes to it. President Cross said that his argument was that that a predictable structure lends some stability and guidance for the future.

Regarding cost-to-continue, fringe benefits and the compensation reserve, President Cross explained that the state works on a system where a base is set, and then any additional annual utility increases or fringe benefit increases or unexpected compensation increases are grouped into a category called cost-to-continue, which is retroactively applied the following year. In the Governor's proposal, that retroactive cost-to-continue would not be considered part of the UW System's base but would instead be put into one-time money in the second year. President Cross said that the System was arguing that the cost-to-continue should be part of its base funding; this was a change that the System had requested. President Cross noted that if the System were to have a consumer price index (CPI) escalator on its base, then in the future this CPI would cover cost-to-continue because it would be built into the base.

Regent Walsh thanked the staff for everything they had done since the last meeting. He said he had been critical of the System's strategy for telling the people of the state of Wisconsin what the impact of the cuts would be. He said that the people who were elected have every right to make any decision they want to make, and it was the System's problem that it had not persuaded legislators that it is a more valuable asset than it had been treated by the legislature. Regent Walsh suggested that the System should still hold public meetings around the state and engage in a constructive dialogue with the people of Wisconsin.

Although he said that President Cross's report was encouraging because it reflected the hard work the System was doing and the report was optimistic about fighting for the flexibilities, Regent Walsh stated that the System suggested a lot of changes to the budget proposal and did not know if those changes would be made.

Regent Walsh said he hoped that when the System does have more information, the Board would be called together for another meeting to talk about it and decide on some strategies. Regent Walsh said, for example, that if the System does not have sovereign immunity, the statutory authority would change the whole nature of its operation and could create expenses that the System had not yet taken into account; this is something to which the Board needed a response. Referring to the removal of the Wisconsin Idea in the budget proposal, Regent Walsh stated that it did not take two months to change a paragraph that was a typographical error. He requested more information as changes are made.

Regent Walsh said he also wanted to put into context the devastation of the proposed cuts. He noted that from 2003 to the present, the administration averaged about \$850 million in GPR. After deducting GPR debt service and cost-to-continue, the budget proposal amounts to \$635 million. Regent Walsh explained that this was a devastating cut when there is a tuition freeze, which he said was the real challenge the System faces.

He warned that the System should not claim victory if it gets the cut down to \$200 million, because it will still have a long fight ahead for the next three or four years if it has lost the confidence of the public due to a lack of engagement. He said that the System ought to be talking about what the damage will be and asking the people of the state if that is what they want. He said that he appreciated all of the meetings and trips to the Capitol of President Cross, but argued that if the System does not engage the public it will never get their support.

Regarding the flexibilities, Regent Walsh said that the pay plan flexibility is nice to have, but does not mean anything if the System has no money with which to pay staff; that the

financial management flexibility would not amount to much; and that there would be no savings with the dedicated funding source, because having an automatic increase to a metric does not do much good if the System starts off with a low figure.

Regent Walsh also said that the procurement flexibilities could be accomplished through statutory changes, and expressed his concern that the budget proposal did not provide anything close to what the System needs in construction flexibilities, specifically referring to the \$750,000 threshold and the bidding process. He asked David Miller, Senior Vice President for UW System Administration & Fiscal Affairs, to comment on the status of the procurement and construction flexibilities.

Senior Vice President Miller responded by explaining that the Governor's Proposal removes \$4.7 billion of the UW System's operational revenue from state appropriations and gives it to the Board to control, which he said is the protection that the System believes it needs to ensure that it gets to keep that money. Since all of the System's dollars now are state-funded, being able to manage money that would no longer be under the state's control or a part of their appropriations would be a positive.

Mr. Miller said that it can take up to 24 steps to complete the procurement process. Currently the System does not leverage its spend well, does not do spend analytics, and does not do early payment discounts. If the System wants to press a vendor for better pricing, the vendors can appeal to the Department of Administration. Mr. Miller said that there were real savings to be found there, and that the vast majority of that would occur on the non-GPR, non-tuition spend because most of the GPR dollars go to the academic mission and payroll.

In regard to construction, Mr. Miller stated that the flexibilities would give the System everything it needed except for the two items that Regent Walsh mentioned. He did note that even the projects bonded for by the Board of Regents and paid for by university funds would still have to be enumerated by the legislature in a biennial budget, which he said seemed odd since the purpose of enumeration is to authorize bonding. Mr. Miller said he thought that should be changed.

After those steps, there is still a very costly process to full project management, from advertising for the architect to the ribbon-cutting, and the System currently has no ability to impact that cost. For example, Mr. Miller said that the Department of Administration negotiates the architectural engineering fees, even if the System is paying the full bill.

Noting that Regent Walsh had mentioned bidding as an area of concern, Mr. Miller said that the System believed that bidding should be part of the project management cycle, though the budget bill still had the Department of Administration issuing the bids and then turning them back over to the System.

Regent Walsh stated that the flexibilities defined by President Cross added up to \$15 million, which was not a small amount; however the statutory authority and risk analysis cost would amount to \$5 million. He said that at the end of the day, the big issue was the cuts. If the System starts off low on a stabilized funding source, it will never catch up.

Regent Walsh asked President Cross to provide some idea as to what "sells" in the legislature about the cuts, and what the Regents can do to help. He also wanted to know what

the System's strategy on the statutory authority would be if the cuts were not reduced and the System did not receive the specific changes it requested; he said he thought that the statutory authority would be the biggest disaster to ever hit the UW System if not all of the necessary changes were made.

President Cross began by clarifying that the \$15 to \$20 million in estimated savings would be on top of the estimated \$5 million in costs related to sovereign immunity. He also noted that the System believed that this would increase the cost to the Department of Justice, which was not factored into these numbers. Regent Walsh commented that the Department of Justice could charge the System, which President Cross acknowledged was an important factor.

President Cross then explained that the cost of worker's compensation, amounting to an estimated \$1.5 million, was also considered in the anticipated \$15 to \$20 million in flexibility savings. He said he believed that these numbers were true savings that the System would see, perhaps not right away or in the first year, but in a couple of years.

In regard to the CPI escalator, President Cross reported that the System was working aggressively to move that into the third year, rather than the fourth. He agreed with Regent Walsh's caution about a statutory authority without true flexibilities, but indicated that the flexibilities were the core of what the System is seeking. He said he believed that the best way to package those was in a public authority, but he understood if Regent Walsh did not agree.

If they received the statutory authority without the flexibilities, President Cross agreed that it would be a disaster for the System. He also agreed that the base needed to be adjusted to include the CPI moving up to the third year, the addition of payment in lieu of taxes (PILT) money totaling \$6.4 million, and the addition of cost-to-continue funds; he said there were considerable sympathies in the legislature on that issue, regardless of whether there would be an authority.

Regent Walsh suggested that the legislature would not need to add the PILT and cost-to-continue funds if there is no authority, as the System would be able to add them itself. President Cross said that was assuming the System stayed in the compensation reserve.

Considering the loss of the compensation reserve, the risk of worker's compensation, and the loss of sovereign immunity, Regent Walsh stated that, in his view, the risk of the authority was not worth any price to the System. He argued that the flexibilities could be given to the System through statutory changes, and so there was no need for the authority. He said that there was no higher educational system in the country organized like that.

Regent Walsh said his biggest fear was that the authority would be a "platform for foolishness," a way to divide and conquer. He said that the statutory authority would not work because the legislature has every right, at any time, to break the contract. They should have that right, he said, because they are giving the System money; they have every right to ask the System to be accountable, to give it less than its want, or maybe to give it more than it wants. However, he said he thought it was a danger to consider the statutory authority under any circumstances.

President Cross observed that the public authority had been conflated with so many other issues – shared governance, tenure, etc. – that it was hard for the public to truly understand what

it would be. However, he emphasized that whether the System secured the public authority or not, it was the flexibilities that were at the core.

In response to Regent Walsh's assertion that no other institutions have taken on the public authority model, President Cross said that was technically accurate, but added that there are all kinds of higher educational systems that are much more independent than the UW System would ever be, even with these flexibilities. As an example he named Michigan's three constitutionally-established institutions: Michigan, Michigan State and Wayne State. Regent Walsh replied that he had meant Virginia.

Speaking to Regent Walsh, Regent Whitburn said that the issue was the privatization of public higher education in America: less of a role for the government at the bottom line, and an expanding role for students, parents, grandparents and debt. Noting that Regent Walsh had been watching this happen over his 14 years on the Board, Regent Whitburn stated that the so-called devastation that Regent Walsh had been talking was not new, but was instead the latest chapter in the challenge that the System was facing, and it was happening in a general way across the country.

In regard to the legislature, Regent Whitburn said that there were not any free dollars and there is no money tree; in 14 weeks the System would end fiscal year 15, then go on to FY 16 and FY 17. He recalled that the revenue estimates the System was operating under showed anticipated growth in state revenues of 2.7 percent in the first year and 4.1 percent in the second year. Regent Whitburn said the legislators did not have any control over those numbers.

He noted that when the Governor finished introducing the budget on February 3rd, Wisconsin Taxpayers Alliance President Todd Berry went on television to announce that revenues were up, but Medicaid would take 70 percent of the additional revenues; so discretionary opportunities for the legislature are limited.

Regent Whitburn said that the Board's challenge was to advocate for the System's fair share while understanding the realities; though they had been talking about a dedicated revenue source, CPI and cost of living, none of that would apply if revenues were not up. He said he shared Regent Walsh's concern, but recognized that the System was not operating in a vacuum.

Regent Walsh said he respectfully disagreed, noting that support for higher education had seen a 7.8-percent increase throughout the country; Wisconsin was probably the only state facing this kind of cut, and that was a result of the decision-makers' priorities. He observed that the legislature could have taken the \$700 million in Medicaid money but decided not to; that was their choice, but it was a choice that de-funds a great institution. Regent Walsh acknowledged that this was not solely the System's problem, but was instead a shared problem in the state of Wisconsin; however, he suggested that more could be done.

Regent Vásquez commented that this was a very interesting budget cycle with a lot of talk in different arenas and forums, but to his mind there seemed to be two reoccurring ideas that made him wonder if the System was talking to the right audience for help and support. The first message was that the state needed smaller government and smaller public institutions. He wanted to know if people believed that the UW System needed to be smaller, regardless of its impact. The second message was that people need to pay fewer taxes.

Regent Vásquez explained that he did not think there was anything the System could say or do to convince people that they did not have to have smaller government and they should be paying more taxes. He asked how the System could try to convey a different message, possibly to a different audience, that says that if people want a world-class institution maybe big is good, not bad, and that at a certain level they have to pay to sustain that.

Regent Vásquez also observed that the System was being asked to provide more and more information and specificity, but he would like to have more specificity coming to the System, specifically from legislators. He asked what system legislators wanted and would be willing to support.

Regent Behling said he wanted to talk about the UW System's strategy for dealing with cuts. He observed that historically the Board used to be filled primarily with members from southeast Wisconsin, whereas the current members were from Eau Claire, Wausau, and throughout the state. He said this membership gave the Board a broad, diverse strategy for talking to people in the Capitol and telling the University's story.

Regent Behling reported that over the course of the last week, he had worked with UW staff to set up meetings in the Capitol to tell his regional legislators – people that he and Regent Manydeeds knew personally as friends, neighbors, or constituents – the System's side of the story.

He shared that after the last meeting, one legislator told him that all that the legislature heard about was the expression “fairy dust” [which Regent Walsh had used at a prior Board meeting]. Regent Behling commented that, unfortunately, this terminology was carried in the press and had taken the System backwards; it actually made it harder for UW administrators to attack the real issue of the cuts when they had to deal with the flack of strong words.

Regent Behling recommended that if his colleagues wanted to make a real difference, they should work with their legislative team, work with the administration, and get under the dome of the Capitol, as that was the best strategy for having a voice on this issue.

President Cross responded that the System had three broad group strategies at this point in April, focusing on the month of May. First, chancellors had been asked to identify external stakeholders and engage them in an advocacy effort in the Capitol, similar to what Regent Behling had suggested. A more recent strategy, which he said Vice President Jim Villa and his team had been working on, was to engage the Regents in this process with specific legislators, either one-on-one or as a group. Finally, the System was also making information available to employees as well as students who wished to advocate on their own time and with their own equipment. President Cross emphasized that this was their choice, and that it was important to make that clear.

Regent Pruitt said he wanted to pull together a couple of ideas from the conversation related to Regent Whitburn's analysis. He observed that the Regents probably could have a healthy and interesting conversation about whether this is a choice or whether this is the inevitable outcome of a series of other uncontrollable factors within state government. One of the reasons that encouraged him to believe it was a choice by the legislature was that in the year 2000, 10 cents of every state dollar went to the university; in 2010, 8 cents of every state dollar

went to the university. Now, in 2015, 4.57 cents of every state dollar in the proposed budget would go to the university. He suggested that this was a choice related not to how many tax dollars were collected, but rather to how all the collected tax dollars would be allocated going forward.

Regent Pruitt said that if they believed it was a choice, he wanted to applaud System leadership for all they had done and were doing. He said that the discussion by President Cross and the chancellors about flexibilities and how they could be used was very important, as was their admonition to speak loudly and clearly about that issue. He said it also was important to speak loudly and clearly about the specific consequences of the \$350 million cut on the campuses, noting that this would clarify the consequences and sharpen the choice for those who would make the decisions.

As an example, Regent Pruitt noted that the System knew for a fact that when it increased resources, as it did in the UW-Madison Undergraduate Initiative or in the Blugold Commitment, it reduced time-to-degree. He suggested it would be reasonable to suggest that chancellors discuss what the potential effect would be for time-to-degree, and therefore the affordability of a college education, when resources were taken away from the campuses at the dimensions under consideration.

He also wanted to have a conversation about what might be the effects on the quality of education and on economic development in local communities if a number of employees lose jobs at various campuses across the state. In his region of southeastern Wisconsin, Regent Pruitt said they had heard for a very long time from the local business community about the need to invest in the School of Freshwater Sciences, the School of Public Health, and the Innovation Campus. He said he would love to hear from the Milwaukee business community about what they believed would happen to those initiatives if the UW-Milwaukee campus has this kind of cut.

He urged that the System make these choices real and human, and then allow those in the legislature to weigh that effect and make their decisions accordingly.

President Cross noted that the impacts on campuses would vary greatly, and said he believed the chancellors had been sharing information about the impacts on time-to-degree, quality of education, and economic development with their local communities. He asked if Regent Pruitt was saying he wanted to hear some of those impacts at the present time.

Regent Pruitt replied that he would personally like to hear at least a little about it now, but underscored that it was great if that information-sharing was happening, adding that the more the System does that and the more individual citizens, as well as legislators understand it, the better. He believed that it was an important part of the function of the Board of Regents and of the System as a whole.

UW-La Crosse Chancellor Joe Gow responded that the challenge was that chancellors were leading institutions with lots of great people in them, and to go out and start saying that there would be job losses would be devastating for those people; the chancellors tried to measure that talk as best they could under these circumstances.

He added that they had discussed different strategies for how to deal with the cuts; for example, he was going to reduce supply and expense budgets by 7 percent on the UW-La Crosse campus. Chancellor Gow stated that the next time the Board meets, everyone would know what would happen, and the chancellors would have more to say about what they were going to need to do.

Chancellor Gow suggested that the System was making some progress in communicating to legislators that the huge cuts would damage the UW institutions, which would damage the local economy and culture in their districts. The University of Wisconsin System can be taken for granted because it is everywhere; when legislators think about their own communities, then they can start to see how important the UW is. Looking at his own campus, Chancellor Gow stated that UW-La Crosse is a major part of the community and to have a weaker university with fewer people would not be helpful.

Chancellor Gow said that the other risk was that the System had not talked about tuition. He said he did not know of any other state that was cutting the appropriation and freezing tuition, which puts the UW System in a pernicious situation. Chancellor Gow said that if the System received a deal where funding were rolled back dramatically and then would only ever go up by the Consumer Price Index while tuition never increases, he did not see how that would position the System well for the future.

Chancellor Gow said that legislators were making decisions to reduce appropriations and then the System was being criticized as though it had some kind of bad motive when it said it needed to raise tuition. He suggested that the System would not raise tuition at all if it did not have to from time to time because of the absence of stable state support.

President Cross said he suspected that most of the chancellors would agree that the effect of the cuts would be to reduce class availability and the number of sections. While he said he could not predict whether that would increase time-to-degree, he would argue that logically it would. President Cross added that the System would do everything it could to guarantee quality; so it may narrow what it offers, but what it offers would still be quality. He also stated that whenever a cut is made, regardless of the size, it would have an impact on the economy of the community.

President Cross explained that he wanted to spend some time discussing flexibilities because he did not think they were clearly understood, but he was not trying to avoid discussing the cut. The cut would have a clear impact, and the System would continue to vigorously work to reduce the cut in collaboration with legislature. The flexibilities were very important, and the dedicated funding structure could be very helpful in the future; but there was no question of the System's priorities, he said.

President Falbo called upon Regent Walsh, who commented that the UW System was educating 22,000 more students than it was in 1998, and 12,000 more in the last 10 years. He said this was a great message, and President Cross agreed.

Regent Farrow commented that comparing statistics like these was the clearest and simplest way to communicate with anybody, including legislators and staff, who wanted to know about what the System was doing. She observed that some believe the System is no longer

growing because the birth rate is down; she said the System needs to educate people by using decisive numbers and facts like this.

President Cross commented that although there was not a scheduled Board meeting in May, he would like to schedule at least a conference call to update the Regents. He expressed concern about his ability to communicate with the Board, saying he would try to communicate more regularly with the Board.

With respect to shared governance and tenure, President Cross noted that the Governor's proposal would eliminate those from Chapter 36, and the legislature would have to act affirmatively to put them back in. He told the Regents that, as far as he was aware, there was currently no deal and no agreement. However, there was a clear commitment from the Board that even if shared governance and tenure were not put back into statute, they would become Board of Regents policies. President Cross reminded everyone that he had publicly stated that he did not think he wanted to work at a university that does not have shared governance or tenure.

Sharing his position with respect to tenure, President Cross said he believed there needed to be a more vigorous post-tenure review process. This would mean financially rewarding faculty periodically when they have been doing well. He stated that it was not fair only to have a penalty if someone does not perform well; they need a reward too. He said that 80 to 90 percent of the faculty he had talked to felt positive about that.

President Cross suggested that there was a misunderstanding of what shared governance is, noting that many of the anecdotes that legislators had heard about shared governance were misunderstood or not explained in a way that it makes sense to them. He explained that in essence shared governance is an advisory capacity. Although he said he believed shared governance had abuses, he said they were often because administrators were not familiar with how to effectively use it. President Cross also noted that the statutory language that currently exists is so poorly written and ambiguous that someone can do almost anything they want with it, which he said is both good and bad. The way shared governance is practiced differs campus by campus, which he said was a good thing; the question was how the System could improve shared governance by more effectively engaging people where appropriate and not where it is not appropriate. For example, President Cross asked how often the System brings shared governance leaders to Madison, how much that cost and if it was of value. He said that he would argue that most of the time it is of value, but he was also not afraid to ask the question.

Regent Evers said it was his understanding that the Governor's proposal included the elimination of Chapter 36, and changing this would take a number of votes that he assumed did not exist. He said he thought this was something for which the System should prepare.

Also, returning to the System's strategy going forward, Regent Evers said he believed that Regent Walsh's approach was the best way to address the situation. He said that if those who vote for state legislators are not energized, the System will lose and will not get where it wants to be. While he said he agreed with Regent Behling that it was important to engage legislators, he stated that engaging people throughout the state was how the UW System had made progress in the past and how it would have to make progress in the future.

Regent Petersen said he agreed with Regent Evers, and suggested that the System's strategy needed to be compartmentalized to three stakeholder groups – students, chancellors and the people who educate the citizens, and taxpayers. Regent Petersen suggested that the biggest mistake the System had made was to tie a substantial cut based on the economy of the state to a public authority; they are not intertwined, they are completely different things.

He said that when the university had its tuition frozen, that was for its previous behavior. He pointed out that the last biennium had a substantial investment in the UW System that was squandered because of some tough decisions that were made by the legislature. Regent Petersen asked who better to talk about tuition and a predictable revenue stream than students, who would be willing to pay a reasonable fee to get educated by a world class university. He suggested that the System needed to mobilize its students to make the case that this was the right approach.

Related to the budget cuts, Regent Petersen said he thought the chancellors had done a very job pointing out the human nature of the cuts, and he encouraged the chancellors to leverage their local business communities. He agreed with Chancellor Gow that no one liked to see a weak university in their particular region, and that most people were grateful for the service they had received.

Related to the public authority, Regent Petersen stated that state's business community, looking at the situation that the UW System is facing – substantial cuts and a lack of revenue due to the tuition freeze – should fully appreciate the need for flexibilities and should be standing up for the benefits that this great university system provides.

Regent Petersen said that it was easy to be against the University of Wisconsin System, despite all the hard work by the staff, while it was difficult to be against UW-Whitewater, Madison or Milwaukee. If they did not use that as the “glide path and tailwind” to the best successful outcome that the System can get, Regents would be derelict in their duty.

Regent Higgins added that he wanted to address one small point related to tenure. He expressed his concern that as long as the issue is characterized as “tenure,” which for most people means job security forever, it will remain a very hard proposition to get across. He suggested that it would be a lot easier to make a case for tenure as one of the ways that the university protects academic freedom than it is to make a case for tenure as simply job security forever. He suggested some re-messaging on this topic.

- - -

CLOSED SESSION

President Falbo announced that the Regents would move into room D101 for the closed session and called upon Vice President Millner to present Resolution 10469, to move into closed session. The motion was seconded by Regent Walsh and adopted on a roll-call vote, with Regents Behling, Bradley, Delgado, Evers, Falbo, Farrow, Hall, Harsy, Higgins, Manydeeds, Millner, Petersen, Pruitt, Purath, Vásquez, Walsh, and Whitburn voting in the affirmative. There were no dissenting votes and no abstentions.

Closed Session Resolution

Resolution 10469 That the Board of Regents move into closed session to confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.

- - -

The full-Board session recessed at 3:55 and reconvened at 4:05 p.m.

- - -

The meeting was adjourned at 4:12 p.m.

- - -

Submitted by:

/s/ Jane S. Radue

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