

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in Varsity Hall II  
Union South  
University of Wisconsin-Madison  
Madison, Wisconsin

Thursday, February 5, 2015  
1:15 p.m.

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-President Falbo presiding-

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

UNABLE TO ATTEND: Regents José Delgado, Janice Mueller, and David Walsh

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## UPDATES AND INTRODUCTIONS

President Falbo greeted all meeting attendees and thanked UW-Madison for hosting the meeting. He said that he expected that the Regents would have some spirited discussions over the course of the meeting and then turned to President Cross for some introductions.

President Cross first welcomed Stephen Fritz, the recently-named provost at UW-Green Bay. He was previously interim dean of the Honors College at Texas Tech University, from July 2010 through December 2013. Before that, he served as president of Midland Lutheran College in Nebraska, New England College in New Hampshire, and Hiwassee College in Tennessee. He studied history and international diplomacy and earned his Ph.D. at the University of Kentucky. President Cross welcomed Provost Fritz.

Also introduced was new UW System Associate Vice President for Communications Alex Hummel. Mr. Hummel joins UW System Administration from UW-Oshkosh, where he was Director of News Services and Public Relations in the Office of Integrated Marketing Communications. President Cross welcomed Mr. Hummel.

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## **HOST CAMPUS PRESENTATION BY UW-MADISON CHANCELLOR REBECCA BLANK: “OPPORTUNITIES AND CHALLENGES AT UW-MADISON”**

President Falbo invited UW-Madison Chancellor Rebecca Blank to present the host-campus welcome. Chancellor Blank thanked President Falbo, saying that it was always a pleasure to be invited to speak to the Regents. She said she would begin by sharing some of the many good things happening on the University of Wisconsin-Madison campus, before discussing some challenges and some implications of the Governor’s budget proposal for the UW-Madison campus.

### ***Educational Achievements***

Chancellor Blank said that UW-Madison was celebrating a great year for education, having awarded a record-breaking number of bachelor degrees – over 6,600 – in 2014, and having exceeded 10,000 total degrees for the fourth year in a row. She stated that UW-Madison is one of the nation’s top producers of PhDs. The top three majors among UW-Madison’s undergraduates are biology, economics and political science.

Chancellor Blank shared that this past spring, after 25 years of having a variety of different commencement ceremonies, UW-Madison returned to holding one single big commencement ceremony for undergraduate and Masters students in Camp Randall Stadium. Jon Huntsman, former governor of Utah and U.S. ambassador, was the commencement speaker in 2014, and Chancellor Blank said she was pleased to announce that award-winning journalist Katie Couric had accepted an invitation to be speaker in May 2015. Chancellor Blank invited those in attendance to be part of UW-Madison’s commencement celebration, noting that the nice thing about Camp Randall is that there are seats for everyone.

The chancellor observed that UW-Madison had an excellent entering class in 2014. There were a record-breaking number of freshmen applications for the freshmen class of fall 2014, over 30,000. Chancellor Blank said that UW-Madison was a very strong school at the national level, as evidenced by the continuing increase in applications the campus receives. She explained that the university has a lot of visibility and presence in the higher education market right now.

The 2014 entering class had 6,300 freshmen from 46 states and the District of Columbia; the majority were from Wisconsin. The five states, outside Wisconsin, most likely to be represented in UW-Madison’s freshman class were Minnesota, Illinois, California, New York and New Jersey. Chancellor Blank noted that this was among the most racially and ethnically diverse class that UW-Madison had ever had, and one of the most internationally diverse classes it had had in a decade; all of this, she said, was good news about the strength of the university and the people who want to come and get a high-quality education.

Applications for the coming year continue to grow, and at present were up 8 percent, though a few more were still expected to arrive. There are applicants from 101 countries and all 50 states, Chancellor Blank said; and there are 8,500 applications, including from every one of

Wisconsin's 72 counties. Wisconsin applications are up 6 percent; she explained that in a world where the demographics of the 18 year olds are declining, this actually means UW-Madison is doing a good job of recruiting. UW-Madison continues to attract a very strong class.

Chancellor Blank said that some of the best news was that applications among under-represented students of color were actually up 15 percent this year; and she noted that they were up last year, as well. UW-Madison had been working hard on the diversity front, Chancellor Blank said; and she said she hoped to see that reflected in next fall's class, as well.

A couple of educational trends also reflect some of the hard work UW-Madison has been doing to continue to improve, the chancellor said. Referring to a slide, Chancellor Blank stated that UW-Madison's retention rate had been drifting up and was now at an all-time high of 95 percent. The retention rate is the percentage of people that come back in their sophomore year after being a freshman on campus. Chancellor Blank said that, outside of a few very small private schools, this is as good as retention rates get, and it is much better than many of UW-Madison's public competitors.

The chancellor then called the Regents' attention to the improvements UW-Madison has made among targeted minority groups. The retention rate for under-represented students of color is virtually identical to the all-student retention rate, she said, reflecting the good efforts in UW-Madison's advising community and the first-year classes across the university.

UW-Madison has also been working to improve graduation rates, which continue to move upward. Chancellor Blank noted that while six-year graduation rates for targeted minority students have not quite caught up to the all-student rate, the campus was at least narrowing that gap. She stated that they would keep working on this.

Chancellor Blank explained that some of the increase in graduation rates, as well as an accompanying decrease in time to graduation, was the result of direct monetary investments on the campus. Four and five years ago UW-Madison received permission to do some differential tuition increases, which were put into the Madison Undergraduate Initiative. The result was that the university invested in advising, financial aid, and new faculty for the large introductory courses. Chancellor Blank stated that this was a wonderful example of how well-targeted, well-spent additional investment money can improve the educational quality of universities. She said she was very worried, in the current budget climate, that if the university starts disinvesting in those things it just spent the last five years investing in, the numbers will start going the other way.

Chancellor Blank added that graduation rates are calculated among those who start at the university in their freshman year. If one considers not only those who graduate from UW-Madison, but also those who started there and transferred elsewhere, UW-Madison's graduation rate would be well in excess of 95 percent. Referring to another slide, she said that among those who actually started at UW-Madison, a very high share end up getting a degree.

Chancellor Blank moved on to discuss the most recent results of the National Survey of Student Engagement, which asks students how they would rate their campus experience: 92 percent of freshman and 94 percent of seniors rated their overall experience at UW-Madison as "excellent" or "very good," well above most of the university's peers. The chancellor said these

results are a reflection that UW-Madison offers not only a quality education but also a fun campus that is a great place to be, with wonderful student organizations, wonderful staff who work with students, and a great environment in the Madison area.

Stating that there are a few new faces on campus, Chancellor Blank mentioned Sarah Mangelsdorf, UW-Madison's new Provost, who previously worked at Northwestern, the University of Illinois and the University of Michigan, and who the chancellor described as someone with enormous experience in higher education who has done a great job.

Chancellor Blank said that UW-Madison also had a new Dean of the Pharmacy School, Steve Swanson, who comes from the Pharmacy School at the University of Illinois; and a new Dean of International Studies, Guido Podestá, who is one of UW-Madison's own and moved into that position.

### ***Learning Outside the Classroom***

She went on to say that the Wisconsin experience is more than just what happens in the classroom or out on Langdon Street; there is a lot of learning happening that is very consciously planned outside the classroom. Almost 1,500 UW-Madison students volunteered with the Morgridge Center for Public Service last year, working in the community as tutors, on environmental issues, or with the elderly. Chancellor Blank said this was an enormous contribution to the community, and that this type of experiential learning often can be just as important as what students learn in the classroom.

Chancellor Blank shared that 25 percent of UW-Madison's students study abroad, putting the university in the top ten for number of students sent overseas in study abroad programs. She observed that in an increasingly global world, that is a very important metric.

Related to workforce development and job preparation, Chancellor Blank stated that 63 percent of seniors have over their period of time at UW-Madison filled an internship or a clinical position, getting some hands-on, real work experiences as they prepare to enter the workforce full-time. UW-Madison continues to work on increasing those numbers.

Elaborating on a few other outside-the-classroom experiences, Chancellor Blank said the UW-Madison basketball team had a great trip to the Final Four tournament; and she gave the team and Coach Bo Ryan credit for the great things they are doing. She said UW-Madison had a winning football season, as well, with a great win over Auburn at the Outback Bowl.

Chancellor Blank noted that it was not just about winning games, but about running an athletic program that emphasizes student athletes. UW-Madison had three Academic All-American student athletes named in the past year, along with eight Academic All-District students, 46 Big Ten Distinguished Scholars, and 196 Big Ten Academic Honorees. The average grade point average across all teams and all student athletes is over 3.0, which said as much about the quality of the program and what UW-Madison coaches are doing with the students as the win-loss record on the field.

## **Research**

Moving on to research, Chancellor Blank referred to the university's second mission: To be innovative, to advance knowledge, and to search for truth. UW-Madison has a wonderful faculty and a wonderful set of staff who work on many research projects. One of the coins of the realm, she said, is how many faculty a university has elected to the big, well-known national academies. UW-Madison had 11 faculty elected last year to either the American Academy of Arts and Sciences, the National Academy of Engineering, or the National Academy of Sciences. Then the chancellor shared that she had just heard that two more UW-Madison engineers were elected to the National Academy of Engineering this year.

Chancellor Blank noted that UW-Madison's faculty win all sorts of awards, and she briefly described three examples:

- Francis Halzen, who has been in Antarctica researching how the universe is changing, was named the Smithsonian Innovator of the Year.
- Yoshihiro Kawaoka, who is a researcher on flu issues and has been very involved in the recent Ebola debate, won the Popular Mechanics Magazine Breakthrough Award.
- Richard Davis, in the UW-Madison Music Department, was named the NEA Jazz Masters Fellow this past year.

In addition to the accomplishments of the senior, well-known faculty, Chancellor Blank emphasized that the achievements of the junior faculty were also very important. Referring to a slide that listed some of the awards and recognitions given to the younger faculty on campus, the chancellor explained that the people who get these awards will eventually become the senior faculty who are going to be making breakthrough discoveries in the next ten to 20 years.

She then gave three examples of research that illustrate driving innovation and reaching out and changing what happens in the state, the nation and the world:

- The largest federal grant that UW-Madison has ever received was awarded this year: a record-breaking \$70 million grant to be paid out over seven years from the National Institutes of Health. UW-Madison will be leading 11 universities with this grant, looking at research about how children's asthma interacts with environments; essentially, it will be asking what more needs to be learned about asthma and its causes, conditions, and consequences, and how to apply this research in the field to actually reduce the epidemic of inner city asthma in this country.
- The five-year, \$10 million grant that the university received from the USDA to look at dairy sustainability: for 166 years UW-Madison has been leading in dairy research, and this grant is aimed at identifying practices that farms can take on to adapt to changing climate conditions, anything from changes in rainfall to changes in greenhouse gases. She noted that this was another big collaborative project directed by UW-Madison, with the involvement of seven universities from around the country.
- The new 4W Initiative, Women and Wellbeing in Wisconsin and the World: Led by UW-Madison's School of Human Ecology, together with the Global Health Institute and the Department of Gender and Women's Studies, this is a local-to-global effort to both

identify and promote research on women's wellbeing around the world, but also to identify how that research can be applied in the field.

Chancellor Blank stated that at this point in her presentation she had planned on going into a 10 minute conversation about UW-Madison's entrepreneurship programs, tech transfer efforts, and industry partnerships -- the things the campus is doing to share its innovation and research with new startups and regional economic development. Instead, she said would move into a discussion about challenges for the university in light of some of the recent budget news.

## **Challenges**

Chancellor Blank noted that UW-Madison right now, by virtually any measure, is at a wonderful moment of opportunity. The campus has growing numbers of student applications, a top national and international reputation for educational quality, and top-ranked faculty with major scientific research projects that are successful in pulling more than \$1 billion in research money into the state, and more involvement with economic development than ever before. This is a time to invest, grow and continue to build, she said.

However, the university is facing some serious challenges that are going to limit UW-Madison's ability to make the investments it needs to retain this level of quality, Chancellor Blank stated. She warned that the school's competitors are not standing still; they are making investments and UW-Madison needs to invest with them.

## **Recruiting and Retaining Top Faculty Staff**

Chancellor Blank said that Challenge #1 is recruiting and retaining top faculty and staff. The reputation of the university is the reputation of its researchers and its faculty, its teachers. If the university does not have the faculty, it will not have staff to hire and it will not have students. Great teachers and world-class researchers also bring in research dollars. Chancellor Blank observed that the state does not support the university's research; rather, the research is supported by the entrepreneurial efforts of UW-Madison's faculty who bring in federal, private-sector and industry dollars to support it.

The chancellor explained that having great teachers and researchers attracts good junior faculty. The reputation of the school and its departments attracts talented graduate students and top-notch undergraduates, and that reputation depends upon the school's faculty.

Commenting that many in attendance may already have seen them, Chancellor Blank introduced some charts on salary comparisons, which showed that the salaries of full professors at UW-Madison were 12 percent lower than those at peer institutions. The chancellor emphasized that these peer institutions are other public sector universities, and not any of the big private schools like Duke, Harvard or Stanford, who are also UW-Madison's competitors in hiring faculty. Chancellor Blank pointed out that UW-Madison actually has the lowest paid full professors in the Big Ten, which is not a good place to be when the campus wants to attract and retain its top faculty. She said that she worried about this almost more than anything else; she needed to do more to invest in faculty and she needed the resources to be able to do that.

Chancellor Blank acknowledged that hiring top faculty is expensive. UW-Madison extended 143 offers last year, and had 101 accepted. She said that is a very good acceptance rate, noting that most of the faculty had multiple offers around the country and in some cases around the world. Among these faculty, 52 percent required start-up packages beyond their salary of \$100,000 or more. Many of these are in the sciences, where start-up packages are an expected part of labs and research work.

Chancellor Blank then shared that UW-Madison already had its first faculty casualty from the budget debate, explaining that the School of Medicine and Public Health was in the final throes of hiring a top researcher to direct one of its centers. That individual sent an email in the last several days saying that he was not coming, because he had been following the news in Wisconsin and was afraid that if he came to UW-Madison, the university would not be able to invest in medical science research of the sort that is needed in the years ahead. Chancellor Blank warned that this would be the first of many casualties as a result of what is happening in the state, especially with the many newspaper articles – not just in Madison but around the country – about disinvestment in higher education in Wisconsin.

Observing that salary is not just a matter of hiring faculty, but also retaining them, Chancellor Blank shared that salary is, unsurprisingly, the most common issue reported as a consideration when people take an outside offer. The average outside offer includes a salary that is 42 percent above the existing faculty salary at UW-Madison, which she said showed how far below UW-Madison is. If someone can suddenly increase their salary by 42 percent, they have to look seriously at other offers. Chancellor Blank said that UW-Madison tries to match those outside offers when people get them, and the campus has to be identifying people who are at risk of outside offers and making sure their salary stays up to market; she noted that by the time people get an outside offer, they are often halfway out the door.

Between 2009 and 2013, UW-Madison made over a thousand salary adjustments to faculty considered to be in potentially high demand by other institutions. Despite all of that, she said, there have been very few across-the-board salary increases and the campus continues to lag behind its competitors on the salary front.

Next Chancellor Blank turned to a slide showing how many UW-Madison faculty who received outside offers were successfully retained, and how many left. She pointed out that as the recession hit, there were some schools that were not very affected and so they went raiding; even as the recession has declined, UW-Madison is still being raided. Chancellor Blank said that as a result of the past week's headlines, UW-Madison is going to have a huge increase in outside offers to its best faculty, and the campus will have to respond.

Last year, out of 170 retention efforts at UW-Madison, 156 were successful and the campus lost only 14 faculty members. Although this was pretty good, she said, the campus cannot afford to be complacent given where its salaries are sitting relative to market, posing the question of how to keep good faculty in the face of paying them too little.



## **Meeting Shifting Educational Demands**

A second challenge is meeting shifting educational demands. The chancellor stated that there is a big movement into STEM fields on the UW-Madison campus. Among undergraduates, the percentage of students majoring in STEM-related fields has gone from 32 percent to 44 percent in the last 14 years. Among graduate students, the shift has been from 50 percent up to 57 percent. As more and more students move into a certain set of fields, she said, it creates a number of challenges for the campus.

An obvious need is for faculty to teach, as the university does not want to raise student-faculty ratios and reduce services. The campus has to provide instructional space, but many of the big classrooms and labs are not set up to accommodate more students. The campus has to provide tutoring and educational support, which Chancellor Blank noted is particularly important because the university wants to make sure that it is a cross-section of America and of the UW-Madison class that are attracted to STEM fields, not just the white men who have traditionally filled them. Attracting more women and attracting historically disadvantaged students often means giving, particularly in those starting courses, some additional support in tutoring that convinces people that they can succeed, which then means more advising. Then, when students are ready to graduate, the campus will want to do job counseling, internship placement and career assistance so that when they leave school they are ready to know how to make decisions and to move into the workplace. All of this requires investment.

Chancellor Blank said one challenge is that UW-Madison has increased the size of its student body, in part as a response to budget cuts in previous years. It is not that there is a huge decline in the number of students in other non-STEM fields of the university, she explained, but rather that when they increased the size of the class everybody went into a very limited set of majors. She reiterated that the university had not reduced the size of any of the other majors.

Chancellor Blank stated that finding new investment dollars to increase faculty and provide this sort of support is critical in a field that is essential for the future of this state and the nation. This set of fields, from engineering to computer sciences to biomedical areas, are going to produce the highly-paid workers who will be in demand in the years ahead.

A top priority, about which the chancellor expressed concern, was UW-Madison's chemistry building, which the Regents toured on their last visit to the campus. Chancellor Blank said that it was her understanding that the building would not be in the proposed budget, and she said she would do everything she could to change that.

She explained that virtually every one of the STEM majors requires chemistry as a prerequisite, and as a result the campus is currently running its chemistry labs from 7:00 a.m. to 10:00 p.m., weekdays and weekends. UW-Madison's labs are so old that many of the experiments that students should be doing to get hands-on chemistry experience cannot be done; the labs are not adequately ventilated and cannot handle the equipment that is needed.

Chancellor Blank emphasized that the longer construction of the chemistry building is delayed, the more the number of STEM graduates in the state is reduced. It will create backlogs of people who cannot get into chemistry courses, meaning it will take longer for them to graduate and delay them from moving on into fields that are in high demand.

## **Challenges Related to the Proposed Biennial Budget**

Providing context to the budget landscape at UW-Madison, Chancellor Blank noted that the UW System was given a very clear charge two years earlier, when it received a \$60 million reduction. It was told not to take that budget cut, but instead to fill the gap by drawing off of reserves. There was an implicit sense that once the System used up the reserves, the legislature would replace that money in the budget.

Chancellor Blank stated that UW-Madison had used up its reserves. There is \$54 million in UW-Madison's discretionary reserves, out of a budget of \$3 billion. She said that if the Regents were doing their financial responsibility correctly they should fire her for that, except that the campuses have all been told to do this. She emphasized that this was way too little in terms of the risks that an institution of UW-Madison's size and complexity is taking and the cushion that it needs.

Nevertheless, the campus did what the state legislature asked it to do, and the result is that UW-Madison has virtually no reserves left and is facing a \$23 million cut from the last biennium, two years ago, that it would have to take starting July 1. Any new cuts would be added on top of that \$23 million, Chancellor Blank said.

She then turned to a slide showing the main sources of funding in the university:

- State general purpose revenue (GPR) dollars, which have been in a steady decline as a share of the budget from 1976 to 2014.
- Federal dollars, which have increased slightly. The chancellor explained that UW-Madison has been very successful at retaining and even increasing federal dollars over the last couple of decades.
- Gifts and grants, some of which are private gifts made through donations and fundraising, and some of which are research grants from private donations. This category has increased since 1976, although it has been flat in recent years.
- Tuition dollars, which have increased; but state dollars have not been replaced dollar-for-dollar with tuition dollars.
- Auxiliaries, which include the dorms, parking, police services, and other university activities. Auxiliary funds are basically "money in, money out" for specific uses.

Chancellor Blank then focused on GPR, explaining that GPR dollars are state dollars minus utility dollars and debt service dollars. Over the last year or so, GPR dollars had steadily declined as a share of the budget.

Looking at projections for the next year, Chancellor Blank said that UW-Madison was expecting the largest decline in state dollars in UW-Madison's history -- down to 7 percent of the budget, which is the state support for the university's educational mission. If utilities and debt service are added back in, total state dollars will be around 15 percent. Chancellor Blank noted that this large decline would be hard to take in one year.

Posing the question of how UW-Madison would fill this gap, the chancellor said that federal dollars were an obvious option to look at. The trouble here, she cautioned, is that federal dollars, while increasingly important, have not been growing.

Taking a closer look at what has happened to federal dollars, Chancellor Blank explained that there was stimulus funding in 2010; but ignoring that spike, there was still some growth occurring before federal dollars basically became flat for the last two to three years. Noting that federal dollars are not expected to increase very much, the chancellor explained that there are not a lot of growth opportunities in this category. The federal dollars can only be used to fund research and are tied to very specific projects; she cannot use them to plug any holes in UW-Madison's educational program because they are not discretionary.

Chancellor Blank said she could turn to private fundraising, noting that she was in the midst of starting a major fundraising campaign. Gift dollars are highly important; there is not a public university in the country that can afford to not be raising private gift dollars these days, she said. The chancellor clarified that gift dollars by and large do not replace state or federal dollars, and in fact most donors have no interest in giving to a university whose state dollars are declining because they think that, rather than funding something new or that would not be funded otherwise, the university will just be filling a hole with their dollars. That is not very exciting for most donors. Chancellor Blank explained that she was looking for gift dollars that leverage all of the other sources of funding, allowing her to spend state dollars, federal dollars and other dollars more effectively.

As an example, Chancellor Blank said that she cannot fund named faculty chairs with state or federal dollars. However, if UW-Madison receives private gifts that fund more faculty chairs, the university can attract and retain more high-quality faculty, who in turn will bring in more research dollars, which in turn will raise UW-Madison's educational reputation, which in turn will help her use state and tuition dollars better.

She reiterated that gift dollars are tied to donor intent. They are often endowments held by the university's foundation, and there are agreed-upon contracts with the donor about how the money will be spent at a 4.5-percent rate off of the endowment. The chancellor has no discretionary control over any of those dollars; she cannot raid them and would be legally liable for breaking contracts if she tried.

Chancellor Blank said that the biggest single gift in UW-Madison's history was made last fall by John and Tashia Morgridge, wonderful friends and donors to the university. This gift, which is entirely dedicated to faculty chairs, is an example of the kind of money that will help UW-Madison leverage other resources. The chancellor emphasized that she cannot spend this gift on anything else because she has a signed contract with the Morgridges; this money is important to the university, but it is not a replacement for state funds.

Outside of state funding, the only thing the university is left with is tuition. Chancellor Blank explained that tuition can increase quickly when state dollars go down fast. When dealing with large immediate budget cuts, she said, there is a reason why one usually increases tuition in the years that state dollars go down.

Noting the current resident undergraduate tuition freeze that would be continued under the Governor's budget, Chancellor Blank compared UW-Madison's tuition to that of its Big Ten peers, saying that UW-Madison falls about in the middle; but after two more years of the tuition freeze Chancellor Blank said she believed that Indiana, Ohio State and Purdue would rise above UW-Madison, leaving the campus at the very bottom of the Big Ten. The long-term perspective

has been that UW-Madison should be around the median, and Chancellor Blank said that tuition needs to go up to reach that level, to fill some of the budget holes and to reflect the university's market quality. UW-Madison should not be the cheapest school in the Big Ten, she said.

Looking at nonresident undergraduate tuition, UW-Madison is very near or at the bottom. Though more people are applying every year, the cap on the number of the non-state students that the campus can take means the likelihood of getting into UW-Madison is less and less for out-of-state students.

Chancellor Blank stated that UW-Madison has real market power and could raise out-of-state tuition without in any way threatening the quality of the institution or the quality of the applicants. She suggested that in this market, UW-Madison should not be at the median, but rather the top third of these schools, because of its high reputation and educational quality.

Only one other school in the Big Ten has the same reputation and the same admissions pool strength, she said, and that is Michigan. She did not want UW-Madison to have the top out-of-state tuition – she was happy to let Michigan do that – but she said she would not mind being second or third behind them. Chancellor Blank said she would be coming to the Regents at a future meeting and asking about out-of-state tuition increases.

She then said that there was another problem with UW-Madison's professional schools, commenting that she did not quite understand how these programs historically got to their current state. The professional school tuition charged for UW-Madison's four schools – medicine, business, veterinary medicine and pharmacy – is far below the median for Big Ten schools. Chancellor Blank observed that these are high-quality schools which are higher ranked than almost all of their Big Ten peers; yet UW-Madison is charging tuition at very low levels. She noted that people go to professional schools expecting to get into a lucrative career, and UW-Madison should at least be charging at the median level.

She compared the costs of attending UW-Madison's medical school with the cost of attending the one other medical school in the state, the Medical College of Wisconsin. A first-year student going to the Medical College of Wisconsin will pay about \$50,000, while a first year student attending UW-Madison would pay \$25,000 a year, even though the services the two schools are supposed to provide are basically identical.

Chancellor Blank said that the same issue existed for out-of-state tuition for professional schools; UW-Madison should be charging at least at the median in these markets, as its schools are higher quality. She shared that UW-Madison's out-of-state tuition for veterinary medicine is below the in-state tuition for the University of Illinois. There are Illinois students who want to come to Wisconsin for veterinary medicine because it is cheaper to come to UW-Madison as out-of-state students than it is to stay in their own state and pay in-state tuition. Chancellor Blank said that this makes no sense, and she would be coming to talk to the Regents about this in the future, as well.

Chancellor Blank went on to note that when tuition is raised, the campus cannot just multiply the number of students by the tuition increase to find the new total funding it receives. Some of those tuition increases are turned back into increased financial aid, not to fill a hole, but to allow the university to continue to attract a diverse class with some low-income students,

some first-generation students, and some students who would not be at these schools without some help. One needs to look at the net gain that comes out of a tuition increase, not the gross gain.

The chancellor then provided some examples of the effects on UW-Madison of the state cuts. She began with the \$23 million budget deficit from two years earlier, which UW-Madison took but filled with its reserves; those reserves are now gone, she said. Added onto that is UW-Madison's share of the \$150-million-per-year proposed cut in the Governor's budget; because the campus's historical share is 38 percent, that will be another \$57 million.

Beyond the \$150 million, several years earlier the state committed to matching money in order for UW-Madison to receive a large federal grant to establish the Wisconsin Bioenergy Initiative. The university, industry people, and the state all put up matching money, as required by the multi-year federal grant. That money from the state had been cancelled in the proposed budget, she said. Chancellor Blank said that UW-Madison had made a commitment to the federal government that it has to pick up. She said she thought the state had made a commitment as well, but under the proposed budget, the university has to find an additional \$3.5 million.

The state is eliminating its municipal service payments under the budget proposal, and UW-Madison would have to pick up about \$3 to 3.5 million for those.

Other items the university was still trying to figure out, but at a minimum it would be facing \$86 million in costs that the campus was supposed to have out of the budget by July 1, 2015.

Chancellor Blank noted that UW-Madison was going to have a make lot of faculty retention offers to match outside offers. The university would have to spend about \$5 million just to retain top faculty. She said that spending this money was essential if UW-Madison is to remain the quality institution it is now.

Chancellor Blank said that for this year, at a minimum, there would be a hole of about \$91 million that UW-Madison would have to make up, which she said is just too big. Looking just at new dollars in the budget, she said that is a 24 percent decline in state GPR dollars, from 10 percent down to 7 percent.

With the other dollars, it adds up to \$91 million, which is the equivalent of getting rid of one-third of the faculty or more than 1,000 of the staff. The chancellor asked the Regents to imagine a private company about to lay off a thousand people in the state of Wisconsin. Alternatively, if UW-Madison were to close a few schools, it could close five schools – business, law, nursing, pharmacy and veterinary medicine – and there still would be a hole to fill. If UW-Madison were to close some medium-sized schools, it could close both the College of Engineering and the College of Agriculture and Life Sciences, and that by itself would not fill the hole.

Chancellor Blank observed that these were very preliminary numbers, and UW-Madison was still in the process of putting its response plan together. She shared some of the numbers that were under discussion, laying out a scenario in which the Regents approve her proposal to raise out-of-state tuition. That would provide a little under \$20 million in the first year. Further increases in the second year would provide another \$20 million. If her request to raise the state

cap on nonresident admissions from 27.5 to 30 percent is approved, it would not help this year because final admissions letters go out in March. However next year it would provide slightly less than \$20 million in additional revenue. Even so, these measures will not begin to fill the gap.

The chancellor explained that, because there is only so much that can be done in this short period of time, the most that can be found across the university in budget cuts in one year is about \$20 million. She probably would pass that down to both academic and nonacademic units in various ways and tell them that in the next year they would have to double that. She noted that this would be a very big cut in most of these units; it was going to break a few things, and it was going to involve layoffs in pretty much every school and college.

Taking account of what gains had thus far been found, Chancellor Blank said that the first year the university actually would raise \$38.5 million but would be short over \$52 million. In the second year, the amount raised gains but is still short \$33 million. She reminded the regents that UW-Madison's discretionary reserves are \$54 million; she cannot fill this hole with reserves, so she will have to look for other sources of funds.

The Chancellor said she did not know how she would fill this hole. She said she had heard it said that the System can cope with these cuts, and that UW-Madison can cope with these cuts better than any other institution in the System. That may well be true, she said, but she still did not know how she was going to cope with these cuts by July 1<sup>st</sup>, because they are simply too big.

Chancellor Blank commented that if the Board of Regents were going to consider out-of-state or professional school tuition changes, or changes in the out-of-state enrollment cap, the sooner they could do that the better, because she would have to start making adjustments quickly.

The cuts imply unfilled faculty slots and a reduction in the number of faculty, at exactly the time when UW-Madison needs more faculty in a number of areas, and reduced student programming, the easiest action being to reverse the UW-Madison Undergraduate Initiative investments: reducing advising, decreasing financial aid, and increasing the size of big classes, all of which will increase time-to-graduation and increase student debt loads. There will be staff lapses and layoffs across the university, which will reduce the quality of UW-Madison's education and go backwards on all the things that the university has tried to make gains on in the last ten years, the chancellor said.

If other universities were cutting at the same time, Chancellor Blank said, that might be a comfort, but they are not. UW-Madison will be cutting at a time when all of its competitors are moving in the other direction. The national average among public schools was a 10-percent increase. Forty-one states have increased their funding to higher education over the last five years; UW-Madison's competitive edge is getting narrower and narrower.

Chancellor Blank stated that UW-Madison has an enormous impact on the state, as does the rest of the System. It is one of the top-ranked public universities in the world. The Wisconsin Idea has been reaching out from UW-Madison, around the state and around the nation, for more than 100 years.

Chancellor Blank warned that with the current budget, top Wisconsin students might be looking a little harder at some of the other top schools elsewhere in the country. She said that it is harder to bring top talent back once it has left the state; consequently, there will be fewer new start-ups and less tech transfer, because there will not be as much money for it. There will be a declining reputation at UW-Madison, and that will filter through to all the other schools in the System, as well, she predicted.

UW-Madison has been around for 166 years, she stated, and it has a legacy of service to the state and to the nation. Chancellor Blank said she wanted to find ways to build on that, to preserve it, and to do even more than the university was doing right now, partly because higher education by every measure has never been more important to young people in Wisconsin or in the nation. She reiterated that “the cuts are too large. They are too large for our university, and they are too large for the state.” Her remarks were met with applause and a standing ovation by many in attendance.

President Falbo thanked Chancellor Blank and opened the floor to any questions or comments. Regent Pruitt thanked the chancellor and indicated that he was particularly interested in her comparisons to UW-Madison’s peer institutions, noting that she had stated that 41 of 50 states had increased funding to higher education. He assumed that Chancellor Blank talked often with her peer institutional leaders about the challenges that she was facing, and he wondered, given that UW-Madison does compete in a national, international and even a world economy, whether the chancellor was aware of any state or any peer institution facing the same combination of significant cuts and four-year tuition freezes, or anywhere near the challenges that she had identified. Chancellor Blank indicated that if there was such an institution, she was not aware of it.

After hearing no other questions or comments, President Falbo once again thanked Chancellor Blank for her presentation.

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## **2015-17 BIENNIAL BUDGET: OVERVIEW OF STATUS AND REGENT DISCUSSION**

### ***Background***

President Falbo then introduced the next agenda item, the 2015-17 Biennial Budget, stating that everyone was eager to learn about the details and impact of Governor Walker’s biennial budget proposal for the UW System and its institutions. President Falbo noted that not all answers would be available yet, but this would be an opportunity for a preliminary conversation about the Governor’s proposal. He said that he wanted to begin with a few general ideas and basic principles that he believed the Regents all share in common, principles and values that remain constant amid a lot of unknowns, given the newness of the budget proposal.

First, President Falbo stated that the Regents were all present that day because they proudly represent and serve a great public university system. President Falbo said that the

university would continue to serve and belong to the people of the state and emphasize high quality higher education.

Also, he commented on important tenants built into state law: shared governance and tenure. He noted that these two principles and tools for the creation and provision of a quality education for thousands of students have long lived in Chapter 36 of the state statutes. He echoed Regent Millner's recent comments from the week before, when the Governor first outlined his budget proposal for the UW System, stating that one of Regents' most solemn responsibilities as stewards of a globally respected higher education system is to promote, preserve and enhance excellence in academia and research. The UW System has a reputation to uphold, and the Regents have an obligation and ongoing commitment to meet the needs of the students, families and the state. To do this, he said, they must honor the principles of shared governance and tenure.

Although there were many details yet to fall into place and elements of the budget proposal to better understand and finalize, President Falbo said that it was important and responsible to state that the Board of Regents is committed to ensuring that the tenants of shared governance and tenure remain, to quote Vice President Millner, "hallmarks of the UW System and its institutions."

Lastly, before exploring some of the particulars of the Governor's proposal, President Falbo commented that the purpose of the discussion would be to share what was known at this time and to welcome questions and feedback. It would be premature and counterproductive, he said, to force a lot of speculation and conjecture about the final impact of the proposed cut. It would be important to give UW System administration and campuses the time they need to thoughtfully and strategically develop budget impact scenarios and solutions.

President Falbo then broadly outlined a general timeline for the next several weeks, noting that System Administration was focused on giving the institutions a more solid understanding of their specific share of the cut by late February. He envisioned that in March the chancellors and their leadership teams would be in a better position, with President Cross and his leadership team, to report back to the Board with more concrete and detailed plans for meeting the proposed \$150-million base budget cut which would stay with the UW System in future years. He also observed that the legislature's Joint Finance Committee had yet to weigh in on the proposed cut.

Mentioning the second component of the Governor's proposal – public authority status for UW System – President Falbo said that many could see tremendous potential in this concept, but many questions also existed at this early phase of the budget process. He asked President Cross to provide information on what was understood at this time.

### ***Budget Overview***

President Cross began by commending Chancellor Blank for having recently received the Daniel Moynihan Award, noting that it is a very prestigious award and a real honor. This announcement was greeted with applause.



President Cross then commented on what he called the recent controversy over the UW System's mission statement. He stated that the Governor's office had just recently issued a statement explaining what happened. He said he thought it did a good job of explaining and said he would like to thank the Governor for that. Michael Heifetz of the Department of Administration (DOA) had also called to apologize, which President Cross said he appreciated.

President Cross said that he wanted to give the Board as much information as was known, but he was going to be cautious because there was so much that was not yet known. He asked that Regents not be offended if told, "we don't know," but instead give the System a chance to look further at the details of the budget. He also asked that Board members provide guidance by probing and asking questions.

He stated that there would be new opportunity for the UW System and its institutions in the budget proposal, and serious and significant challenge as well. He highlighted three general elements of the proposal: the public authority portion, the proposed budget cuts, and the proposal for a dedicated funding source for the UW System's future.

### **Public Authority**

First, President Cross discussed the conversion of the UW System from a state agency to a "public authority." He explained that Wisconsin statutes do not provide a common definition or model for what constitutes a public authority. Basically, a public authority is a legislatively created entity that is free from certain state laws and regulations that apply to most state agencies. A public authority is generally created to accomplish clear, understandable and definable tasks that the state cannot efficiently accomplish through traditional state agency structures. Public authorities ultimately remain subject to the control of the state legislature. A few examples of Wisconsin public authorities include the UW Hospital and Clinics Authority, Wisconsin Economic Development Corporation (WEDC), and the Wisconsin Housing and Economic Development Authority (WHEDA).

The proposal for a UW System Authority acknowledges that the System is a unique and critically important organization with a need to operate a large portion of its \$6 billion operation more like a business. A UW System Authority would be able to manage operations more efficiently and with greater long-term certainty through not just one or two new operating flexibilities, but through an entire package of new flexibilities. President Cross observed that Wisconsin is one of only four states where the university is still considered and treated like a state agency; more and more states have moved to or are moving toward more flexibility in varied forms.

President Cross stated that in his opinion, in this state and at this time, a UW System Authority is the best model to govern and deliver a public university committed to the core principles of academic excellence, access, responsiveness and affordability for students, parents and taxpayers.

He cautioned that it was important to note that the legislature would still have an opportunity to weigh in, and the definition of the public authority would depend on how it is expressed in statute.

Before the March Board meeting, System Administration would have gathered much more analysis from the Legislative Fiscal Bureau and the legislature in general, in addition to its own analysis, President Cross said. For now, he would provide an overview of what was understood about the key elements and the mechanics of the UW System Authority proposal:

1. The composition of the Board of Regents would remain as currently configured, basically unchanged – Regents would be appointed by the governor and confirmed by the senate.
2. Shared governance and tenure and other Chapter 36 items and tenants would need to be moved to board policy.
3. With respect to tuition, there would be no change. Currently it is the Board's responsibility to set tuition, and that would stay the same, although the legislature had constrained tuition setting in the last couple of years.
4. The Board would assume responsibility for the negotiation and management of the Minnesota Reciprocity Agreement.
5. UW System capital projects, regardless of fund source, would be exempt from DOA design and contractor oversight. DOA would still manage the bidding process for all projects of more than \$760,000. GPR-funded projects would continue to follow existing processes for approval, for enumeration and for inclusion in the capital budget. This would be a considerably streamlined process. Non-GPR projects, program revenue projects typically, of more than \$760,000 would require only a one-time approval from the State Building Commission.
6. DOA would negotiate a renewable 75-year lease for all UW System buildings, which would need approval from the Joint Finance Committee. The state would own the land and the buildings, which the UW System would lease. Any improvements, renovations and new construction on land leased from DOA would become the property of the state.
7. All procurement, and the policies needed to manage the procurement process, would be given to the Board of Regents of the UW System Authority.
8. The Board would be responsible for managing vehicle fleet policies.
9. The public authority would remain in the state's insurance program.
10. With respect to human resources, the existing human resources systems would take effect as scheduled in July. President Cross remarked that these were flexibilities that the UW System had secured over time, and these would continue. The Board would have the authority to create pay plans, which it currently does not have. The new UW System Authority would be removed from the compensation reserve. The UW System's employees would become public employees, and would continue to participate in the state's retirement and insurance programs.
11. With respect to the new System Authority's budget, there would be a single block grant for operations from the state to the University, and a separate appropriation for debt service. The budget still would be subject to emergency budget reductions.

12. The responsibility for payment in lieu of taxes (PILT), estimated to cost the System \$6 to \$10 million annually would move from the state to the System Authority.
13. Financial management would not see much of a change.
14. In regard to financial aid, the limitations on the Tuition Assistance Grant (TAG) would be repealed, as would other limitations on how the new System Authority might choose to distribute financial aid.
15. With respect to accountability and how the UW System reports to the legislature, President Cross said that most reporting requirements seemed to have been repealed or streamlined. However, accountability reports as currently required under section 36.65 are retained; those account for over 40 different reporting measures.
16. Two attached agencies, the State Lab of Hygiene and the State Veterinary Diagnostics Lab, would be moved to the state Department of Agriculture, Trade, and Consumer Protection (DATCP). This change does not affect the UW System's bottom line, as these are basically pass-through-funded entities.

President Cross noted that the proposal offered flexibilities as a complete all-in-one-box arrangement. For several years the UW System had been attempting to gain more flexibilities on an individual basis, one or two at a time. This proposal would provide greater long-term cost savings. Many of these are cost-avoidance savings, meaning they would only accrue if money is already being spent; for example, if a campus is constructing buildings and does not have to pay as much for certain services. Seeking and securing flexibilities on an individual basis had been difficult, President Cross said. Some were achieved in the last three or four years but constraints were placed on implementation.

President Cross concluded that there was much to be positive about in the System Authority proposal; however, much more analysis, examination and understanding would be needed in the weeks ahead.

### **Proposed Budget Cuts**

President Cross spoke about the proposed budget cuts, which he said would be a very serious challenge. He emphasized that it was important not to look at this in a rhetorical, inflammatory or emotional way, but instead to bring some clarity to the subject.

The proposed budget cut would be \$150 million in the first year of the biennium and would remain in the second year. Over the biennium, the savings to the state would be \$300 million.

The UW System's Red Book base for the current year is \$1.178 billion. After removing the DOA adjustments, the base is \$1.142 billion. After removing debt service allocations, which are treated separately, and some other adjustments, the new base would be \$919.5 million. If the \$150 million budget cut is subtracted from that base, the UW System would have \$769.5 million for the 2015-16 fiscal year, beginning in July. That would become the base for next year, President Cross said.

The public authority, if it were enacted, would take effect on July 1, 2016, the second year of the biennium. The \$16 million that the System receives for the Veterinary Diagnostic Lab and the State Laboratory of Hygiene would have to be removed from the base in the second year, because those agencies would be transferred to DATCP. However \$21.3 million would need to be added for one-time fringe adjustments in the second year, President Cross said, bringing the base to \$774.8 million for fiscal year 2016-17.

Providing broader context, President Cross explained that the \$150 million cut would be roughly the equivalent of all of the operational GPR for seven of the 14 institutions, or 8.5 percent of the combined GPR and tuition monies that the UW System receives. In fact, he said, GPR coming to the university is now less than it was in 1998.

However, it was important to note that debt service has gone up; President Cross observed that when *The Chronicle* reports that the state of Wisconsin is actually increasing the amount of money it gives to the university by 7.2 percent, that is a result of the increase in debt service that the state is picking up.

President Cross said it was also important to note that the UW System will be facing another two-year tuition freeze, which substantially limits the System's ability to make adjustments.

### **Dedicated Funding Stream**

President Cross said that the third piece of the Governor's budget proposal was very intriguing. In fact, he said, some of the concerns about tuition going up rapidly might be mitigated entirely by this third piece if it is considered carefully. The third piece, a dedicated and predictable funding stream, would actually make tuition very rational, reasonable, predictable and forecastable in the future.

Once the UW System's base is established with a dedicated funding stream, President Cross explained, it would receive an annual Consumer Price Index (CPI) adjustment on that base. The current understanding of the budget language was that the System would receive its base CPI beginning in the 2018-19 fiscal year.

Looking at the historical volatility of GPR, President Cross observed that there is an inverse proportional relationship between GPR and tuition: as GPR goes up, tuition stays flat; as GPR goes down, tuition goes up. In the past, that volatility led to huge spikes in tuition of 18 percent, 19 percent and 30 percent over two years. A consistent predictable funding stream in the future would stabilize tuition increases in a reasonable fashion.

Over the next three weeks the Legislative Fiscal Bureau staff would be putting together their formal review of the budget proposal, which legislators would carefully review. President Cross said that UW System Administration would review it carefully, as well. At the same time, the System would continue its own review and stay engaged with the development of any changes in the Governor's proposal.

The legislature was expected to start its process in early March. In the meantime, the System would proceed as though the budget proposal would be adopted, trying to determine how

to make it work and what the impact would be. At the one-day Board meeting in March, the goal would be for System Administration to bring back information about the expected impact on each institution, so that everyone would be dealing with facts and not rhetoric or hyperbole.

### ***Regent Discussion***

President Cross thanked President Falbo, who then opened the floor to discussion by recognizing Regent Vásquez. First, Regent Vásquez said “bravo” to Chancellor Blank for a thoughtful and provocative presentation, observing that he appreciated her honesty and forthrightness in bringing the presented information to the Regents’ attention.

Regarding the tuition freeze, Regent Vásquez noted that the Regents have the authority to set tuition, yet there were years where the Board was told by the legislature that tuition would be frozen. His question, which he said did not need to be answered that day, was whether under the new public authority model the Board could continue to find itself in the situation where it has the ability to set tuition but would not be allowed to exercise that authority.

Regent Whitburn remarked that Article X of the state Constitution provides for a state university, and that only the people, not the legislature, can change the Constitution. He noted a pattern of recent challenges in the courts, such as challenges to voter ID legislation and Act 10. He expressed concern about what would happen if the university went forward on the public authority proposal and ended up in a destabilized situation where there might be a successful challenge and an injunction, casting doubt on the very governance of the University of Wisconsin. He suggested UW System leadership consider whether to seek an opinion about the constitutional question from the Attorney General; if the System changes its structure hastily it could have an unintended consequence.

Regent Behling commented that Regent Whitburn seemed to be suggesting that “the devil is in the details.” At the same time, there is opportunity. As an example, he mentioned the confluence project in Eau Claire, on which he and Regent Manydeeds had worked. Had that project been started under the umbrella of a public authority, with no DOA design, no DOA architectural committee, and no DOA procurement, Regent Behling said that there would have been a substantial savings of dollars, time, and a few headaches.

In response to Regent Whitburn’s suggestion, Regent Manydeeds indicated that he thought it would be wise for the System to seek an Attorney General’s opinion, if it has the resources to do so.

Following up on Chancellor Blank’s request for the Regents to look into other areas to help fill the anticipated funding gap, Regent Manydeeds said that the Board should start thinking about what it would take to change the out-of-state enrollment cap for the UW-Madison campus. He suggested that it was set for good reasons, but should be reviewed. He also said that he did not understand why tuition for professional schools was not being increased. He wanted to know what had to be done to accomplish this, and how quickly it could be managed.

President Cross responded that he had asked chancellors and the staff to put together a proposal to bring before the Board in April that considers professional school increases, out-of-state tuition increases, and a possible increase in out-of-state enrollment.

Regent Pruitt began his comments by thanking President Cross, President Falbo, and Vice President Millner for asking for feedback. He shared that one of the things he had wondered about and tracked over the years had been the number of cents from each state tax dollar that go to the University of Wisconsin. He stated that this was a pretty good indication of what the priorities are.

In 1990, 12 cents of every state tax dollar went to the UW System. In 2000, 10 cents went to the System; in 2010, it was 8 cents. Based on this newly proposed budget, Regent Pruitt said that he understood that 4.57 cents of every state tax dollar would go to the state university. He said that the UW System had been losing the battle for state dollars for quite some time.

He explained that one of the reasons the System had lost the battle in the past was because it had another source of revenue: tuition. Regent Pruitt said he found it disturbing to see a toxic combination come together in Wisconsin: dramatically reduced state funding on the one hand and a politically popular tuition freeze on the other. He requested that, even in this interim period, the UW System try to communicate to its partners in state government that if they choose to cut the university and make that decision a priority, they certainly should not, if they are genuinely committed to the quality of the institution, impose both state funding cuts and a tuition freeze.

Regent Vásquez followed up on Regent Pruitt's comments, saying that one of the things that he found disturbing in the media's coverage of the budget proposal was that while the budget cuts were clearly referenced as \$150 million or \$300 million, the two-year tuition freeze had become a passing statement. He requested that in future discussions the Regents discuss what the tuition freeze means in dollars, because he was worried that people may be getting the mistaken impression that the tuition freeze is inconsequential.

President Cross asked Senior Vice President David Miller to respond. Mr. Miller stated that as System Administration was going through the budget, they were totaling the unfunded state costs that would normally be funded by tuition. This calculation would be part of the future presentation on the total impact of the budget. To provide a gauge, Mr. Miller shared that from the last two years it was known that the impact was \$27.3 million per year, including the tuition share of the one-percent pay plan, which he said was a primary part of that cost.

Noting that Regent Vásquez had also been asking about total lost revenue resulting from the tuition freeze, President Cross said that the System would be able to provide him that information at a later time.

President Falbo recognized Regent Bradley, who stated that from his view, there had been statements from political leaders and pundits about major shifts in public policy that were not supported by the facts and had withstood any critical public analysis. Political leaders can do that, he said, and the Regents cannot control what people say about the UW System, even if they think the comments are reckless.

He said that the Regents and System Administration also have a duty, found in Chapter 36, to advocate for the best interests of public higher education in the state of Wisconsin. That might mean "speaking truth to power," Regent Bradley said. The Regents have an obligation to

participate in the public narrative with facts, speaking not emotionally but frankly, and without allowing misconceptions among the public.

Among the comments he heard from the public was the view that the budget proposal represented a tradeoff, exchange, or bargain for the UW System, with one local business owner describing as a “quid pro quo” the prospect of a \$300 million cut to the base budget and receiving flexibilities that might produce savings over a long period of time. However, Regent Bradley suggested that the cut and savings amounts were far apart in size, and he illustrated with his hands the uneven “exchange” between the two.

Another misconception came from people looking at the size of the UW System budget in relation to other parts of state government, and making the assumption that because the university is big it must be inefficient. The size of an operation, he stated, has no relevance to efficiency. He referred to comparative data from two organizations that study the efficiency of big, complex higher education operations; in one of those surveys, the University of Wisconsin came out as #3 in the country for efficiency. People can criticize the UW System for not being #1 or #2, Regent Bradley said, but whoever came out at #4 wishes that they were where the UW System is.

Regent Bradley said the Regents should speak up forcefully about the idea that the System could absorb some significant additional budget cuts by just tightening its belt. He personally considered that an insult to the chancellors and college deans, and wondered what people thought the institutional leaders had been doing to absorb all of the cuts made thus far. To sit back and not speak up about how the current proposal would impact instructional staff was not being honest.

Yet another unfortunate misconception that people hold is that somehow research is “an extra,” especially for the comprehensive campuses. Regent Bradley said the Research, Economic Development and Innovation Committee had heard data just that morning which overwhelmingly showed the opposite. Research is one of the UW System’s three missions and, especially in a 21<sup>st</sup>-century higher educational environment, it is inextricably linked to the other missions of instruction and public service.

Regent Bradley reiterated that, while the Regents cannot control what is said about the University of Wisconsin System, they do have a duty to speak up and participate in the narrative with facts and analysis, which President Cross had said would be forthcoming. He hoped that whenever the university was faced with statements that were not supported by the facts it would calmly and professionally respond, and not let the public narrative continue. To do so, he said, would be a disservice to the System’s employees and its institutions, and it would be a disservice to the idea of public higher education. Regent Bradley’s remarks were met with applause by many of those present.

Regent Higgins thanked Regent Bradley for his eloquent statement. Saying, “I think he is right on,” Regent Higgins stressed the importance of the upcoming weeks, during which analysis would be done to increase the ability to offer a response that includes hard data.

Regent Higgins said that it was also important to remember that this was not an adversarial situation, noting that they were dealing with a legislature and a governor who were

faced with their own uncomfortable financial situation. Also, the election had added more new legislators to the state Senate and Assembly than had been added in many years. These legislators had campaigned on certain promises to their constituents, he said, which meant that they would have obligations and concerns, as well.

Regent Higgins agreed that Regent Bradley's approach was exactly the one the UW System should take, working on a collaborative process to determine what is best for the citizens of the state of Wisconsin, with the Regents in their role as advocates for the university and the legislators in their role as representatives of the people who voted them into office. He thanked Regent Bradley again for emphasizing the need for an even-handed and cerebral discussion, as opposed to a fraught debate.

President Falbo then briefly interrupted the discussion to mention that Representative David Murphy, Chair of the Assembly Higher Education Committee, was in attendance with some of his staff.

Returning to the discussion, Regent Falbo called upon Regent Farrow, who thanked Regent Bradley, as well, saying that one of his key points was the importance of countering emotion with fact. A lot of emotion was being expressed, she said, when what was desperately needed were facts.

Regent Farrow said that during her past and present public service, one of her priorities had been to make sure that every young adult would have the opportunity to get a quality education at one of the UW System institutions, and then to see them stay in Wisconsin, because they needed to lead the state in the future. Their future was being tampered with right now, she stated.

She believed it was like sending a child off to the best school possible and then leaving them halfway through without any means of support, or leaving them at the end of a diving board looking down at an empty swimming pool. Regent Farrow expressed the hope that by the end of this process a reasonable conclusion would be reached without a lot of damage along the way.

She reminded Regents that she was a veteran of the budget process, having served on the Joint Finance Committee, and that she also had grandchildren in the System schools. She emphasized the need for facts, rather than the public statements of some uninformed people. The System would need those facts, and it would need parents and grandparents, the voters who elected the new stronger-than-ever majority, to hear the concerns about this portion of the problematic state budget.

Regent Farrow acknowledged that while the Regents were dealing with a problem, it was a bigger problem for the legislators. She also noted that there was a very young Joint Finance Committee in the Senate, with Senate freshmen included among the 16 members. These legislators would need a lot education about the budget process as well as about the facts of the UW System's situation.

The worst thing the university could do now was to speak without the facts, to drum up emotion and to start a battle of words before more is known about the issue and the possibilities. The process has to be a good one or the product never will be good, she said. The System has to



search for the possibilities at this point, whether they are in the authority proposal discussion or some other aspect that has yet to come to light.

Regent Farrow said that she appreciated everything that had been said thus far. She said she wanted the Regents to reach the right point and the right answer at the end, but cautioned that they should not rush it. Her understanding, based on what she had read and heard, was that the Governor wanted the budget done early. She noted that the budget process was typically over sometime in June, and so the real motions by the Joint Finance Committee would begin in late April or May. It would be important collectively to focus on the facts, she said, expressing hope for a better conclusion than currently seemed likely.

Regent Hall asked that the System Administration's analysis of tuition include the implications for access. She observed that the UW System was already challenged with regard to under-represented, low income students being able to enter its universities. What might that mean beyond 2017, and what would be the parameters for controlling and managing tuition, she asked.

President Falbo asked Regents what they saw as a preferred outcome to the discussion, given everything that was known so far about the budget cut.

Regent Petersen commented that the Board had heard some very good dialogue, but he wanted to think about the preferred outcome. He said that he believed the next six months would be the most important in the history of the University of Wisconsin System, and that it was incumbent upon the Regents to do their level best to lead with fact and not emotion.

He noted that a full assessment of the impact to the campuses would not be available until late February. He expected that what Chancellor Blank had covered in her presentation would be emblematic, although with potentially greater impact at the other campuses.

He said that there was a very difficult economic climate in the state, and the UW System had been given flexibilities as an option. In simplified terms, it was somewhat of a consolation prize, but Regent Petersen said that the Regents should not think of it as that. He said that he believed that the Board, the chancellors and the provosts did see some value in flexibility.

He challenged System and campus leaders to work on behalf of students, to maintain a professional solidarity through the process, and to be strong as an entire system instead of as independent campuses. To go across the state and see the kind of economic impact and workforce development exemplified by the campuses, Regent Petersen said, was a very powerful advocacy tool that the UW System needed to utilize.

He also recognized and appreciated that the current fiscal climate would be revisited in April, and it was incumbent on all of them to ensure that the UW System was working with its legislative counterparts to be at the top of the food chain. There would be a number of other very worthy and deserving institutions and associations that would also be seeking funding, but this would be a very austere budget, and the UW System would need to leverage its economic development and workforce power to stay on top.

Regent Petersen expressed enthusiasm about the flexibilities that could come, but also had some concerns, particularly related to bonding. He said that everyone was aware of the

inefficiencies of the State Building Commission, and he was concerned that the System's campuses would lose some of the full faith and credit of the state by becoming an authority. He said that was a question that would need to be answered.

Regent Petersen also observed that while predictable funding sounded great, the Regents needed more details. If that was tied to a sales tax, he thought it would gain the System predictable unpredictability. He noted that this had also been discussed at the Technical College System and was something that system had tried to avoid because it was volatile.

He suggested that the need for tuition flexibility had been well articulated during the conversation, stating that the UW System was behind related to out-of-state tuition, and that flexibility could provide "a bit of a crutch."

Further, Regent Petersen said that the Board needed to think about faculty and staff, noting that tenure was an important topic and that there were people in the legislature who had very strong interests in reviewing that. The Regents would have to be sympathetic to that review, but would also need to be protective of tenure and shared governance, he stated.

Regent Petersen concluded that the UW System was strongest when it worked collectively. Six months in the future he hoped all would be able to reflect back and say that the cuts were less dramatic than originally anticipated, that the flexibilities have some foundation that can be particularly useful for all of the campuses, and that students would have the ability to succeed and stay in Wisconsin.

Regent Vásquez said that, for him, part of the issue was the foregone conclusion that there would be a public authority. He expressed the preference to have a thoughtful, sincere discussions among the legislature, the Governor's office, and System Administration, and to find a mechanism for the Board to participate in those discussions, instead of having the decisions made elsewhere before they are announced and expected to be implemented immediately.

He said that typically when these decisions are made, it was to cut or readjust not a few hundred thousand dollars, or even a few million dollars, but rather hundreds of millions of dollars. As the Regents had heard very clearly from Chancellor Blank, when the System is given this magnitude of cuts and is told that they have to be absorbed in the next three to four months, it causes havoc. Regent Vásquez acknowledged that the legislature has the right to mandate whatever cuts they like, but there should be a way to allow the System an opportunity to ease through those cuts, so it can continue being a good partner with the state. The Regents' primary responsibility is to protect the UW System, Regent Vásquez said, and he expressed the hope that through thoughtful dialogue there could be a way of accommodating that.

Regent Manydeeds commented that every time he visited a campus and talked to students about tuition, they all told him they would be happy to pay more so their professors could get paid more, and so their degree would stay meaningful. In the interest of shared governance, he wanted to know what the students on the campuses, and their parents, thought about raising tuition slightly to help the UW System. Maybe they would overwhelmingly say "no," but he wanted to have that information available.

President Falbo invited student-Regent Purath to answer. Regent Purath thanked Regent Manydeeds for his question, and said that many of the students with whom she had spoken were

champions of the two-year tuition freeze. She said she believed that Governor Walker had won the district in which her school, UW-La Crosse, is located due to the tuition freeze. Speaking for herself, Regent Purath said she was a strong supporter of college affordability. She said she did understand that, as with all things, prices have to increase; but she expressed concern about how much the increase would be.

Regent Purath posed a question, as well, asking whether shared governance and tenure would be adopted into a board policy as is, or if there would changes made to them in the future.

President Cross replied that shared governance and tenure would be adopted as is. Though he not had a chance to talk to President Falbo and others about it, he said he would recommend that the Board adopt those as policy as early as April.

If there are changes to be made to those areas in the future, he explained, it would be done through shared governance, collaboratively with the Board, faculty and staff. He referred to the expansion of the shared governance process to include university staff (formerly classified staff). He wanted to reassure students, academic staff and faculty that the Board and administration were committed to retaining shared governance and tenure, and that from his perspective those pillars would remain as foundational elements of the university in perpetuity.

President Falbo agreed that the discussions had been along the lines of what President Cross had mentioned. The System would have a year to get ready for the changes, so what was written in Chapter 36 could be adopted as policy and then reviewed over time. He said this would be done in a way that involves everybody who should be involved; the Board was not going to make massive changes in the backroom.

Chancellor Patterson addressed Regent Manydeeds' question about what students were thinking, saying that the previous day he had walked the halls of the Capitol with two student leaders from the Student Government Association. In every meeting, they told the representatives and the senators that they would be more than willing to pay \$200 extra a semester and get through the bottleneck courses, rather than spend an additional one, two, or even three semesters and thousands of dollars in extra tuition and related costs.

Chancellor Gow added that the university had to balance various factors. If there was sufficient state support for the public authority idea, it would flourish; similarly, with sufficient state support the System could keep tuition at a reasonable level.

Chancellor Gow said the \$300 million reduction was too big and needed to be reconsidered. He observed that everybody in the state wanted an outstanding university system. If the UW System is going to go to a new model, it needs to have fundamentals in place, and the state support. He said he did not think it was emotional or unreasonable to make the point very plainly that the System cannot do this with a cut of this magnitude. He hoped that the legislators would realize how important this was in the big picture and get it right.

Regent Evers spoke next, returning to something Regent Bradley had said. He understood that a quiet, thoughtful, and professional demeanor was essential in this process, but he said he did not believe this was necessarily a quiet, rational world. He said it was absolutely important that the Regents be ready to "speak truth," even if it was not quiet. In the current

situation he said it was important not to hold back and be quiet, thoughtful, rational and professional, when a strong response was needed instead.

Regent Harsy said that, although his experience in this subject was not as extensive as that of everyone else at the table, he did have some significant experience in doing what some would see as impossible. He had been tasked with doing more with less and yet still accomplishing the mission. He thought one of the biggest and most important factors in success was someone's mental standing and how they felt and saw things.

"Victory loves preparation," Regent Harsy said, and he added that six months from now he would like to see multiple courses of action. If the university does get all the flexibilities it wants, what then? If the cut stays at its current estimate, what are ways the System can mitigate that and what are the ways it can find new funding? If the cut does get reduced, how will that affect the System? He stressed the need for the System to plan and to be able to adapt and overcome whatever happens six months in the future.

Regent Higgins thanked President Falbo for having asked what the Regents' preferred outcomes were, saying that although he did not have a good answer for whether the UW System should accept cuts of \$300 million or \$270 million, his preferred outcome was that the Regents all understand that this was a process that takes place every two years. Through their actions this time around, the Board needed to set the System up to do an even better job during the next biennium. From the point of view of the university, he said, that means considering the Board's shared governance partners in the development of its response, and showing Governor Walker's administration and the legislature that the Board plans to be a partner in a collaborative, not adversarial, process of working through the priorities of the citizens of Wisconsin.

Regent Vásquez thanked Regent Manydeeds for his suggestion to ask both students and families their opinions on the subject of tuition. He thought this should be done in a very thoughtful manner, asking not only been about raising tuition but also about what other ways the university can be of service to help students pay for that tuition increase.

Regent Whitburn responded that this was a very large proposed reduction, and that it was important to have "eyes wide open." He said that the idea of raising tuition had been raised twice, but noted that a one-percent System-wide increase of undergraduate tuition would be \$7.5 million. Tuition increases were not going to backfill these reductions, he said.

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## **CLOSED SESSION**

President Falbo called upon Vice President Millner to make a motion to go into closed session. The motion was adopted on a roll call vote, with Regents Behling, Bradley, Evers, Falbo, Farrow, Hall, Harsy, Higgins, Manydeeds, Millner, Petersen, Pruitt, Purath, Vásquez, and Whitburn voting in the affirmative. There were no dissenting votes and no abstentions.

**Closed Session Resolution**

Resolution 10452      That the Board of Regents move into closed session: (1) to consider UW-Milwaukee honorary degree nominations, as permitted by s. 19.85(1)(f), Wis. Stats.; and (2) to confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.

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The meeting was adjourned at 3:54 p.m.

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Submitted by:

/s/ Jane S. Radue

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