

MINUTES OF THE REGULAR MEETING
of the
BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Held in the Symphony Room
Gordon Dining and Event Center
770 W. Dayton Street
Madison, Wisconsin

Thursday, July 6, 2017
12:45 p.m.

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-President Behling presiding-

PRESENT: Regents Robert Atwell, John Behling, José Delgado, Lisa Erickson, Tony Evers, Michael Grebe, Eve Hall, Tim Higgins, Mike Jones, Tracey Klein, Regina Millner, Janice Mueller, Drew Petersen, Ryan Ring, Bryan Steil, Mark Tyler, and Gerald Whitburn

UNABLE TO ATTEND: Regent Margaret Farrow

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UPDATES AND INTRODUCTIONS

President Behling welcomed attendees and noted that the Board would have a busy agenda. First, the Regents would be asked to approve the UW System's 2017-18 annual operating budget. Then, the Board would take a closer look at the programs and strategic opportunities that exist in the realm of international education.

Before getting started, President Behling invited President Cross to make an introduction.

President Cross introduced Dr. John Koker, who has agreed to serve as interim Provost and Vice Chancellor for Academic Affairs at UW-Oshkosh, following Provost Lane Earns' retirement later in July. Dr. Koker, a mathematics professor, is Dean of the College of Letters and Science and has been a member of the faculty at UW-Oshkosh since 1991.

President Cross noted that this was not Dr. Koker's first appearance before the Board of Regents. In 2006, he was honored with the Board of Regents' Award for Teaching Excellence, the UW System's highest recognition for members of its faculty and academic staff. President Cross welcomed Dr. Koker's return and indicated that UW System staff looked forward to working with him.

At President Cross's invitation, Chancellor Bernie Patterson introduced Kristen Hendrickson, UW-Stevens Point's new Vice Chancellor for Business Affairs and Chief Financial Officer. Vice Chancellor Hendrickson was most recently the pledge director at UW-Eau Claire, and previously worked at Illinois State on the budget, cost analysis, and strategic planning. She is currently finishing her doctorate at Illinois State.

President Cross also invited Chancellor Andy Leavitt to introduce two new staff members at UW-Oshkosh: Jim Fletcher, Vice Chancellor for Administration, and Cheryl Green, Vice Chancellor for Student Affairs. Chancellor Leavitt indicated that Mr. Fletcher has previously worked at Idaho State University, the Texas A&M System, Morehouse College and Howard University; Dr. Green is most recently from Tennessee State University.

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UW SYSTEM 2017-18 ANNUAL OPERATING BUDGET AND TUITION AND FEE SCHEDULES

President Behling turned to the 2018 annual operating budget. Noting that there are many moving parts to the budget that the Regents should understand and discuss, he indicated that President Cross would speak first and then Vice President for Finance Sean Nelson would help facilitate the discussion.

2017-18 Annual Budget Highlights

President Cross emphasized that it is important to consider the big picture and consider the value students derive from a high-quality college experience, and whether the UW colleges and universities have the resources they need to deliver a first-class education that prepares students for success in work and life.

Also critically important, he said, are the broader benefits that all of Wisconsin derives from having an educated workforce and citizenry. For that, the goal is ensure UW institutions retain a robust capacity to serve as economic engines for the state. The annual budget also must be considered to ensure the university is pursuing every opportunity to use its dollars wisely and to serve students better.

President Cross asked Board members to keep in mind that the annual operating budget is based upon the state's 2017-19 biennial budget, which is still in progress. Therefore, Vice President Nelson's presentation would be based upon the actions taken by the Joint Committee on Finance in May. He indicated that if any changes are made to UW System funding by the Senate, the Assembly, or the Governor as the biennial budget is finalized, System Administration would report those changes to the Regents.

As part of the Board's approval of the budget that would be brought forward, President Cross said that he respectfully requested that in their resolution, the Regents delegate approval of any minor modifications to him, so the UW System can finalize its annual budget once the

biennial process is complete. Should a significant change be required, he said the Executive Committee of the Board of Regents would be consulted.

President Cross then briefly highlighted four main takeaways of the UW System's 2018 annual budget, which he asked the Regents to keep in mind during Vice President Nelson's presentation:

- State funding will increase by 3.7 percent;
- Resident undergraduate tuition is frozen for the fifth consecutive year;
- There are limited segregated fee increases, particularly for allocable segregated fees; and
- Program revenue balances are projected to further decline.

Revenue Sources

President Cross turned to Vice President Nelson to continue the presentation. Mr. Nelson briefly reviewed the four points that President Cross had emphasized and then stated that overall the UW System's revenues for 2017-18 are \$6.108 billion, an increase of about \$37 million. Expenditures, including the use of one-time tuition balances, are projected to decrease by about \$10 million. The planned use of program revenue balances also will decrease by about \$113 million.

Vice President Nelson next showed a slide that reviewed the System's different revenue sources. In the diagram, state support, or general purpose revenue (GPR), and tuition were disaggregated. This highlights that GPR is 17 percent of the total budget.

State GPR Budget Increases

Starting with GPR, Vice President Nelson indicated that the proposed budget includes an increase of about \$37.8 million, or 3.7 percent, in state support.

This increase includes the \$25 million lapse returned from the state. Vice President Nelson explained that this reallocated funding is not being returned using the traditional adjusted GPR/tuition-based methodology. System Administration reviewed several metrics, including an analysis of funding per FTE, weighted student credit hour, and student head counts.

Also considered, in order to gain a broader view of overall revenue, were GPR funding for instructional support services and total GPR/tuition funding. Vice President Nelson said the distribution provides some additional funding to all institutions, but also recognizes the unique missions of the institutions and their ability to generate alternative revenue.

Besides the \$25 million being returned, the proposed budget includes an additional \$12.8 million in GPR. This funding includes \$5.2 million for debt service for facilities already underway, \$5 million in innovation dollars to increase enrollment in high-demand fields, and \$1.5 million for the Tommy Thompson Center on Public Leadership on the UW-Madison campus, among other initiatives.

Tuition

Vice President Nelson noted that resident undergraduate tuition would be frozen for the fifth year. However, nonresident, international and graduate tuition increases previously approved by the Board in December 2016 would result in a net increase of \$24.2 million in anticipated new revenue in 2017-18. He explained that the majority of the tuition growth will be at UW-Madison, from increases in nonresident undergraduate tuition, professional schools tuition and some enrollment growth.

Looking at state GPR and tuition together, Vice President Nelson noted that about 20 percent of overall GPR is dedicated to covering debt service, leaving about \$840 million as being truly “general purpose.” Tuition revenue is projected to be about \$1.453 billion, and combined GPR/tuition will total \$2.5162 billion.

However, the UW System’s expenditures will exceed its revenue. To remedy that, Vice President Nelson said the campuses are planning to spend \$56 million in program balances. He indicated that he would talk more about program balances later in his presentation.

Auxiliary Operations

In May 2017, the Joint Committee on Finance voted to hold allocable segregated fees flat until the UW System submitted a policy to ensure that the classification of those fees is consistent across its institutions. Vice President Nelson stated that the budget he was presenting aligns with that action, except in a few cases that were previously approved by the System.

Total allocable and non-allocable segregated fee increases at the four-year institutions average \$32 per year (2.6 percent). Major drivers in the segregated fee rates are funding for debt service, student-initiated increases for mental health services, and enrollment changes.

Room and board increases at four-year institutions average \$187 per year (2.6 percent). Similarly, some of these increases are being driven by debt service, enrollment changes and increasing food contract costs.

Vice President Nelson indicated that the UW System has more work to do on ensuring consistency across campuses with respect to allocable and non-allocable fees going forward.

Auxiliary operations include self-supporting activities such as residence halls, food service, unions, and other general enterprise activities. Budgeted expenditures for these auxiliary operations will increase by approximately 4 percent, to a total \$777.18 million.

Capital projects, some of which are still awaiting action by the State Building Commission account for approximately \$97 million, or 42.7 percent, of the estimated \$227.08 million ending balance.

Vice President Nelson said the UW System is trying to work closely with its partners in state government to ensure that these capital projects get off the ground. While those funds are

being held in auxiliary funds, they are counted as part of the program revenue balances. He concluded that the System needs to work to facilitate and expedite these capital expenses going forward.

Providing some additional budget background, Vice President Nelson indicated that general program operation expenditures are projected to increase by 1.8 percent.

Federal indirect cost reimbursement and gifts, grants, and contracts will see virtually no change going forward.

Finally, “other” funds are decreasing by about \$50 million. Vice President Nelson explained that this is largely due to expected reductions in federal financial aid, which passes through the UW System and counts as both a revenue and an expense.

Program Revenue Balances

Looking at program revenue fund balances over time, Vice President Nelson noted that tuition balances are estimated to have decreased by \$277.3 million, or 50.3 percent, between 2012-13 and 2016-17. At the same time, auxiliary expenses are estimated to have increased. Vice President Nelson reiterated that this is largely a function of some capital dollars being set aside; 42.7 percent of auxiliary balances are due to current or delayed capital projects.

Excluding the amounts for capital projects, the auxiliary balance in 2016-2017 would actually total \$178.5 million, a decrease of 5.4 percent from 2012-2013. Vice President Nelson said the UW System is making progress but still has some work to do to lower these balances, particularly on the auxiliary side.

Wisconsin Grant

Vice President Nelson highlighted financial aid as one of the components of state support for UW students, although financial aid was not due to be approved at the meeting. He outlined some of the gains the UW System has made on the Wisconsin Grant, the primary need-based financial aid program for Wisconsin residents. One in four resident undergraduate students receives a Wisconsin Grant.

The Wisconsin Higher Educational Aids Board is slated to receive a \$5.7-million increase in the proposed budget for the Wisconsin Grant, which would be the program’s first increase since 2010-11. Vice President Nelson indicated that the average Wisconsin Grant award could increase by approximately 10 percent, from \$1,754 to \$1,925.

Second Year of Biennial Budget

Looking ahead to the second year of the 2017-19 biennial budget, Vice President Nelson suggested that the UW System could expect to see an additional \$26.25 million for outcomes-based funding.

This performance-based funding will require the Board of Regents to submit, by mid-February 2018, a formula to distribute the funding based on metrics for student access, improving student progress and completion, workforce alignment and contributions to the workforce, and enhancing operational efficiencies.

Due to the tuition freeze, Vice President Nelson said the UW System will not have funding to cover the tuition share of the additional costs in 2018-19 for the proposed “2+2” pay plan. The first 2-percent increase will occur on September 30, 2018, followed by a second 2-percent increase on May 26, 2019. The annualized cost of the pay plan will be about \$9 million dollars in FY 2020.

Noting that this is a huge exposure for the institutions, Vice President Nelson stated that the UW System will need to have a planned and thoughtful approach as to how institutions will address this deficit going forward.

Other initiatives that may require reallocation in the second year of the biennial budget include the expansion of the veterans’ remission program and the National Guard nonresident tuition exemption. Vice President Nelson indicated there would be additional conversations about how to address these costs.

Concluding his presentation, Vice President Nelson acknowledged the contributions of the chief business officers on the campuses, as well as Senior Associate Vice President Julie Gordon, Assistant Vice President Renee Stephenson, and the rest of the System Administration finance team.

Discussion

Before questions and discussion, President Behling asked for a motion to adopt Resolution 10901. The motion was offered by Regent Whitburn and seconded by Regent Petersen. President Behling then opened the floor to discussion.

Regent Evers asked if it was an appropriate time to discuss the distribution of the \$25 million. President Behling indicated that this topic would be addressed after other questions were addressed.

Regent Mueller said that she had many questions, but would save the technical ones for a separate conversation. However, noting a lack of information on base expenditures for financial aid, incremental increase or decrease information, and projections for the future concerning financial aid, she said she would like the Board to “drill down” into this subject at a future meeting.

Regent Whitburn observed that the approximately \$1 billion in federal student aid, which remains relatively flat year to year, is the largest piece of the \$6 billion financial aid picture.

Regent Mueller replied that knowing the amount of federal financial aid still does not help when trying to do a more sophisticated analysis of how many students are in need or at risk,

whether that population is going up or down, and whether the UW System is able to match that need.

Regent Whitburn agreed, adding that although Associate Vice President Kris Andrews had discussed the likely impact of the federal budget, the UW System is still waiting to hear what the federal government is going to do.

Although the five-year tuition freeze was expected to continue, Regent Ring said that one of his concerns was the increase in auxiliaries for students, particularly the segregated fees and the cost of room and board. He asked if the UW System had pursued any alternatives that could have resulted in a lower dollar amount increase in these auxiliary costs.

Vice President Nelson stated that the primary driver of the increase in both room and board and other segregated fees has been debt service. He added that segregated increases must come to System Administration for approval.

President Cross explained that the UW System has historically used the most popular meal plan on a campus for its budget analysis. He noted that the meeting materials included a breakdown of what proportion of residence hall operations are used to cover debt service. He also emphasized that System Administration has been scrutinizing segregated fees aggressively and seeking justifications from campuses for increases.

Regent Mueller said she appreciated Regent Ring's question, because the comparisons provided for segregated fees and room and board showed no patterns. Recognizing that the amounts were based on historical decision-making, she noted that some institutions are fortunate to not have any increase, while others face a significant increase.

President Cross acknowledged that there appears to be quite a differential among institutions when it comes to segregated fees, both allocable and non-allocable, and he confirmed that embedded in the amounts were historical decisions about how to pay for debt.

Vice President Nelson added that some of the auxiliary increases were approved by students for mental health services, including at UW-Madison, UW-River Falls, and UW-Stout.

President Behling recognized Chancellor Gow, who agreed that rates are different for each campus. UW-La Crosse has not raised its housing rate in four years, but must do so this year due to inflation and some necessary renovations. Some of its residence halls were built in the mid-1960s and are not up to modern codes, including having elevators for accessibility or sprinklers for fire safety. To begin making those kinds of improvements, the institution is implementing a 4-percent increase in student fees, or about \$165 per semester.

Chancellor Gow said that none of the chancellors wants to raise fees. The university is not a profit-making entity, so it only raises fees to put those monies back into making the university's operation the best it can be for students. He concluded that while debt service may sound amorphous, important physical improvements are being made.

In response to a question from Regent Steil about the definition of allocable and non-allocable fees, President Cross noted that Board policy addresses this but is somewhat ambiguous. The definitions may need to be narrowed down in collaboration with the chancellors and the chief student affairs officers, to ensure consistency. He commented that, generally, on the non-allocable side are long-term commitments and fixed contracts, while on the allocable side are things that could be paid for in one year.

President Cross called upon Senior Associate Vice President for Finance Julie Gordon for elaboration, and President Behling invited her to join the discussion at the table. Ms. Gordon added that there is a systemwide policy in addition to a Board policy. The System policy has been revised a couple of times; like the Board policy, it allows institutions to determine where best to place certain fees. Each chancellor works with student government on the budget, including how to fund student organizations.

President Cross pointed out that the Regents' materials included a breakdown of segregated fees for each campus. He indicated that this was the first year that the System had provided a breakdown of allocable and non-allocable fees for the Board.

Returning to the topic of room and board fees, Ms. Gordon confirmed that in the past the UW System has only provided the most popular rates for each campus, but this year the breakdown allows Regents to see all of the meal plans they are approving. She indicated that extensive work is done at the campus level to determine the needs of students so as to identify the types of meal plans to be provided.

Answering a question from Regent Petersen about expected metrics for the \$25 million in outcomes-based funding, President Cross indicated that there are a number of metrics that everyone would agree on, such as using graduation rates as a metric for student success. However, he suggested that opinions may vary as metrics are developed for an area such as workforce readiness.

President Cross said that Vice President Henderson and his team would work with the provosts and the chancellors to develop a plan, which would be brought to the Board of Regents by December, so that the metrics could be submitted to the Joint Finance Committee for passive review in February 2018.

Turning to the pay plan increases planned for the 2018-19 annual budget, Regent Mueller observed that about 11,000 of the UW System's roughly 35,000 employees are paid using program revenue. She asked if it would be a problem for the System to have to pay the fringe benefits and salary increase for those employees out of its own funds.

Vice President Nelson answered that both the 2-percent increase and the fringe benefits for state employees would be part of the exposure for 2018-19. The fiscal effect is projected to be about \$7 million in FY 2019, and about \$9 million in FY 2020. President Cross clarified that the full exposure actually would be larger, because not all employees were included in this calculation.

Regent Mueller asked how these amounts would be paid, and Vice President Nelson indicated that the source of funds had not yet been determined.

Regent Klein then asked whether the UW System has received feedback from the legislature or the Governor's Office on the rate at which the System is drawing down its program revenue balances, whether the System should maintain some amount of surplus as an operating cushion, and whether the balances are getting close to where they are supposed to be.

President Cross explained that a couple of years earlier the Joint Finance Committee indicated the UW System must report when program revenue balances exceed 12 percent of expenditures in any given fund. The UW System provides that information to the Joint Finance Committee annually in October.

With respect to where the balances should be, President Cross stated that this has never been clearly established. He added that given the volatility of the UW System's budget, most would argue that the balances probably should be higher than 12 percent of expenditures.

Regent Whitburn commented that if the UW System's reserves get too low, this could impact the university's accreditations. He went on to say that having appropriate reserves in place is of paramount importance going forward, so that the UW System would not go "belly up" during an economic downturn.

Regent Whitburn indicated that there is not a consistent standard across higher education in America today as to what level of reserves are and are not acceptable, which he said was part of the puzzlement in the legislature when this issue came up four years ago. One of the relevant factors is the business of bonding: The UW System's bonds have the full faith and credit of the state behind them, while in some other systems of higher education the bonds are held by the institution without the state behind them. He noted that the standards of financial strength also vary.

President Cross added that the Higher Learning Commission, the accrediting body in the Midwest region, recommends a 40-percent budget reserve. While this includes institutions with bonding authority and indebtedness, which the UW System does not have, he indicated that many would like to have 40 percent in reserves.

Regent Klein said she would love to see the UW System focus on what it thinks the surplus or the reserves or the cushion ought to be, and then make sure both the Board of Regents and Wisconsin's public policymakers are educated about it. She suggested that this could be important for eventually getting the Board back in the business of setting tuition rates.

President Cross explained that he did not like to use the words "cushion" or "slush fund" because a portion of the total program revenue fund balance is meant for specific purposes (although not committed or restricted in the traditional accounting sense). The UW System's true reserves are about \$180 million. Pointing out that \$683 million out of a \$6.221 billion budget would be just over 10 percent, President Cross suggested this was very reasonable.

President Cross also noted that the reserves are not distributed equally across the campuses, which presents a challenge.

President Behling said that Regent Klein's point was an excellent one. Indicating that he had been in the Capitol more often recently on UW matters, he indicated that this question does continually come up. He promised that continued work would be done on this.

President Cross added that he had received compliments from legislators about the UW System's ability to address this issue and to be open and transparent about it.

President Behling returned to Regent Evers' earlier question about the distribution of the \$25 million in returned lapsed funding among the campuses. Suggesting that the UW System was attempting to distribute the funds so that campuses that possibly struggle more receive a greater portion, Regent Evers agreed that equity is more important than equality.

Describing the \$25 million as a "drop in a bucket," Regent Evers said that in his mind the actual controversy is that 17 percent of the UW System's budget comes directly from the State of Wisconsin. If there were a greater investment on the part of the state, he commented, the System probably would not be having this discussion.

President Cross stated that over the last three years the Board had worked hard to give UW-Madison the ability and freedom to generate revenue in new ways, by eliminating the cap on nonresident students and adjusting tuition for nonresident students, graduate students, and professional schools.

In 2017-18, UW-Madison's tuition is anticipated to increase by \$37.5 million, or 5.5 percent. President Cross suggested that this increase in UW-Madison's budget is a reflection of what the Board has allowed Chancellor Blank and her team to do in terms of increasing tuition for out-of-state and professional students, as well as increasing nonresident enrollment. He said he would be seriously concerned if the Board were only redistributing the money and not giving the campus the flexibility it needs to address that challenge; this could negatively impact the flagship of the System.

President Cross additionally pointed to an anticipated 7.3-percent increase in the auxiliary operations fund for UW-Madison. He concluded that the UW System's overall budget is decreasing from \$6.231 billion to \$6.221 billion; UW-Madison received 44.7 percent of the overall budget in 2016-17, but would receive 45.8 percent of the System's overall budget in 2017-18, an increase of about 1.1 percent.

Finally, President Cross explained that System Administration attempted to make adjustments to the distribution of the \$25 million through a number of lenses, including the amount of state funds or total revenues per student, and resident and nonresident status.

Acknowledging that formula changes are challenging, Regent Mueller said that it is always best if the campuses can be held harmless from budget reductions, which the UW System was not able to do in this case. She observed that UW-Madison might have been counting on

\$6.5 million from the return of the lapsed funding, and she expressed hope that in the future there would be sufficient funding for everyone.

Regent Whitburn suggested that the headlines which warned that the UW System's flagship university might be hurt were a bit misleading. He noted that the 1.1-percent increase to UW-Madison's portion of the System's total budget will amount to \$68 million, while UW-Superior's entire budget is \$60 million. In terms of bottom-line impact, he said this is not a disproportionately high reallocation but one piece of a very complex puzzle.

Returning to the topic of segregated fees, Regent Steil stated that the Board of Regents and the UW System do a great job of providing value to students, but added that there is still room for improvement in preventing increases in some of the segregated fees. Suggesting that the Board dive deeper into that area going forward, he observed that the standard for student approval of segregated fee increases is inconsistent between institutions.

President Behling said Regent Steil made a good point, and promised that this would be added to the list of other good suggestions that had been raised.

President Cross stated that he and the chancellors shared Regent Steil's concerns about how to more thoughtfully and carefully approach segregated fee increases. He indicated that the UW System has been aggressive on that issue in the past year, but noted that institutions are living with the historical indebtedness of some of their projects. Regent Steil agreed that improvements had been made, but reiterated that there is room for even more improvement.

The motion having been moved and seconded, Regent Behling called for a roll call vote on the motion to adopt Resolution 10901. The motion was adopted, with Regents Atwell, Behling, Delgado, Erickson, Evers, Grebe, Hall, Higgins, Jones, Klein, Millner, Mueller, Petersen, Ring, Tyler, and Whitburn voting in the affirmative. Regent Steil voted in opposition. There was one absence, and there were no abstentions.

Approval of the 2017-18 Operating Budget, including Expenditures and Fund Balances, Adjusted Tuition Rates, Rates for Segregated Fees, Room and Board, and Textbook Rental; and Annual Distribution Adjustments

Resolution 10901 That, upon the recommendation of the UW System President, and based upon the Joint Committee on Finance 2017-19 biennial budget recommendations, the 2017-18 operating budget be approved, including estimated expenditures and fund balances; adjusted tuition rates, rates for segregated fees, room and board, and textbook rental; and annual distribution adjustments as attached in the document, "2017-18 Operating Budget and Fee Schedules, July, 2017."

The Board also authorizes the UW System President to make adjustments as necessary to implement the final state budget. Should a significant change be required, the Executive Committee of the Board of Regents will be consulted. The 2017-18 operating budget amounts are:

GPR/TUITION FUNDS

Estimated Beginning Balance (Tuition only)		\$	274,150,667
Operational GPR	\$	840,608,200	
GPR Debt Service		<u>220,932,100</u>	
Sub-Total GPR		1,061,540,300	
Tuition Revenue		<u>1,453,699,618</u>	
Total GPR/Tuition		2,515,239,918	
Planned Expenditures		<u>(2,571,581,463)</u>	
Planned Use of Balances			<u>(56,341,545)</u>
Estimated Ending Balance (Tuition only)		\$	217,809,122

AUXILIARY

Estimated Beginning Balance		\$	275,458,181
Revenues	\$	728,798,100	
Planned Expenditures		<u>(777,179,963)</u>	
Planned Use of Balances			<u>(48,381,863)</u>
Estimated Ending Balance		\$	227,076,318

GENERAL PROGRAM OPERATIONS

Estimated Beginning Balance		\$	84,188,242
Revenues	\$	285,753,288	
Planned Expenditures		<u>(293,369,814)</u>	
Planned Use of Balances			<u>(7,616,526)</u>
Estimated Ending Balance		\$	76,571,716

FEDERAL INDIRECT COST REIMBURSEMENT

Estimated Beginning Balance		\$	162,714,729
Revenues	\$	153,126,185	
Planned Expenditures		<u>(153,990,431)</u>	
Planned Use of Balances			<u>(864,246)</u>
Estimated Ending Balance		\$	161,850,483

GIFTS, GRANTS AND CONTRACTS

Revenues	\$	1,212,675,026	
Planned Expenditures		(1,212,675,026)	

OTHER

Revenues	\$	1,212,449,657	
Planned Expenditures		(1,212,449,657)	

SUMMARY TOTAL – ALL FUNDS

Revenues	\$	6,108,042,174	
Planned Expenditures		<u>(6,221,246,354)</u>	
Planned Use of Balances			(113,204,180)

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INTERNATIONAL EDUCATION ACROSS THE UW SYSTEM: PROGRAMS, PRESENCE AND OPPORTUNITIES

President Behling introduced international education as the next agenda item. He said that global education and global thinking have been identified as priorities in the UW System's 2020FWD strategic framework. President Behling indicated that the Regents would have an opportunity to learn more about international education in the UW System through a presentation led by Provost Lane Earns of UW-Oshkosh.

As Regent Tyler indicated at the June meeting, international relationships help students, businesses, and the state by growing employment opportunities and growing trade. Even small business enterprises are increasingly entering the international marketplace to grow their customer base.

Introduction

President Behling invited Vice President Jim Henderson to provide a brief introduction of Provost Earns. Vice President Henderson explained that in response to a request from Regent Tyler, he had asked Provost Lane Earns to address the UW System's activities in terms of globalization and international initiatives. Provost Earns is the chair of the System's globalization committee, which had been set up one year earlier, in an effort to provide more coordination and more collaboration on the System's international initiatives.

Vice President Henderson stated that Provost Earns had served with distinction as the provost of UW-Oshkosh, and noted that this would be his last Board meeting. Provost Earns was greeted with a standing ovation as he took the podium.

Provost Earns indicated that his presentation grew out of a very active discussion about one specific UW-River Falls program in the Heilongjiang Province in northeastern China. This provided the impetus for taking a broader view, at this Board meeting, of programs across the System and future activities.

The System's efforts are aligned to institutional mission statements, strategic plans, and academic learning outcomes. The aims of the programs are to improve student preparation for an increasingly global society and economy. Through this work, the UW institutions are responding to the growing demand for knowledge, discovery and global competitiveness.

Provost Earns said his presentation would examine the importance of international education, not only for UW campuses, but also for the System and the state of Wisconsin. He said he would provide examples of institutional partnerships and systemwide umbrella agreements, and discuss additional opportunities to expand these partnerships and agreements. He also would highlight international investment taking place in Wisconsin.

Currently, UW institutions offer dual degree programs or other segments of degree programs, as well as certificate programs, with their international partner institutions. Additionally, UW institutions provide internships, research experiences, faculty and student exchanges, and long- and short-term study abroad programs.

Provost Earns thanked Vice Chancellor Henderson, Interim Associate Vice President Carleen Vande Zande, and Senior Policy Advisor for International Education Sal Carranza, who all are very concerned about international education. Noting that this has not always been a top priority, he said the System has now made a commitment to international education on a number of levels.

Provost Earns recalled former Regent Roger Axtell's efforts in 2005 to require 20-percent participation in study abroad programs. While the UW System did not quite reach that goal, he indicated that the level of participation, support and interest in international education has increased. Provost Earns thanked Regent Tyler for bringing this issue to the table again.

International Education Advisory Council

Provost Earns said the International Education Advisory Council (IEAC) within the System was created last year. The vision of the IEAC states that the council will help the UW institutions become leaders in international education and promote global expertise to campuses, communities, and the state. IEAC's mission is to recognize the necessity of globally aware citizens, facilitate international education, develop educational programming, and become a public advocate for internationalization.

The council's goals include advancing international education and engagement for all UW institutions; sharing knowledge and expertise among institutions on challenges, emerging opportunities, best practices, and policy initiatives; and collaborating across UW institutions to make internationalization efforts more sustainable and more efficient.

Provost Earns indicated that all campuses have a number of efforts in which they have been participating, and the IEAC hopes to bring some of these programs together for efficiency.

Provost Earns stated that effective internationalization goes beyond the traditional study abroad programs and international student enrollment. It requires a comprehensive institutional commitment that also includes the development of a rich curriculum, internationally-focused research opportunities, creative faculty development, and active strategies for institutional engagement.

International partnerships and activities abroad are garnering increased attention, energy and support on many campuses, he said; but they need to be accompanied by intentional strategic planning and the development of high impact practices surrounding global learning outcomes.

International Agreements and Partnerships

Provost Earns indicated that the UW System has a number of systemwide or umbrella agreements, some of which have existed for quite a while and others which are relatively new. He focused on three of these.

- The strongest umbrella agreement is the 19-year-long partnership with German universities in the state of Hesse. Leaders from the Hessen contingent came to Wisconsin recently, and Governor Walker has been to Germany to talk about the Hessen programs. A lapsed program involving an exchange of faculty members is being restored.
- A relationship with the University of Guadalajara in Wisconsin's sister state of Jalisco, Mexico has been in place since 2005.
- A strong partnership initiated by UW-Oshkosh with the University of Nizwa in Oman was established by former UW-Oshkosh Chancellor John Kerrigan. In 2010, this partnership was expanded in a memorandum of understanding across the System.

Umbrella agreements with other countries include those with Brazil, Canada, China, Russia, and the United Arab Emirates.

UW institutions also have existing bilateral partnerships with China, France, Germany, Japan, South Korea, and the United Kingdom, among other countries. Provost Earns indicated that just one week earlier, UW-Oshkosh hosted program managers from Germany, as well as students from both China and Japan. Overall, more than 128 partnership agreements exist throughout the System.

Study Abroad and International Student Enrollments

Provost Earns stated that 14.2 percent of all undergraduate bachelor degree students participate in study abroad or exchange programs, compared to 16 percent at peer institutions. He noted that these participation rates can fluctuate with international political situations.

Asia draws the largest percentage of UW System students (18 percent), with China being the main destination there. UW students are also traveling to Central and South America (16 percent), particularly Costa Rica, Ecuador, and Brazil. In Europe, most students go to the United Kingdom, Spain, Germany, and France. In the Middle East, a number of UW students are studying in Turkey.

Provost Earns said there were 9,159 international students enrolled in the UW System in 2015-16, representing 132 countries. This is a slight decline from 2014-15, following a national trend. He indicated that this was due to political or economic factors dictating what kinds of funds were available to students or whether they were allowed to come to the U.S.

Many of the UW System's international students come from Asia (61 percent), particularly China. Japan and South Korea are also sending a large contingent, he said.

Nine percent of international students come from the Middle East region, a figure which has steadily increased mainly due to a large influx of students from Saudi Arabia.

Eight percent of international students come from Europe, which also sends a number of students to New Zealand and Australia.

Provost Earns indicated that UW institutions are considering future bilateral partnerships with Brazil, China, India, Mexico, South Korea, and Vietnam.

Impact of International Students and Foreign Investment

International students contribute about \$308.6 million to the Wisconsin economy each year. Three U.S. jobs are created for every seven international students enrolled; from this, Provost Earns extrapolated that more 4,000 jobs created or supported in Wisconsin's economy last year. (He noted that recently these figures have fluctuated slightly, again due to weakening economies and the reduction of funds for international education in some areas of the world.)

While the economy is important, Provost Earns said he also wanted to mention the academic and cultural contributions of international students. Diversity is an important part of higher education in Wisconsin, and international students are part of that diversity of thought and culture. He pointed to the many conversations that international students bring to the table, and the lifelong relationships that can begin from these.

Speaking personally, Provost Earns said his professional life was turned around when he went on a two-month trip to Japan just before he was due to graduate. He indicated that this experience changed everything that he was doing with his life; he has remained a scholar of Japan since that time.

Fifty-seven foreign countries have a direct investment impact on the state of Wisconsin, involving 408 parent companies and 181 cities, with 77,163 people employed and \$30 million in sales. Provost Earns explained that this information comes from a project of the UW System International Economic Development Task Force, led by former Interim Chancellor David J. Ward and Gilles Bousquet, dean of the Division of International Studies and vice provost for globalization at UW-Madison.

The biggest foreign direct investment in Wisconsin come from Germany, Britain, Canada and Japan. Provost Earns suggested that there is a clear opportunity for diversifying with increased direct investment, particularly in China; a number of UW institutions are already aware of the economic opportunities in Asia.

Regent Mark Tyler's Focus on International Opportunities

Provost Earns turned over the podium to Vice President Henderson, who asked Regent Tyler to provide his perspective on his request for this presentation and his experience with his Chinese trip. Regent Tyler first thanked three individuals for opening his eyes to this topic: Associate Vice President for Economic Development David Brukardt, UW-River Falls

Chancellor Dean Van Galen, and UW-River Falls International Partnership and Outreach Programs Coordinator Carolyn Brady.

Regent Tyler explained that if someone had asked him ten years ago whether his small company would be doing work internationally, he would have thought that was a joke. His company of 250 to 300 people now works regularly with a dozen international companies. He suggested that the world is getting smaller, not only for big companies, but also for small companies; there are huge opportunities.

Regent Tyler stated that he had the opportunity to travel with Chancellor Van Galen and a number of representatives from some of the UW institutions to do career fairs in the Heilongjiang Province, located in far northeastern China between North Korea, Russia and Mongolia. He observed that the Heilongjiang Province has a number of similarities to Wisconsin, including its climate, its agricultural and manufacturing bases, and even the “non-dialect” spoken by its people (similar to Wisconsin’s “Midwestern twang”).

At one of the first meetings, with 10 or 12 institutions from Heilongjiang, Regent Tyler said he started thinking about whether it made sense for each UW institution to try to connect with a dozen institutions from Heilongjiang. After discussion with the leaders from those institutions, he suggested creating an agreement between Heilongjiang’s Department of Education and the University of Wisconsin System instead.

Acknowledging that international work is much more complex than one state and one province, Regent Tyler explained that the 35-year-long sister-state relationship between Wisconsin and Heilongjiang meant that this agreement was adding another layer to the existing relationship. Chancellor Van Galen and Ms. Brady helped draft a memorandum of understanding.

Regent Tyler said he was very pleased to learn of the UW System’s globalization committee upon his return to the U.S., and added that he would like to encourage the System’s Chinese relationship. Remarking that there are not many people or organizations who want to bring Wisconsin money, he indicated that Chinese students do want to come to Wisconsin. They consider a degree from the University of Wisconsin to be incredibly valuable, and they are willing to pay the \$35,000 premium over the cost of education in their home country.

Regent Tyler suggested that there is an opportunity to increase the UW System’s international enrollments, which may be a piece of the solution to the System’s budget issues. More important, he said, is that UW students graduate with international experiences and relationships with international students. These partnerships can also increase trade, which he observed is good for everybody.

Discussion

President Behling opened the floor to questions or comments from other Regents. Regent Steil began by expressing his support for the UW System’s international programs. From an

economic standpoint, he said that a University of Wisconsin education can be viewed as a \$300-million export, with an incredible economic benefit to the state economy.

Regent Steil added that international education also benefits the overall workforce in Wisconsin. Like Regent Tyler, he works at a high-tech manufacturing company with operations across the state, as well as the globe. The company's international head of engineering, a graduate of UW-Platteville's engineering school, works from the facility in Wausau, Wisconsin. On a regular, day-to-day basis, Regent Steil said this person works hand-in-hand with peers both inside the company and from its engineering hubs in Milan, Italy and Shanghai, China.

Regent Steil observed that as companies look to hire graduates with engineering or other degrees, the international experience students can receive from UW institutions puts them head-and-shoulders above anybody else in the applicant pool.

Regent Steil asked about the variability in participation among UW institutions and asked what could be done to further encourage their participation. From the audience, Senior Policy Advisor for International Education Sal Carranza indicated that the study abroad participation rate varies significantly between the UW institutions, from 21 percent at UW-Madison, to 17.1 percent at UW-Stevens Point or UW-Stout, to about 3.2 percent at UW-Platteville.

Speaking to Regent Steil's comments, Provost Earns noted that he is a historian by training. He recalled that the dean of the College of Business at UW-Oshkosh intervened when the history department wanted to hire someone else in 1987; Japan's economy was growing at that time, and the dean wanted someone to help develop exchange programs with Japan.

Although UW-Oshkosh's business students did well on written examinations, in personal interviews with companies their world view ranged from Green Bay to Milwaukee. Provost Earns said that when the dean asked him to address this, he developed a number of exchange programs. The first program was with Japan, and involved an exchange of faculty and administrators; the students came later. Now UW-Oshkosh has a number of programs.

Provost Earns concluded that one should not underestimate the link between the study of foreign languages and cultures and the resulting economic gains.

Vice President Henderson observed that some students at one of his previous institutions, particularly science majors and athletes, did not study abroad because of sports seasons or lab schedules. One solution was to develop more courses that take place during the summer; another solution was to offer scholarships specifically for science majors and athletes for study abroad. By looking at the data and targeting groups that are under-performing in study abroad, the UW System can create programs that get them engaged.

Vice President Henderson also noted that not all of the UW institutions can run individual programs, but there is an opportunity for the UW System to create consortia to share the responsibilities and the recruiting. He indicated that this was one of the motivators for the systemwide committee.

Regent Millner stated that there are three issues related to international education for many students: credits, cost, and time. She recalled taking two international trips during the two years that she attended the UW School of Business. Both trips were taken during the three-week intersession between semesters, meaning that participating students did not have to invest a whole semester or summer to gain international experience. Participating students also worked with alumni in the various countries they visited in order to minimize the cost. Finally, Regent Millner indicated that it is important to recognize that high impact practices, such as internships and international experiences, affect time to degree.

Regent Klein expressed her enthusiasm for the topic and asked if there were plans to have more foreign students appropriately enrolled in UW institutions, particularly those with declining enrollment, such as UW-Milwaukee. Suggesting that it was probably easy to attract students to UW-Madison, she asked whether there was a way of making the “brand” consistent, to bring people to any of the campuses from any number of areas.

Vice President Henderson stated that this was partly why he wanted a collaborative process; with system-to-system agreements, representatives from the UW institutions can explain what their campuses could offer that would appeal to different students. For example, UW-Platteville could talk about its engineering program and its location in a smaller city, which some students would find more appealing than a larger city. Systemwide agreements provide an opportunity to make those connections.

Vice President Henderson pointed to the partnership between the UW-Madison dairy group and Nestle with a dairy farm in China as an example of how to find opportunities that fit the needs of students from a certain region or culture. More systemwide collaboration is required because it can be very time-consuming and expensive for individual institutions to do this.

With no further discussion, President Behling thanked Provost Earns and Vice President Henderson for the presentation.

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CLOSED SESSION – SONATA ROOM

President Behling called upon Vice President Petersen to offer the resolution to move into closed session. The motion was seconded by Regent Ring and adopted on a roll-call vote, with Regents Atwell, Behling, Erickson, Evers, Grebe, Hall, Higgins, Jones, Klein, Millner, Mueller, Petersen, Ring, Steil, Tyler, and Whitburn voting in the affirmative. Regent Delgado was not present for the vote but did attend the closed session. There were no dissenting votes and no abstentions.

Closed Session Resolution

Resolution 10902 That the Board of Regents move into closed session to: (a) consider the naming of facilities at UW-Eau Claire, as permitted by s.19.85(1)(f), Wis.

Stats.; (b) consider an amended compensation agreement for the UW-Madison head basketball coach, as permitted by s. 19.85(1)(c) and (e), Wis. Stats.; (b-1) consider a salary adjustment for the UW-Madison provost, as permitted by s. 19.85(1)(c) and (e), Wis. Stats.; (c) confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.; (d) discuss candidates for, or consider a recommendation for the employment of, a new Executive Director and Corporate Secretary, Office of the Board of Regents, as permitted by s. 19.85(1)(c), Wis. Stats.; (e) consider personal histories or disciplinary data of specific persons and the investigations of charges against specific persons which, if discussed in public, would be likely to have a substantial effect upon the reputation of such persons, as permitted by s. 19.85(1)(f), Wis. Stats.; and (f) consider annual personnel evaluations of chancellors, as permitted by s. 19.85(1)(c), Wis. Stats.

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The Board recessed at 2:28 p.m. to relocate to the Sonata Room and reconvened at 2:42 p.m.

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During the closed session, the Board affirmed President Behling's stated intention to appoint Special Assistant Jess Lathrop to serve as Acting Executive Director and Corporate Secretary until the completion of another search to fill the Executive Director position.

In addition, the following resolutions were adopted during the closed session:

Authority to Rename the Towers Residence Hall the "David and Marilyn Karlgaard Hall," UW-Eau Claire

Resolution 10903 That, upon the recommendation of the UW-Eau Claire Chancellor and the President of the University of Wisconsin System, authority be granted to rename the Towers Residence Hall the "David and Marilyn Karlgaard Hall."

Approval of Amended and Restated Additional Compensation Agreement, University of Wisconsin-Madison Head Men's Basketball Coach

Resolution 10904 That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the attached Amended and Restated Additional Compensation Agreement between UW-Madison Head Men's Basketball Coach Gregory G. Gard and the University of Wisconsin Foundation, effective July 7, 2017.

Approval of Salary: Provost, University of Wisconsin-Madison

Resolution 10905 That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, and pursuant to Regent Policy Document 6-3, the annual salary for Sarah Mangelsdorf, Provost, University of Wisconsin-Madison, be increased to \$435,000, effective August 1, 2017.

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The meeting was adjourned at 5:00 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