

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

Held at Gordon Dining and Event Center  
2<sup>nd</sup> Floor, Symphony Room  
770 W. Dayton Street  
Madison, Wisconsin

Thursday, August 23, 2018  
12:45 p.m.

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-President Behling presiding-

PRESENT: Regents Robert Atwell, John Behling, José Delgado, Tony Evers, Eve Hall, Mike Jones, Tracey Klein, Regina Millner, Janice Mueller, Drew Petersen, Cris Peterson, Jason Plante, Ryan Ring, Bryan Steil, and Mark Tyler

UNABLE TO ATTEND: Regents Michael Grebe and Gerald Whitburn

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Before considering any items on the agenda, President Behling asked if any Board members wished to declare any conflicts of interest as per Regent Policy Document 2-4, "Ethics and Conflict of Interest Policy for the UW System Board of Regents." No conflicts of interests were declared with any items included on the open session agenda.

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## UPDATES AND INTRODUCTIONS

President Behling welcomed everyone to the August meeting. Indicating the Board of Regents would be taking action on several significant issues, including the UW System's biennial budget recommendations for 2019-21, he turned the floor over to UW System President Ray Cross for some introductions.

President Cross first extended congratulations to two Regents who won in the previous week's primary elections: Regent Tony Evers and Regent Bryan Steil. Noting "the next several months are bound to be interesting," President Cross said the UW System would be watching both candidates closely.

President Cross then introduced Steven Hopper, who recently joined the UW System as Associate Vice President for Information Technology and Chief Information Officer. AVP/CIO Hopper previously served the University of North Carolina System for 19 years, most recently as Interim Vice President and Chief Information Officer. He was twice nominated for the Governor's Awards for Excellence in North Carolina. President Cross noted AVP/CIO Hopper has extensive experience in streamlining IT operations and establishing a common strategic vision for IT, and he is expected to play a key role in the UW System's CORE project.

President Cross announced Sasanehsaeh Pyawasay recently joined the UW System's Office of Student Success as the Native American student success coordinator. Dr. Pyawasay will serve as the principal resource for areas of strategic importance related to the educational success of Native American students in the UW System. She is an enrolled member of the Menominee Nation and grew up on the Menominee Indian Reservation of Wisconsin. Dr. Pyawasay has worked in education for over 11 years, both with high school and college students at UW-Madison and the University of Minnesota.

President Cross said he was also pleased to introduce Gene Purcell as the new Director of Wisconsin Public Media, which includes both Wisconsin Public Radio and Wisconsin Public Television. He was previously executive director of the Educational Communications Board and is a graduate of UW-La Crosse. In his new role, Director Purcell will take the lead as Wisconsin Public Media transitions to a new division at UW-Madison.

President Cross next welcomed Mark Pitsch as the UW System's new Strategic Communications Manager. Mr. Pitsch previously worked at the Wisconsin State Journal as an assistant city editor and has extensive experience in the areas of higher education and government.

President Cross also welcomed Associate Director Latoya Holiday in the Office of Educational Opportunity (OEO). Prior to joining the UW System, Associate Director Holiday worked for the Wisconsin Department of Public Instruction, where she most recently served as the state's charter schools consultant. President Cross noted that she has been heavily involved in leading equity initiatives and brings to OEO a keen interest in increasing educational equity for all students in the state. She holds a bachelor's degree in English from the University of Illinois at Urbana-Champaign and a Master's degree in Educational Policy Studies from UW-Madison.

Finally, President Cross introduced David Travis as the new Provost and Vice Chancellor for Academic Affairs at UW-River Falls. Provost Travis most recently served as Dean of the College of Letters and Sciences at UW-Whitewater, where he had been part of the faculty since 1994 as professor, department chair, and associate dean for two different colleges. Provost Travis earned his bachelor's and master's degrees from the University of Georgia and his Ph.D. from Indiana University, all in geography.

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## **RESOLUTION OF APPRECIATION FOR REGENT EMERITUS TIM HIGGINS'S SERVICE ON THE UW SYSTEM BOARD OF REGENTS**

President Behling said the Board of Regents would officially recognize the service, commitment, and contributions of Regent Emeritus Tim Higgins, whose term ended in May. He called on Regent Tyler to lead the Board in its resolution of appreciation.

Saying he was pleased to have the opportunity to represent the Board in recognizing Regent Emeritus Tim Higgins, Regent Tyler observed, "The paths that each of us has followed to come here are varied, and the reasons we're committed to serve vary as well – but I suspect none of us has aspired to serve as long as Tim Higgins has." During his years as a student at UW-Madison, Regent Emeritus Higgins's aspiration at the time was to serve as a Regent – and that aspiration became a reality in 2011.

While his 70,000 miles of travel and 50 campus visits as a Regent were "just part of being engaged," Regent Tyler joked that Regent Emeritus Higgins earned a unique honor from UW-Superior with its "Most Frequent Regent" award. He added, "Whether he was visiting students or faculty, working with or for veterans, addressing the issues of freedom of expression or academic freedom, Tim has always been committed, and passionate, and driving for the betterment of this institution."

Regent Tyler pointed out Regent Emeritus Higgins's work and leadership in the Research, Economic Development, and Innovation Committee, which included strategic planning, partnership development with the Wisconsin Economic Development Corporation and WiSys, UW Economic Development Incentive Grants, Ideadvance, WiSys Regional Associates, student ambassadors, undergraduate research, and much, much more. "These will all stand as way posts that serve to mark Tim's journey here at the university – but more importantly than that, these activities and relationships will serve the mission of this university well into the future."

Regent Tyler also highlighted Regent Emeritus Higgins's advocacy for the university, recalling a time when the two of them were on a call with a "not-so-kind" legislative staffer: "It would have been very easy for Tim to take a defensive position in that discussion, but he didn't. Instead he kept the discussion very positive and provided strong advocacy that was befitting this institution. This experience and the discussion that followed was one of the many moments when Tim emerged as a mentor for me personally, as I'm sure he has done for others."

Regent Tyler then read aloud the resolution of appreciation for Regent Emeritus Tim Higgins's service on the UW System Board of Regents, which was adopted by acclamation.

**Resolution of Appreciation for Regent Emeritus Tim Higgins’s Service on the UW System Board of Regents**

Resolution 11077

WHEREAS, Tim Higgins dedicated six and a half years of exemplary service as a Regent of the University of Wisconsin System, from November 2011 to May 2018; and

WHEREAS, through serving on the Research, Economic Development, and Innovation Committee, including three years as chair and one year as vice chair, Tim achieved the committee’s goal to elevate the knowledge economy as a priority topic for the Board and to initiate its first Economic Development Incentive Grant program; and

WHEREAS, Tim served as an engaged member of the Audit Committee, the Business and Finance Committee, the Education Committee, and the Student Discipline and Other Student Appeals Committee, which he chaired for one year; and

WHEREAS, Tim was a proponent of freedom of expression, supporting a resolution in 2015 that the freedom of speech guarantees of the First Amendment underpin the UW System’s three-part mission of education, research, and engagement in public service, and supporting another resolution in 2017 that affirmed the Board’s commitment to freedom of expression; and

WHEREAS, Tim is a proud alumnus of UW-Madison, where he earned his undergraduate degree in economics, and subsequently served two terms on the Wisconsin Alumni Association national board and earned the Alumni Advocate of the Year Award in 2005; and

WHEREAS, Tim has worked to publicly honor and reward the commitment of extraordinary UW educators, serving on two Regents Award Committees—Diversity and Academic Staff Excellence—and has been an advocate for advancing excellence, affordability, and accessibility within the UW System; and

WHEREAS, Tim chaired the UW System Tuition-setting Policy Task Force, and served more than four years as the Regent liaison for the Wisconsin Partnership Program, three years as the Regent member of the WiSys Advisory Board Regent Member, and nearly three years on the Hospital Authority Board; and

WHEREAS, Tim made an effort during his time as a Regent to visit each campus multiple times and chaired the special Regent committee for the selection of UW-Green Bay’s chancellor in 2014;

BE IT THEREFORE RESOLVED that the Board of Regents of the University of Wisconsin System hereby commends Tim Higgins for his service to the UW System and outstanding commitment to higher education in Wisconsin.

Regent Emeritus Higgins confirmed that he had wanted to be a Regent since he was an undergraduate student at UW-Madison: “Every member of the university community – faculty, staff, student, administrator, parent, alumnus or alumna – gets swept-up by the legacy, the vitality, the greatness, and the sheer momentum of the UW institutions. We all want to leave a mark, like carving our initials in a mighty tree, so that future participants in that legacy will know that we were there before.”

Regent Emeritus Higgins said he would be ever grateful to Governor Scott Walker for giving him the opportunity to make his mark. He also thanked his wife Jonna for allowing him the time and the use of their shared resources to do the job as he saw fit. Indicating that he had done his best, Regent Emeritus Higgins said he hoped to watch the UW System continue to flourish as it carries out its triple mission of teaching, research, and public service.

Regent Emeritus Higgins thanked Regent Tyler for his kind words and the entire Board for its resolution of appreciation. Echoing Huck Finn, he joked that Regent Tyler “...told the truth, mainly. There were some things which he stretched, but mainly he told the truth.” He also thanked Regent President Behling and System President Cross for their mementos of his service: a signed copy of the Board’s resolution of appreciation, and a framed UW System medallion.

Regent Emeritus Higgins then asked President Behling to step forward and accept, on behalf of the Board, a gift from Jonna and himself: a framed composition that included a copy of the original cover of the bill which created the University of Wisconsin System, as well as the pen which Governor Patrick J. Lucey used to sign the bill on October 8, 1971. Flanking these were lapel pins representing the original University of Wisconsin institutions on the left, and the Wisconsin State University institutions on the right. At the top of the composition was a replica of the bronze plaque displayed at the entrance to UW-Madison’s Bascom Hall, with this famous quotation from an 1894 report of the Board of Regents:

“WHATEVER MAY BE THE LIMITATIONS WHICH TRAMMEL INQUIRY ELSEWHERE, WE BELIEVE THAT THE GREAT STATE UNIVERSITY OF WISCONSIN SHOULD EVER ENCOURAGE THAT CONTINUAL AND FEARLESS SIFTING AND WINNOWING BY WHICH ALONE THE TRUTH CAN BE FOUND.”

Observing that most of his fellow Regents, UW System and campus administrators, and the faculty, staff and students of the System’s many institutions were required to listen to his “thoughtful comments, feeble attempts at humor, and downright rants” when he was a member of the Board, Regent Emeritus Higgins said he wished to “partially atone for wasting your time” by making his valedictory remarks optional. (Copies of these remarks were distributed to the Regents in their meeting folders.) Quoting Regent President Emeritus Mike Falbo, who often said, “Regents can read,” Regent Emeritus Higgins concluded that “to read, or not to read, is entirely your decision.”

President Behling thanked Regent Emeritus Higgins, “a friend whom we will miss deeply,” and invited him to come see the Regents again soon.

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## **VALUE OF PUBLIC HIGHER EDUCATION**

To frame the Board’s discussion of the UW System’s biennial budget recommendations, President Behling said the Regents would first hear some presentations providing context on why the UW System is a worthy investment.

First, Dr. David J. Ward, president of NorthStar Analytics, would present the findings of his new economic impact report for the UW System. Noting the last study of this kind was done in 2002, President Behling observed that it was “clearly time for an update.”

After hearing from Dr. Ward, Chancellor Debbie Ford and Chancellor Dean Van Galen, joined by Regent Vice President Drew Petersen and Regent Ryan Ring, would talk about advocating for the value of higher education by drawing on the Guardians Initiative, a plan developed by the Association of Governing Boards of Universities and Colleges (AGB). President Behling indicated the Guardians Initiative aligns with much of what the Board of Regents is already doing, and also offers some additional resources.

Finally, the Board would move to consider the funding requests for the UW System’s 2019-21 operating budget and capital budget. President Behling invited President Cross to lead these discussions.

### ***Introduction***

President Cross said the UW System is requesting the Board of Regents’ approval and support of its 2019-21 biennial budget request, calling it “one of the most significant actions this Board will consider.” He began by reiterating that the university is grateful to the people of Wisconsin for their support of the UW System. Emphasizing the university should never forget that it is a public institution, “by and for the people of this state,” President Cross said it is inherent in the UW System’s mission to meet the needs of Wisconsinites and to serve the public interest.

President Cross stated, “An investment in the University of Wisconsin System is an excellent investment in many ways.” The UW System is widely considered among the best systems of public education in the world. Its students and faculty are in high demand as the innovative thinkers and creative problem-solvers that the 21<sup>st</sup> century needs and expects. At a time when higher education is more important than ever, the UW System awards more than 36,000 degrees annually.

President Cross noted the UW System is widely understood to be the state’s largest talent pipeline, adding that its “groundbreaking research, entrepreneurial know-how, and boundless creative energy are changing people’s lives for the better in Wisconsin – and beyond.” The



university is helping to find cures for autism, cancer, diabetes, Alzheimer's, and the common cold; investigating the roots of poverty; developing the next generation of computer operating systems; and finding new ways to use technology to help keep the Great Lakes "a freshwater treasure." UW researchers are expanding their understanding of how humans learn language, exploring neutrinos within the farthest reaches of the galaxy, and developing longer-lasting batteries to power automobiles and many other devices.

President Cross said the UW System is on the front lines of addressing not just Wisconsin's challenges but global challenges, leading basic research that translates ideas into innovation and discoveries that might change someone's life – or change the world. On average, a new patent is issued to UW System researchers and entrepreneurs every 49 hours – one new patent every other day.

President Cross indicated the UW System is also striving to keep its quality higher education affordable and accessible. The System continues to expand capacity in high-demand programs the state needs, including healthcare, engineering and computer science. Collaborating with the Wisconsin and global business communities, the university is helping to create new job opportunities and provide the talent to fill those jobs, "some of which don't even exist yet." By preparing not just future employees but also future employers, he said the UW System is helping to lead Wisconsin into the future.

President Cross observed, "Throughout history, higher education has always had its doubters and critics. But at a time when objective analysis clearly shows that a college education is more valuable and more necessary than ever, there should be no doubt or question about the need to invest in higher education." He acknowledged the need to do a better job of communicating the value that higher education offers to both individuals and society: more than someone just getting a better job, the college experience helps prepare someone for life and a career that is meaningful, impactful, and personally rewarding. It also increases individuals' earning power, including in ways that break intergenerational poverty. He concluded that college is clearly a proven, effective path to a better life, as thousands of UW alumni can attest.

President Cross said the afternoon's presenters would address the value of higher education from different perspectives: "The bottom line, however, is simple: Investing in the UW System is a wise investment." He then turned the floor over to Dr. David Ward, CEO of NorthStar Analytics, to present the findings of the UW System's new economic impact study.

### ***UW System's Economic Impact***

Dr. Ward recalled that the UW System's first economic impact study was done by NorthStar Economics, a company he founded in 2000, which sought to include all campuses and their various activities into one study. At the time that report was delivered to the Board of Regents in 2002, the economic impact of the University of Wisconsin System was \$9.5 billion.

Over the past year, NorthStar Analytics has undertaken a refresher of the original study and has developed some impact measures based on fiscal year 2016-17. Dr. Ward noted that the study examined the UW System's annual economic impact, which recurs every year and

increases as the university increases its activity. The study captures all spending data within the UW System and its related institutions. This data is run through an econometric model called IMPLAN, maintained by Professor Russ Kashian at UW-Whitewater's Fiscal and Economic Research Center, which uses many equations that describe economic activity throughout the state and the nation.

Looking at the results of the study, Dr. Ward noted the UW System's overall economic impact is just over \$24 billion. The university's activity generates and supports 167,000 jobs, and generates \$1.1 billion in state and local taxes. He added that 75 percent or about \$18 billion of this economic activity directly benefits the private sector. For every dollar the state invests in the university, \$23 of economic activity is generated.

Dr. Ward indicated that the biggest contributors to the UW System's \$24 billion economic impact include the campuses, UW Hospitals and Clinics, the students, campus visitors, research and extension activities, and affiliated organizations. He observed that one difference in 2016-17 from the original 2002 study is the much higher level of start-up activity emanating from UW research or UW entrepreneurs.

Regarding the 167,000 jobs generated in the state, Dr. Ward said these positions create \$9.3 billion in labor income. The average job created by the UW System's economic activity has a total labor income (including wages and benefits) of \$55,502; the average labor income of all jobs in the state is \$40,500. He concluded that the university is creating not only a lot of jobs, but jobs that are high value.

Dr. Ward indicated that the largest amount of tax revenue generated by the UW System was \$471 million in property taxes, followed by \$382 million in sales taxes, \$211 million in income taxes, and \$40 million in corporate taxes, totaling \$1.1 billion overall.

Dr. Ward introduced two other measures to help put these numbers in perspective. First, the UW System accounts for \$7.70 of every \$100 of economic activity generated in Wisconsin; gross state product totaled about \$315 billion in 2016-17. Second, the UW System's 167,000 jobs represent about 5.5 percent of the state's 3 million-strong labor force, or about 1 in 20 Wisconsin jobs.

Looking at the long list of private sectors that benefit from UW economic activity, Dr. Ward indicated the three largest are real estate, hospitals, and computer services. Also, the state invests about \$1 billion dollars a year into the University of Wisconsin System, which then generates \$24 billion in economic activity.

Dr. Ward cautioned that this economic impact study does not capture a number of things that are as or more important to the state, including the economic impact of the university on the labor force, earnings, and the tax base. He recalled that early in one of the studies, UW-Milwaukee's chancellor wanted to know more about how graduates impacted the local economy. Using data from the alumni association which tracked graduates to their current place of employment, his company found that 91 percent of all graduates (resident and non-resident)

continue to live in Wisconsin one year after graduation, with some outside clusters on the East Coast and in the Twin Cities and Chicago areas.

That study additionally looked at corporations which employed 100 or more UW-Milwaukee graduates, including Deloitte, Northwestern Mutual, Rockwell, Harley Davidson, Wisconsin Energies, Johnson Controls, Baird, General Electric, Aurora, and others. Dr. Ward indicated that the current economic impact study does not directly calculate the impact of enabling those firms to produce product and services and contribute to the state's economy.

To examine the impact of the number of graduates on earnings and income in the state, NorthStar charted both the unemployment rate and weekly earnings by education level and found that there is an inverse relationship between educational level and unemployment, as well as a direct relationship between educational level and average weekly earnings.

UW System graduates earn more than \$1 million more than high school graduates over the course of their careers. This adds to Wisconsin's tax base, as do graduates' investments in their communities. Though not captured as part of the economic impact study, Dr. Ward pointed out that part of the tax base is used to pay for social costs. He referred to research showing that states' social costs decrease as the population's educational level rises because there is less need for social services.

Dr. Ward thanked President Ray Cross, Associate Vice President for Economic Development David Brukhardt, and Director of Strategic Communications Heather LaRoi and her team at UW System for their assistance. He also thanked Dr. Russ Kashian at the UW-Whitewater Fiscal and Economic Research Center, one of two sources in the state which maintain an up-to-date IMPLAN model. Finally, Dr. Ward recognized his co-author Dr. Bruce Siebold, who was present in the gallery.

## **Discussion**

President Behling opened the floor to questions for Dr. Ward.

Vice President Petersen stated that there is a tremendous focus on the UW System's economic impact and what that means for its students, campuses and communities. Particularly in the Research, Economic Development, and Innovation Committee, the Regents often hear about the focus on technology transfer and migration to commercialization. Noting that Dr. Ward had highlighted increased start-up activity in the most recent study, Vice President Petersen asked for more information about what that growth looks like and why it is happening.

Dr. Ward recalled there was very little economic start-up activity at the time of the first report, though the University Research Park had just started and was showing some early success. With the perspective of having been in many different positions in the university, Dr. Ward said he had seen that economic activity, which was at first largely concentrated in Madison, spread to Milwaukee and then out to the comprehensive campuses. He predicted by the time the next study is completed there would be even more of this activity, calling the growth rate "phenomenal."

Regent Tyler said the economic impact reports always include great information that he tries to correlate back to how business leaders think about things. After underinvesting for a time, a business often finds the returns are higher once it does invest. Conversely, if a business overinvests, in time the return on investment becomes less. He asked Dr. Ward if further investment in the UW System would accelerate the returns – in other words, if the state puts another \$1 billion dollars into the System, will it see the same return, less, or more?

Dr. Ward said it would depend on what activity the university invests in. For example, if the UW System were to invest in grocery stores, returns would be very low; if it decided to invest in high value research resulting in commercialization, the returns would be very high. He added that existing data indicates investing in more graduates means average earnings increase, which in turn would be a good investment for the state. He concluded that where the university invests any additional resources depends on the Board of Regents and the choices made in the UW System's budgets going forward.

Regent Millner noted the number of college graduates in Wisconsin lags Minnesota and several other states, and the Board of Regents has previously discussed opportunities for tapping into the "partial or unclaimed" market of individuals who have some credits but no degree. She asked Dr. Ward if he believed investments in that untapped market could improve the UW System's economic position based on the data he has seen.

Dr. Ward said he believed this would be a very good investment; with increasing demand for more skilled labor and lower level jobs being replaced by automation, the quickest way to fill those higher value jobs will be to help people with some college education get to the finish line. He noted that by the nature of its economy, Minnesota has on average about 6 percent more college graduates in its labor force population and an average per capita income of around \$6,000 to \$7,000 more than Wisconsin. He suggested Wisconsin's economy is changing and becoming much more high tech, creating more opportunity to grow into that space with a college-educated labor force.

Regent Atwell said he always tries to remind himself and others about the human effort, ingenuity, and ability to work together for worthwhile purposes that are the foundation of any spending. Observing the econometric model suggests a consumption-driven view, he cautioned that it is important in discussions about economic development to focus on what human activity is generating that prosperity, who is doing that work, and what the outcome is.

Dr. Ward agreed entrepreneurship and what people do with their money are very important. He reiterated this study does not capture a number of things that either do not have a ready economic marker or a clear measure of value: "What is teamwork worth? Or cooperation?"

Regent Klein said the report was very interesting and informative. Recalling he had previously told the Research, Economic Development, and Innovation Committee not all spending is equal and had highlighted construction and research as two high-value areas, she asked Dr. Ward to elaborate on this.

Dr. Ward explained that within the econometric model are job and spending multipliers which are functions of the value of any activity. Returning to his previous example, he noted not much value is added to the raw product grocery stores bring in to sell. In contrast, a manufacturing operation that takes a piece of steel and makes it into something more valuable will generate more economic activity.

Regent Millner noted the UW System has made an investment in entrepreneurship through the comprehensive campuses and WiSys, and UW-Madison has made similar investments in taking ideas to product and market. The extra money that went into those activities has reaped benefits for the entire state in addition to the participating individuals.

Dr. Ward indicated that as chair of the WiSys board he sees very high marginal returns on the money being invested. He added that WiSys has not even scratched the surface in tapping new markets. He predicted future studies would show remarkable returns on what the UW System, UW-Madison, and the Wisconsin Alumni Research Foundation have invested in WiSys.

With no further questions, President Behling thanked Dr. Ward for his presentation.

### ***Guardians Initiative***

President Behling noted the Association of Governing Boards of Universities and Colleges (AGB) has expressed interest in the UW System Board of Regents' advocacy for higher education and sent a videographer with the intent of possibly using video footage from the next segment of the Board's meeting.

President Behling then asked Chancellor Debbie Ford and Chancellor Dean Van Galen to join the Board to discuss the Guardians Initiative. Regent Vice President Drew Petersen and Regent Ryan Ring would share their thoughts following the chancellors' presentation.

### **National Higher Education Conversation**

Chancellor Van Galen said it was a pleasure to join Chancellor Ford, Vice President Petersen, and Regent Ring to discuss the role of Regents and other UW System leaders in communicating and advocating for higher education, and how the Guardians Initiative, a new strategic advocacy plan developed by the AGB, can support the System's efforts.

Beginning with some background and context, Chancellor Van Galen explained the need for more effective communication and advocacy around the work and value of higher education goes far beyond the State of Wisconsin and the next state budget: "It is truly a national issue." On one hand, a recent CNBC article on a study by Sallie Mae indicated 90 percent of families agree college is a worthwhile investment despite the cost. In addition, 83 percent said they believe people will earn more with a college degree, and 77 percent said a degree is even more important now than it has been in the past.

However, Chancellor Van Galen observed it seems not a day goes by without seeing another article or hearing a story that questions the value of higher education. A recent study

from the Pew Research Center, for instance, indicated many Americans believe higher education is “heading in the wrong direction,” albeit for many very different reasons.

Chancellor Van Galen noted the negative narratives often include incomplete or inaccurate information about college costs, the value of a degree, and the work of faculty and staff. Sometimes the information is presented without context. While everyone agrees colleges and universities must be responsive and accountable, he said in many cases there is a huge gap between the rhetoric and misperceptions about higher education and the reality.

Arguing the leaders of the UW System are in a unique position to address these misperceptions and to help reclaim public trust in higher education in Wisconsin – and beyond – Chancellor Van Galen said it is important to recognize the strong history of engagement and advocacy demonstrated over the years by members of the UW System’s Board of Regents. On behalf of his fellow chancellors, he expressed gratitude to the many current and past Regents who engage with elected officials and other leaders, and who visit the UW campuses and engage with their communities.

Explaining these important activities enable Regents to speak first-hand about the impact and value of the UW System, Chancellor Van Galen noted Regent Emeritus Tim Higgins, a.k.a. “the Roving Regent,” has been a model in this regard by making many campus visits around the state and serving as a passionate advocate with business leaders and legislators. On behalf of UW-River Falls, the chancellor expressed his personal gratitude for the strong engagement of Regents on and beyond his campus, occurring all around the University of Wisconsin System.

### **New Tools and Resources**

Chancellor Van Galen said the Guardians Initiative is a national effort launched by the AGB with a clear and bold goal: “To reclaim public trust in higher education.” The initiative was launched to involve college and university trustees in countering growing skepticism about the value of higher education. The campaign seeks to create a new force of influential, informed citizens who can speak with independent credibility about the genuine benefits of higher education to individuals and to American society.

Through the Guardians Initiative, AGB is providing governing board members and other leaders with a well-organized, well-researched set of tools as resources for Regents and trustees as they engage and communicate about the value of higher education. Among the many resources included in the Guardians Initiative is a series of educational briefings on a variety of topics, including the business of higher education, how universities are reimagining educational programs to meet the changing needs of students and society, and how to calculate return on college investment. Chancellor Van Galen encouraged Regents to look at the information provided on the AGB’s website ([www.agb.org/guardians](http://www.agb.org/guardians)).

Displaying one infographic on the strong correlation between job security and educational attainment, Chancellor Van Galen pointed out that at the peak of the Great Recession those with bachelor’s degrees experienced an unemployment rate of 4.7 percent, while the jobless rate for those without a college degree was double that. College graduates are also more



likely to describe their work environments positively and consistently experience lower levels of unemployment.

Several other infographics created by AGB emphasize that U.S. colleges and universities make a significant contribution to America's economy. Chancellor Van Galen said this message echoes what the Regents just heard from Dr. Ward about the positive economic impact of the UW System, and how that is realized in many ways across the state.

The Guardians Initiative contains a variety of tools – national data, talking points, and suggestions for getting engaged – to help university leaders tell the story of higher education more effectively. While UW System leaders are already doing many of these things, Chancellor Van Galen said it is important to remember they are not alone, but instead are part of a national effort to reclaim public trust in higher education. The resources and support of the Guardians Initiative provide an opportunity to enhance understanding of higher education at the national level and in Wisconsin.

Imploring UW System leaders to never forget why it is so important to advocate for support of higher education, Chancellor Van Galen shared that over the summer he received a hand-written note from Cory Windorff, a first-generation college student from Brookfield, Wisconsin, who graduated from UW-River Falls in 2012. The chancellor read aloud a portion of the note:

“I cannot express my gratitude enough to UWRF for taking a chance on a student who barely graduated high school. The small class size and close contact with professors, along with the help room and tutoring resources available across the campus allowed me to be successful in my academic studies. The ability to study abroad opened the world to me for study and travel. The McNair program prepared me for graduate school. To see the university in the hands of loving people that wish to advance it and be part of the community warms my heart...”

The letter writer went on to complete a Ph.D. degree in chemistry from the University of California-Irvine. Today, Dr. Windorff is conducting post-doctoral research at Florida State University on the chemistry of Berkelium and Californium.

Chancellor Van Galen concluded, “These stories are repeated again and again, throughout the University of Wisconsin System. Higher education transforms lives and changes the trajectory of lives. It is worthy of support, and our collective advocacy.”

### **Telling the UW Story**

Chancellor Ford thanked President Behling and President Cross for the opportunity to share a few thoughts about how to amplify efforts and voices in support of the University of Wisconsin System and its faculty and staff, students, and graduates. She also thanked Chancellor Van Galen for setting the context of how to incorporate the new Guardians Initiative resources from AGB, and for sharing Dr. Windorff's inspiring story.

Chancellor Ford said she would share important facts demonstrating why the University of Wisconsin System is a great investment for students, families, employers and communities, and set the stage for how these will provide the foundation for the UW System to tell its story and reclaim the public trust.

### *Affordable Quality*

One of the UW System's primary goals is to provide affordable, accessible and quality learning experiences at all of its campuses. Chancellor Ford noted that the System has the metrics to demonstrate its quality: UW-Madison has been ranked 27<sup>th</sup> worldwide by the Center for World University Rankings; several UW comprehensive campuses also are highly-ranked nationally and regionally; and many academic programs across the campuses are fully accredited and recognized for quality.

Chancellor Ford also shared a few examples from her own campus, UW-Parkside. Over the past two decades, 89 percent of UW-Parkside graduates who have applied to medical school have been accepted – twice the national average acceptance rate of just under 40 percent. UW-Parkside's undergraduate program in Criminal Justice is ranked as the top program in Wisconsin for its support of careers in criminal justice and corrections by CorrectionalOfficer.org. Finally, UW-Parkside's undergraduate program in Sport Management has earned the #5 ranking nationally by Schools.com for "Best Colleges for Sport Management Degree Programs 2018-2019."

Chancellor Ford said every chancellor can tell similar stories about how their own academic programs stand out, and how these rankings and recognitions serve as evidence of the outstanding quality of a University of Wisconsin education.

In relation to affordability, she noted two-thirds of students in the UW System receive financial aid. UW students continue to graduate with lower debt than their peers across the nation. In one study, Wisconsin graduates ranked 33<sup>rd</sup> nationally with an average debt of \$29,500, while some reports have the national average student debt topping \$35,000. Chancellor Ford said it is important to note 35 percent of UW graduates complete their degrees with zero debt. Tuition and tuition increases also remain lower for Wisconsin residents than in surrounding states.

### *Talent Development*

Chancellor Ford stated that educating and preparing the next generation of talent for this state and beyond remains the primary goal for the UW institutions. Every chancellor has excellent examples of how their campuses continue to partner across all sectors to meet the needs of both students, graduates, and employers.

One prominent example was the recent joint announcement by Northwestern Mutual, UW-Milwaukee, and Marquette University to create the Northwestern Mutual Data Science Institute, a \$40 million partnership to help foster Milwaukee as a rich hub for technology and to create opportunities for students and industries in the region. At the June Board of Regents



meeting, Chancellor Schmitt discussed the new partnership between the Mayo Clinic and UW-Eau Claire. At the April Board of Regents meeting, Chancellor Miller and several business leaders from Green Bay talked about the importance of the new engineering curriculum at UWGB and how it will positively impact economic growth.

In southeast Wisconsin, Chancellor Ford said she is collaborating with Chancellor Mone, Chancellor Kopper, and their colleagues at the other “Milwaukee 7” colleges and universities to create HERA, the Higher Education Regional Alliance. HERA’s strategic goals include increasing educational attainment, offering academic programs to support regional needs, and strengthening the talent bridge between higher education and regional employers across all industries.

Chancellor Ford also highlighted Foxconn’s decision to expand in North America with its new headquarters in Wisconsin. At the time of the initial Foxconn announcement in 2017, Chairman Terry Gou cited the strength of higher education in the Upper Midwest and in Wisconsin specifically as one of his top reasons for locating Foxconn’s U.S. headquarters in the Badger State. Foxconn selected UW-Parkside as the location for the rollout of its \$1 million “Smart Cities, Smart Futures” competition, and three additional UW campus cities – Green Bay, Eau Claire, and Milwaukee – have been selected as sites for Foxconn innovation centers. Chancellor Ford concluded that the university’s role as the state’s leading talent supplier and creative engine for innovation and entrepreneurship is front and center with these developments.

As noted in Dr. Ward’s presentation on the UW System’s economic impact, a large majority of UW graduates remain in the state. Additionally, some graduates may live in a border state but work in Wisconsin. As the economy grows and evolves, the university is increasingly asked to grow the number of graduates with degrees in science, technology, engineering, math and health sciences. Over the past decade, the percentage of UW System degrees awarded in the STEM and health fields has increased 30 percent, from 29 to 38 percent overall. Chancellor Ford said this number is expected to grow even more, as many of the new programs the Board of Regents approves relate directly to STEM and health sciences.

### *Return on Investment*

Chancellor Ford said the UW System is a great investment for students, families, alumni, and communities. She shared one of the reasons she was attracted to and joined the UW System in 2009 was its strategic plan focused on growing people, growing careers, and growing communities. Reflecting on the past nine years, she said the university has and will continue to grow people by transforming lives, grow careers through quality academic programs and entrepreneurship, and grow communities through partnerships and a focus on improving quality of life.

Both nationally and in the UW System, college graduates earn more over a lifetime, tend to be more engaged in their communities as volunteers and leaders, and use their learning experiences to adapt and to lead in a world of accelerating change. Evidence from graduating senior surveys and alumni surveys shows the impact UW graduates make in their local communities, the state, and around the world.

Noting Dr. Ward had talked about the impact of research and economic development across the UW System, Chancellor Ford said the System is proud of the faculty and staff who are making groundbreaking discoveries, building lasting partnerships, and creating interactive and experiential learning environments for their students. Saying there are many examples of the excellent teaching, research, scholarship, and service happening across the System, Chancellor Ford thanked the Regents for making time to tell the stories of faculty and student success at the Board's meetings and as they travel the state.

Sharing one example from UW-Parkside, Chancellor Ford said biological sciences Professor Greg Richards received a three-year grant from the National Institutes of Health to explore one of the most fundamental questions of life: how organisms sense and respond to stresses such as heat, cold, and nutrient starvation. The majority of these grant funds support undergraduates working with Dr. Richards in his lab. Chancellor Ford quoted Dr. Richards describing his work:

“A key strength of UW-Parkside is the excellent 'real world' experience students attain doing research in the labs of faculty, which helps make them very employable. I love having students do research in my lab, and I greatly value training students in scientific thinking and practical lab skills. Students who I have mentored in research have been featured as co-authors on five peer-reviewed research publications. The students I have worked with have gone on to medical school, pharmacy school, and graduate school in microbiology, as well as careers in the biotech industry, veterinary tech, and chiropractic medicine.”

Chancellor Ford thanked Dr. Richards and all UW System faculty for inspiring students and the next generation of UW System graduates.

As Dr. Ward shared in his presentation, Chancellor Ford reiterated the UW System is a powerful economic engine with a \$24 billion impact on the Wisconsin, and every state dollar invested in the UW System provides a \$23 return on investment.

As the UW System embarks on the biennial budget process for 2019-21, Chancellor Ford encouraged the Regents and chancellors to use the examples of quality, affordability, focus on talent development, and return on investment to tell the UW story more broadly. She suggested university leaders visit with editorial boards, local civic organizations, and elected officials; write opinion editorials; and conduct media interviews.

Chancellor Ford recalled Regent President Emeritus Michael Falbo once joined her for a radio interview about affordability, and Regent President Emeritus Charles Pruitt participated in editorial board interviews with the *Kenosha News* and *Racine Journal Times* on the value of the UW System. She said she looked forward to partnering with UW-Parkside's current Regent liaisons – Regent Atwell and Regent Grebe – to amplify the UW story across the state and in southeast Wisconsin.

Chancellor Ford concluded by recognizing all Regents who participate in campus commencement ceremonies, saying their presence demonstrates the transformative power of the

University of Wisconsin. She thanked the Board again for the opportunity to share some thoughts on the importance of telling the UW System's story.

### **Regent Call to Action**

Vice President Petersen thanked Chancellor Ford and Chancellor Van Galen for bringing forward and sharing the AGB Guardians Initiative plan, which aligns with the strategies and actions the UW System is already pursuing and offers some valuable additional resources and insights.

Vice President Petersen reminded his colleagues how state statute describes their role as members of the Board of Regents:

“The primary responsibility for governance of the system shall be vested in the Board of Regents which shall enact policies and promulgate rules for governing the system, plan for the future needs of the state for university education, ensure the diversity of quality undergraduate programs while preserving the strength of the state's graduate training and research centers and promote the widest degree of institutional autonomy within the controlling limits of system-wide policies and priorities established by the board.”

He noted that planning for future needs, ensuring quality, preserving strength, and promoting institutional autonomy all imply Board member advocacy. It is part of the Regents' job to make sure the University of Wisconsin System has the financial and community support and the operational resources necessary to achieve these tasks.

Acknowledging the national survey data expressing public skepticism about the value of higher education, as well as the preponderance of evidence to the contrary, Vice President Petersen said this was “a clarion call to action” for the members of the Board. For the Regents to fulfill their statutory responsibilities, they need the business community, elected officials, and the general public to see the value in higher education, and to see the investment the state makes in the UW System as worthwhile and wholly impactful.

Vice President Petersen indicated the Regents already do many things the AGB initiative calls for, including routinely meeting with legislators, writing columns, and making presentations to community groups. However, he suggested the Board's members can and need to do more, especially in support of the budget proposal they would soon be considering.

Stating that there are many different opportunities for Board members to participate in this advocacy process, Vice President Petersen said he and Regent Ring would be doing joint columns placed around the state in the coming weeks with Chancellor Ford and Chancellor Van Galen, promoting the value of higher education as both an individual and public good. He encouraged his colleagues to continue to meet with local elected officials in their regions to discuss the return on investment the state receives from the university. He also encouraged Regents to work with System staff to develop presentations for their local rotary clubs or chambers of commerce, to attend and participate in campus events, and to generally increase

their local visibility as Board members: “All these efforts, big and small, help to promote the UW System and demonstrate the Board’s support and engagement in this process.”

Vice President Petersen said he had found in his personal conversations with legislators, with colleagues on campuses, and in talks he had given to local civic organizations that making the case for increased focus and commitment to bolstering the resources of the UW System are very well received. He suggested doing so can spur additional creative thoughts while mobilizing interested citizens to step up and lend a hand.

Vice President Petersen stated there is nothing more powerful than assembling a half dozen business or civic leaders to draft and send a letter to their local elected officials championing the values of their local campus: “Elected officials respect these communications – they take them seriously, and store that information in their heads for when they return to Madison to cast key votes in committees and their respective houses.” He indicated that ensuring legislators are well-informed is of paramount importance as the Board of Regents contemplates the next biennial budget, which he predicted would likely be extremely focused on future higher education investments, with key performance metrics put in place to chart the UW System’s progress.

Thanking his colleagues for the opportunity to share his thoughts on this important public policy pursuit, Vice President Petersen ceded the floor to Regent Ring.

Regent Ring recalled he had several main reasons for submitting his name to be appointed to the Board of Regents. He wanted to do something to continue to ensure the affordability of a UW System institution education for students like himself; to work to expand educational opportunities; and to maximize the return on investment for both taxpayers and students.

Regent Ring said the public uncertainty about the value of higher education should give all Board members concern. He indicated this uncertainty includes significant concerns from his peers who wonder whether the cost of a college degree is worth it. As a student representative on the Board, he has met with students all over the state who are concerned about cost, getting a job, and how their education will pay off.

Regent Ring went on to say these students are also some of the best ambassadors the UW System could ask for. He argued that their stories are the ones the Board of Regents needs to tell and partnering with students can help make the UW System’s message more effective and more impactful. While the System has done a good job engaging students in lobbying legislators, he suggested they can also be helpful in promoting the university to the public. Regent Ring encouraged his Regent colleagues to meet with students on campus whenever possible and to engage with the System’s student representatives, the statewide student government coordinating group.

In addition to students, Regent Ring advocated for including faculty as valuable partners in this effort: “No group is more connected to what’s happening on our campuses than our faculty, and we have some of the best faculty in the world throughout the System.”

Regent Ring agreed with Vice President Petersen that there are many ways for Board members to engage: for example, he had written a letter of support for UW-Eau Claire's application to host a national conference on undergraduate research. Observing social media can be very effective, he pointed out that a single Tweet or Facebook post can reach hundreds of people, especially those in his generation. Regent Ring concluded that the Regents' efforts do not have to be big public displays of support: "Sometimes, just demonstrating to the campus leadership that the Board is engaged and supportive is enough."

## **Discussion**

Vice President Petersen invited the other Board members and chancellors to discuss ways they can all positively engage in advocacy on behalf of the UW System.

Regent Millner thanked the presenters, saying this is a timely and important topic. She shared she had the opportunity to attend an AGB conference in San Francisco in the spring, where she was able to sit in on two presentations about the Guardians Initiative. She indicated that at the time she felt keenly about the responsibility of Regents to carry the message broadly, stating it is very important to do this sort of advocacy both during and after the budget process, because it is part of the Board's responsibility to carry the message about the UW institutions prior to having to ask for anything.

Regent Millner also underscored Regent Ring's comments, saying she has had opportunities to meet with faculty, student groups, and outside groups like the Rotary Club over the years. She concluded that having one or more of the Regents talk to these groups about the importance of the UW System and its institutions and give examples of the benefits of higher education to individuals is critically important because it humanizes the university and its governing Board.

Regent Mueller thanked the presenters. Observing the Board has been focused on looking outward and presenting the UW System's case to its stakeholders, Regent Mueller suggested the Regents also need to shine a light on the work the Board has done internally: "One way to reclaim that trust is to reiterate that we serve as strong stewards of the taxpayer's money." She indicated that in the five years she has been a Regent, the Board has worked very hard to hire strong leaders, better oversee the System's programmatic and business functions, and strengthen its oversight. "We always need to be responsive and accountable, and I think we've taken steps to do so."

Though there have been setbacks, negative attention and negative feedback, Regent Mueller said these have bothered her less as she has grown in her position: "I think that's a byproduct, a natural consequence of public accountability. We embrace that and we're open to it." Recognizing the Board oversees many risks inherent with an organization of the UW System's size and complexity, she said the Regents are expected to use their knowledge and experience for the benefit of the university's stakeholders. Regent Mueller concluded that the Guardians Initiative is a welcomed opportunity to restate the Regents' commitment to celebrate what the Board has accomplished and pledge to engage in constructive debate in the future on how the UW System can further improve.

Vice President Petersen underscored that in advocacy conversations, both as part of the budget process and as part of the Board’s regular duties, the Regents utilize good evidence of academic and administrative oversight and financial accountability produced by UW staff. He expressed appreciation to the staff for providing high quality, factual, and impactful data that the Regents can share with others.

Regent Steil stated it is beneficial for the Board of Regents to share the UW System’s story, because there is sometimes misinformation and a lack of an understanding about how to make education affordable. He highlighted positive stories like the Badger Promise at UW-Madison and recent reports about the decrease in overall debt in Wisconsin. He added that communication with civic and business leaders in different communities also presents a great opportunity for Regents to learn what is on the minds of people outside the academic institutions.

Regent Jones said he would join the “chorus of support” for the proposal made by Vice President Petersen and Regent Ring: “As a Board member, I believe we have the responsibility to be advocates, ambassadors, and allies of and for the UW System.” He stated that this responsibility includes writing editorial pieces, attending events, and meeting with legislators and community groups; it also includes the responsibility to listen to comments, to compliments, and to criticisms. With that frame of mind, Regent Jones said he was delighted to support this proposal going forward.

Regent Hall observed there is “so much positive” happening within the UW schools and commended university leadership for continuing to persevere in the ebb and flow of what happens. She said the Guardians Initiative would offer just another opportunity to rethink how the Board of Regents advocates and engages on behalf of its universities, as the Board has already been doing through its Regent-campus “buddy” system.

Regent Peterson said after attending two Board meetings she was “blown away” by her colleagues’ commitment, enthusiasm, and hard work. She expressed her appreciation as a new Regent for all the amazing work being done.

Vice President Petersen said he was confident Regent Peterson would add to the Board’s ongoing efforts. Reiterating that his colleagues are already doing many components of the AGB’s proposal – “and are doing exceptionally well” – he said this was an opportunity for the Regents to memorialize the importance and take advantage of their role: “Not only to be strong advocates, but also be strong listeners.”

President Behling thanked everyone for their comments.

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## **2019-2021 BIENNIAL OPERATING BUDGET FUNDING REQUEST**

President Behling noted the law requires the UW System to submit its 2019-21 biennial budget request to the State in September so the Governor and his staff have time to incorporate the university’s ideas into the larger state budget, which is typically announced in February. As



part of that process, the Board of Regents must review three components: the 2019-21 biennial operating, or GPR, budget; the 2019-21 biennial capital budget; and several important statutory changes.

Before beginning discussion of the UW System's 2019-21 biennial budget request, President Behling thanked his fellow Regents for a high level of interest and engagement on this complex topic. Indicating this is only the first phase of the Board's efforts to advocate for the university in the upcoming budget, he said the Regents have a great deal of work ahead, which includes building support among local community and business leaders and citizens. The message the university is asking all of its stakeholders to communicate to the legislature is clear: "The UW System is the economic engine that drives our economy – and now is the right time to invest."

Following approval by the Board of Regents, the operating budget request and capital budget request will be submitted to the Department of Administration (DOA) and the Governor. President Behling turned the floor over to President Cross to introduce the UW System's budget proposal.

### ***Introduction***

President Cross stated that the proposed 2019-21 budget contains what UW System leadership believe is a reasonable request for state investment. The four key components of the operational biennial budget are tuition, performance-based funding, capacity-building funding, and accountability and authority.

There are also other related factors which are not part of the budget request, including financial aid and employee compensation. The Board approved the UW System's financial aid request at its June meeting, to be submitted as part of the Higher Educational Aids Board's budget request. Employee compensation adjustments are funded from the state compensation reserve rather than the UW System's budget, though the state pays for only 70 percent of the System's pay plan.

President Cross asked Regents to keep in mind three key facts related to the connection between tuition and compensation:

- First, each percent increase in tuition potentially generates \$8 million, based on current enrollment levels. A tuition increase tied to CPI – or roughly 2.5 percent – would then generate about \$40 million over the biennium.
- Second, when the State passes a pay plan for the UW System, 30 percent of funding for that pay plan traditionally comes from tuition. A compensation increase of 2.5 percent – again, tied to the rate of inflation – would amount to about \$30 million.
- Third, if these two scenarios are taken together, there is a potential net loss to the System and its institutions of about \$70 million over the biennium.

President Cross explained that for these reasons, the UW System would bring forward employee compensation at the Board's December meeting – even though compensation is not technically part of the System's budget – and would be aggressively seeking support for its request that the state provide 100 percent of the proposed compensation increase. He added that System leadership will continue to monitor various factors which impact competitive wages, including fluctuations in CPI, over the next several months.

In this budget request, the UW System is also seeking some statutory changes to provide the university with regulatory relief. For several of the previous biennial budgets, the System has sought authority for project management and program revenue, and the Board has supported these efforts. President Cross indicated the System has been working closely with DOA and others to achieve this authority and has been pleased with the progress of those discussions.

President Cross then turned the floor over to Sean Nelson, Vice President for Finance, to provide more details on the UW System's biennial 2019-21 operating budget request.

### ***Presentation***

Vice President Nelson said he would highlight where the UW System is at in the budget development process. At the Board's last meeting in June, Regents discussed the Wisconsin Higher Education Grants (WHEG) financial aid recommendation. In December, the Board will take up the issue of employee compensation. He indicated that both of these items would also be discussed in the context of the biennial operating budget funding request, which is focused around outcomes-based funding and capacity-building initiatives. Further, the Board would discuss tuition authorities and accountabilities and some of the DOA's other compulsory requirements, including standard budget adjustments, performance measures, and statutory reporting.

Regarding financial aid, Vice President Nelson noted that in June the Board approved increasing WHEG funding up to the fiscal year 2010 award level; the UW System's request for \$6.5 million would bring the average grant up to about \$2,160. He subsequently presented that request to the Higher Educational Aids Board, which accepted the UW System's recommendation and will forward the request as part of its submission in September.

Vice President Nelson said the UW System will bring a final recommendation on compensation to the Board in December. Currently the UW System is in the first year of a "2+2" pay plan: a 2-percent increase was implemented on July 1, 2018, and a second 2-percent increase will take effect on January 1, 2019. A study is currently underway to benchmark faculty and staff salaries against peers; the latest analysis through 2017 shows UW System employees are about 17 to 18 percent below their peers in terms of compensation.

Vice President Nelson stated the initial recommendation will be for a minimum of two Consumer Price Index (CPI) increases – or 2.5 percent plus 2.5 percent – over the next biennium, with the final recommendation to follow in December. Employee compensation has historically been funded with about 70 percent supported through State GPR and 30 percent through tuition. Without a tuition increase, campuses have had to absorb the increased compensation costs; under



the current pay plan, campuses are responsible for about \$15 million just in fiscal year 2019. If the UW System were to ask for CPI plus CPI increases, the total cost would be \$103 million; a request for a fully-funded pay plan would amount to \$103 million for the next biennium.

Vice President Nelson said the UW System is not recommending an increase in resident tuition at this time. While statutes grant the Board of Regents the authority to set tuition and fees, a tuition freeze has been legislatively mandated since the 2013-2015 biennium through provisions in the biennial budget bills. An increase in tuition tied to CPI would generate about \$40 million in revenue over the next biennium.

Since the tuition freeze was enacted in fiscal year 2013, the UW System has reduced tuition balances by \$250 million. Campus balances in fiscal year 2018 decreased about \$7.8 million from the previous year. By the end of fiscal year 2019, tuition balances are projected to decrease by \$254 million overall.

Vice President Nelson noted the 12-percent reporting threshold mandated by Regent Policy Document 21-6, "Program Revenue Calculation Methodology and Fund Balances Policy," is currently the System's best proxy for assessing what a prudent level of reserves are for the campuses. At the close of fiscal year 2018, eight of the 13 campuses were below the 12-percent threshold; this number is expected to increase going into fiscal year 2019.

Vice President Nelson indicated that over time the UW System will need to pay some of its expenses with new revenue; if not with tuition, then it will need to look at some of its operating investments.

In terms of specific biennial budget recommendations, Vice President Nelson focused on two areas: outcomes-based funding and capacity-building initiatives. Fiscal year 2019 is the first year of outcomes-based funding, and the UW System will receive \$26.25 million in the current biennium to be allocated to the campuses in October. The four goals established by the legislature are growing and ensuring student success, improving and excelling at student programs progress and completion, expanding contributions to the workforce, and enhancing operational efficiency and effectiveness. The UW System in turn developed four metrics to support each of these legislative goals; this model was approved by the Board of Regents in December 2017 and subsequently by the Joint Finance Committee in April 2018. Future performance measures required by DOA will be based on the outcomes-based funding goals.

Vice President Nelson observed there is a large intersection between the performance measures the UW System reported on for many years and the new outcomes-based goals, but the outcomes-based goals are more granular and address several other areas of accountability of interest to the UW System and its campuses. The UW System is seeking an investment of \$27.5 million in the first year for outcomes-based funding, with an additional \$27.5 million in the second year, for a total biennial investment of \$82.5 million. This increase over the previous biennium's \$26.25 million investment reflects the inclusion of UW-Extension operations going forward. Vice President Nelson said work to define new metrics is ongoing in the UW System's Office of Policy Analysis and Research.

For the UW System's capacity-building initiative, President Cross requested campuses submit proposals in alignment with the UW System's focus on transfers, internships, improving graduation rates, retention, and affordability, and/or the state priorities of workforce development, retaining and attracting talent, entrepreneurship and innovation, and affordability. Vice President Nelson said a number of themes emerged from the broad array of proposals the UW System received, including high impact practices, student success, student advising, undergraduate research opportunities, increasing capacity in graduate and health care professions, workforce development in data analytics and computer science, and addressing mental health issues.

Vice President Nelson indicated going forward the UW System will try to package these proposals according to its initial priorities, and in a way that will resonate with people across the university and at the capitol. In terms of overall investment for capacity-building initiatives, the UW System is seeking a second-year funding appropriation of \$25 million in recurring revenue.

Including both the \$82.5 million in outcomes-based funding and \$25 million for capacity-building initiatives, the UW System's total operating budget investment request for the 2019-21 biennium is \$107.5 million. This represents a 2.4-percent increase in 2019-20 over the 2018-19 budget, and an additional 4.7-percent increase from 2019-20 to 2020-21, for a total increase of 7.1 percent over the entire biennium.

Vice President Nelson said the UW System is seeking several legislative changes in the authorities and accountabilities (previously called flexibilities) portion of the budget request, particularly on program revenue bonding and project management. He reported the System has had positive interactions with its DOA partners and is hopeful progress will be made on this issue over the coming biennium.

State statutes include additional requirements for state agencies to submit as part of their budget requests. The UW System must submit a flat budget request, a 5-percent reduction plan, and a base budget review. Vice President Nelson indicated these requirements will be handled centrally by System Administration over the next few months and will not create additional work for the campuses. The biennial budget resolution also seeks the Board's authority to delegate responsibility to President Cross to approve and submit these items.

## ***Discussion***

Responding to a question from Regent Evers, Vice President Nelson confirmed it will cost \$30 million to fund the employee compensation plan and an additional \$40 million to fund the tuition freeze. President Cross clarified the \$30 million is an expense and the \$40 million is lost revenue.

Regent Mueller noted that during campus visits she often hears from chancellors about the need for salary increases because the UW System is falling behind its peers. She said she was surprised the UW System did not have a decision item directly addressing that need as part of its current biennial budget request, rather than passively waiting for whatever pay plan it might receive.

Vice President Nelson pointed out the UW System's request does state a minimum increase of CPI+CPI as its initial recommendation. Saying more work needs to happen over the next few months to study this issue in greater detail, he indicated the System could refine its ask leading up to the Board's December meeting.

President Cross explained the timing is important; no one knows yet what the CPI increase will be next year, making it difficult to predict what the UW System should ask for. He stated that employee compensation is without question the System's highest priority. He also said the university would be seeking full funding for the pay plan, rather than the state's traditional contribution of 70 percent.

Responding to a question from President Behling, President Cross said the UW System would normally bring its pay plan request to the Board in December.

Vice President Petersen reminded his colleagues additional funding for the pay plan will be pursued through the state's compensation reserve fund. He indicated it would be appropriate for the full compensation request to be made in December, which would give System Administration time to benchmark where the UW System stands against its peers and get a better understanding of what the CPI increase will be.

President Cross said he appreciated Regent Mueller's point because it is the pay plan issue that puts the UW System most at risk. He indicated the System may ask the Board to approve a request for more than the CPI increase, but it is not yet known what that might look like – possibly a combination of two or three merit packages on top of a minimum CPI increase.

Vice President Petersen recalled the previous biennial budget request had several moving parts, including returned cost-to-continue, new performance metric funding increases, and some innovation dollars. He said it was helpful to compare the \$36 million of total new investment in the previous biennium's operating budget to where the UW System sits today.

President Behling thanked Vice President Nelson for his presentation, saying this budget was put together in the best format he had seen to-date as a member of the Board of Regents. He then requested a motion to approve the biennial operating budget resolution.

Vice President Petersen moved for the adoption of Resolution 11078, "2019-21 UW System Biennial Operating Budget Request." The motion was seconded by Regent Tyler, and President Behling opened the floor to discussion.

Regent Ring said this was a very good budget in terms of student success given the outcomes-based funding for campuses, as well as the capacity-building initiatives. If approved, he predicted students would definitely feel the positive impact of this budget in the coming years. He stated his full support for the UW System's biennial operating budget request.

Regent Atwell noted he is a relatively new Regent after 15 months on the Board and that this was his first biennial budget. He also reminded his colleagues that he perhaps has special status, "by virtue of having paid more tuition dollars than anyone else around the table" for five

graduates and two current students of the UW System: “I’ve been paying tuition since 2001 pretty much continually... I’ve gotten every dollar’s worth of that.”

Regent Atwell said the most distressing thing in his first year as a Regent was some strong misinformation, which he suggested has resulted in the tuition freeze being kept on perhaps longer than it should. Noting this budget does not ask the legislature to restore the Board’s statutory authority to set tuition, he stated, “I firmly believe that is something we need to get done.” He added that the Regents must dispel some of the myths about how the UW System is being funded and governed. Not counting flow-through dollars, the UW System is a roughly-\$2.4 billion operation which is 60-percent funded by tuition and 40-percent funded by state resources.

Regent Atwell said he understood how the tuition freeze came about after a series of 5.1-percent tuition increases on average over a number of years before 2013; balances were rising as the university essentially charged more tuition than it needed for that period. He suggested the build-up was “fairly distressing” from a legislative point of view, because it seemed to amount to authority for the UW System to spend money outside of the current budgetary cycle. This build-up of reserves outside the biennial budget process appeared “unnecessary and excessive,” leading to the tuition freeze.

Regent Atwell said over time the UW System has funded the tuition freeze through alternate means, specifically through performance funding and from the drawdown of its reserves. However, he argued the UW System has arrived at a point where “whatever point the legislature wanted to make has been made,” and whatever policy purpose the tuition freeze served has been fulfilled. He added that it is not in the best interest of the people of Wisconsin to leave inelastic tuition dollars; by walking away from those resources, the university is not really saving the taxpayers money.

Regent Atwell acknowledged it may not be the proper time to approach the legislature on this topic, “as neither party in general is going to want to stand up and vote for raising people’s tuition in an election year,” but urged his colleagues to get to work on making a case soon for lifting the tuition freeze. He suggested the UW System needs to clarify what its reserves are and do a better job of communicating that to the public. He added that the System also needs to do a better job of explaining the university has not been gutted: “The people of Wisconsin are investing heavily, and we’re asking them to continue to invest heavily.”

Regent Atwell also stressed the need to work on gaining efficiency and effectiveness across the UW System, given what is happening with local hospitals, municipalities, and school districts. Stating that education is a great investment, he said he would like to see the university work on lifting the tuition freeze, clarifying its reserves policy, and better explaining to the public what investments are being made.

Regent Klein said she agreed with Regent Atwell’s comments: “Governance is more than just being a booster or being a guardian – I also think it means oversight.” She suggested at some point there may be a right time to say, “Return the tuition-setting authority back to this Board,” because the Regents are capable and have been watching the UW System’s resources,

expenditures, and reserves. Now that the UW System has drawn down its reserves for a number of years, Regent Klein said the Board should also recommend an appropriate level of reserves to the legislature at some point.

Regent Klein indicated peer group salary information will be an important data point for the Board of Regents going into December. Explaining that she joined the Board with a focus on students, Regent Klein said the UW System has to offer fair compensation to retain good teachers and maintain the quality of education.

Regent Klein also said the Board should be focusing on strategic enrollment initiatives. She observed increasing enrollment on the different campuses will be critical, given the state's dwindling workforce and the need for more trained and educated people in Wisconsin to take on jobs which will help the state's economy.

Regent Evers prefaced his comments by saying he has been and will continue to be an advocate for the UW System. He then stated that he would vote against this budget because he believes an additional \$70 million should be added to the System's GPR expectations: "The state of Wisconsin needs to invest more adequately in the University of Wisconsin System."

Regent Evers noted, "Tuition freeze is a reality; the Governor has made that a priority." He said "the time is now" for the UW System to ask for the \$70 million needed to make sure staff are adequately compensated and the freeze is funded. If that does not happen, he warned the state could once again be pitting needs of students against the health of the System. He said he thought the budget was not a true reflection of the needs of the System and so he would oppose it. He concluded, "I will continue to be a strong advocate for the System going forward, but I think this budget does not make the cut."

Regent Millner recalled her first significant vote as a new Board member in 2012 was to approve a 5.5-percent increase in tuition. At the time, she said she was relying on her Regent colleagues to have inquired into whether this was an appropriate amount. She indicated that for many of those sitting on the Board, 5.5 percent did not seem like much – but as she grew into the job, she came to understand that increase was actually a culmination of 78 percent over a short period of time.

Regent Millner explained she never particularly opposed the tuition freeze because she felt it was necessary for the Board of Regents to take a serious look at what the reserves were and at the financial form of the System and its individual campuses: "Sometimes you need to be between the rock and the hard place to make hard decisions."

Regent Millner said she currently has two concerns, the first being about the 12-percent threshold for reserves. The UW System is a multi-billion dollar operation and as such requires reserves; the System is allowed to retain reserves because it is unique among state agencies. However, she acknowledged this might not be the right year to fight a battle over the appropriate level of those reserves.

Regent Millner said the UW System has to take a serious look at the cost of education and what contribution should reasonably be made by students and families. She indicated the previous tuition increases were not well-communicated or reasonable, putting too much on the backs of families and students too quickly. Regent Millner noted CPI is anticipated to increase in the coming years, and the cost of education has been frozen for six years. She suggested a serious look at the responsible management of tuition costs could be undertaken as part of the Guardians Initiative.

Vice President Petersen said he had more exposure to the process of building this budget than in previous years, and observed it is very difficult to do. He indicated it is important for the Board to think about the optics of the budget proposal and the potential tools available to continue changing the discourse about reinvesting in education in Wisconsin, both for K-12 and for higher education. Predicting the focus on higher education will be greater now than it has been in the last decade, he said the UW System's budget is aggressive and assertive – but not abrasive – with a focus on performance metrics as one way of ensuring good investments on the campuses.

The System is also investing heavily in capacity building, which Vice President Petersen noted is important for growing in STEM-related fields. While the preponderance of the UW System's focus is on the liberal arts, he suggested a reinvestment in STEM would be very compelling for those who will build the next budget.

Vice President Petersen stated the 7-percent total increase is very responsible on the university's part. He also anticipated a very aggressive push in December for fully-funded compensation, noting the Board of Regents, President Cross, and UW leadership are all committed to making that request and trying to fulfill it.

Vice President Petersen stated his agreement with comments made by Regent Millner, Regent Klein, and Regent Atwell about the need for a discussion about the Board's priorities and responsibilities, saying he was quite confident the Regents can make good judgements of what appropriate increases are to the UW System's operating budget, capital budget, and tuition-setting processes. "For all the responsibilities that come with this position, I think there also has to be an expectation of trust that we have done a great job of rehabilitating with our colleagues in the legislature and the executive branch – but that conversation needs to continue." He concluded that this budget proposal used all tools at the UW System's disposal to put forward the best budget, one which will be advantageous for students, faculty, staff and citizens.

Regent Steil stated that this was an appropriate funding request. He highlighted that the request is tied directly to outcomes and goal attainment, sets up an operation to prepare students for the jobs of the future, and continues to drive efficiency in how the UW System delivers its educational product. He added that the focus on driving graduation rates higher is also appropriate.

Regent Delgado prefaced his comments by stating, "I never met a good teacher that was overpaid."



Regent Delgado went on to recall his first budget as a Board member, saying the materials provided for review consisted of just two pieces of paper. In contrast, he said the current budget proposal is the best he has seen, noting it is well-explained and reflects what the university intends to do in the business of education – “a very important business for the state.”

Saying the UW System is at a crossroads in many ways, Regent Delgado said the Board must make sure the university compensates the professors, make it possible for students to afford to go to school, and highlight the value of education for parents and students. Though recognizing there are many pieces to balance, he focused on the importance of the students and highlighted initiatives to increase the four-year graduation rate and make it possible for people to live within their budgets and get an education. He added that it is also important to encourage Wisconsin employers to hire UW students.

Regent Delgado concluded, “There is no perfect budget,” but stated his support for the current budget proposal. He said the UW System will continue working on its initiatives with a very clear view of the impact to the family and the student. He also said he was willing to explain the UW System’s value to the legislature and the Governor, and to advocate for a bigger share of state resources: “I’m very willing to adjust to what the legislature decides it’s going to give us, but I want them to know the consequences of not having enough.”

Regent Tyler recalled that hiring high school graduates was enough when his company began 30 years ago, but said this was no longer the case. Though his company is not high tech, it does international work across the world; he noted the United States is far behind Europe and Asia when it comes to technology integration. Regent Tyler said the UW System’s budget proposal is an appropriate ask considering the educational needs of Wisconsin’s employers: “If we don’t move in this direction, I would say we’re probably not honoring the responsibility that we have to the people of this state.”

Regent Tyler affirmed that both the UW System and the technical colleges need to increase enrollments. Noting the state does a great job of graduating students from K-12, he suggested the UW System partner with the technical colleges to get higher learning into K-12 earlier: “We’ve got to up our game all across the board, otherwise we’re not going to be competitive in the world.”

Regent Mueller called attention to the third item in Resolution 11078, which refers to statutory changes related to capital bonding and project management. In addition to pleas for additional compensation for faculty and staff, she said the other request she often hears from chancellors is for program revenue bonding authority and project management authority. Noting this would be a fundamental change in how the UW System operates if approved by the legislature, she said the Board should discuss how this will work and what kind of support staff are needed.

Regent Hall stated her support for this budget, calling it “another step in the right direction.” She pointed out there are still many students and families who do not know about some of the existing financial support options, and said in her day job she encounters people who have not been able to take advantage of the UW System. She suggested there is still work for the

System to do in terms of getting information out about the importance of higher education, as well as about opportunities for supporting people to go to school.

Regent Hall said she agreed with the plan to take up the issue of compensation in December. Noting Wisconsin has been losing staff both in higher education and in K-12, she stated that compensation continues to be an issue for one of the hardest and most important jobs in the country. Regent Hall also expressed support for Regent Atwell's point about it being time to approach legislators again about tuition-setting authority. She concluded, "We cannot fall behind, and we have to look at ways to keep improving higher ed."

With no further discussion, Resolution 11078 was approved on a voice vote.

### **2019-21 UW System Biennial Operating Budget Request**

Resolution 11078 That, upon the recommendation of the President of the UW System, the Board of Regents approves the submission of:

- (1) the Board's 2019-21 Biennial Operating Budget request, totaling \$107.5 million biennially in GPR for expanding Outcomes-Based Funding and Capacity Building Initiatives;
- (2) a technical request that adjusts the general program operations appropriation and FTE to the UW System's 2018-19 annual operating budget level for academic student fees;
- (3) recommended statutory language changes related to capital bonding and project management, UW research entrepreneur contracts and grants for forestry programs and;
- (4) state-required performance measures for 2019-21, including plans to align the measures in 2021-23 with the outcomes-based funding goals.

In addition, the Board of Regents delegates authority to the UW System President to approve and submit a 0% and 5% biennial budget reduction plan, as required by 2015 WI Act 201, a base budget review pursuant to s. 16.423, Wis. Stats., and additional standard budget adjustments for items such as fringe benefits should it be determined they are necessary.

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### **2019-2021 BIENNIAL CAPITAL BUDGET FUNDING REQUEST**

Turning the Board's attention to the 2019-21 biennial capital budget funding request, President Behling invited President Cross to begin the discussion.



## ***Introduction***

President Cross said he would make a couple of observations about the UW System's 2019-21 capital budget request and the six-year plan for 2019-25, followed by Vice President Rob Cramer and Associate Vice President Alex Roe addressing the capital budget in more detail. He highlighted how the proposed recommendations address three critical issues facing the UW System and the state of Wisconsin.

First, as the Board had heard from Dr. Ward, much of the economic activity generated by the UW System takes place around Wisconsin, at companies large and small, where UW faculty, staff, students and alumni contribute in many ways to the state's economy. "The facilities where they do their work matter greatly," President Cross said, "and they must be adequate to support the economic engine of this state."

Second, he reminded the Regents that the UW System is competing to attract and retain students, faculty, and other employees in an increasingly competitive environment. UW institutions need to have programs and facilities which meet the needs of the students. Obsolete chemistry labs, old classrooms, outdated residence halls, and other aged facilities make meeting academic needs and student expectations very difficult. He added that these issues make it difficult to attain and attract faculty as well.

Third, President Cross emphasized the need to be clear about the distinctions between the capital request and the plan. The capital budget request is focused on the 2019-21 biennium, while the plan looks ahead six years.

"The University of Wisconsin has served the state for about 170 years, and the UW System will continue to serve the state for many, many more years to come," President Cross concluded. "The investments we make now will carry this university far into the future... the investments we fail to make will impact our future as well."

President Cross then turned to Rob Cramer, Vice President for Administration, and Alex Roe, Associate Vice President for Capital Planning and Budget, to more fully outline the UW System's 2019-21 capital budget request.

## ***Presentation***

Vice President Cramer began by thanking Associate Vice President Roe, her team, and the many staff at the campuses who contributed to developing the projects and plans included in this biennial capital budget proposal. He expressed appreciation to everyone involved for the thoughtful, high-quality work put into these recommendations, citing "countless hours" spent analyzing facility and program needs and developing capital projects.

Vice President Cramer said one of the exciting and challenging aspects of capital planning is preparing facilities for the academic and program needs of today and tomorrow. The work the UW System does over the next several years – through instructional space renovations and construction of new facilities – will prepare campuses for teaching and research for the

future. He warned that neglecting these facilities will relegate a generation of students to sub-par learning environments, such as trying to master the engineering, chemistry, and biology knowledge of 2025 in labs built before 1975.

To put the capital budget request into context, Vice President Cramer explained the UW System currently operates 62 million square feet of space – two-thirds of the State of Wisconsin’s total space. He indicated this space is arguably the state’s largest single asset, with a replacement value of over \$13 billion. The System is responsible for preserving and maintaining this public asset.

The UW System’s biennial capital budget request is for \$1.4 billion in projects for 2019-21, with another request for \$549 million for projects in 2021-23. The proposed six-year capital plan totals \$3.6 billion in all funds and reflects the age and condition of the System’s facilities.

Noting that capital planning and budgeting is a long-term endeavor, Vice President Cramer reminded the Board that the last two capital budgets provided modest funding for UW facilities. The UW System’s 2015-17 and 2017-19 requests called for about \$440 million in general fund supported borrowing every two years, and about \$326 million in program revenue supported borrowing every two years. He indicated the proposed 2019-21 capital budget request would return funding to those levels, moving the 10-year average (2015-17 through 2023-25) to about \$500 million in general fund supported borrowing and about \$300 million in program revenue supported borrowing each biennium. It would also move the UW System back to the target funding levels identified in 2015-17.

Vice President Cramer observed the facilities reflect campuses’ academic programs, student services and activities, supporting infrastructure, and other operations needed to keep these “small cities” functioning day-to-day. He also noted that the campuses, communities, the State, and the Board of Regents have demonstrated a strong interest in expanding STEM programs statewide, which means providing modern labs, support spaces, research areas, and infrastructure; these are key components of the UW System’s capital plan.

Vice President Cramer said Associate Vice President Roe would explain in more detail the capital budget request and plan, focusing on maintenance, instructional spaces, key STEM facilities, and deferred auxiliary projects. She would also review several management activities designed to improve the delivery of capital projects and improve the accuracy of project budgets.

Associate Vice President Roe said the 2019-21 capital budget recommendation is designed to address the ongoing capital needs of the UW System through the following key strategic elements: affordability, elimination of obsolete facilities, repairing aging facilities, expanding STEM education, and promoting improved planning. The number one priority is to improve the university’s largest asset; to accomplish this, the UW System prioritized renovation over new facilities and directed resources to high-impact teaching and learning, living, and support activities to meet the needs of nearly 40,000 faculty and staff and 174,000 students so they can meet and exceed their potential.

The 2019-21 capital plan is comprised of 25 projects and programs which reflect these strategic priorities. Overall, more than three-quarters of the 59 recommended projects listed in the six-year plan align with the stated priorities.

The UW System currently has more than 1,400 buildings, which the institutions routinely rate in two categories: physical condition (the state of the building based on a scale of 1 to 7, or “good” to “termination”) and functional condition (how well the building meets the programmatic needs of its occupants on a scale of 1 to 6, or “excellent and highly suited” to “inappropriate”).

Nearly 50 percent of the System’s facility inventory is categorized as “moderate” to “termination” for physical building condition. Most of the projects included in the budget recommendation are either considered “fair” to “termination” for physical condition, and “conditional” to “inappropriate” functionally.

For example, UW-River Falls’ Hagestad Hall has a functional rating of “unsatisfactory” and a physical rating of “termination.” The UW System is recommending a replacement building along with the demolition of Hagestad Hall. In another example, UW-Madison’s Natatorium has a physical rating of “termination” and a functional rating of “unsatisfactory,” leading the UW System to recommend a replacement building after demolition of the existing facility.

Associate Vice President Roe said 44 percent of the proposed projects will renovate existing space, 19 percent will demolish existing space, 13 percent involve new construction, and 24 percent are for replacement space. With all four components taken into consideration, the UW System’s capital budget request will only impact 8.44 percent of its almost 63 million square feet of inventory; put another way, the System is only renovating 3.76 percent of its existing space.

The current replacement value of the university’s physical assets is set at about \$13.6 billion. The recommended plan will impact about 11.25 percent of the overall value. More than 58 percent of the total plan’s cost will be to replace existing space; another 18 percent of the proposal impacts about 2 percent of the total value by renovating, restoring, and rehabilitating the existing physical plan. The plan also proposes to demolish nearly 1 million square feet.

Associate Vice President Roe indicated the UW System’s program revenue borrowing trend usually mirrors its ability to renovate or build new housing, dining, parking, or segregated fees. She noted the Board’s request was not fully funded in 2015-17 nor in 2017-19; four of the projects resubmitted for consideration this biennium are for program revenue supported projects.

The approval trend for new General Fund Supported Borrowing received by the university since 2001 slowly increased by 4.5 percent to 5 percent each biennium until 2015-17. Again, both of the UW System’s original requests in the 2015-17 and 2017-19 biennia were cut back by the legislature.

Associate Vice President Roe indicated the UW System's proposed capital plan attempts to catch up from the lack of funding in the previous four years. Major projects (those costing \$3 million or more) account for 55 percent of the plan; another 28 percent consists of advanced enumeration projects; and finally, about 17 percent accommodates all agency and instructional space projects, which are generally valued between \$5,000 and \$3 million.

Associate Vice President Roe said 57 percent of funding for these requests will be general fund supported borrowing; another 28 percent will be program revenue supported borrowing; and the remaining 15 percent is about \$287 million is cash, gifts, grants, and building trust funds.

The first system-wide program is designed to repair, renovate, and modernize high-priority code and mission-critical deferred maintenance issues, and upgrade utility systems in central plants. Since February 2018 the UW System has received 24 requests to fund emergency or urgent health and safety requests to replace motor controls, chimneys, structurally unsound walkways and egress stairs, heating systems, and water main steam pits. Associate Vice President Roe highlighted notable incidents which had taken place in the last year, including a steam pipe break at UW-Madison's Radio Hall; another steam incident at the UW-Whitewater plant; transformer failures at UW-Eau Claire and UW-River Falls; pipe bursts and pump failures at UW-Madison and UW-Stout; slow deterioration of exterior brick facades at UW-Milwaukee; frozen sprinkler pipes at UW-Stout, UW-Parkside, and UW-Milwaukee; and "too many HVAC unit failures to count," resulting in water damage throughout the institutions. The second system-wide program will fund high-impact classroom and laboratory upgrades.

Associate Vice President Roe said the UW System will use new tactics to start actively managing its project budgets. First, the System will institute a project charter on every project costing more than \$3 million. The charter is designed to bring attention to the project scope, schedule, and budget, as well as identify challenges, risks, project milestones, etc. She explained the charter forms a contract between the various users and facility staff, delineating communication pathways and decision-making authority.

Inflation has been calculated at 3 percent every six months, or an average of about 6.02 percent each year, for some of the larger capital projects. Associate Vice President Roe said the total inflationary impact is estimated to be multiple millions. The UW System's construction inflation figures use the Engineering News and World Record's Midwest numbers, which are higher than the CPI. She explained these estimates take into consideration labor availability, which is currently a challenge in Wisconsin because its economy is doing well.

Taking the proposed UW-River Falls project as an example, Associate Vice President Roe said using the Division of Facilities Development and Management's (DFDM) timelines the inflation cost estimate would be about \$34.6 million. Since that inflation has not yet occurred, the UW System has proposed holding back a significant portion of the inflation costs from the design team and instead managing distribution of those costs throughout the design as inflationary impacts are incurred. She said there are still many details to work out with DFDM about how to assess these inflationary impacts.

Associate Vice President Roe said the proposed projects would add as many as 54 FTE for custodial maintenance activities; however, not all projects will require new staffing. The estimated cost for utilities, associated supplies, and maintenance materials is \$12 million. She indicated the replacement facilities are expected to have better energy efficiency than the existing 1960s-era facilities. Renovation or replacement of facilities will also reduce the significant amount of time staff spend on work orders and other ongoing maintenance activities, permitting them to be redirected to preventative maintenance.

Historically, segregated fees to support capital projects are approved as part of the annual operating budget. For this biennium, the UW System is including any fees necessary to support the projects as part of the biennial capital budget. Associate Vice President Roe explained that many times the fees associated with a project may be phased in over time, and as such the Board sees incremental components each year. This change will help improve transparency regarding the underlying fee structure necessary to support a segregated fee-funded project.

Additional fees are required to fully support the UW-La Crosse Fieldhouse and UW-Stevens Point Student Recreation Health and Wellness Center. Associate Vice President Roe reported UW Stevens-Point has reduced its original fee request from \$275 to \$234 and has cut the project budget and scope to accommodate fluctuations in enrollment. At UW-Madison, students approved a recreational sports master plan referendum. As part of that referendum, it was agreed no fee would be instituted until the new Southeast Recreational Facility (now known as the Nicholas Recreation Center) opens next fall.

Associate Vice President Roe stated that the UW System is required by statute to submit a six-year plan to the Department of Administration. She indicated the projects included may and will change as new master plans are completed or academic and student life priorities are revised; however, planning for the long term helps provide an overall context to the needs of the institutions. It also gives institutions seeking to raise philanthropic funds or obtain grants a possible enumeration target. Most importantly, the six-year plan gives institutions time to prepare pre-planning and feasibility studies to ascertain a more complete scope and budget for their projects.

Associate Vice President Roe concluded by recognizing her team and colleagues across the institutions for developing and defending their planning efforts in a short period of time.

### ***Discussion***

Regent Millner said this biennial capital budget is without question one of the best reports she has seen. She expressed support for the inclusion of the six-year plan, noting that real estate requires one to look farther out than the next two years. She concluded that the UW System must make it clear to legislators what it is doing with its capital plan.

Regent Millner then moved for the adoption of Resolution 11079, “2019-21 UW System Biennial Capital Budget Request.” The motion was seconded by Regent Ring, and President Behling opened the floor to discussion.

Regent Plante said the capital budget proposal is very impressive and makes a statement about the UW System’s commitment to education, noting buildings are often neglected but play an important role. Having been on tours through many of these facilities, both as a Regent and in his professional role, Regent Plante observed there are definitely many needs on the campuses. He gave credit to Associate Vice President Roe and her team for making sense of and prioritizing those needs.

Regent Plante said to really push STEM learning, cutting-edge innovation, and student safety, the UW System must commit to and invest in these types of facilities. He indicated K-12 schools must do big construction projects every 15 years because they neglect their facilities needs in the interim: “We can’t allow that to happen at a System level.”

Regent Steil observed the capital budget proposal includes a large number of projects and “a pretty big price tag.” Saying he supports some but not all of the projects, he expressed his concern that by passing so many projects the UW System is not doing full justice to its academic projects, which are the most significant of the System’s priorities. He concluded that this capital budget is “too large and not focused enough.”

With no further discussion, Resolution 11079 was approved on a voice vote.

### **2019-21 UW System Biennial Capital Budget Request**

Resolution 11079      That, upon the recommendation of the President of the University of Wisconsin System, the 2019-21 Capital Budget request be approved, including a waiver of Regent Policy Document 19-8 to allow use of student-approved segregated fees to fund the UW-Stevens Point Student Health and Wellness Center project and the planned use of segregated fees to support major projects as described in the document, “*Segregated Fees for Major Projects, August 2018;*” and that it be submitted to the Department of Administration and the State Building Commission.

The 2019-21 Capital Budget of \$1,963,591,000 requests the following:

1. Enumeration of \$200 million General Fund Supported Borrowing (GFSB) and \$100 million Program Revenue Supported Borrowing (PRSB) for the All Agency Projects Program and \$38 million GFSB for the Instructional Space Projects Program.
2. Enumeration of 18 major projects at a cost of \$1,075,812,000 all funds to include: \$444.5 million GFSB; \$446.9 million PRSB; \$79.0 million Cash; \$99.1 million Gifts/Grants; and \$6.3 million Building Trust Funds (Demolition).
3. Advance Enumeration of 5 major projects for planning in 2019-21 and construction in 2021-23 at a cost of \$549,779,000 all funds to include: \$446.5 million GFSB; \$2.9 million Cash; \$68.9 million



Gifts; \$14.2 million Building Trust Funds (Demolition); and \$17.2 million Building Trust Funds (Planning).

4. Authorization for the UW System President or designee to adjust individual project budgets as necessary in the development of the final 2019-21 Capital Budget recommendation with the Department of Administration.

Be it further resolved, that the Board of Regents recommends that the University of Wisconsin System 2019-25 Six-Year Capital Plan be submitted to the Department of Administration in accordance with Wis. Stats. § 13.48(1), related to the long-range public building program.

President Behling thanked President Cross and his team for an outstanding job of putting these presentations together, and for working with the Governor's Office, the DOA, and legislative leaders to build both budget proposals.

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## **CLOSED SESSION – SONATA ROOM**

President Behling called upon Vice President Petersen to read the motion to move into closed session. The motion was seconded by Regent Atwell and adopted on a roll-call vote, with Regents Atwell, Behling, Evers, Hall, Jones, Klein, Mueller, Petersen, Peterson, Plante, Ring, Steil, and Tyler voting in the affirmative. There were no dissenting votes and no abstentions.

### **Closed Session Resolution**

Resolution 11080      That the Board of Regents move into closed session to: (a) consider personal histories related to the naming of a facility at UW-Stevens Point, as permitted by s. 19.85(1)(f), Wis. Stats.; (b) consider personal histories related to the naming of a facility at UW-Stout, as permitted by s. 19.85(1)(f), Wis. Stats.; (c) consider a UW-Stout honorary degree nomination, as permitted by s. 19.85(1)(f), Wis. Stats.; (d) consider compensation and implementation of the 2017-19 legislatively approved state pay plan adjustments for chancellors and individuals with salaries that exceed 75% of the UW System President's salary, as permitted by s. 19.85(1)(c), Wis. Stats.; (e) brief the Board and deliberate on the possibility of a confidential gift or investment in UW-Madison's research enterprise, as permitted by s. 19.85(1)(e); (f) consider personal histories or disciplinary data of specific persons relating to the UW-Oshkosh Foundation matter 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.; (g) confer with legal counsel regarding pending litigation (Bank First National v. UW-Oshkosh Foundation; Board of Regents v. Sonnleitner and Wells; University of Wisconsin-Oshkosh Foundation, Inc. v. Board of Regents; UW-Oshkosh Foundation, Inc. Chapter 11 Bankruptcy

Filing) and potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.; (h) discuss ongoing personnel matters, as permitted by s. 19.85(1)(c) and (f), Wis. Stats.; and (i) consider personnel evaluations of chancellors, as permitted by s. 19.85(1)(c), Wis. Stats.

During the closed session, Regents Jones, Klein, and Tyler each recused themselves from discussion of pending litigation.

The following resolutions were adopted during the closed session:

**Authority to Name Two Small Buildings at the Central Wisconsin Environmental Station the “James E. Dutton Cabin” and the “Rick Wilke Sunset Lodge,” UW-Stevens Point**

Resolution 11081 That, upon the recommendation of the UW-Stevens Point Chancellor and the President of the University of Wisconsin System, authority be granted to name two small buildings at the Central Wisconsin Environmental Station the “James E. Dutton Cabin” and the “Rick Wilke Sunset Lodge.”

**Authority to Rename Millennium Hall “Sorensen Hall,” UW-Stout**

Resolution 11082 That, upon the recommendation of the UW-Stout Chancellor and the President of the University of Wisconsin System, authority be granted to rename Millennium Hall “Sorensen Hall.”

**Approval of 2017-19 Legislatively Approved State Pay Plan Adjustments for Chancellors and Individuals with Salaries that Exceed 75% of the President’s Salary**

Resolution 11083 That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves a legislatively approved pay plan increase of 2% effective July 1, 2018, for Chancellors and individuals with salaries that exceed 75% of the UW System President’s salary, as shown in Attachments A and B.

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The meeting was adjourned at 4:40 p.m.

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Submitted by:

/s/ Jess Lathrop  
Jess Lathrop, Executive Director and Corporate Secretary  
Office of the Board of Regents  
University of Wisconsin System