

MINUTES OF THE REGULAR MEETING

of the

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

Madison, Wisconsin

Held in Room 1820 Van Hise Hall
Thursday, August 18, 1994
1:00 p.m.

- President Grebe presiding -

PRESENT: Regents Barry, Budzinski, Dreyfus, Gelatt, Grebe, Gundersen,
Hempel,
James, Krutsch, Lubar, MacNeil, Orr, Randall, Schilling, and
Tregoning

ABSENT: Regents Benson and Steil

Approval of Minutes

Upon motion by Regent Dreyfus, seconded by Regent Gelatt, minutes of the meeting of the Board of Regents held on June 10, 1994, were unanimously approved as distributed.

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REPORT OF THE PRESIDENT OF THE BOARD

Welcome to Regent Gerard Randall

Regent President Grebe welcomed Regent Gerard Randall, of Milwaukee, who had been appointed to the Board of Regents to succeed Regent Emeritus Erroll Davis. A graduate of Marquette University, Regent Randall is a middle school teacher whose professional experience in the field of education will be a valuable asset to the Board.

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Report of Regent Members of the Higher Educational Aids Board

With respect to the written report of the July 19, 1994, meeting of the Higher Educational Aids Board, Regent Krutsch pointed out that, for the Academic Excellence Scholarship program, alternate scholars must have the same grade point average as first-chosen scholars in order to qualify.

In response to a question by Regent Grebe, Regent Krutsch said efforts being made to improve the aid distribution process include consideration of the federal methodology and the definition of unmet financial need.

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Report of the Vice President of the Wisconsin Technical College System Board

A written report was provided by Regent Barry, Vice President of the Wisconsin Technical College System Board.

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REPORT OF THE PRESIDENT OF THE SYSTEM

President Lyall called attention to a number of important achievements in the UW System during the course of the summer. UW-Madison Professor Efim Zelmanov was awarded the Fields Medal in mathematics; UW-Stevens Point received a \$500,000 endowment from former Congressman and Defense Secretary Melvin Laird; the National Education Association named UW-River Falls as one of 10 colleges nationally having exemplary teacher education programs; and a \$100,000 federal planning grant to establish a statewide manufacturing extension program was received by a coalition of UW-Extension, UW-Madison, UW-Milwaukee, UW-Stout and UW-Platteville.

A new master's degree program in manufacturing and technology management was developed by the UW-Madison School of Business with a gift in memory of Joyce Erdman, former President of the Board of Regents; awards from the State Department of Administration for meeting or exceeding the goal of six percent purchases from minority-owned firms were received by UW-Green Bay, UW-Milwaukee, UW-Parkside, UWC-Baraboo/Sauk County, UWC-Marathon County, UWC-Marinette County and UWC-Sheboygan County.

Former Governor and Regent Emeritus Warren Knowles bequeathed a \$1 million gift to the UW Law School to endow a faculty chair for the study of ethics, government and law.

President Lyall announced that System Administration is supporting eight projects that illustrate innovative uses of information technology. The purpose is to encourage UW institutions to enhance undergraduate instruction through innovative applications of instructional and information technology, to encourage more collaborative, multi-campus and inter-campus projects, and to support outreach instruction beyond the traditional classroom.

President Lyall called attention to the 1994-95 edition of Introduction to the UW System, a publication designed as a ready reference for high school students who are thinking of applying to UW institutions.

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REPORT OF THE EXECUTIVE COMMITTEE

Regent President Grebe noted that minutes of the June 22, 1994, meeting of the Executive Committee had been distributed. [EXHIBIT A]

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1995-97 BIENNIAL OPERATING BUDGET

Regent President Grebe designated Regent Gelatt, Chair of the Business and Finance Committee, to preside over consideration of the 1995-1997 Biennial Operating Budget request.

- Regent Gelatt presiding -

Introducing her presentation on the proposed budget request, President Lyall noted that it recognizes the state's fiscal pressures, while also reflecting the responsibility to provide quality instruction, research and public service to the citizens of Wisconsin.

This budget, President Lyall noted, is being shaped at a time when the Wisconsin economy is performing exceptionally well. The UW System is a key part of this success, earning \$1.7 billion per year in non-tax support--two dollars in earnings from non-tax sources for every one tax dollar invested in the UW System. Since 1989, for example, UW institutions have attracted more than \$1.5 billion in competitive grants to support research that has generated about \$33 million in tax revenues to the state and has trained 137,000 graduates for the state's skilled workforce. Approximately 57 technology-based companies, employing more than 8,000 people, owe their success to research discoveries at UW-Madison, and many other examples of contributions to the state economy can be found throughout the UW System.

Funding for property tax relief, President Lyall stated, must not come at the cost of diminishing the UW's ability to participate in building future growth and prosperity in the state. During the past several years, the UW System has engaged in the continuous process of improving effectiveness, value and efficiency, with campuses undertaking significant restructuring that pruned schools, programs and departments. The UW System also has moved to improve efficient use of faculty through post-tenure review and faculty workload policies; and it has adopted and reported to stakeholders on 18 accountability goals.

Along with all state agencies, the UW had been asked to convey its budget in two steps: First, a zero-increase GPR budget with no additional state funds beyond costs to continue; and second, by November 15, indication of what five-and-ten percent GPR base reductions would mean for UW students and other clients. Reductions of this magnitude, President Lyall stated, will affect access, the cost of tuition, and local economies of campus communities.

Presenting Resolution 6731, President Lyall stated that the UW System took seriously the challenge to use this opportunity to be more productive and do business more effectively. The UW System, she commented, has been a leader

in higher education nationally in this regard. In the past three years, \$26.5 million has been taken from the base budget and reassigned to top priority needs; allied health and agriculture and nature resources programs are being restructured to better meet changing needs; the UW System operates at two-thirds of the national average in administrative costs; and 238 programs have been eliminated since merger to create higher priority opportunities. While these activities will be continued, she noted, a flat budget will not allow the pace of progress to be maintained.

The operating budget before the Board includes cost-to-continue items, a fee-based initiative to improve student access to instructional technologies, anticipated earned income, and statutory language to increase operating flexibility and to eliminate sunsets on the successful laboratory and classroom modernization and general computer access programs. Under Department of Administration guidelines, the budget excludes compensation and new GPR initiatives.

Cost-to-continue items are expected to increase by \$36 million in the biennium, or 0.7 percent annually. Earned income (non-state revenue), which also is expected to increase, consists of federal grants and contracts, gifts and trust fund income, hospital revenues, auxiliaries, and financial aid funds.

Under a flat GPR budget, 1995-97 average annual tuition increases, excluding pay plan, would be 1.9 percent. Compensation for faculty and staff, to be determined later, would increase this figure by 0.8 percent annually for each one percent pay plan increase. The fee to enhance student access to technology would increase tuition by one percent for all campuses except UW-Madison.

President Lyall also asked the Board to support a resolution calling on the Governor and Legislature to increase state financial aid to keep pace with tuition.

The proposed budget includes three key initiatives: the technology fee; accommodation of an additional 750 FTE students in the biennium through workload and productivity improvements; and reinvestment of \$1.6 million in base resources to meet state needs in allied health.

Turning to supplemental initiatives (Resolution 6732) President Lyall asked the Board to advance these items to the Governor and Legislature as investments the state should make, should the funding become available. In total, these investments would constitute an additional one percent increase in GPR (\$24.8 million) and tuition (\$11 million).

The supplemental initiatives address needed improvements in six areas: (1) \$17 million in GPR/fees for undergraduate education; (2) \$2.5 million in GPR/fees to serve an additional 890 FTE students in the second year of the biennium; (3) \$7.6 million--matched by \$3.7 million from institutional base funds--to meet state needs in allied health, primary care, agriculture and natural resource education, technology transfer, and outreach to Wisconsin youth; (4) \$2 million to contract for expertise to comply with federal mandates and provide a safer campus environment; (5) \$1.4 million to reduce

loan burdens and increase grant assistance for minority and disadvantaged students; and (6) \$5.3 million for distance education.

Noting that many difficult and important decisions are anticipated over the next several months, President Lyall concluded by making a commitment to stakeholders: To students, that the UW System will energetically work to maintain quality of education; to parents and the public, that the UW System will continue the drive for efficiencies and productivity improvements; to faculty and staff, that the UW System will assist in the transition to new teaching and learning techniques to serve students better, to elected representatives, an invitation to join in keeping the UW System a strong asset for the entire state.

UW-Milwaukee student Scott Neuhaus and UW-Madison student Joni Schroeder spoke of the benefits to students of expanded access to instructional technologies and in support of the proposed technology fee.

Chancellor Grugel, UW Centers, spoke in support of the supplemental initiative for undergraduate education. Funds would be used to provide basic supplies, software and materials, inter-library loan activities, upgraded student advising, and assessment of student outcomes.

Chancellor Kuipers, UW-La Crosse, spoke in support of the supplemental allied health initiative, citing clear findings of shortages of health care workers. UW-La Crosse is prepared to match additional state funds with a one-third match of private contributions.

Chancellor Thibodeau, UW-River Falls, spoke in support of the supplemental initiative to meet the needs in agriculture and natural resources. The request for \$1.5 million includes \$500,000 for environmental literacy and \$1 million for research and outreach.

Regent Dreyfus pointed out that a 0.7 percent annual cost-to-continue increase does not provide for inflation of three to four percent.

Associate Vice President Sell listed the following cost-to-continue components: Full funding of 1993-95 pay plan adjustments, fringe benefit cost increases, represented teaching/project assistant salary/fringe benefit increases over the two/three percent allowed for 1994-95, salary adjustments based on 1993-95 classified personnel surveys, removal of positions related to 1993-95 administrative cost reduction, assessed funding of Bureau of Financial Operations charges, increases in risk management costs, utility cost increases, telephone rate increases, technical adjustment to special fee revenue, increases for minority/disadvantaged aid programs to offset tuition, transfer of the UW-Extension Bureau of Audio Visual Instruction to the Department of Public Instruction, fringe benefits for state-funded minority/disadvantaged fellowships, and assessment for local improvements.

Regent Hempel asked if some of these amounts represent continuation of amounts actually spent in the preceding year and others represent continuation plus allowance for increase, such as utility and telephone costs. Associate

Vice President Sell replied in the affirmative.

Indicating his general support for the proposed technology fee, Regent Grebe asked if the fee at UW-Madison will generate a larger dollar amount in the coming biennium since the same percentage will be applied against a higher tuition. He also asked if the fee will be reviewed at the end of the biennium, to determine whether one percent is the right percentage, if a technology fee is to be included in the succeeding budget.

President Lyall replied that the fee currently is structured to continue unless stopped. However, it could be reviewed before the next biennium, if that is the Board's preference.

Regent Krutsch suggested that the fee might be a dollar amount based on needs, rather than a percentage increase.

Regent Grebe asked if the one percent rate was based on an anticipated level of need.

President Lyall replied that the actual dollar amount of the needs are much greater than the amount generated by the one percent fee. When the UW-Madison fee was instituted in the last biennium, the dollar amount of need would have required a four or five percent fee, which was considered too high.

The same is true for the other institutions. The one percent level was determined in consultation with the chancellors and students at their institutions.

James Byrd, President of The Association of University of Wisconsin Professionals, stated that his organization responds favorably to the proposed budget and particularly supports the proposed statutory language to make faculty and academic staff eligible for state contributions to health insurance immediately upon employment. TAUWP also supports the proposal to eliminate the sunset date for laboratory modernization, general computer access and classroom modernization programs. While also supporting the student technology initiative, TAUWP regrets that it must be fee-funded. There is concern that integration of technology into instruction will have an impact on faculty workload and accountability policies. Finally, Dr. Byrd asked the Board to consider insertion of language into the budget to recognize the economic benefits to students of obtaining a college education, even if a baccalaureate degree is not attained.

David Stacy, President of the United Council of UW Student Governments, commented first about the student fee for technology, asking if there actually is a technology gap and, if so, why it was not addressed earlier, when funding by fee might not have been necessary. He urged the Board to allow the students of each institution to decide whether or not to implement the fee and asked the Board to try to obtain some GPR support instead of 100 percent fee funding. He further suggested that the fee should be a dollar amount instead of a percentage and that there should be assurance that the money will directly benefit students and not replace current dollars. Finally, he urged

that initiatives for undergraduate education, particularly improvements in advising, be made part of the budget and not a supplemental initiative.

1995-97 UW System Biennial Operating Budget Zero Increase

Adoption of Resolution 6731 was moved by Regent Krutsch and seconded by Regent Budzinski.

Resolution 6731: That in compliance with directives issued by the State Department of Administration and upon recommendation of

the President of the University of Wisconsin System:

operating budget increases be approved for a Student Technology Initiative, Cost-to-Continue, and other Program Revenue funded items and be submitted to the Department of Administration:

GPR/Fee Increases

Source of Funds

Biennial Amount

GPR

\$35,961,500

Academic Fees/Tuition

\$20,226,800

Biennial GPR/Fees Total

\$56,188,300

Earned Program Revenue Increases

Projected Growth in Gifts and Federal Grants & Contracts

\$150,186,800

Federal Direct Student Loan Program

\$121,177,000

Projected Hospital Income Growth

\$16,738,000

Auxiliary Enterprises

\$10,178,800

Receipt Income, Full-Funding of Pay Plan, and Assessed Costs

\$9,665,400

Biennial Program Revenue Total

\$307,946,000

In response to a question by Regent Lubar about Mr. Stacy's use of the term "technology gap," President Lyall noted that students at UW-Madison now have to access to E-mail, electronic data bases, and library catalogues not yet available to students on most other UW campuses. There also is a gap between UW-Madison service levels and those offered at other Big Ten universities.

Regent Gundersen commented that the gap will widen if the distance learning initiatives in the capital budget are transferred to the all-agency fund. What was received for infrastructure repairs from the all-agency fund, he noted, was much less than requested.

Regent Tregoning asked why a sunset clause for the technology fee was not included.

President Lyall replied that it will be necessary to replace equipment as it becomes obsolete and to meet new needs as they arise. She was sympathetic with United Council's concern that the one percent rate should be revisited if there is an unusual increase in tuition resulting from a base budget cut. The revenues from the technology fee, she added, will be held in a separate account, to clearly show how those funds are being expended and to make clear that they are not being used as a substitute for other technology funds in the budget.

Regent Gelatt noted that the biennial budget requested particular dollar amounts and therefore specified the maximum amount of the fee that could be expended.

Reporting that he had received more mail on this issue than any other, Regent Tregoning commented that students want the technology fee to be approved. The average student, he felt, would be quite willing to pay an additional \$20 for more access to information resources. While he understood United Council's concerns, he thought it important that the fee be approved as proposed.

Regent Hempel commented that it would be unrealistic to view the limit on available resources as a temporary circumstance, when it may well be a signal of what is to come for the next five to ten years. She noted that the Board should express appreciation for the difficult challenges faced by chancellors in reprioritizing to meet the highest needs. This situation is unlikely to change, she cautioned, given the mood of the taxpayers.

It was Regent Hempel's position that at least two of the supplemental initiatives--distance education and primary health care--should be included in the operating budget and funded by reprioritizing the necessary amounts from the base budget. While the one percent reallocation for the UW System's Quality Reinvestment Program is commendable, she commented, it is quite a small reallocation in comparison to what is occurring in many other institutions and businesses around the country.

Regent Orr asked if further reductions in administrative expenditures were contemplated in the coming biennium.

Replying in the affirmative, President Lyall indicated that System Administration and the UW institutions will continue to restructure and reorganize. Noting that the UW's 6.3 percent rate is considerably below the average of 9.5 percent for administrative costs, she said proposals may be forthcoming that the Board request the Legislature to discontinue some administrative responsibilities.

Regent Orr thought the peer group average to be of less interest than the benchmark as to which institution is lowest and most efficient in utilization of administrative costs.

Regent Gundersen cautioned against placing too much emphasis on administrative cost reduction. He felt satisfied that the intent is to trim these costs as much as possible.

In response to a question by Regent Krutsch, Executive Assistant Bove explained that academic deans are placed in the academic support category which is not always included in administrative costs. Department chairs are included in the instructional category rather than the administrative category.

Regent Krutsch felt it important to take those costs into account when computing total administrative costs. With respect to the matter of reprioritization, she agreed with Regent Hempel that items such as the allied health initiative and the distance education initiative should be made part of the budget regardless of whether funding is provided by the Legislature.

Regent Schilling commented that the Board could best achieve results by focusing on prioritizing programs and leaving to the chancellors decisions about how best to achieve efficiencies in their administrative costs.

Regent Budzinski spoke in support of Regent Orr's suggestion that benchmarking should be done with respect to administrative costs and that the UW System should follow the best and most efficient model.

Regent Gelatt noted that the UW System had taken part in a national benchmark study, but that the study suffered from problems with data comparability and definition. Since higher education seems to have a way to go before achieving successful benchmarking, he suggested that the UW System institutions might establish comparability and benchmark among themselves.

Regent Orr remarked that in recent years, there had been great change in the way bureaucracies are staffed. Noting that 6.3 percent of the UW System budget is a large number, he commented that streamlining the bureaucracy would free those saved dollars to better serve the students and the state.

The question was put on Resolution 6731 and it was adopted unanimously.

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1995-97 UW System Supplemental Initiatives

Regent Gundersen moved adoption of Resolution 6732, and Regent Tregoning seconded the motion.

Resolution 6732: The Board of Regents has identified certain supplemental investments for which it requests consideration should additional State funding become available. The Board directs the President to convey

these as outlined in 1995-97 UW System Supplemental Initiatives to the Department of Administration.

Regent Lubar commented in support of submitting a zero-increase budget as requested by the Department of Administration and also submitting supplemental initiatives, totaling a one percent increase, in areas of highest importance.

Regent Gelatt observed that the resolution makes a public statement about what the Board views as crucial to the future of the institution. Given the constraints of the current budget process, he considered the supplemental initiatives the forum in which those points can be made most effectively.

Regent Gundersen stated his agreement with Regent Gelatt's comments.

Regent Grebe expressed agreement with Regent Hempel with regard to the programs enumerated in the supplemental initiatives. If he thought this were the end of the process, he would have a different view toward the approach being taken. Given that this is not the end of the process, however, he thought the resolution is exactly the right approach in underscoring the importance attached by the Board to those initiatives.

Put to a vote, Resolution 6732 was adopted unanimously by the Board.

Support for Financial Aid

Moving an alternative to the resolution provided in the agenda materials, Regent Krutsch explained that, since tuition is less than one-third of student costs, an eight or nine percent increase in tuition should not cause an increase of eight or nine percent in financial aid. The motion was seconded by Regent Barry as follows:

That the Board of Regents endorses the principle that GPR financial aid and graduate assistant support increases should be at levels that offset increases in tuition and fees, in recognition of the important role financial aid plays in keeping college affordable for Wisconsin students and families and encourages the Governor and Legislature to adequately fund state-supported financial aid programs.

After discussion, and with the understanding the minutes will reflect the concern raised, Regent Krutsch withdrew her motion and Regent Barry withdrew his second.

Upon motion by Regent Dreyfus, seconded by Regent Grebe, Resolution 6733 was adopted unanimously by the Board:

Resolution 6733: That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents endorses continuation of the current Board policy that "GPR financial aid and graduate assistant support

increases should be kept commensurate with general tuition increases" in recognition of the important role

financial aid plays in keeping college affordable for Wisconsin students and families and encourages the Governor and Legislature to adequately fund state-supported financial aid programs.

Regent Gelatt directed that the minutes express the understanding that tuition is not the full cost of education, and the intent of financial aid is to be kept commensurate with increases in the cost of education.

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The meeting was recessed at 3:15 p.m. on August 18, 1994, and reconvened at 9:10 a.m. on August 19, 1994.

- President Grebe presiding -

Present: Regents, Barry, Benson, Budzinski, Dreyfus, Gelatt, Grebe, Gundersen, Hempel, James, Krutsch, Lubar, MacNeil, Orr, Randall, Schilling, Steil and Tregoning.

Absent: None

REPORT OF THE PRESIDENT OF THE BOARD

Report of the Chair of the Council of Trustees of the UW Hospital and Clinics

Regent Orr, Chair of the Council, reported that Chancellor Ward advised the Council that he has assumed the role of Vice Chancellor for Health Sciences with his Executive Assistant Wayne McGown interacting with Deans and the Hospital Superintendent on a day-to-day basis.

The Council of Trustees recommended that the Board of Regents at its September meeting approve engagement of a consultant (funding to be provided by Hospital) to assist in planning and budget development of a new ambulatory care facility on the east side of Madison and to obtain a purchase option for land to accommodate this facility development. This is an important initiative for the Hospital, Regent Orr pointed out, in a growing area which provides a good source of patients for the clinical mission.

Modification of Hospital Budget

The Council passed a resolution to recommend to the Board of Regents that the Hospital budget be modified to increase the expenditure level from \$271,500,000 to \$276,000,000, to cover an increase in anticipated expenditures required toward University Health Care and Health Professionals, consistent with the Governor's waiver, and relating to the development of a provider network by the Hospital.

It was moved by Regent Orr, seconded by Regent Gundersen and carried unanimously that the following resolution be adopted by the Board of Regents:

Resolution 6734: That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the University of Wisconsin Hospital and Clinics' 1994-95 budget be increased by \$4,500,000 to a total expenditure level of \$276,000,000. The increase in expenditure level will allow for direct support of the managed care network under a contract between the University of Wisconsin Hospital and Clinics and University Health Care, Inc.

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Reorganization

Regent Orr reported that the Council reviewed in detail a proposed form of organization to be used by the Hospital when engaging in private/public partnerships, which are increasingly important for accomplishing its mission. The Council approved a resolution to create a Medical Center Corporation, appointed by the Chancellor (Chapter 181-501(c)(3) Corporation); Wisconsin Regional Partners (Chapter 181 Membership Corporation); University Health Care, Inc., U-Care HMO and Health Professionals. The latter three corporations will be private. The proposed structure was developed by the UW Hospital in conjunction with UW System Legal Counsel and the Attorney General's Office. The Attorney General, Regent Orr reported, was most helpful in working through this complex matter. Casey Nagy, of the UW-Madison legal staff, presented a description and outline the proposed structural changes. [EXHIBIT B]

Regent Orr commented that this proposal is important in the context of the university as a whole, given the increasing need for public/private partnerships in the face of the declining ability of the state to provide support to the institution.

Regent Gundersen emphasized the urgency of this matter as essential to the Hospital's successful functioning.

Regent Schilling asked how this structure compares with what is being done in other states.

In response, Regent Orr observed that the objectives this structure would realize in terms of integrating components of the health care apparatus is what all major academic medical centers are attempting to do. Given the legal situation in Wisconsin, this is as close to the desirable goals of other major centers as can be approximated within the constraints identified by the Attorney General's Office.

In the larger context, Regent Krutsch added, this proposal will allow the university to fulfill its main mission of medical and nursing education by

providing an adequate patient base for the hospital.

Regent Gelatt asked if the purpose of the private sector organizations in the structure is to provide primary care and feed into secondary and tertiary care at University Hospital.

Replying in the affirmative, Regent Orr said large consumers of medical services want one provider for the whole range of primary, secondary, and tertiary care--something which University Hospital standing alone cannot offer. It is important that the university develop that capability for two reasons. First, because primary care is of increasing importance, the Medical Center's ability to train physicians to practice in this field must be strengthened. Second, close to 50 percent of the Medical School budget comes from Hospital revenue, as does significant portions of the budgets of the Schools of Pharmacy and Nursing. Maintaining adequate patient flow to the Hospital is vitally important to the educational missions of these schools.

Regent Gelatt observed that many HMOs do not own medical facilities, but rather operate through contractual arrangements among medical care providers. This proposal seemed to presuppose that the model of contractual arrangements without physical ownership would not work as a primary care feeder system for UW Hospital.

Regent Orr noted that the purpose of the proposal is to provide a device by which the purchaser of medical care can be provided with the whole gamut of services that are required. This could involve other HMOs and other providers, in addition to Health Professionals Inc. Networks are being constructed rapidly by others, he said, and this format will allow UW Hospital to participate in forming such relationships.

In response to a question by Regent Barry, Mr. Nagy explained that Wisconsin Regional Partners will have the right to audit University Health Care's books as to flow of funds it provided. In addition, University Health Care will need to obtain the approval of the funding source for a proposed venture before it can expend funds. By these means, accountability to the public sector partners will be provided.

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1995-97 BIENNIAL CAPITAL BUDGET

Regent President Grebe designated Regent Dreyfus, Chair of the Physical Planning and Development Committee, to chair this portion of the meeting.

Introductory comments by Regent Dreyfus

Regent Dreyfus commented that the capital budget recommendations are prudent and responsible, with projects carefully prioritized and a great number of worthy projects deferred in order to stay within guidelines established by the Department of Administration. The \$73 million being recommended will enable progress to be made in adapting buildings to

accommodate modern instructional and research methods and putting in place the infrastructure to enable the UW to move forward in distance education.

The fact that important projects were deleted to stay within the defined limit, Regent Dreyfus stated, is evidence that needs are not being fully met, but that the projects being advanced are essential and should be supported. This is the message he felt the Board should send to the Department of Administration and the Legislature.

Noting that a well-planned program has been developed to address the backlog of deferred maintenance, Regent Dreyfus indicated that, while progress is being made, there must be an ongoing commitment to these needs. Finally, he emphasized the importance of the WISTAR program in funding research facilities which enable the UW to maintain its market share of research grants, expand knowledge and promote economic development.

In conclusion, Regent Dreyfus pointed out that the capital budget recommendations primarily address adaptive re-use and repair of facilities, with very little new construction. He considered these recommendations to be sound and deserving of support.

Presentation by President Lyall

Introducing her presentation, President Lyall stated that the Board has taken vital steps to ensure that UW System facilities can effectively and efficiently meet the challenges of the 21st century: A ten-year plan to eliminate the backlog of deferred maintenance has been implemented; long-range

development plans for all campuses have been updated; and comprehensive space use planning has been undertaken to make better use of existing facilities.

The Board, she noted, has stewardship responsibility for 1500 facilities with a replacement value in excess of \$4.2 billion. Seventy percent of these facilities are over 25 years old, and 30 percent are over 35 years old. Many have not been updated since original construction. Rather than building new facilities, the 1995-97 Capital Budget focuses on adapting existing space to meet the educational needs of today and tomorrow. This approach is comprehensive and will enable use of buildings and space to maximum efficiency in an era of scarce resources.

Funding sources for the Capital Budget are GPR bonding, program revenues, and gifts/grants. The GPR bonding request of \$212.1 million is designed to leverage a significant investment of non-tax dollars--more than one dollar for every two dollars of state investment. In accordance with the high priority placed by the Board on making better use of existing space, over 90 percent of GPR dollars in this request will be devoted to repairing or replacing existing space. New space has been recommended only after exhaustive evaluation of alternatives.

Turning to the WISTAR program, President Lyall described the program as an extraordinary success in providing urgently needed funding for science, technology and research facilities. The initial \$225 million identified for this program in 1991-93 included \$75 million in outside funds and \$150 million in GPR funds. The initial program was focused on UW-Madison and \$111.7 million GPR was provided to launch it. The program then was expanded to spread benefits across the state, and 19 new projects costing about \$48 million have been added since 1991, but without any additional bonding authority. The 1995-97 Capital Budget recommends projects that would add about \$57 million of GPR to WISTAR needs, bringing the total to \$143 million. Those state funds would leverage an additional \$66 million in outside funds and bring the total non-state contribution to more than \$141 million over the eight-year program.

Concluding her comments, President Lyall called attention to the integrated priority list for GPR projects over \$250,000 [EXHIBIT C]. This ranking was done following priorities established by the Board of Regents and with guidance from the Division of Facilities Development, both of which emphasize maximizing the life of existing facilities.

Presentation by Vice President Brown

Vice President Brown commented that the Board's stewardship of facilities is challenged by a sizeable backlog in deferred maintenance. In the 1991-93 Capital Budget, the Board established a ten-year plan to eliminate the backlog. Since then, \$117 million has been received, leaving the current unfunded backlog at \$247 million. The proposed 1995-97 budget recommends \$126.5 million for maintenance efforts. This amounts to 60 percent of the total GPR request.

With respect to distance education and instructional technology, Vice President Brown noted that the Capital Budget recommendations include a \$38.3 million initiative to complement the operating budget initiative to modernize the learning environment. While UW-Extension is positioned to provide leadership in distance education, efforts are hampered by outdated facilities and dispersed programs. Therefore, \$12.3 million is recommended to provide a statewide distance education center through addition and renovation of space at the Wisconsin Center. This will enable the UW to play a leadership role in coordinating faculty and K-12 training in use of new learning technologies and delivery of continuing education to business and communities throughout the state.

Ten million dollars is recommended for classroom renovation to include features such as enhanced audiovisual capabilities, interactive and multimedia instructional facilities, and compressed video. Five million dollars is recommended to purchase equipment needed to begin delivering courses; \$10 million is recommended to complete in-building telecommunications cabling; and \$1 million is recommended to replace outdated broadcast equipment for WHA radio and TV.

Vice President Brown then turned to the list of thirteen GPR major

projects. Of the total \$72.6 million, \$26.1 million is for maintenance, \$33.8 million is for renovation and replacement, and \$12.7 million is for additional space. System Administration recommended deferral of 14 other GPR major project requests totaling more than \$100 million. Nine recommended WISTAR projects total \$56.9 million in GPR funds and \$32 million in outside funds.

The final segment of the Capital Budget consists of 11 projects, totaling \$59 million, funded entirely from gifts, grants and program revenues.

UW-Madison Provost John Wiley commented on the critical importance of the WISTAR program in providing facilities central to the university's mission. Approval of state bonding must be in place, he stated, when donors give their money to support these projects. However, the current bonding level is insufficient for projects already approved by the Board. The proposed increase in bonding, therefore, is essential to maintain the intent of this successful program.

Chancellor Sorensen, UW-Stout, commented that WISTAR at UW-Stout has resulted in beneficial curricular innovations. The institution has been successful in leveraging private money with state funds and has also been successful in attracting grant funding.

Chancellor Hanna spoke of the importance of distance education as a key to the future. With investment in distance education, the UW can provide greater access and campuses can more effectively share resources. The Chancellor presented a video, "From Chalkboard to Keyboard," describing the benefits of distance education in terms of greater student access, more effective teaching, a better prepared workforce, and greater ability for the UW to meet the needs of the state.

Regent Gundersen reported that he had asked for and received assurance from Vice President Brown that no project had been deferred that would jeopardize the safety of students and staff.

In response to a question by Regent Krutsch about the WISTAR program, Regent Dreyfus explained that \$111 million was provided initially with the understanding that the rest of the requested \$150 million would be proved later. The program was expanded and new projects added. However, additional bonding has not been provided, and the resulting uncertainty presents problems for those attempting to raise funds for the private match portion of these projects. If additional bonding is not forthcoming, the successful WISTAR program will come to an end.

Regent Gelatt pointed out that the original program was composed of \$75 million in matched funds and \$75 million in unmatched funds. All \$75 million of the matched funds were approved; it was the \$75 million for unmatched funds that have not been fully appropriated. While the Board was recommending additional projects with matched funds, bonding for projects without matched

funds also was being requested. The largest funding shortfall is in unmatched projects, for which ability to raise private funds is not an issue.

Matt Blevins, Chair of the Associated Students of Madison, spoke in favor of the proposed project to renovate the UW-Madison Armory. Benefits would be to bring student services together in one building, instead of scattered across the campus, and enable students to become involved more easily in student organizations and activities. He noted that the project has strong student support and that the building is a designated historic site which cannot be demolished. This project would insure that the Armory will be well used to the benefit of students. In conclusion, he urged the Board to approve a \$2 million private match, rather than the proposed \$4 million private match.

Adoption of Resolution 6735 was moved by Regent Barry and seconded by Regent Grebe.

Resolution 6735: That, upon the recommendation of the President of the University of Wisconsin System and the several Chancellors, the projects listed in priority order in the attachment (Appendix) be approved, and System Administration be authorized to submit the requests to the State Department of Administration and the State Building Commission as part of the 1995-97 Capital Budget:

- a. Thirteen major projects funded by \$72,600,000 General Fund Supported Borrowing and \$6,034,000 Gifts, Grants and Program Revenue Supported Borrowing.
- b. Infrastructure projects funded by \$82,579,700 General Fund Supported Borrowing - All-Agency Funds and \$20,000,000 Program Revenue Supported Borrowing.
- c. Eleven major projects funded by \$54,660,700 Program Revenue Supported Borrowing and \$3,900,000 Gifts and Grants.

Regent Tregoning inquired as to what changes could be made to the Armory, given its designation as an historic landmark.

Regent Gundersen replied that the exterior must be preserved, and Vice President Brown added that historically significant portions of the interior also must be preserved. Use of open office landscaping would be in accordance with those limitations.

In response to a question by Regent Gelatt as to the process by which relative priorities of projects are established, Vice President Brown explained that a series of criteria with weighted numerical values are applied against each of the projects to determine its ranking. This process is used at the System level. Each of the institutions use their own processes of ranking and prioritizing projects.

Regent Gelatt inquired as to how the determination is made as to what is an appropriate amount of usage for classrooms.

Vice President Brown replied that one standard is that each classroom is expected to be in use six hours a day, five days a week, and to be two-thirds occupied at those times. Another standard applies to the size of the classroom and the sizes of classes being offered in that room. In addition, space utilization studies are used to identify where there are shortages of small or large classrooms.

In response to a question by Regent Gelatt as to the origin of the 30-hour standard, Vice President Brown explained that it is not a Regent policy, but rather a standard against which to measure the need for additional space. Many classrooms, he noted, have much heavier use than 30 hours per week.

Regent Gelatt pointed out that if the UW System should be confronted with a shortage of classroom space, 20 percent additional space could be gained by asking campuses to schedule seven periods a day. Another five percent of classroom utilization could be gained by uniform utilization throughout the week.

Implementing that suggestion, Regent Dreyfus noted, might require a shift in the current approach to student scheduling.

Put to the vote, Resolution 6736 was adopted unanimously by the Board.

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WISTAR Funding Increase and Major Projects

Adoption of Resolution 6736 was moved by Regent Randall and seconded by Regent Steil.

Resolution 6736: Whereas, the WISTAR program was created to help the University of Wisconsin System and other state

agencies

maintain leadership in research and technology,

develop

partnerships with industry, and enhance Wisconsin's economy, and

Whereas, the WISTAR program has been successful in helping attract and retain quality faculty and students, and attracting federal and private funding

of

programs, and

the Whereas, the Board of Regents supports the goals of
 WISTAR program and recognizes that additional funding
 is needed to further enhance the educational and
 research opportunities within the University of
 Wisconsin System,

Gifts, Now therefore, be it resolved that, upon the
 recommendation of the President of the University of
 Wisconsin System and the several Chancellors, the
 WISTAR program be increased by \$143.2 million of
 General Fund Supported Borrowing and \$66 million

and Grants and Program Revenues, for a revised program
 total of \$255 million GPR and \$141 million non-GPR;

that the following WISTAR projects, listed in priority
 order, funded by General Fund Supported Borrowing,
 Gifts, Grants and Program Revenues, be approved and
 System Administration be authorized to submit the
 requests and related statutory language changes to the
 State Department of Administration and the State
 Building Commission as part of the 1995-97 Capital
 Budget:

UNIV	PROJECT	GPR REQUEST
SYS	Various Infrastructure Projects	\$ 541,000
STO	Applied Arts Remodeling	6,475,000
MSN	E.B. Fred Hall Renovation	10,800,000
LAC*	Medical Health Science Center	15,245,000
	(Total \$28,972,000, includes \$13,727,000 PR, Gifts and Grants)	
MSN	Environmental Management Center	5,000,000
MSN*	Research Greenhouses	3,295,000
	(Total \$6,590,000, includes \$3,295,000 Gifts/Grants)	
MSN*	School of Pharmacy - Phase 1	15,000,000
	(Total \$30,000,000, includes \$15,000,000 Gifts/Grants)	
MIL	Lapham Biological Chambers	250,000
SYS	GLRF Molecular Probe Center	250,000

TOTAL WISTAR PROJECTS:	GPR	\$56,856,000
	Non-GPR	\$32,022,000

*Matching Program

Stating concern about the projects that do not have matching funds,
 Regent Gelatt said the question is whether there is sufficient resolve on the
 part of the Governor and the Legislature to proceed with the program as
 originally planned. If an increase in funding is not politically feasible,
 it
 would be necessary to rank these projects in relative priority with other
 projects of a similar nature in order to move them forward.

Regent Dreyfus added that the first obligation is to set forth the list
 of needed projects, including those that we are now behind schedule. He
 suggested that the Physical Planning and Development Committee consider what

can be done to address the problem and make a recommendation to the Board.

Regent Gelatt suggested that joint meetings with the Building Commission might be helpful.

Regent Lubar stated that, on an overall basis, the WISTAR program is one of the excellent efforts of the university and the state in the last five years, with an important multiplier effect in terms of the research funding it attracts. He considered the program to be of the highest priority.

Regent Gundersen commented that, if additional funding is not forthcoming for WISTAR, the matter should be revisited to place projects such as the Pharmacy School in high priority in comparison with other projects on the major project list.

Regent Lubar felt the Board should not think in terms of choosing one high priority over another. He thought the focus should be on achieving approval of the WISTAR program and the other priorities that have been set forth.

Regent Dreyfus commented that it may be necessary to better inform both the public at large and their legislative representatives about research results achieved in the UW System and what that research means to people in their daily lives.

Put to a vote Resolution 6736 was unanimously adopted by the Board.

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Project Priorities/Deferral of Major Projects

Presenting Resolution 6737, Regent Dreyfus said the intent is to convey the message that should additional funding become available, these projects are important and should be implemented

Adoption of Resolution 6737 was moved by Regent Grebe, seconded by Regents Schilling and MacNeil and unanimously adopted.

Resolution 6737: The Board of Regents recommends that, regardless of the GPR funding source, the overall priorities reflected in the attached listing (Appendix), be followed by the State Building Commission in considering the GPR needs of the University of Wisconsin System in the context of the statewide 1995-97 Capital Budget.

Further, in recognition of fiscal constraints, the \$69.3 million in projects listed in priority order on pages 2 and 3 of the Appendix are deferred at this time. However, the need for these projects should be made known to the Department of Administration and State Building Commission, and implemented if funding is available.

Finally, the following GPR major projects are deferred from further consideration in the 1995-97 biennium, and will not be reconsidered unless resubmitted in future biennia by the respective Chancellors:

DEFERRED GPR MAJOR PROJECTS

GBY	Classroom/Laboratory Building	9.3 M
MSN	Art Building	11.0 M
MIL	Sabin/Greene Remodeling	7.7 M
MIL	EMS Addition, Phase 1	22.6 M
MIL	Fine Arts Capital Renewal, Phase 2	4.2 M
RVF	Dairy Science Teaching Facility	2.5 M
STO	Child & Family Study Center	2.5 M
EXT	Friedrick Center Addition	.7 M
SYS	GLRF Aquatic Biomedical Space	1.7 M
Total Major Projects Deferred:		\$ 62.2 M

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At 11:15 a.m., the Board recessed for five minutes, after which the following resolution, moved by Regent Lubar, was adopted unanimously on a roll-call vote, with Regents Benson, Budzinski, Gelatt, Grebe, Hempel, Krutsch, Lubar, Orr and Tregoning (9) voting in the affirmative. There were no abstentions and no dissenting votes.

Resolution 6738: That, the Board of Regents recess into closed session to consider appointments to the UW Centers, UW-Green Bay and UW-Superior Boards of Visitors, and to consider a naming after a person, UW-Stevens Point, as permitted by s. 19.85(1)(f), Wis. Stats.; to consider dismissal of a faculty member, UW-Eau Claire, as permitted by s. 19.85(1)(b), Wis. Stats.; to consider compensation matters for UW-Madison and UW System Administration, as permitted by s. 19.85(1)(c), Wis. Stats.; to consider negotiations on competitive matters, as permitted by s. 19.85(1)(e), Wis. Stats.; and to confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.

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CLOSED SESSION ACTIONS

The Board arose from closed session at 1:40 p.m., having adopted the following resolutions:

Appointments to UW-Superior Board of Visitors

Resolution 6739: That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of UW-Superior, the following persons be reappointed to the UW-Superior Board of Visitors for three-year terms ending in 1997:

Mr. Roger Drayna

Judge Michael T. Lucci

And that the following persons be appointed for three-year terms ending in 1997:

Mr. David F. Oviatt

Ms. Carol M. Stevens

Mr. Reid Haglin

Appointments to UW-Green Bay Board of Visitors

Resolution 6740: That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of UW-Green Bay, the following persons be appointed to the UW-Green Bay Board of Visitors for three-year terms ending in June 1997:

Beverly Carmichael

James Kauer

Steven Taylor

That the following persons be reappointed for two-year terms ending in June 1996:

Mary Eickman

Michael Kaeske

And that the following persons be reappointed for three-year terms ending in June 1997:

Paul Anderson

Leonard Weis

John Gibson

Dismissal of Faculty Member, UW-Eau Claire

Resolution 6741: That, upon the recommendation of the UW-Eau Claire Chancellor, the Board of Regents adopts the Order on the Recommendation for Dismissal for Just Cause of
Dr. Richard Majors from the University of Wisconsin-Eau Claire.

Compensation for Basketball Coach, UW-Madison

Resolution 6742: That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, a base salary adjustment resulting in a new rate of \$105,000 for eleven months (A\$114,545), be approved for Stan VanGundy, Men's Head Basketball Coach, effective July 22, 1994.

Salary for Senior Vice President for Academic Affairs

Resolution 6743: That, upon the recommendation of the President of the University of Wisconsin System, the annual salary of David J. Ward, Senior Vice President for Academic Affairs, be set at \$120,000.

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Judith A. Temby, Secretary
September 6, 1994