

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
February 6, 1997

I.2.a. Audit Subcommittee

See attached Audit Subcommittee Minutes.

I.2.b. Physical Planning Subcommittee

See attached Physical Planning Subcommittee Minutes.

The Business and Finance Committee met at 1:33 p.m. in Room 1820 Van Hise Hall. Present were: Regents Barry, Brown, De Simone, Hempel and Smith.

I.2.c. Approval of Minutes of the December 5, 1996, Meeting of the Business and Finance Committee

Upon the motion of Regent De Simone and the second of Regent Smith, the minutes of the December 5, 1996, meeting of the Business and Finance Committee stood approved.

I.2.d. Report of the Audit Subcommittee

Regent Smith, Subcommittee Chair, presented a report of the Audit Subcommittee meeting held immediately prior to the full Committee meeting. (See attached Audit Subcommittee Minutes for a complete report.)

I.2.e. Report of the Physical Planning Subcommittee

Regent Barry, Subcommittee Chair, presented the report of the Physical Planning Subcommittee meeting held immediately prior to the full Committee meeting. (See attached Physical Planning Subcommittee Minutes for a complete report.)

Upon the motion of Regent Barry and second of Regent Brown, the Committee approved Physical Planning Subcommittee Resolution I.2.e.

Resolution I.2.e.

That the following Consent Agenda Resolutions adopted by the Physical Planning Subcommittee be approved and forwarded to the Board of Regents:

Resolution

Campus/Request

I.2.b.3.(a)

UW-Eau Claire: Authority to construct Putnam Hall Electrical Renovation and Data Cabling project, \$170,000, Program Revenues - Cash (Housing)

- I.2.b.3.(b) UW-Green Bay: Approval of project scope and budget increase (\$2,000,000 of Gift Funds), for the 1997-99 Academic Building, revised estimated cost: \$17,379,000 (\$15,379,000 General Fund Supported Borrowing and \$2,000,000 Gift Funds)
- I.2.b.3.(c) UW-Madison: Authority to construct Campus Fire Alarm and Security Reporting System project, \$1,669,000 (\$1,360,800 General Fund Supported Borrowing - Health/Safety Funds and \$308,200 Program Revenue Supported Borrowing)
- I.2.b.3.(d) UW-Madison: Authority to increase the budget by \$400,000, approval of the Design Report reflecting the increase, and authority to construct the Waisman Center Addition and Remodeling project, \$17,900,000 Gift and Grant Funds
- I.2.b.3.(e) UW-Stout: Approval of the Design Report and authority to construct the Applied Arts Remodeling project, \$4,500,000 from WISTAR Funds

I.2.f. Agreement with Private For-Profit-Making Organization

(1) Contractual Agreement with Heska Corporation

Vice President Bromberg presented the contractual agreement with Heska Corporation to the Committee for approval. Board of Regent policy requires Regent approval when a contractual agreement with a private, for-profit organization exceeds \$200,000.

Upon the motion of Regent Smith and the second of Regent De Simone, the Committee approved Resolution I.2.f.(1).

Resolution I.2.f.(1)

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents approves this contractual agreement entitled “Equine Influenza Vaccine Safety Test and Challenge Immunity Study” that will provide \$245,949 in support of the research.

I.2.g. Bequests

(1) Elizabeth C. Davis

General Counsel Stathas presented for approval a resolution to accept the bequest of Elizabeth C. Davis.

Upon the motion of Regent Smith and the second of Regent De Simone, the Committee approved Resolution I.2.g.(1).

Resolution I.2.g.(1)

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the bequest of the late Elizabeth C. Davis, a resident of the State of Florida, legal domicile being Manatee County, be accepted; and the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfer for the benefit of the University of Wisconsin-Madison.

(The Will states:

ARTICLE VI - RESIDUARY

I give, devise and bequeath all the rest, residue and remainder of my estate, both real and personal, wheresoever situate, including the proceeds of any insurance policy or policies payable to my Personal Representative or to my estate in accordance with the following:

K. TEN PERCENT (10%) to THE UNIVERSITY OF WISCONSIN, located at Madison, Wisconsin.)

(Elizabeth C. Davis was a 1932 graduate in Physical Education.
The University will receive approximately \$260,000.)

I.2.h. 1997-98 Unclassified Staff Compensation Guidelines

President Lyall indicated that, pursuant to s.36.09(1)(j), *Wis. Stats.*, the Board is required to establish salaries for faculty and academic staff prior to July 1 of each year for the next fiscal year. In preparing the recommendation, President Lyall consulted with the Systemwide Compensation Advisory Committee, composed one-half of faculty and one-half of academic staff. Consistent with past direction from the Board, the proposed distribution plan recognizes merit/market and solid performance factors. Each institution needs to conduct its unclassified personnel and salary evaluations prior to July 1. Passage of the resolution before the Board will enable the faculty and academic staff to receive the full amount of 1997-98 compensation adjustments irrespective of any delay in the enactment of a 1997-98 compensation plan and/or biennial budget.

The recommendation that not less than one-third of total compensation be distributed on the basis of merit/market and not less than one-third on the basis of solid performance, continues the distribution plan first established by the Board in 1993-95 and continued in 1995-97. It also follows the general principles articulated in the 1992 Report of the Governor's Commission on UW System compensation and addresses the range of distribution needs identified by the Systemwide Compensation Advisory Committee.

Each institution will be required to present its plan for distributing compensation adjustments for approval by System Administration before implementation can be accomplished. Flexibility in the guidelines will enable the institutions to individualize the adjustments. Because the institutions are working with a two-year pay plan, it would be helpful if the guidelines were also for the two-year period.

Regent Barry inquired if the faculty and staff reviews would cover a one- or a two-year period, and President Lyall replied that the institutions would continue annual merit reviews. Regent Barry indicated a need to emphasize that this will not be authorizing an across-the-board increase, but only eliminating the need for the Board to reauthorize the one-third, one-third, one-third distribution in the second year of the biennium.

Upon the motion of Regent Brown and the second of Regent Smith, the Committee approved Resolution I.2.h.

Resolution I.2.h.

That, upon the recommendation of the President of the University of Wisconsin System, the 1997-98 General Distribution Plan and Guidelines (Exhibit A) be approved. If changes are required to the guidelines as a result of actions by either the Joint Committee on Employment Relations or legislation, the Executive Committee, in consultation with the System President, is authorized to act on these changes.

Exhibit A

That upon the recommendation of the President of the University of Wisconsin System, the 1997-98 General Distribution Plan and Guidelines for unclassified staff be approved as follows:

- (1) Each chancellor is directed to proceed with faculty and academic staff salary evaluations using a suitable evaluation system the results of which can be converted to a salary, once the pay plan is known. The salary review should be conducted in accordance with the performance standards outlined in Recommendation #9 of the 1992 Report of the Governor's Commission on University of Wisconsin Compensation. A record of the evaluation judgments shall be made before July 1, as provided in s. 36.09(1)(j), *Wis. Stats.*
- (2) The 1997-98 compensation adjustments for faculty and academic staff shall be provided such that not less than one-third of total compensation shall be distributed on the basis of merit/market and not less than one-third of the total compensation plan shall be distributed on the basis of solid performance.

Merit/Market determinations for faculty should be based on a systematic performance evaluation program which identifies positive contributions by the faculty member to teaching, research, public service and/or the support functions inherent in the institution's mission. Assessment of teaching faculty shall include consideration of student evaluations (Regent Policy Document 74-13, October 4, 1974).

Merit/Market determinations for academic, limited and other unclassified staff shall be based on a systematic performance evaluation program which allows supervisory assessment of meritorious performance in their areas of assigned responsibility.

Solid performance adjustments shall be provided to those faculty and academic staff who have demonstrated satisfactory performance.

- (3) Any and all compensation adjustments must be based on meritorious performance; across-the-board compensation adjustments not based on merit are prohibited. At a minimum, continuing staff who have performed at a satisfactory level shall be entitled to a compensation adjustment from funds set aside to recognize solid performance, except when an employment contract or administrative practice holds to the contrary.

- (4) Unless otherwise specified by executive/legislative action, the effective dates for payment of the 1997-98 pay plan rates will be July 1, 1997, for annual basis employees, the start of the academic year for those on academic year appointments, and other dates as set by the Chancellors for persons with appointment periods commencing at times other than July 1 and the beginning of the academic year.
- (5) Unless otherwise provided by law, systemwide salary minima for faculty and Category B academic staff and salary ranges for Category A academic staff will be adjusted in accordance with the pay plan. If the Regent's meeting schedule does not afford an opportunity for timely action in this regard, the Board authorizes the Executive Committee, after consultation with the System President, to act on these matters.
- (6) Each institution will be required to present its plans for distribution of the compensation adjustments for approval by System Administration before implementation can be accomplished.
- (7) Each institution shall receive funding for the full amount of the pay plan authorized for 1997-98. The funding allocation shall be distributed as soon as possible after final approval of the pay plan by executive/legislative action and after the distribution plan is approved by System Administration as being in compliance with these guidelines.
- (8) Each institution shall complete its actions on stipend schedules for nonrepresented graduate assistants prior to July 1 and shall establish a factor for adjustments which can be applied expeditiously to determine stipend increases. Stipend schedules for each graduate assistant category shall be separately established.
- (9) Salary adjustments for promotions in faculty rank shall, on an academic year equivalent basis, be no less than \$500 for promotion to assistant professor, \$750 for promotion to associate professor, and \$1,000 for promotion to professor. Institutions may set policies on adjustments for promotions, including amounts for promotions of faculty on annual basis appointments, consistent with these minima.
- (10) The Board affirms the delegated authority of the President of the System to establish individual salaries at or below the Group 6 maximum of the State Executive Pay Plan for 1997-98 within state policy and the funds appropriated for that year, with appropriate annual budget documentation to be reported to the Regents for information.
- (11) The Board directs that any mandated pay plan adjustments applied to individuals in the State Executive Pay Plan and others above the Group 6 maximum shall be effective on the dates determined in the executive/legislative review. If the Regent's meeting schedule does not afford an opportunity for timely action by the full Board, the Board authorizes the Executive Committee of the Board, in consultation with the System President, to approve any discretionary salary adjustments effective for 1997-98. Appropriate information shall be provided to all members of the Board.

- (12) Compensation actions related to the unclassified pay plan and delegated to the Chancellors shall be completed in accordance with statutory requirements, legislative intent and Regent's policy and shall be reported to the President of the System by August 1, or within three weeks after the approval of the unclassified compensation plan, whichever is later, to make possible the preparation of payrolls and reporting to the Board of Regents.

If changes are required to these guidelines as a result of either the Joint Committee on Employment Relations or legislation, the Executive Committee, in consultation with the System President, is authorized to act to modify the guidelines to be consistent with those actions.

If these guidelines and planning authorization are determined by the UW System President to be appropriate for the 1998-99 fiscal year, the President of the UW System is authorized to modify the guidelines by changing applicable dates and to promulgate the revised guidelines for 1998-99 without returning to the Board of Regents for further approval.

I.2.j. Authorization to Seek Approval for New Academic Staff Titles

Associate Vice President Wright reported that State law requires that any changes in Category A Academic Staff title structure be reviewed and approved by the Department of Employment Relations (DER). In the rapidly changing world of information technology, the UW-Madison has found that the present title structure does not permit it to meet the evolving needs of its Division of Information Technology (DoIT). System Administration has worked with the UW-Madison Human Resources Office and DoIT to define two new titles—Information Technology Strategic Consultant and Information Technology Architect—and has point-counted the positions to assign them to academic staff pay ranges. System Administration staff have consulted with DER about these positions and anticipates a favorable review by DER.

In response to questions from Regent Hempel, Associate Vice President Wright clarified that the new classifications provide new titles and salary ranges for existing employees who possess the necessary skills for the positions, allowing DoIT to retain the employees in a competitive market.

Upon the motion of Regent De Simone and the second of Regent Brown, the Committee approved Resolution I.2.j.

Resolution I.2.j.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents authorizes the President of the System to seek approval to create Information Technology Strategic Consultant and Information Technology Architect title series in the Category A academic staff title and salary grade structure from the Secretary of the Department of Employment Relations.

I.2.k. Annual Financial Report

Vice President Bromberg stated that staff have been working to produce the Annual Financial Report in a more timely manner. This year the reports have already been audited by the Legislative Audit Bureau and will be printed and distributed within a few weeks.

Associate Vice President Durcan noted that the financial statements are prepared in accordance with generally accepted accounting principles established for public institutions of higher education by the Governmental Accounting Standards Board and by the American Institute of Certified Public Accountants' guide. They are also a required part of the federally-mandated A-133 audit report.

In 1995-96, State appropriations provided 33% of the current operating funds, compared with 39% in 1985-86. To offset the relative decline in State appropriations as a funding source, the proportion of current operating costs covered by student fees increased slightly over the same ten-year period, from 17 to 18 percent. Meanwhile, the other funding sources have increased from a combined 44% to 49% of the total. There has been almost no real growth in State appropriations for current operations over the last ten years. Every effort has been made to keep tuition down despite the relative diminution of State funds. The UW System must exercise more financial initiative in order to maintain the quality of higher education in Wisconsin.

University-controlled endowments have grown from \$77.7 million in 1985-86 to \$181.9 million in 1995-96, a growth of 134% in nominal dollars and 65% in inflation adjusted dollars. This total includes both "true" endowments, gifted principal that must remain intact by donor stipulation and "quasi" endowments, gift and income funds that the Board has elected to manage as an endowment. In 1995-96, the total return on the portfolio, including capital appreciation, was \$16.8 million.

General administrative overhead, or "institutional support" continues to consume less than five percent of current operating funds. The System is committed to continuing low administrative costs through ongoing programs of best business practices reviews.

Three financial statements are prescribed for public institutions of higher education: a balance sheet; a statement of changes in funds balances; and a statement of current funds revenues, expenditures and other changes. The accounts of the UW System are maintained in accordance with the concept of fund accounting.

Regent Smith requested that staff provide further information on enrollment figures over the past ten years and also provide specific information on out-of-state versus in-state enrollment trends.

In response to questions from the Committee on the reserve for doubtful accounts and write-offs of student loans, staff agreed to provide a report at a future meeting to aid in a better understanding of the federal student loan process.

I.2.l. Annual Report on Research Support – UW-Madison

Dean Hinshaw of the UW-Madison Graduate School noted that, compared with last year, total year-to-date extramural research awards have increased by approximately \$20 million through January: Federal research awards have increased by \$14 million and non-Federal research awards have increased by \$6 million. UW-Madison is approximately on pace with the 1994-95 record year for Federal research awards. The \$8.6 million lag can be attributed entirely to the one-time Department of Defense award.

The two major challenges facing UW-Madison are a decline in graduate student enrollment both here and on a national level and the need for additional research facilities and improvements to existing facilities. Although there is legislative support for research, funds may be decreased due to the need to work at balancing the budget.

Competition for research awards has increased nationally, and UW-Madison faculty and staff have done a commendable job in obtaining awards. Regent Hempel expressed congratulations to Dean Hinshaw and her colleagues, noting the Board recognizes the great job they are doing.

I.2.m. Report of the Vice President**(1) Gifts, Grants and Contracts**

Vice President Bromberg reported that total gifts, grants and contracts for the seven-month period ended January 17, 1997, were \$381.3 million, an increase of \$31.7 million from the previous year. Federal awards increased \$4.7 million, while non-Federal awards increased by \$27.0 million.

(2) Update on Student Fee Refund Policy (Southworth)

Vice President Bromberg noted that several students at UW-Madison challenged the requirement that they pay segregated fees to support student organizations with whose purpose they disagree. On November 29, 1996, the court ruled in the plaintiffs' favor. At the December Board meeting, Regents voted to appeal the court's ruling and asked that staff begin to consider how segregated fees would be administered if the appeal is unsuccessful.

President Lyall is appointing a working group to review various models for fee allocation and to recommend an approach for UW System institutions to use should the appeal fail. The working group consists of three campus budget officers, three student affairs personnel and four students (three from campus student government associations and one from United Council). Appropriate UW System staff will also work with the group.

I.2.n. Additional Items Which May be Presented to the Business and Finance Committee with Its Approval**(1) TIAA/CREF**

Vice President Bromberg noted that there is a bill in process which would allow TIAA/CREF as an optional retirement plan for UW System employees. The UW System has a five-year vesting period which makes it hard to recruit, and the TIAA/CREF plan would allow portability of retirement plans to and from other institutions. The Board will be kept informed of the progress of the bill.

(2) Budget Update

Vice President Bromberg reported that, according to the Governor's State of the State report, the System most likely can expect some funding for technology. She also noted that hearings are scheduled by the Joint Committee on Finance, the Education Committee and the Joint Committee on Employment Relations over the next few months, all of which will have a bearing on the UW System budget.

I.2.o. Trust Funds**(1) Initiate RFP Process for Investment Managers**

Vice President Bromberg reviewed the estimated time line for the Investment Manager search, indicating the goal is to award the contract by October 1, 1997. The Evaluation Team will consist of three Regents from the Business and Finance Committee, two administrators (Trust Officer/Assistant Trust Officer), a professor in the investment area and an investment director from the State of Wisconsin Investment Board.

In response to questions from the Committee, Vice President Bromberg indicated that, although it is preferable to have a local manager, the search is open nationwide and will be based on the best return.

The Committee recessed at 2:50 p.m. and reconvened at 3:10 p.m.

**(2) Closed Session to Consider Trust Fund Matters, and for Negotiation of Lease Term
UW-Madison, as Permitted by s. 19.85(1)(e), *Wis. Stats.***

Upon the motion of Regent Barry and the second of Regent De Simone, the Committee adjourned to closed session at 3:11 p.m., to consider trust fund matters, and for negotiation of lease terms UW-Madison as permitted by s. 19.85(1)(e), *Wis. Stats.*

The Business and Finance Committee adjourned at 4:34 p.m.

Donita R. Zintz
Recording Secretary