

I.2. Business and Finance Committee

Thursday, November 6, 1997  
Room 212 Animal Science  
1675 Observatory Drive  
9:00 a.m..

a. Public Forum on Trust Fund Investments

(All Regents Invited)

1: 00 p.m. 1511 Van Hise Hall

b. Approval of minutes of the October 9, 1997 meeting of the Business and Finance Committee

c. Extension Budget Reduction Plan  
[Resolution I.2.c.]

d. Update on Best Business Practices

e. Report of the Vice President  
(a) Quarterly Gift, Grant and Contract Report

f. Additional items which may be presented to the Business and Finance Committee with its approval

g. Closed session to consider trust fund matters, as permitted by s. 19.85(1)(f), *Wis. Stats.*

1:45 p.m.

h. Audit Subcommittee  
(a) Audit Report

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM  
BUSINESS AND FINANCE COMMITTEE

NOTICE OF PUBLIC FORUM ON TRUST FUND INVESTMENTS

Room 212 Animal Science  
1675 Observatory Drive  
Madison, Wisconsin  
9:00 a.m. - 11:00 a.m.

All interested persons are welcome to attend and participate in this annual public forum on trust fund investments. A list of trust fund holdings will be available at the forum, along with investment guidelines and relevant Regent policy.

Speakers are asked to limit their remarks to two minutes so that all who wish to speak will have an opportunity to be heard. Speakers may register in advance by contacting Judith Temby at 262-2324.

Forumntc.doc

11/07/97

I.2.a.

**BUSINESS AND FINANCE COMMITTEE**

**Resolution:**

Upon the recommendation of the President of the UW System and the Chancellor of UW Extension, that the plan for taking the UW-Extension 1997-98 and 1998-99 base budget reductions be received and approved for transmittal to the Joint Committee on Finance, in accordance with Wisconsin Act 27, Section 9153 (2t) (a and b).

## UNIVERSITY OF WISCONSIN - EXTENSION BASE BUDGET REDUCTION PLAN

### EXECUTIVE SUMMARY

#### BACKGROUND

Wisconsin Act 27, Section 9153 (2t) (a and b) requires the development and submission of a plan for allocating the 1997-98 and 1998-99 reductions to the base budget of the University of Wisconsin - Extension funded from general purpose revenue. The Act stipulates that this plan should minimize the effect on local and federal funds received. This plan is to be submitted to the cochairpersons of the Joint Committee on Finance.

#### REQUESTED ACTION

Approval of resolution I.2.c. accepting the plan for transmittal to the Joint Committee on Finance.

#### DISCUSSION AND RECOMMENDATIONS

The biennial budget reduced general program revenue funding for UW-Extension by \$2,000,000 in 1997-98, and restores \$1,000,000 in 1998-99, for an on-going permanent base reduction of \$1,000,000. In addition, a base reduction of \$74,100 and 2 positions was required of the UW-Extension General Administration & Services Division.

In planning these reductions, each of the Chancellors from UW-Extension's campus partners was consulted regarding the allocation of a portion of the reduction to their institution and the over-all formalization of this plan. Likewise, meetings with legislators during the budget process provided general information and an understanding of intent to assist in guiding the reduction allocation planning. From these discussions and the details as outlined in the Act, the following guiding principles for this plan were developed:

- minimize the effect on local and federal funds received, and
- reduce the effect on state and county outreach programming and avoid program disruption wherever possible.

The largest percentage reduction is, in fact, taken from UW-Extension General Administration & Services. In addition, the reduction plan utilizes one-time carryforward balances to cover the one-time \$1,000,000 portion of the reduction in the 1997-98 fiscal year. In this way, units need to manage only the on-going reduction of \$1,000,000. This action further reduces program disruption. This on-going reduction has been allocated among the divisions/units following the above principles, with specific consideration given to the mission and programming within each division/unit.

#### RELATED REGENT POLICIES

The related Regent policies include those associated with the integration of the extension function as defined in UW System Academic Information Services 5.1 (Implementation of Regent Policy on Integration of the Extension Function), 5.2 (Statewide Planning, Communication and Coordination of Extension Programs) and 5.3 (Identification of the Extension Function).

## UNIVERSITY OF WISCONSIN - EXTENSION BASE BUDGET REDUCTION PLAN

### I. REPORTING REQUIREMENT:

Wisconsin Act 27, Section 9153 (2t) (a. and b.) requires the Board of Regents to develop a plan for allocating in the 1997-98 and 1998-99 fiscal years the reduction in the base budget of the University of Wisconsin-Extension funded from general purpose revenue. The Act stipulates that this plan should minimize the effect on local and federal funds received by the University of Wisconsin-Extension. Subsection (2t) (b.) requires the submission of this plan to the cochairpersons of the Joint Committee on Finance by November 27, 1997 (45 days after Act 27 was signed by the Governor). If the cochairpersons of the Committee do not notify the Board that the Committee has scheduled a meeting for the purpose of reviewing the plan within 14 working days after the date that the plan was submitted, the Board may implement the plan. If, within 14 working days after the date that the plan was submitted, the cochairpersons of the Committee notify the Board that the Committee has scheduled a meeting for the purpose of reviewing the plan, the Board may not implement the plan until the Committee approves the plan.

### II. THE PLAN:

The biennial budget reduced GPR funding for UW-Extension by \$2,000,000 in 1997-98, and restores \$1,000,000 in 1998-99, for an ongoing- permanent base reduction of \$1,000,000. In addition, a base reduction of \$74,100 and 2 positions was required of the UW-Extension General Administration and Services Division. The attached table on page 3, summarizes the recommended distribution of the budget reductions by UW-Extension division/unit. This recommendation, and the allocation of a portion of the reduction to UW-Extension's campus partners has been discussed with each of the Chancellors and is based on the following guiding principles, which have been discussed with UW System Administration and, by inclusion in this plan become the relevant annual budget decision rules:

- In an attempt to minimize the effect on programming and on the local and federal funds received by UW-Extension, and in order to avoid the program disruption created by requiring Extension units to cut \$2,000,000 in one year and restore \$1,000,000 the next year, UW-Extension carryforward balances will be used to cover the \$1,000,000 one-time portion of the reduction in the first year. In this way, units need to manage only the ongoing reduction of \$1,000,000.
- Reductions are to be taken in such a way that opportunities for replacement of program revenue are maximized, while eliminating low priority programs.
- Continuing Education's allocation to the UW System institutions, in aggregate, will be proportional to their share of the continuing education GPR base.
- In order to preserve the Business Outreach match to federal Small Business Administration funds, Business programs' reduction will be taken from the GPR base of the Management Institutes at UW-Madison and UW-Milwaukee which are not part of the

match. To help offset the reduction to UW-Madison, the UW-Extension Small Business Development Center office will provide an additional \$11,150 of federal funds to the UW-Madison Small Business Development Center.

- To avoid impacts on county programs, Cooperative Extension's limited reduction will be taken centrally.
- The range of reductions among Extension units that is included in the plan is consistent with discussions with legislators during the budget process.

### III. CONCLUSION:

As shown in the table on page 3, Continuing Education Extension, Extension Communications and Business Programs are taking reductions equal to 3.1% of their GPR base. This plan assigns a limited reduction to Cooperative Extension to protect and minimize the impact on local and federal funds received. In addition, the largest percentage reduction will be taken by the General Administrative & Services unit.

The development of this plan has been a collaborative effort among all of the UW-Extension divisions/units and UW-Extension's campus and county partners. Their cooperation and support, and legislative action restoring a significant portion of the reduction has permitted development of a plan that has minimized the impact on the mission and outreach programming of the University of Wisconsin - Extension.

**UNIVERSITY OF WISCONSIN - EXTENSION**  
**Summary of 1997-98 and 1998-99 GPR Base Budget Reduction**  
**By Division/Unit**

<u>Division/Unit</u>	1996-97	1997-98		1998-99 On-Going	
	<u>Fund 104 GPR Base **</u>	<u>Budget Reduction</u>	<u>% of Base</u>	<u>Budget Reduction</u>	<u>% of Base</u>
General Administration & Services	\$5,548,521	-\$247,000 *	4.5%	-\$247,000 *	4.5%
Continuing Education Extension	\$15,046,535	-\$473,200	3.1%	-\$473,200	3.1%
Cooperative Extension	\$19,914,599	-\$104,400	0.5%	-\$104,400	0.5%
Extension Communications	\$6,388,710	-\$200,800	3.1%	-\$200,800	3.1%
Wis. Geological & Natural History Survey	\$1,365,276	-\$7,900	0.6%	-\$7,900	0.6%
Business Programs	\$1,283,933	-\$40,800	3.1%	-\$40,800	3.1%
UW-Extension one-time balances		-\$1,000,000		0	
<b>TOTAL</b>	<b>\$49,547,574</b>	<b>-\$2,074,100</b>	<b>4.2%</b>	<b>-\$1,074,100</b>	<b>2.2%</b>

\* Includes the additional \$74,100 (2 FTE) base reduction. In addition, UW-Extension will take its share of the \$873,300 (biennial) base reduction to the UW-System's general program operations from General Administration & Services.

\*\* Includes estimated fringe benefit distribution.

## Update on Best Business Practices

### EXECUTIVE SUMMARY

#### BACKGROUND

In December 1995, Vice President for Business and Finance Marnocha appointed a UW System Best Business Practices Team to create a vision, goals/objectives, and a strategic plan for UW System institutions to follow in implementing changes to business practices. The Team's priority was to identify value added services while stabilizing costs associated with the business operations and continuing the UW System and institutions' missions. The work of the Team should provide a common base to guide changes within all business operations.

An initial report was presented to the Board of Regents Business and Finance Committee at its June 1996 meeting. The Team subsequently divided into two groups to address two specific business practices, travel reimbursement and low dollar procurement. The report on travel reimbursement was presented to the Board of Regents Business and Finance Committee at its November 1996 meeting and the report on low dollar procurement was presented at the December 1996 meeting. This report provides an update on the outcome of those two reports as well as current Team plans and activities.

#### REQUESTED ACTION

For information only

#### DISCUSSION AND RECOMMENDATIONS

Subsequent to Board of Regents approval, the Best Business Practices Report on Travel Reimbursement was sent to the Department of Employment Relations (DER) to be considered as part of the compensation plan recommendations. The report contained seven recommendations which could only be implemented if approved by DER. Unfortunately, only one recommendation was approved, increasing and rounding the meal maximums to whole dollar amounts. The following recommendations were not approved:

- adopting the IRS mileage reimbursement rate,
- applying consistent miscellaneous expense receipt requirements at \$25,
- eliminating lodging maximums for out-of-state travel,
- eliminating lunch reimbursements where breakfast or dinner are not reimbursable,
- changing times for when meals may be reimbursed, and
- allowing one employee to claim lodging for two employees when a room is shared.

The report also included four recommendations which were within the purview of System Administration to change. All of these recommendations, as well as other improvements, have been incorporated into the most recent UW System Travel Regulations. At this time, System Administration is contemplating its future course of action which will better demonstrate the need for simplified travel policy not only within the university, but throughout the State of Wisconsin. System staff will continue their efforts in this area.

The Best Business Practices Report on Low Dollar Procurement contained ten recommendations requiring statutory, regulatory and policy changes. As a result of these recommendations, the Department of Administration (DOA) has implemented several significant



improvements in the process. One of the key recommendations of the report was to utilize procurement cards for the majority of low dollar procurements. This recommendation has been embraced by DOA, and UW institutions are making significant progress in improving the process for purchases under \$1,500. Over 1,200 procurement cards are now in use throughout the University. UW staff continue to work with DOA to introduce further efficiencies through adoption of the other recommendations.

A third best business practice has been addressed over the past year, one relating to the improvement of financial systems. A draft report which recommends more consistent and efficient system development is being circulated throughout the UW System for acceptance. In addition, an implementation team has been appointed by Vice President Bromberg to develop a strategy for adoption of the recommendations. Results of the report of the implementation team will be evaluated by the UW Processing Center Board of Directors, as well as other constituents, for feasibility.

To carry out the process of best business practices identification and review, the original Best Business Practices Team has agreed to temporarily serve as an Oversight Committee. The committee met on October 15 to discuss how to proceed once best business practices have been identified but other regulatory agencies stand in the way of their implementation. The Oversight Committee will also be developing criteria for determining the types of projects to be considered. Institutions will be surveyed to assist in defining those business practices which can benefit the most from a best business practices review. Consideration will first be given to those areas to which the regents expressed an interest (human resources, admissions, advising and procurement).

The committee discussed the desire expressed by the Business and Finance Committee at their October meeting to replace subactivity reporting with other more meaningful analysis. Alternative methodologies will be reviewed and presented to the Business and Finance Committee at a future date.

The UW System continues to support the need for defining best business practices which will result in the following defined objectives:

- Highly Trained, Motivated and Empowered Employees
- Value Added Services
- Measurable Outcome Accountability
- Continuous Quality Improvement in Services
- Best Business Practices Policies, Statutes and Regulations
- Flexible and Adaptive Management
- Wise Application of Technology

Each UW System institution is responsible for implementing best practices based upon its own unique mission and circumstances. A variety of forums have been created to assure regular and ongoing exchange of information regarding best business practices within the UW System. In addition, systemwide best business practice studies are useful in areas where we are bound by common constraints, in areas of high interdependence, or in areas where cost efficiencies can arise from cooperative adoption of a shared solution.

## RELATED REGENT POLICIES

None

11/7/97

UNIVERSITY OF WISCONSIN SYSTEM  
 GIFTS, GRANTS AND CONTRACTS AWARDED  
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON  
 FISCAL YEAR 1997-1998 - First Quarter

MJM  
 27-Oct-97

FISCAL YEAR 1997-98	Extension	Instruction	Libraries	Misc	Phy Plt	Research	Student Aid	Unrestricted	Total
Total	11,947,787	16,282,695	829,804	15,727,890	22,357,318	110,430,310	43,607,146	1,010	221,183,960
Federal	4,703,711	12,386,501	0	1,763,090	0	63,303,368	41,032,037	0	123,188,707
Nonfederal	7,244,076	3,896,194	829,804	13,964,800	22,357,318	47,126,942	2,575,109	1,010	97,995,253
FISCAL YEAR 1996-97									
Total	14,456,807	14,084,021	1,036,361	11,724,309	3,648,100	100,069,496	43,310,040	19,625	188,348,759
Federal	5,147,346	10,065,168	0	1,911,911	0	53,316,740	41,096,666	0	111,537,831
Nonfederal	9,309,461	4,018,853	1,036,361	9,812,398	3,648,100	46,752,756	2,213,374	19,625	76,810,928
INCREASE(DECREASE)									
Total	(2,509,020)	2,198,674	(206,557)	4,003,581	18,709,218	10,360,814	297,106	(18,615)	32,835,201
Federal	(443,635)	2,321,333	0	(148,821)	0	9,986,628	(64,629)	0	11,650,876
Nonfederal	(2,065,385)	(122,659)	(206,557)	4,152,402	18,709,218	374,186	361,735	(18,615)	21,184,325

I.2.e.(a)

## AUDIT REPORT ON POST TENURE REVIEW

### **BACKGROUND**

The first quarter internal audit report on the status of all audit activities was presented at the October meeting of the Board of Regents Audit Subcommittee. This month, we are providing the Audit Subcommittee with the completed program audit report on Post Tenure Review. We are presenting the full report and a summary to illustrate the new format that will be used on future audits. In the future, we will provide the Audit Subcommittee with only the summaries of completed audits.

### **REQUESTED ACTION**

For information only.

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### **REPORT**

As a condition of the 1991 pay plan, the Governor mandated a review process be implemented upon Board of Regents acceptance. The UW System Post Tenure Review Policy was subsequently adopted by the Board with implementation of the policy by the institutions beginning in the fall of 1993-94.

We reviewed Post Tenure Review plans at seven institutions: River Falls, Green Bay, Superior, Eau Claire, Parkside, Milwaukee, and Madison. Our primary objectives were to ensure the Post Tenure Review plans developed at each institution complied with the Board of Regents policy and were properly implemented. Because of the subjective nature of assessing faculty performance, our review focused on assuring that criteria were established, written, and generally followed at the institutions.

Faculty performance reviews have been performed in the past through tenure, promotion and merit reviews. With this past history of performance reviews, we found the institutions had developed and implemented Post Tenure Review plans in accordance with the Board of Regents policy. However, we did note that some institutions and departments performed more effective evaluations. In order to benefit from these successes, we identified a common set of factors present in the more effective review plans for consideration by System Administration and the Institutions.

**UW System Internal Audit  
Program Audit Report  
Post Tenure Review**

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**INTRODUCTION**

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**Regents approve Post Tenure Review Policy**

The UW System Post Tenure Review Policy was adopted by Regent Resolution 6118 and promulgated in UW-Regent Policy 92-5, *Guidelines for Tenured Faculty Review and Development*. Using these guidelines, each campus developed a individual plan through the faculty governance process. Plans were submitted for acceptance to UW System Administration during the Spring of 1993. Implementation was to begin in the fall of 1993-94.

All tenured faculty, not under evaluation for promotion, are to be reviewed at least once every five years to ensure continuing professional growth, encourage the promotion of academic excellence and identify areas for improvement or provide solutions to problems.

Impetus for a formalized review process of tenured faculty came from the conditions of a pay plan approved by the Governor in 1991. The pay plan mandated a review process be implemented upon Board of Regents acceptance. A similar review process has been in place in other states. The review process assures the Regents, public, and legislators that the University is serious about its responsibility to maximize the talents of its faculty.

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**SCOPE**

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**Tenured faculty are reviewed at least every five years.**

We reviewed Post Tenure Review plans and documentation at seven UW System institutions: River Falls, Green Bay, Superior, Eau Claire, Parkside, Milwaukee, and Madison. The audit encompassed a selection of reviews performed since the inception of the program for departments on each campus.

The primary objective of this audit was to determine that implementation of the policy was in place and that the campus plans complied with the following components of the Regent Guidelines:

1. Provision for a review of each tenured faculty member's activities and performance, in accordance with the mission of the department, college, and institution, at least once in a five year period.
2. Effective criteria against which to measure progress and accomplishments of faculty were established and a description of the methods used for conducting the evaluation.

3. Delineation of responsibilities for conducting reviews. The plan should identify the roles of the department, Dean and Vice Chancellor in the process.
4. Means by which merit process and faculty review process are linked for most efficient use of faculty time.
5. Procedures defining means for remedying problems where deficiencies are found.
6. Provision for a written record of each faculty review.
7. Description of accountability measures used by institution to ensure full implementation of the institution plan.

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## DISCUSSION AND RECOMMENDATIONS

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**Several forms of faculty review already take place.**

Review of faculty performance at UW institutions is not a new area for the academic community but has existed in the tenure and promotion processes for several years. The tenure process involves an intensive yearly review of teaching, research and service throughout the probationary period. If tenure is not granted, the faculty member usually leaves the institution. If tenure is granted, basically the same review begins again for promotion to full professor. This process can continue for a number of years.

All faculty members are also evaluated by their peers in the annual compensation merit review and by experts in their field, nationally, as part of the competitive grants process. A department's faculty members rank each other for varying shares of compensation increases. In some cases, some faculty may not receive a merit increase if performance is not consistent with department performance standards.

Post Tenure Faculty Review shares a common set of criteria in the areas of teaching, research and service with tenure, promotion and merit reviews. These criteria are not, however, always documented. What is acceptable teaching performance? While student evaluations are used and compared to department averages, this is only one of many factors used in a review. Likewise, what is outstanding research? One multi-year project or several published works per year? Differences in goals of various departments; that is, between engineering and art sculpture or nursing and English, are another consideration. Finally, what different expectations are there between doctoral versus comprehensive institutions? While there are no "hard and fast" rules and criteria vary across departments, every department is required to have a written description of its criteria, subject to dean review or approval.

However, it is difficult to evaluate the subjective quality assessments found in these reviews. In the context of faculty governance employed at the UW System institutions, there is reluctance to establish quantitative standards. This may be due to fear that if criteria were objective, candidates would only expect to perform the minimum, whereas tenure is a search for excellence. Also, tenure, and perhaps the eventual promotion to full professor, requires a concerted body of work, mostly in research. This research must be extremely advanced and contribute new knowledge to a field of study. While a general principle such as this can be stated in writing, the specific lack of achievement of a faculty member remains a matter of the department's collective judgment. Therefore, our report focused on assuring that criteria are established, written, and generally followed at the institutions.

**All institutions have a Post Tenure Review plan in place.**

We found all institutions have implemented a Post Tenure Review plan. However, some institutions perform a better job of Post Tenure Review than others. Likewise, some departments within a college do a more effective evaluation than other departments within the same college or campus. While it would be difficult to identify one process as the most effective, we found there tends to be a common set of factors which are present in some of the more effective review plans:

**The active involvement of an institutions administration is critical to the review process.**

First is a strong involvement by Vice Chancellors/Provosts, Deans, and Department Chairs in the oversight of the review process. Deans support the Post Tenure Review as a tool to motivate and assist faculty, to recognize those who excel and to assure work is toward unit goals. Unfortunately, some Deans perceived a lack of leverage to overrule or direct faculty toward a meaningful evaluation outcome.

Second is written criteria. While some departments include written criteria in their review process, others do not. Procedures for Tenured Faculty Review should include written criteria. Each campus must ensure that departments state meaningful criteria for measuring the level of achievement expected of faculty members. The criteria need not be the same for each department

**Faculty must take the process seriously.**

Third, the faculty themselves have to take the process seriously. It can be trivialized as another administrative requirement, especially if there is no reward for outstanding performance and no action is taken for inadequate performance. However, at some institutions, it has been shown to be an effective tool to update fellow faculty members on the direction each is going. In a prospective manner, it

has been used to synchronize each faculty member to the department's or college's goals. Faculty should be encouraged to realize this as a beneficial means through which individuals can communicate personal goals and objectives to their peers.

Fourth, we found that a committee approach improves the review process. When a review committee is composed of faculty members, the process works in a more consistent way. The weakest reviews were done by individual faculty members and by Chairs working alone. It is understandable that individual faculty may be reluctant to personally criticize another in a one-on-one process.

**Positive assistance reinforces the process.**

Finally, where improvement is needed, positive assistance can be helpful. While the Post Tenure Review process is now in its fourth year, we found few instances of defined deficiencies where corrective action was taken. Lack of funds was cited as the primary reason for the inaction. Since Regent policy states that the campus Faculty Development fund may not be used for remedial purposes, funding for professional growth would have to come from existing College/Department budgets. Faculty are not as willing to suggest developmental action if it must be financed through cuts in other budget categories.

**In order to benefit from the successes experienced by the most effective plans, we recommend System Administration and the Institutions consider:**

- *Reevaluating the role of Administration in the review process;*
- *reviewing plans to ensure the use of effective, written criteria consistent with each department's mission and goals;*
- *conveying to faculty the importance and the benefits of the review process;*
- *modifying the review process to provide committee evaluation;*
- *requiring improvement plans to address inadequate performance;*
- *identifying a source of funding that will not compromise existing campus budgets; and*
- *lifting the ban on the use of Faculty Development funds.*

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## CONCLUSION

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**Post tenure review a success in providing a tool to administrators.**

The Post Tenure Review process instituted on UW System campuses is beginning to play an accepted role in ongoing review and improvement of faculty performance. While some faculty may doubt the need for such performance evaluations, every Dean

interviewed valued the review as a much needed impetus for ensuring a quality faculty. At the least, it provides a valuable means of opening avenues of communication on sensitive personnel issues. In its more advanced form, it gives direction for a more unified effort toward unit mission and goals.