

**Minutes**  
**Business and Finance Committee**  
**Board of Regents of the University of Wisconsin System**  
**June 4, 1998**

The Business and Finance Committee convened at 1:05 p.m. in Room 1820 Van Hise Hall, Madison. All Regents were invited to attend. Present were Regents Boyle, Brandes, DeBraska, De Simone, Grebe, MacNeil, Marcovich, Mohs, Orr, Randall, Smith and Staszak.

**I.2.a. 1998-99 Annual Operating Budget**

President Lyall stated that the Board was being asked to approve the 1998-99 annual operating budget. This is not a new request, but rather it allocates funding approved by the Legislature for the second year of the current biennium. The allocation also sets tuition and other rate increases and estimates growth in external funding.

Annual budgets for the second year of a biennium usually tend to be routine in nature and the allocations continue under the same decision rules adopted for the current year. However, the 1998-99 annual budget does have several notable components.

First, this budget contains lower tuition increases than forecast a year ago, combined with increases in both Federal and State financial aid. All resident tuition at the four-year institutions, for undergraduates, graduate and professional students, is proposed to increase 4.9%, or \$57-70 per semester. This is a full 2% below the rate projected in the State budget for 1998-99. This lower increase reflects additional General Purpose Revenue (GPR) funding provided for the unclassified pay plan next year. Tuition for nonresidents will rise 5.5%

The authorized Pell grant maximum will increase by \$300 next year and State WHEG grants will rise 4.5% in 1998-99. Also, up to \$3,000 of tuition will be deductible by Wisconsin families on their State income taxes. The two minority/disadvantaged financial aid programs—Lawton Undergraduate Minority Retention Grants (LUMRG) and Advanced Opportunity Program (AOP) grants—will also increase. Thus, needy students should have sufficient financial aid resources to meet tuition and fee increases.

The proposed allocations and base reallocations reflect the priorities of the Board of Regents' *Study of UW System in the 21<sup>st</sup> Century* and allow implementation of a number of the Study's recommendations:

- The State recognized the importance of the priority on Instructional Technology/Distance Education, by increasing biennial budget second year funding by an additional \$4 million. However, this only begins to meet needs in this pivotal area. As a result, UW institutions will also contribute \$12.1 million, or more than twice the required \$6 million match, from base reallocation into Instructional Technology/Distance Education. Also, students will continue to contribute to this key priority through an additional \$500,000 generated from the ongoing student technology fee.
- This budget also reallocates GPR, tuition revenues and student enrollments among institutions to better meet student demand.
- Funding for Advising, another priority of the *21<sup>st</sup> Century Study*, will increase next year by \$113,300. These funds will continue a pilot project at River Falls and the Colleges begun this year.
- Finally, this budget continues differential tuition schedules for ten key programs in allied health at UW-Milwaukee, graduate summer school at UW-Superior and an evening MBA program at UW-Madison.

Some of the major features of this annual budget are:

- State GPR for the University will increase \$30.8 million (3.5%) and tuition revenue will increase \$21.1 million (4.9%). The overall GPR/Fee budget will increase \$51.9 million (4.0%). Adding other earned revenues, the 1998-99 UW System all-funds operating budget will increase by \$114.8 million, 4.4% over 1997-98. These other program revenue funds are expected to increase by 4.9% overall, including a 4.3% increase in Federal funds and a decline in gift funds of .8% reflecting the unusual one-time Kohl Center donation last year. While the Hospital is no longer budgeted with the System, the Hospital Authority revenue is budgeted in System appropriations, at \$27 million in program revenue or a 3% increase.
- The ongoing reduction to UW-Extension is decreased, per the State budget, from a \$2 million cut in 1997-98 to a \$1 million cut in 1998-99. The State Budget Adjustment Bill provided additional funding of \$1.5 million to UW-Madison to maintain their competitive position in Biological Sciences.
- While slightly higher than the average tuition increases in the Big Ten (4.1%), the UW System's 4.9% increase still leaves UW-Madison students \$607 below the midpoint for tuition only and \$911 below the midpoint for tuition and segregated fees. UW-Milwaukee will still be \$548 below its peer midpoint and the Comprehensives will be \$345 below the midpoint tuition of their peers.
- UW Colleges' tuition is moving, according to the plan in effect for the past three years, towards 87% of the Comprehensives' rate. Their \$141 increase brings tuition at UW Colleges to \$2,097, or 86.4% of the Comprehensives' tuition—still lowest in the UW System and \$194 (9.3%) below the WTCS tuition for College Parallel programs.
- Overall, proposed nonresident undergraduate tuition will increase 5.5% (\$227 per semester at the Comprehensives to \$291 at UW-Madison) and 7.8% (\$274) at UW Colleges. Nonresident graduate and professional tuition also increases at 5.5%.
- The Board's simplified reporting threshold requires detailed justification of increases in Auxiliary Budget and Segregated Fees over 3.6%. Eight of the 13 universities and seven of the 13 colleges exceeded the 3.6% threshold. Student-initiated programs are the major reasons for the increases at all institutions, along with the need to replenish reserves and cover compensation costs.
- The average room and board rate next year will be \$3,308, but will range from minus \$80 to \$324 (-2.1% to 11.0%). The increases are primarily due to debt service, maintenance and remodeling, and maintenance of adequate reserves.
- Larger increases in textbook rental rates reflect the need to replenish reserves for textbook rentals, higher enrollments, inclusion of graduate students and keeping up with changing instructional techniques.
- Parking rate changes range from 25 cents per hour to 75 cents per hour, all within typical ranges to cover regular cost increases and the addition of parking spaces or structures.
- This budget transfers \$104,000 among auxiliaries accounts at UW-Green Bay on a one-time basis to retire its deficit from the former Child Care Center. Authority to transfer from one auxiliary to another, which this request entails, has always been within the statutory purview of the Board.

Because of additional flexibility granted in the State budget, auxiliary reserves are all within appropriate accumulation levels.

This budget takes the System another step toward meeting some of its critical goals. This base will be built upon in developing the next biennial budget as the System strives to maintain the competitive quality of education for its students.

Regent Stazack expressed concern that, although the tuition rates are lower than projected, the rates still reflect a lack of commitment to the priority of education by the Legislature. He noted that the

next biennial budget will be crucial and urged the Board to continue to contact their legislators to express the importance of a commitment to higher education in the State.

Upon the motion of Regent Marcovich and the second of Regent De Simone, the Committee approved Resolution 1.2.a.

### **Resolution 1.2.a**

That, upon the recommendation of the President of the University of Wisconsin System, the 1998-99 operating budget be approved, including tuition refund policy and schedule, an auxiliary transfer at UW-Green Bay to retire debt on the Child Care Center, and rates for academic tuition, segregated fees, textbook rental, room and board, apartments, and parking as reflected in the document 1998-99 Operating Budget and Fee Schedules, June, 1998. The 1998-99 amounts are:

GPR	\$ 910,626,002 (33.5%)
<u>Academic Tuition</u>	<u>451,368,341 (16.5%)</u>
Total GPR/Fees	1,361,994,343 (50.0%)
<u>Other</u>	<u>1,359,794,835 (50.0%)</u>
Total	\$ 2,721,789,178 (100.0%)

Academic tuition for Minnesota Reciprocity students will be incorporated into the 1998-99 Academic Fees/Tuition Schedule upon receipt of final Minnesota tuition information.

The meeting was recessed at 1:26 p.m. and the Business and Finance Committee reconvened in Room 1920 Van Hise Hall at 1:32 p.m. Present were Regents Brandes, De Simone, Grebe and Marcovich.

### **I.2.g. Approval of Minutes of the May 7, 1998, Meeting of the Business and Finance Committee**

Upon the motion of Regent De Simone and the second of Regent Marcovich, the minutes of the May 7, 1998, meeting of the Business and Finance Committee stood approved.

### **I.2.b. UW-Madison Biennial Budget Presentation**

Chancellor Ward noted that UW-Madison was listed in *U.S. News and World Report* as one of the top three public universities in the country. It is the #2 producer of doctorates each year (public and private), #3 in spending on research and development (#2 among public universities), #2 in number of degree programs offered and #5 in terms of private giving (#1 public).

UW-Madison has a distinct mission and different needs than other institutions in the UW System. With 40,000 students, it has a \$3.77 billion economic impact on the State. It has 13.4 million square feet of campus buildings, 43% of all UW System buildings.

UW-Madison is making changes to meet the new priorities of: refocusing the mission, reallocating base budget resources, redirecting gift and trust funds, restructuring operations and resizing the organization.

Maintaining quality will allow UW-Madison to keep the best and brightest Wisconsin high school graduates in Wisconsin, attract and retain the best faculty, continue transferring cutting-edge knowledge and technology to Wisconsin businesses, maintain Wisconsin's

competitiveness in the global economy and prepare Wisconsin's future leaders for the 21<sup>st</sup> century.

The Big 10 median for State funding per student is \$7,100, compared with \$6,100 at UW-Madison; the median undergraduate tuition at Big 10 institutions is \$4,150, compared with \$3,250. Remaining the best requires an investment in faculty, academic infrastructure and financial assistance of students. It will require a \$57 million total investment by the State over four years to bring UW-Madison to a more competitive base level of support among its peers in the Big 10 in terms of State/tuition support per student (current Big 10 median is \$11,250, compared with \$9,350 at UW-Madison). The additional public funding, projected over the next two biennial budget periods, would bring the University to the Big 10 median in terms of support per student from State funding and tuition.

Chancellor Ward indicated he is committed to seeking endowments of \$200-250 million from WARF, the UW Foundation, alumni and donors to match with approximately \$57 million from State tax dollars and tuition. UW-Madison is the benchmark for higher education that many other states would like to emulate. The endowment would enhance UW-Madison's margin of excellence.

Areas targeted for investment included: recruiting and retaining the most talented faculty members who will, in turn, be able to bring in research grants; academic infrastructure to bolster libraries, instructional technology and advising; research and instructional initiatives; facilities; and financial aid.

Committee members each expressed favorable comments on the proposal, agreeing it is an excellent approach.

### **I.2.c. UW Processing Center Final Report on System Accounting and Payroll Consolidation**

Assistant Vice Chancellor Miner presented the final report on the consolidation of the accounting and payroll functions previously performed by the Peterson Processing Center and the WARF Processing Center. The consolidation was completed at the end of calendar year 1997, six months ahead of schedule.

As previously reported to the Board, the accounting functions were merged successfully in November 1994. Since the payroll and benefits systems mergers were much more complicated and affected the pay and benefits of 55,000 UW System employees, a detail plan was developed and concurred to in early 1995. That plan identified three projects to merge the payroll systems by July 1, 1998. The three projects were: (1) merger of a single pilot WARF institution's (UW-Oshkosh) nonstudent payroll and benefit processing into the UW Processing system, (2) merger of the remaining eight WARF institutions' nonstudent payroll and benefit processing using the lessons learned in the pilot institution merger and (3) development or acquisition of a new student hourly employe payroll system to replace the WARF student payroll system.

The pilot project of merging the UW-Oshkosh payroll for classified and unclassified staff was successfully completed in May 1996, earlier than the targeted July 1996 date. As of October 1997, the merger of the remaining eight WARF institutions' nonstudent payroll and benefit processing were converted to the UW Processing Center. And, between October and December 1997, a new student payroll system was constructed and successfully implemented in order to replace the WARF student payroll system.

All processing systems were removed from the 4381 computer mainframe which supported WARF processing and a single UW Processing Center was operating for both payroll and accounting systems, six months ahead of schedule.

A Board of Directors, appointed by President Lyall, serves as a governance body over the operation and planning of the UW Processing Center. The focus now will be on making improvements to both payroll and accounting processing to take advantage of the new distributed technologies. The Board of Regents will be kept informed of plans and progress regarding

improvement of the administration systems as part of its annual review of the UW System Information Technology Plan.

Following Assistant Vice Chancellor Miner's comments, Vice President Bromberg noted that a number of teams had worked on this project and commended all those involved for their cooperation and collaboration to accomplish the goal.

#### **I.2.d. Best Business Practices Report—Systemwide Financial System**

Vice President Bromberg noted that a systemwide team had been asked to identify objectives which represent a best business practice for financial systems. The initial goal was to identify an ideal practice as well as realistic constraints and barriers to achieving the practice. The recommendation was to target an integrated suite of core financial systems software that could be shared by all UW institutions.

A step-by-step conversion plan and timeline were established and the plan was broken into four steps:

- Step 1, to be completed by July 1, 1999, is to have the new system implemented centrally with one to three UW institutions implementing the new system on a pilot basis. Other institutions will continue operating through the current central system, and the current and new central system will be interfaced.
- Step 2, to be completed by July 1, 2000, will add more pilot institutions, with the remaining institutions continuing to work through the current system and the interface. The current system will be made Year 2000 compliant.
- Step 3, to be completed by July 1, 2001, will have the majority of institutions implementing the new system, with the current central system fully replaced by the new system. Institutions not adopting the new system will be responsible for interfacing to it.
- Step 4, which has no completion date specified, will be the completion of the project, with all UW institutions connecting directly and seamlessly to a shared financial system.

The proposal was reviewed and approved by the UWPC Board, Controllers, Institutional Business Representatives and Chancellors. The UWPC Board has been given key responsibility to guide the project.

A preliminary cost estimate and sources of funding were established. The one-time investment for software licenses, hardware, training and consulting is approximately \$5-6 million. Ongoing cost for support and maintenance is \$500,000 to \$600,000. This funding will come from cumulative systemwide institutional carryovers and internal reallocations.

To date, Oracle has been chosen as the database platform, PeopleSoft for applications systems and the pilot institutions are UW-Whitewater and UW-Platteville. The project is currently on target for Step 1.

#### **I.2.e. Report of the Vice President**

Vice President Bromberg indicated there were no items to report on at this time.

#### **I.2.f. Additional Items Which May be Presented to the Business and Finance Committee with Its Approval**

No additional items were presented at this time; however, Regent Marcovich noted he had been receiving questions on investment issues, specifically funds being invested in Disney stock. Other Regents stated they had also been receiving these questions. Vice President Bromberg indicated the issue could be addressed in the next quarterly review.

Upon the motion of Regent De Simone and second of Regent Grebe, the Business and Finance Committee adjourned at 2:25 p.m.

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Donita R. Zintz, Recording Secretary