

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
March 5, 1998

Joint Session with Physical Planning and Funding Committee

- **Funding Capital Projects/Bond Program**

The Business and Finance Committee met at 1:31 p.m., in Room 1920 Van Hise Hall, Madison, with members of the Physical Planning and Funding Committee. Members of the Business and Finance Committee who were present were: Regents Brandes, De Simone, Grebe, Hempel and Marcovich.

Please see the Physical Planning and Funding Committee Minutes for details of the discussion.

The Joint Meeting adjourned at 1:52 p.m., and the Business and Finance Committee convened at 1:56 p.m. in Room 1920 Van Hise Hall, Madison. Present were Regents Brandes, De Simone, Grebe, Hempel and Marcovich and Orr.

I.2.a. Approval of Minutes of the February 5, 1998, Meeting of the Business and Finance Committee

Upon the motion of Regent De Simone and the second of Regent Grebe, the minutes of the February 5, 1998, meeting of the Business and Finance Committee stood approved.

I.2.b. 1998-99 Annual Budget

- (1) Annual Budget Decision Rules and**
- (2) Other Relevant Management Information**

Associate Vice President Sell stated that, in developing annual budgets, the UW System uses decision rules to allocate new GPR/fee funding approved by the Legislature and the Governor. These allocation rules are based on the Board of Regents' Biennial Budget request, Legislative intent and institutional needs. Since 1998-99 will be the second year of the biennium, most funds will be allocated on the same basis as they were in the first year.

The only decision rules which have been slightly modified since last year are those related to the new Instructional Technology/Distance Education funding.

- The PK-12 funding will continue to be held centrally and used for institutional and PK-12 collaborative.
- The SIS/HELP funding will continue to be used for the development of the next phases of the Student Information System. Most of the funding will be allocated to UW-Extension and System Administration for specified projects.
- BadgerNet funds will continue to be spent on behalf of UW institutions to establish the statewide educational network.
- A portion (\$177,500) of the technology infrastructure funding will be allocated to UW Colleges for site support and another \$100,000 will be transferred to UW-Extension for Instructional Communication Services (ICS). The remaining infrastructure funding will be allocated to UW institutions based on target FTE student enrollment for network capacity, equipment and site support. Each institution will be guaranteed a minimum of \$60,000 and will have to report annually to System Administration on the use of the funds and how they support the BadgerNet project.

- Faculty/Staff technology and training will be held centrally (25%) for large scale campus initiatives and allocated (75%) to UW institutions based on target FTE student enrollment, with each institution guaranteed a minimum of \$60,000.
- Once again, reporting on auxiliary rate increases will be subject to a threshold (3.6%), determined by the three-year average increase in Wisconsin Disposable Income Per Capita. For each of the following activities—segregated fees, room and board rates, apartment rates or book rental rates—institutions with increases greater than 3.6% will submit more detailed worksheets than for those below the threshold. This policy has led to significant reductions in administrative time and paperwork.

The remaining decision rules reflect the same rules or only minor changes from the previous year. A few which should be highlighted are:

- As recommended by the Regents' Study of the UW System in the 21st Century, each UW institution will again reallocate their proportionate share of the \$6 million total annual reallocation requirement for instructional technology and distance education.
- The State Biennial Budget increased funding for the two UW System Financial Aid Programs—Advanced Opportunity Program and Lawton Undergraduate Minority Retention Grant. These funds will be allocated, as in the past, based on each institution's portion of a three-year, rolling average headcount.
- Compensation will be distributed to institutions based on the October 1996 payroll adjusted for 1997-98 pay plan increases. Unclassified compensation of 4.5% is being partially funded by the State. It is expected they will pick up about 80% of their normal GPR share (which is 67% GPR) and the rest will be funded from fees as part of the System's limited tuition flexibility. The State is funding about 80% of a 3.5% adjustment for unclassified represented staff and 3% for the nonrepresented staff. In addition, the State is covering about 80% of a 0.5% performance award. The rest of these amounts, plus up to an additional 1% for nonrepresented staff for performance awards, must be covered by base reallocation.

Actual annual budget allocations will be brought to the Board in June.

Regents Grebe and Orr were not present for Items I.2.b.(2) through I.2.g.

Associate Vice President Sell also provided guidelines for UW institutions in implementing their annual budgets. This information outlines specific requirements for reports to the Department of Administration and the Joint Finance Committee which provide accountability and annual budget oversight for State and Regent policies and requirements. These guidelines are also similar to 1997-98 management information.

- System Administration is required to submit a one-time report to the Joint Finance Committee by November 1, 1998, which must include discussion of the expenditure of 1997-99 technology funding and the benefits of current and future funding.
- The 1997-99 State Biennial Budget permits UW institutions to use unanticipated surplus auxiliary revenues for other student-related activities. A committee representing institutions and System Administration is in the process of developing policy and procedures to govern these transfers. The committee will recommend a policy to the Board for action this spring.
- Auxiliary reserve reporting was modified in the State Biennial Budget to move the reporting date from July 10 to September 15. This means the Board of Regents will review reserves in September and will forward only those reports from institutions requesting approval to accumulate reserves in excess of 15% of the prior year's total revenues from student segregated fees and other auxiliaries.
- Institutions will continue to internally monitor the recruitment and retention fund to ensure that it remains committed to the purpose of recruiting and retaining high quality academic staff and faculty.

- Compensation will be distributed as approved by the Board in February 1997 for both years of this biennium. Each institution will present plans for its compensation distribution for approval by System Administration prior to implementation.
- The 1997-99 Biennial Budget permitted the UW System to create or abolish positions funded through trust fund income and required that the Board submit a quarterly report to the Department of Administration and Joint Finance Committee.

Regent Hempel expressed concern that only 40% of the Instructional Technology request was funded and this will be a multi-year problem since every institution has infrastructure problems. She inquired how the progress was being assessed at each institution. Vice President Bromberg responded that staff are working on this and will be reporting back to the Board.

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

Resolution I.2.b.(1)

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 1998-99 annual budget allocation decision rules.

I.2.c. Differential Tuition Proposals

(1) UW-Milwaukee Allied Health Differential Tuition

Chancellor Schroeder indicated that UW-Milwaukee proposes to apply a 20% tuition surcharge to students (both resident and nonresident) admitted to its Graduate programs in Communication Science and Disorders (CSD), Occupational Therapy (OT) and Physical Therapy (PT). This surcharge would be phased in over the next two academic years (10% increases annually) for all students in the CSD and OT programs. In 1998-99, all students would be assessed a 10% surcharge. In 1999-2000, these students and the next class of newly admitted students would be assessed an additional 10% surcharge. The two-year surcharge would be applied to all students admitted to the first class of PT students when the program begins in fall 1999.

Demand is high for these program, with over 100 applicants applying each year to UW-Milwaukee for the CSD program, which currently has a fixed total enrollment of 50 students (new and continuing). The graduate OT program is a new and developing program with a fixed enrollment of 30 students. The new graduate PT program will have a total enrollment of 100 students in two classes. Nationally and locally, applications for PT programs exceed a ratio of five applicants per available slot.

Allied health programs in the rehabilitation sciences are very expensive to operate due to laboratory and facility upkeep and ongoing supply expenses and equipment replacement, and higher faculty salaries. The new rehabilitation science programs in PT and OT will require space and equipment currently not available to the School of Allied Health Professions. Similar needs exist for the CSD graduate program. In addition, the requirement for campus-based clinical practicum to complete the CSD degree creates a significant fiscal expense for practicum supervisory staff. Currently, the program requires support for four FTE supervisors, but the program budget can cover only two FTE.

Regent Hempel expressed concern in regard to the enormous pressure for access to these programs at all the schools offering them, and inquired if there were plans to expand the programs over time. Chancellor Schroeder responded that that would require additional faculty and space. They are currently exploring a subcontracting arrangement with the Curie facility on the Milwaukee Medical grounds which would allow for some expansion of the program.

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

Resolution I.2.c.

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Milwaukee, the UW-Milwaukee Allied Health Differential Tuition, beginning in the academic year 1998-99 be approved, with specific tuition rates for this program established as part of the applicable UW System Annual Budget.

(2) UW-Superior Summer Graduate Tuition Pilot

Chancellor Erlenbach and Provost Charles Schelin asked the Board to approve a tuition pilot for the summer graduate programs at UW-Superior, beginning in the summer of 1998. The specific tuition to be charged on a per-credit basis for all graduate credits taken in the summer of 1998 would be the graduate per-credit rate (\$174 per credit) as approved by the Board with the 1997-98 Annual Budget. Future summer rates will be established at the time the Board adopts the specific UW System Annual Budgets.

The summer graduate tuition schedule at UW-Superior is similar to the schedule at most UW comprehensive institutions. Students pay a per-credit rate along with a portion of the segregated fees for each of the first five credits taken. If students take 6-8 credits, they pay the same fee as students registered for five credits, and for the ninth and subsequent credits, the per-credit fee is again applied.

Most of the graduate courses offered during the summer at UW-Superior are for professional programs. The three most popular programs are Educational Administration, Teacher Education and Counseling. To accommodate the student demand, a wide array of courses are offered, typically delivered in three-week blocks of time.

The additional revenue generated by this per-credit tuition would remain at UW-Superior for use by these programs from which the revenue is generated. Due to the nature of the Educational Administration, Teacher Education and Counseling programs, extraordinary expenses are incurred for faculty travel to remote course delivery sites and for student field experiences. Using supplies and expenses per unclassified staff measure, these programs cost 79-162% more than the midpoint cost of such expenses from all 18 of UW-Superior's departments. The additional summer revenue would be used to offset the cost of these expenses and continue the wide array of summer course offerings.

Chancellor Erlenbach noted that, although the Student Senate is opposed to the proposal, the University still wants to pursue it.

Jamie Kuhn, representing the United Council of University of Wisconsin Student Governments, expressed concern that, if students find tuition rates too high at UW-Superior, they will go to other institutions, most likely in Minnesota. She noted that UW-Eau Claire had worked with students to gain consensus in implementing a differential tuition plan and that UW-Stout did not move forward with a proposed plan due to the dissent of students. She encouraged the Committee to ask the Chancellor to go back to the working table with students to come up with a different proposal.

Chuck Droege, representing the UW-Superior Student Government, suggested using a sliding scale with no additional per credit charges for the summer sessions.

Chancellor Erlenbach responded that this is a pilot proposal which will be brought back to the Board if it doesn't work. However, after exploring alternatives, this seems to be the most logical proposal.

Regent Marcovich stated that the majority of students affected appear to be employed teachers who would have the ability to pay the additional cost, and that that will take the burden of any potentially higher costs away from other students. He was in agreement with Ms. Kuhn's request that students be an integral part of the evaluation process of the experiment over the next year.

Upon the motion of Regent Marcovich and the second of Regent De Simone, the Committee approved Resolution I.2.c.(2).

Resolution I.2.c.(2)

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Superior, the UW-Superior Summer Graduate Tuition Pilot, beginning in the summer 1998 be approved, based on tuition rates established in July 1997 as part of the 1997-98 UW System Annual Budget.

Regent Hempel noted that, at the request of Regent Staszak, this item would not be on the consent agenda for the full Board.

I.2.d. Distinguished Prefix for Category B Academic Staff

Assistant Vice President Brooks noted that President Lyall was recommending making available to the Chancellors the ability to designate as “distinguished” those instructional and research academic staff who have gained renown in the academic community for their work. This recommendation comes at the request of the Academic Staff governance bodies throughout the UW System and with the support of the UW System Provosts.

The Board of Regents made this designation available to professional academic staff in 1991. Presently, approximately 1% of the 4,100 professional academic staff have been awarded this recognition. It is expected that a similar select few of the 2,700 instructional and research academic staff will be awarded this distinction.

Regent-approved changes to the instructional and research academic staff title structure are not subject to approval by the Department of Employment Relations; therefore, Board approval of the proposal at this time will allow the institutions to be notified that the “Distinguished” prefix is available to staff in the titles listed in the resolution and provide adequate time for the Chancellors and Academic Staff governance bodies to consider awarding the prefix beginning with the new fiscal year.

Regent De Simone inquired of the salary affects of the award. Assistant Vice President Brooks replied that, in most cases, since there are no salary caps, most have probably already received salary awards and the prefix would not result in additional monetary awards.

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

Resolution I.2.d.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the use of the Distinguished prefix, as currently applied throughout the UW System, for Instructional and Research academic staff in the titles: Professor CHS; Clinical Professor; Lecturer; Faculty Associate; Instrumentation Innovator-Instruction and -Research; Researcher; Scientist; and, Research Animal Veterinarian. In addition, the Board of Regents authorizes the UW System President to establish appropriate UW System salary minimums consistent with such Distinguished prefix assignments.

I.2.e. Affinity Advertising Program

Peter Fox, Director of Public Information, reported that the UW System was approached last fall by a consortia of television stations with an idea for developing public service advertisements about the System that would be donated by interested regional businesses. The process, called “Affinity Advertising,” has been successfully used by not-for-profit organizations around the country.

Businesses which employ significant numbers of UW graduates and those with special relationships with UW institutions would sponsor tasteful advertisements highlighting the contributions of the System institutions to the State and thanking the citizens of the State for their support. In return, their logo or name would appear at the end of the message. Money would go directly from the businesses to the TV stations which represent the seven television markets in the State. The University will have final say on all ad content and all participating businesses.

I.2.f. Report of the Vice President

(1) Agreement with Private, For-Profit-Making Organization

(a) UW-Madison Contractual Agreement with G.D. Searle & Co.

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

Resolution I.2.f.(1)(a)

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 accepts the agreement with G. D. Searle & Co. entitled, “Data Analysis Center for the EXCITE Study.”

I.2.g. Biennial Budget Presentation: Financial Aid

Assistant Vice President Peters summarized information presented in the Office of Policy Analysis and Research’s (OPAR) recently-completed report on Financial Aid. In 1996-97, 76,000 UW System undergraduate and graduate students received \$405 million in a combination of both need-based and nonneed-based financial aid. Over half (54%) of all undergraduates and one-third (33%) of all graduate/professional students received financial aid in 1996-97.

In 1996-97, 70% of total aid was in the form of loans, 27% was in the form of grants and 3% was in the form of work programs. Although 58% of all UW resident undergraduates have debt upon completing a Bachelor’s degree, compared to two-thirds in the mid-1980s. The average undergraduate’s debt upon graduation in 1996-97 was \$13,332, compared to \$6,585 ten years ago. Over one-quarter (27%) of this debt came from nonneed-based loans.

Over four of every five financial aid dollars (84%) to UW students were provided or underwritten through a federal program, a proportion that has remained relatively stable over the past decade. Nationally, the federal government provided an estimated 73% of student aid to students in postsecondary education during 1996-97.

Aid from State sources represented less than one-tenth (8%) of all aid. After increasing to 12% in 1990-91, this proportion has declined over the past several years. Almost all State aid is in the form of grants, with 50% of State aid coming from Wisconsin Higher Education Grants (WHEG). Academic Excellence Scholars, a nonneed-based aid, is the next largest program.

Slightly less than one of every five UW resident undergraduate students (18%) received a WHEG award in 1996-97, a proportion that has been relatively constant over the past decade. While the proportion of UW students receiving the grant has declined from the previous year, the average WHEG

award has increased 27% over the same period. In 1996-97, the program provided \$15.7 million in grants and constituted half of all State grant dollars.

The Board of Regents' Financial Aid Policy states that GPR financial aid and graduate assistant support should "increase at a rate no less than that of tuition...."

Based on the anticipated resident undergraduate need during 1997-99, staff anticipate an increase of \$5.1 million needed for the WHEG program. It would be necessary to request the Governor increase the WHEG appropriation commensurate with tuition.

The Lawton Undergraduate Minority Retention Grant (LUMRG) provides grant assistance to underrepresented minority sophomore, junior and senior students. Currently, 1,600 students receive LUMRG assistance, with an average award amount of \$1,258. It is anticipated LUMRG appropriations will need to increase by \$0.6 million in the 1997-99 biennium.

The Advanced Opportunity Program (AOP) is currently providing an average award of \$7,169 to 500 minority and disadvantaged graduate students. This is expected to increase by \$0.4 million in 1997-99.

The Business and Finance Committee adjourned and the Audit Subcommittee convened at 2:51 p.m. Present were Regents Brandes, Hempel and Marcovich.

I.2.h. Audit Subcommittee

(1) Periodic Update

Internal Audit Director Yates provided the Subcommittee with a status report on audits currently being performed by the Office of Internal Audit, and with information on audit activities being conducted by outside auditors.

Academic Fee management letters were issued for UW-Stevens Point, UW-Stout, UW-Green Bay and UW-La Crosse. Based on overall compliance with System guidelines by the institutions, it is being recommended that future Academic Fee audit work be conducted by the institutional auditors.

Extended Degree Program management letters were issued to the four institutions offering this program (UW-Green Bay, UW-La Crosse, UW-River Falls and UW-Superior). It is recommended that refund policies, annual service agreements, payment plans and contracts be modified to comply with System policies and procedures.

The Wisconsin Distinguished Professorship Program was reviewed at eight institutions and management letters were subsequently issued. It is recommended that institutions file all required financial and program reports and ensure match requirements are met.

Laboratory Modernization and Student Tech Fee programs were reviewed at all institutions. Minor problems were noted and recommendations for improving compliance were made in management letters to the institutions.

Summary reports were issued in draft form for the Extended Degree Program, Wisconsin Distinguished Professorship Program and the Laboratory Modernization and Student Tech Fee programs. The summaries will be shared with the Subcommittee as part of the next Audit Status Report.

Unclassified Sick Leave usage is being reviewed and all necessary fieldwork has been completed. A report will be issued by May on the status of compliance with the agreements.

Library Acquisitions audit fieldwork has begun at selected institutions. The report is expected to be complete by summer of 1998.

Recruitment and Retention program review work has begun and a report is expected to be completed by fall 1998.

Academic Assessment review work was performed at five institutions. A final report has been issued, recommending that institutions share information about effective planning methods, review their

assessment plans for criteria and multiple measurement methods and communicate with each other about resulting program improvements.

Trust Funds and Investment review activities were performed on the Statements of Investment Objectives and Guidelines set by the Board of Regents. A final report has been issued indicating that the UW Trust operation has established procedures to adequately monitor the Investment Fund's objectives and guidelines. However, some minor deficiencies were identified, and the Trust Office has agreed to correct them.

The Legislative Audit Bureau (LAB) has begun the annual federally-required A-133 audit of all Federal monies for fiscal year 1996-97, which includes student financial aid funds and research and development grant funds. It is expected the report will be completed by fall 1998. In addition, the LAB audit of the institutions' service centers, started in fall 1997, is expected to be completed by spring 1998.

The Audit Subcommittee adjourned at 3:08 p.m.

Donita R. Zintz, Recording Secretary