

I.2. Business and Finance Committee

Thursday, May 7, 1998
UW-Oshkosh
Reeve Memorial Union
Room 220
1:30 p.m.

- a. Approval of the April 2, 1998 meeting of the Business and Finance Committee
- c. Auxiliary Transfer Policy
[Resolution I.2.c.]
- d. In-State Tuition Remissions for Graduate Assistants
[Resolution I.2.d.]
- e. Report of the Vice President
 - (1) Agreement with private for-profit making organization
 - (a) UW-Madison Contractual Agreement with Geron Corporation
[Resolution I.2.e.(1)(a)]
 - (2) Quarterly Gifts, Grants 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)(e), *Wis. Stats.*

2:00 p.m.

- h. Audit Subcommittee
 - (1) Annual Financial Audit Management Letter
 - (2) Periodic Audit Update

BUSINESS AND FINANCE COMMITTEE

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the auxiliary transfer policy creating guidelines for transferring surplus moneys from auxiliary enterprises for the purpose of funding the one-time, fixed duration costs of any student related activity and for transferring surplus moneys from one auxiliary to another.

Auxiliary Transfer Policies

EXECUTIVE SUMMARY

BACKGROUND

The 1997-99 biennial budget authorized the UW System to transfer surplus moneys from auxiliary enterprises for the purpose of funding the one-time, fixed duration costs of any student related activity. *20.285 (1) (h) Auxiliary enterprises. Upon the request of the extension or any institution or center within the system, the board of regents may transfer surplus moneys appropriated under this paragraph to the appropriation account under par. (kp).*

20.285 (1) (kp) Student-related activities. All moneys transferred from par. (h) for the one-time, fixed-duration costs of any student-related activity.

In addition, the 21st Century Study advocated allowing transfers out of auxiliaries as well as exercising our existing authority to make transfers within auxiliaries. Similarly, In October 1997, the Board of Regents passed Resolution 7555 which *Provides institutions with the flexibility to transfer surplus funding from one auxiliary activity to another. Transfer requests would be made to System Administration and would be considered at the time of the Board of Regents' deliberations on the annual operating budget.*

The following guidelines are proposed for enactment as Board policy to govern both types of transfers.

REQUESTED ACTION

Approval of resolution I.2.c. creating guidelines for transferring surplus moneys from auxiliary enterprises for the purpose of funding the one-time, fixed duration costs of any student-related activity and for transferring surplus moneys from one auxiliary to another.

DISCUSSION

The recommended policy was formed by an auxiliary transfer working group that included 6 institutional representatives and three System staff. The committee tried to address several issues in the finalized policy.

First, the committee developed a policy which provides for appropriate student consultation on the surplus money transfer. These transfers will *not* involve funds from the allocable segregated fees which are subject to the provisions of Chapter 36 and FPPP 37. Second, the committee had a goal of providing clear definitions of terms in the statutory language. Third, the committee developed a clear approval process with sound review of the request while not making an overly cumbersome process for the institutions.

The auxiliary transfer policy will be incorporated into FPPP 43, currently under revision.

POLICY RECOMMENDATION

1. Transfers will only occur within the same institution.
2. Transfers will be discretionary (as opposed to automatic whenever a one time surplus occurs)
3. Transfers will occur only if initiated by the institution where the transfer is to occur.

Definitions

1. "Auxiliary enterprises" refer to fund 128 operations, including both student fee funded (student unions, student activities, etc.) and non-student fee funded (performing arts centers, golf courses, etc.).
2. "One-time, fixed duration costs" are costs occurring within a specific time frame.
3. "Student related activities" are generally defined as instruction, student services, academic support; however, those other budget activities which are also partially funded from academic tuition may be requested with explanation.
4. The sources of surplus moneys for transfer are expected to be:
 - unanticipated current revenues
 - unanticipated expenditure savings
 - project cancellations for which funding provisions had been initiated.

In making a request to transfer these moneys from one auxiliary to another or to one-time fixed duration, student related costs, an institution must provide assurance of the following:

- appropriate reserve benchmarks are being met as defined in the revised FPPP 43
- that the purpose for which the transfer is requested is a higher institutional priority for these funds than other possible uses.
- the transfer will not increase rates or segregated fees beyond planned levels of increase.

Institutions will assure the preceding by providing information on items 1a-1d below.

Request for Transfer

1. Institutions will submit transfer requests to the UW System Administration for Board of Regents approval during the annual budget process. Requests should:
 - a) Clearly identify the source and application of the funds.
 - b) Demonstrate that the transfer is a priority in the strategic and other campus plans.
 - c) Provide a three-year plan projecting the effects of the transfer, including the effects on rates and reserve levels. The plan should demonstrate that the transfer will not adversely affect rates.
 - d) Provide an explanation of the process for consulting with students for student fee funded operations, and the appropriate consultation processes for non-student fee funded operations, and resulting comments. If students remain concerned about the final campus decision, they may make a formal request, following standard procedure to address the Board of Regents, to provide testimony as part of the Board considerations of the relevant annual budget action item.

Other

1. Institutions will report on the benefit of the transfer to System Administration after the Regents approve the transfer and after it has occurred.

Delegation of Authority to Establish
Graduate Resident Tuition Remissions

BUSINESS AND FINANCE COMMITTEE

Resolution:

Revise delegation of authority granted in section 36.27 (3) Wisconsin Statutes to remit nonresident tuition to the chancellor of each institution to include resident tuition remissions for graduate assistants with appointment equal to at least 33% of a full-time equivalent position.

5/8/98

I.2.d.

DELEGATION OF AUTHORITY TO ESTABLISH RESIDENT GRADUATE TUITION REMISSIONS

EXECUTIVE SUMMARY

BACKGROUND

The 1997-99 biennial budget (1997 Wisconsin Act 27) included a statutory language change that requires the Board of Regents to remit nonresident tuition and fees, in whole or part, to resident and nonresident graduate students who are fellows or who are employed within the system as faculty, instructional academic staff or assistants with an appointment equal to at least 33% of a full-time equivalent position. Currently, the Board has delegated to the chancellors the authority to remit nonresident tuition as granted under statute.

REQUESTED ACTION

The Board is asked to revise current policy regarding delegation of authority granted in section 36.27 (3) Wisconsin Statutes to remit nonresident tuition to the chancellor of each institution to include resident tuition remissions for graduate assistants with appointment equal to at least 33% of a full-time equivalent position.

DISCUSSION & RECOMMENDATIONS

This legislation was enacted to make UW-Madison and UW-Milwaukee more competitive in recruiting and retaining graduate students with their peer groups who generally remit both resident and nonresident tuition. UW-Madison and UW-Milwaukee have already implemented full remissions of tuition and fees for Teaching Assistants and Program/Project Assistants for Spring 1998 as part of collective bargaining agreements. The collective bargaining agreements adjust the salaries of these graduate assistants to ensure that reasonable compensation is provided.

UW-Madison will also provide these remissions to research assistants and will also adjust their stipend levels for the same purposes as identified above. Similar to teaching assistants, UW-Madison must compete nationally for these students. While UW-Milwaukee also competes nationally for these students, they will provide nominal remissions of up to \$100 per semester (remission in part) and increase stipends to meet market pressures.

Both UW-Madison and UW-Milwaukee will reimburse their GPR/Fee budgets as a result of reductions in salaries to non-GPR supported students. Remissions to these students also result in foregone revenue that will be made-up by UW System institutions from other fund sources including, potentially, tuition paid by other students.

	Teaching/Program Assistants	Research Assistants	Graduate Assistants	Total Assistants
UW Madison	2,200	1,700		3,900
UW-Milwaukee	610	125		735
Comprehensive			400	400

Currently, UW System comprehensive institutions do not face national market challenges recruiting and retaining graduate assistants. As a result, UW System Comprehensive institutions are planning to provide resident tuition remissions of \$50 per semester to eligible graduate students to meet the requirements (remission in part) of this law.

The delegation of this authority to the chancellors of UW System institutions will provide them the flexibility to each set their own remission levels. In future years, UW System institutions may change from current remission levels as graduate recruitment and retention markets change.

RELATED REGENT POLICIES

1997 Wisconsin Act 27 (Biennial Budget Bill)

Board Of Regents Policy (May 5, 1987, Regent Resolution #7389)

BUSINESS AND FINANCE COMMITTEE

Resolution:

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 the agreement entitled "Therapeutic Implications of Primate Primordial Stem Cells" that will provide \$927,148 in support of the research.

May 8, 1998

I.2.e.(1)(a)

CONTRACTUAL AGREEMENT WITH GERON CORPORATION

EXECUTIVE SUMMARY

BACKGROUND

UW-Madison is prepared to enter into a contractual agreement with Geron Corporation to undertake a research project that will study Embryonic Stem (ES) cells that can proliferate indefinitely in tissue culture and maintain the potential to differentiate to all of the cell types of the adult body (eg. nerve, muscle, skin, bone, etc.). The long term medical benefit of this project will be the ability to generate an unlimited supply of specific differentiated cells in tissue culture from differentiating ES cells to treat human disease (such as diabetes or Parkinson's disease) by transplantation. The plan is to derive primate ES cells, including human ES cells, develop techniques that direct the differentiation of primate ES cells to neurons in tissue culture, and develop techniques to generate primate ES cells MHC-matched to a specific individual, so that immune rejection of transplanted cells is avoided. The study is being conducted by the Primate Research Center.

REQUESTED ACTION

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 the agreement entitled "Therapeutic Implications of Primate Primordial Stem Cells" that will provide \$927,148 in support of the research.

DISCUSSION

Board of Regents policy requires Regent approval when a contractual agreement with a private for-profit organization exceeds \$500,000.

RELATED REGENT POLICY

Regent Resolution 7548, dated September 5, 1997, Authorization to Sign Documents.

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

MJM
 April 27, 1998

FISCAL YEAR 1997-98	Extension	Instruction	Libraries	Misc	Phy Plt	Research	Student Aid	Total
Total	40,756,739	28,289,544	1,126,519	43,768,436	35,716,552	286,751,398	69,005,923	505,415,111
Federal	17,797,439	17,896,058	0	5,510,200	0	193,414,913	62,729,250	297,347,860
Nonfederal	22,959,300	10,393,486	1,126,519	38,258,236	35,716,552	93,336,485	6,276,673	208,067,251

FISCAL YEAR 1996-97

Total	34,336,276	25,808,015	1,666,751	42,508,489	10,460,977	286,158,684	64,848,577	465,787,769
Federal	14,426,258	15,430,524	504,747	6,098,215	13,480	194,699,480	58,536,918	289,709,622
Nonfederal	19,910,018	10,377,491	1,162,004	36,410,274	10,447,497	91,459,204	6,311,659	176,078,147

INCREASE(DECREASE)

Total	6,420,463	2,481,529	(540,232)	1,259,947	25,255,575	592,714	4,157,346	39,627,342
Federal	3,371,181	2,465,534	(504,747)	(588,015)	(13,480)	(1,284,567)	4,192,332	7,638,238
Nonfederal	3,049,282	15,995	(35,485)	1,847,962	25,269,055	1,877,281	(34,986)	31,989,104

AUDIT STATUS REPORT

BACKGROUND

This report is presented to the Board of Regents Audit Subcommittee to provide a status report on all audits currently being performed by the Office of Internal Audit, summaries of the Wisconsin Distinguished Professorship Program and the Student Tech Fee and Laboratory Modernization program reviews, and information on audit activities being conducted by outside auditors.

REQUESTED ACTION

For information only.

AUDIT STATUS

- 1) Wisconsin Distinguished Professorship Program was reviewed at eight institutions and management letters were subsequently issued. We recommended institutions file all required financial and program reports and ensure match requirements are met. A final report has been issued and a summary is attached.
- 2) Student Tech Fee and Laboratory Modernization programs were reviewed at the institutions. Minor problems were noted and recommendations for improving compliance with the programs' objectives were made in either memos or exit interviews with the institutions. A final report has been issued and a summary is attached.
- 3) Extended Degree Program management letters were issued to the four institutions offering this program (Green Bay, LaCrosse, River Falls, and Superior). We recommended refund policies, annual service agreements, payment plans and contracts be modified to comply with System policies and procedures. In addition to the management letters, a summary report which offers several recommendations for improving the program, will be shared with you as part of the next Audit Status Report.
- 4) Unclassified Sick Leave usage is being reviewed, and all necessary fieldwork has been completed. We reviewed compliance with the agreements each institution negotiated with the Department of Administration in 1989 and 1990 concerning the recording and usage of faculty sick leave. A report will be issued in May on the status of compliance with the agreements and, if necessary, recommendations for improvement.

- 5) Library Acquisitions audit fieldwork has begun. We are reviewing selected institutions' procurement practices with major book and periodical vendors, reviewing the feasibility of centralizing the procurement process, analyzing acquisition patterns of libraries through comparisons with peer institutions, and reviewing resource sharing by UW System libraries. We expect to complete the report by summer 1998.
- 6) Recruitment and Retention program review work has begun. We are reviewing the extent to which competitive salary levels have affected the institutions' ability to recruit, hire and retain well-qualified faculty members. We have begun field work at three institutions: Madison, Stevens Point and Whitewater. We expect to complete a report by fall 1998.

OUTSIDE AUDIT STATUS

The Legislative Audit Bureau (LAB) has begun the annual federally required A-133 audit of all federal monies for fiscal year 1996-97 that 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 early spring 1998. LAB has also begun a limited review of the mass transit contracts that institutions have with local transit authorities.

The LAB audit of our 1996-97 financial statements issued in December, 1997 also included a management letter that was released May 6, 1998. We received an unqualified auditor's report on our financial statements, and the management letter identifies areas needing improvement. In some areas, such as the development of an improved accounting system, System is making significant progress and will continue our efforts to improve our financial operations.

There are no other major audits being conducted by outside auditors.

WISCONSIN DISTINGUISHED PROFESSORSHIP PROGRAM Report Summary

The Wisconsin Distinguished Professorship Program was created under sec. 36.14, Wis. Stats. The program began in 1987 on the recommendation of the Strategic Development Commission and the Board of Regents' Future Study Committee. The State has provided annual funding of \$500,000 to support up to 50% of the salary and related costs for each of 20 Distinguished Professors, with the requirement that private funds support the remaining cost. The Wisconsin Distinguished Professorship Program is designed to recruit and retain faculty to assist in emerging economic development in the State of Wisconsin. University of Wisconsin faculty awarded a distinguished professorship appointment are individuals whose scholarship and service demonstrate a potential impact upon Wisconsin's economy and are judged as outstanding by peers and the public.

Professors are nominated through a competitive process for a five-year appointment and can be re-nominated for successive five-year periods. In December 1997, there were 19 distinguished professors, 11 of whom were serving a second term. Since the program started, a total of 31 professors have been nominated. Distinguished professors and college Deans interviewed expressed a great deal of support for the program. Some faculty members stated that they have passed up more lucrative employment opportunities with other organizations so that they can receive the title, "**Wisconsin Distinguished Professor**". The program also facilitates and enhances research activities while at the same time encouraging professors to interact with the Wisconsin and regional businesses, industries, and communities.

The review of the Wisconsin Distinguished Professorship Program was performed at the eight UW institutions participating in the program. UW System Office of Academic Affairs, in conjunction with Financial Administration, has established written administrative policies and procedures. These administrative guidelines are used to govern the activities of the Wisconsin Distinguished Professorship Program. The guidelines outline how professors are nominated, what kind of documents and qualifications are needed for review, the mechanics of the nomination process, matching requirements, how financial transactions are accounted for or reported, and what program activity and performance evaluation reports are required. We reviewed expenditures and revenues in Fund 119 (public) and Fund 182 (private matching) for compliance with System guidelines.

We found policies and procedures were generally followed, and financial requirements and/or mandates were met by most of the participating institutions. Faculty selection appeared to be in accordance with System guidelines and public, as well as private (matching), funds are used appropriately. However, some concerns were noted in filing required reports, assessing overall program progress, securing adequate private funds, and utilizing matching funds. We recommended financial and program reports be filed, guidelines on matching funds be strengthened, and policies and procedures be reviewed for external appointments, extramural funds, and unallocated funds.

**Student Technology Fee
and
Laboratory/Classroom/General Computer Access
Modernization Programs
Report Summary**

The 1997 UW System Information Technology (IT) Plan is an expansion on the Report of the Vice Chancellor's Working Group on Academic Programs and IT Planning. The UW System Information Technology Plan will improve student and faculty use of technology in education and research. Areas of emphasis are: Faculty Technology, Student Technology, Classroom Technology, Library Technology, Instructional Design and Support Staff, Network Technology, and Help Desk & Technical Support

UW System has not set aside a special funding allocation for implementing the IT Plan. The intent is to provide funding through base budgets and other program funding sources. We audited two of these program funding sources: the Student Technology Fee and the Laboratory/Classroom/General Computer Access Modernization programs.

Student Technology Fee

In the 1991-93 biennium, UW-Madison was given the authority to increase student fees to fund several initiatives, including: increasing the number of freshmen courses/sections and adding small-sized courses for freshmen; establishing an Undergraduate Research Support Program and expand Senior Thesis Award Program; and increasing financial aid. To expand on the benefits achieved from the 1991-93 initiatives, additional funding initiatives were added in the following two biennia, including funds for information technology, an automated degree audit record system, and other improvements. In the 1995-97 Biennial Budget, the Student Technology Fee for all other institutions was funded from a one percent supplemental tuition charge in 1995-96 and an additional one percent in 1996-97. Over \$6 million in funding was available in 1996-97.

In reviewing compliance with program regulations and reporting requirements, we found overall institutional compliance with UW System policies. In addition, we found that student surveys have been a useful practice, and we recommended surveys be used at all institutions on a recurring basis.

Laboratory Modernization & General Computer Access Programs

This program was designed to provide funds to increase student access to technology by modernizing individual laboratories and computer areas by replacing equipment, adding supplies and remodeling to provide an updated learning environment for students. In 1985, modernization projects totaled \$100 million or \$70 per student per year for a 10-year period. Request for funds from the state have seen limited success with over \$87 million allocated in the past 12 years.

We found the institutions have done an excellent job of utilizing the funds to modernize laboratories and classrooms and complying with UW System policies. We made some

recommendations with respect to reporting; the review or establishment of guidelines in the Laboratory/Classroom and Computer Modernization Committee; and the audit of a sample of completed Modernization projects each year. The Office of Budget and Planning and the Office of Learning & Information Technology are in agreement with the report and are taking a number of actions to implement the recommendations to include reestablishing the Laboratory/Classroom and Computer Review Committee.