

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
October 8, 1998

The Business and Finance Committee met jointly with the Education Committee at 1:00 p.m., in Phoenix Room B, University Union, UW-Green Bay. All Regents were invited to attend. Present were: Regents Barry, Benson, Boyle, Brandes, De Simone, Hempel, James, MacNeil, Marcovich, Olivieri, Orr, Randall, Smith and Staszak.

I.2.a. Pilot Distance Education Funding Policies

Vice President Ward noted that the Regents' *Study of UW System in the 21st Century* directed the President of the UW System, in collaboration with the Chancellors, to explore strategies that would permit the UW System to move rapidly and effectively into the distance education market and become a major provider throughout the State and beyond.

Policies to facilitate distance education programs at the institutions and to provide general parameters with flexibility delegated to the institutions were put into place in July 1995, with a directive that they be reviewed every three years.

The number of distance education courses offered by UW System has grown from 181 in academic year 1995-96 to 331 in 1997-98. Enrollment during that period has grown from 3,537 to 5,877, 82% of which are Wisconsin residents. Distance education enrollment by target audience for 1997-98 was as follows: business, 9%; general public, 5%; health professions, 5%; high school students, 3%; teachers/other educators, 16%; and UW students, 62%. The courses utilize various technologies, as follows: audio, 12; audiographics, 42; compressed video, 44; full-motion video, 91; internet, 35; multiple, 18; ITFS, 23; satellite, 10; television, 20; and videotape, 26. Distance education courses are defined as credit courses where the majority of students are at a distance from the instructor.

Vice President Bromberg reported that pilot distance education funding policies for credit instruction were established to encourage institutions and faculty to increase access to UW programs and courses through distance education. With three years of experience, staff are suggesting some "fine-tuning" of the original pilot policy. Policies currently allow for flexibility in using all available funding sources for distance education and should be expanded to include contracts. For distance education courses offered between UW System institutions, Home Institution Registration (HIR) will be used for assigning credit hours. The policy now offers more clarity about transfer credits.

Distance education fees will vary depending on the support and access costs, as well as market factors. Fees can be assessed when institutions identify exceptional costs associated with distance learning courses and services. Leveraging base budgets will be a necessary method for serving more Wisconsin citizens as the demand for higher education services increases.

Traditional nonresident tuition policies may not adequately reflect pricing due to changes in technology and market forces. The policy currently sets a "floor" of resident, on-campus tuition, but suggests more market sensitivity. Current segregated fee policy allows institutions to waive segregated fees for distance education and off-campus courses. The language related to segregated fees offers some clarification.

Distance education policies are currently being applied to the nontraditional Pharm.D. Program, the Master of Engineering in Professional Practice and also in a cooperative arrangement between UW-Oshkosh and Kimberly-Clark.

Regents expressed concern with the policy. Regent Boyle indicated a need to identify direct and indirect cost factors relating to instruction, promotion, technology, etc., to alleviate potential criticism. He indicated a need for the institutions to arrive at a fee so the cost factors can be identified. There needs to be a basis for cost configurations. Vice President Bromberg responded that major changes will not be made until those issues have been reviewed and it will be brought back to the Board at that time.

Regent Olivieri expressed concern of this being deemed a pilot policy at a time when it should reflect an aggressive move into the area of distance education. He indicated the language in the policy should reflect a commitment to distance education. Regent Hempel agreed that it is a competitive environment and the University should be assuming a leadership role. She also questioned how the move into distance education is progressing thus far.

Senior Vice President Ward responded that the State has provided some funding for development. Staff are looking into what types of programs should be offered to assure there will be interest to generate enrollment and thus assure revenue. More “whole” programs are being developed, such as the Nursing program. It is important to meet the needs of a rapidly changing market.

Regent Staszak questioned the change in segregated fees. Vice President Bromberg explained that there had been confusion with current wording and the change was to clarify the existing policy. Regents also questioned why distance education cannot be used for general education and made further suggestions to reword section VI. Segregated Fees in the proposed policy so it would read:

There is no change in the current policy (FPPP 44) which allows institutions to waive segregated fees for students enrolled exclusively in courses held off-campus. Students enrolled in distance education courses through HIR should pay segregated fees only at their home institutions. Institutions should consider, with appropriate student input, a number of factors when determining if segregated fees are appropriate, including the benefits received by off-campus students and whether charging both the distance education fee and the segregated fee will provide a disincentive for students to register for distance education courses.

To allow further discussion, Regent Staszak moved approval of Resolution I.2.a. and the motion was seconded by Regent Randall.

Regents questioned whether it was necessary to approve the policy at this meeting, and Senior Vice President Ward and Vice President Bromberg indicated there is no urgency to act on the Resolution at this time, and that it is possible even more clarification can be obtained by waiting.

There was consensus to table Resolution I.2.a. until the January 1999 meeting, at which time it will be brought before a meeting of the entire Board.

Following a presentation of BadgerNet (see the Education Committee Minutes for details), the Committee recessed at 2:25 p.m., and reconvened at 2:37 p.m. in Alumni A & B, University Union. Present were Regents Hempel, Marcovich, De Simone, and Olivieri.

I.2.b. Approval of the Minutes of the September 10, 1998, Meeting of the Business and Finance Committee

Upon the motion of Regent Marcovich and the second of Regent De Simone, the minutes of the September 10, 1998, meeting of the Business and Finance Committee stood approved.

I.2.d. Trust Funds**(1) Revisions to Investment Guidelines**

Treasury Manager Mills reported that, at the September meeting, the Business and Finance Committee approved a change in the asset allocation. This change increased the allocation to international equities by 3%. In order to accommodate this reallocation, the Investment Objectives and Guidelines require minor modification. Currently, the limit on foreign securities (both bonds and equities) stands at 15%. A limit of 20% will allow for the change without significantly increasing the exposure for the overall portfolio. At 12% for equities and 4% for bonds, the foreign exposure remains conservative and appropriate.

One additional change is requested to better reflect the actual environment. UW Trust Funds used to have a single bond manager who was allowed to manage the exposure to foreign bonds up to 15% of their portfolio. At this time, Trust Funds has managers who have either an international or domestic mandate; therefore, this is no longer applicable.

Committee members agreed it is good to increase the limit to 20% for the future, but that the current market would not be conducive to implementation at this time.

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

Resolution I.2.d.(1)

That, upon the recommendation of the Regent Business and Finance Committee, the modification of Investment Guidelines to update the foreign equities and foreign fixed income restrictions be approved.

(2) Request for Principal Expenditure — Margaret Julia Kent Bequest

Treasury Manager Mills presented the request of UW-La Crosse that the Margaret Julia Kent bequest, valued at approximately \$194,000, be exempted from the Regent-approved “Quasi-Endowment Policy.”

In the case of this bequest, the donor has not placed a restriction on the use of principal and states that the funds should be used to benefit UW-La Crosse. As the institution has identified payment for the Cleary Alumni and Friends Center as the best use of this donation, it is recommended that the exception be granted.

In response to questions from the Committee, Chancellor Kuipers explained that the amount being used for the final payment for the Cleary Center is \$143,000, leaving \$50,000 of the bequest. The \$143,000 is the final payment of the construction costs for the Center. She indicated she had spoken with the attorney who set up the bequest, and he felt this designation matched the spirit of the bequest.

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

Resolution I.2.d.(2)

That, upon recommendation of the President of the University of Wisconsin System, and the Chancellor of the University of Wisconsin-La Crosse, the principal and income balance of the Margaret Julia Kent bequest become available for spending.

I.2.e. Report of the Vice President

(1) Annual Gift-in-Kind Report

Vice President Bromberg presented the Annual Gift-in-Kind Report for August 1997-July 1998. At its May 1996 meeting, the Business and Finance Committee directed System Administration to recommend a procedure for reporting major gifts-in-kind. On the advise of counsel, System staff may not participate in assigning monetary values to gifts-in-kind; therefore, all gifts-in-kind received by a UW System institution are reported without a value assigned to them.

As part of 1989 Wisconsin Act 50, s. 1.20.970(1m), each State agency is required to annually submit a report to the Joint Committee on Finance (JCOF) and the Department of Administration (DOA) listing in-kind contributions. The listing is provided to the Business and Finance Committee for its review prior to submitting it to JCOF and DOA.

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

(a) UW-Madison Contractual Agreement with Pharmacia & Upjohn AB

Vice President Bromberg presented the contractual agreement with Pharmacia & Upjohn AB to provide services as a “Data Analysis Center for the Histopathology Studies of Latanoprost.” Board of Regents policy requires Regent approval when a contractual agreement with a private, for-profit organization exceeds \$500,000.

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

Resolution I.2.e.(2)(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 Pharmacia & Upjohn AB entitled “Data Analysis Center for the Histopathology Studies of Latanoprost.”

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

No additional items were submitted to the Committee.

The Committee recessed at 2:55 p.m. and reconvened at 3:02 p.m.

I.2.g. Annual Sick Leave Report

Vice President Olien noted that sick leave is an important component of the fringe benefit package. Faculty and academic staff earn 12 days of sick leave per year, and sick leave not used is carried over into subsequent years and is converted to credits at retirement which are used to pay for health insurance premiums.

In 1987, the Legislature imposed a cap on the amount of sick leave that could be carried over each year by UW academic staff: 8.5 days for annual appointments and 6.4 for academic year appointments. The Secretary of the Department of Administration has the authority to grant each UW institution a waiver from the cap if certain conditions are met. One condition is that the Board must annually receive a report of the use of sick leave by employees of the institutions.

Faculty and teaching academic staff use an average of 1.1 sick leave days per year, and nonteaching academic staff use 3.4 days per year. Over the seven-year period that sick leave has been reported to the Board, the variance for faculty and academic staff use has been within three-tenths of a day and within nine-tenths of a day for nonteaching academic staff.

All institutions have received waivers of the cap on sick leave accumulation. The Audit Subcommittee will be receiving a report which contains three recommendations relating to faculty and academic staff sick leave reporting. In response to the recommendations, the Human Resources Office will: consult with the Systemwide Advisory Committee on Fringe Benefits and the Chancellors to establish uniform administrative guidelines for sick leave reporting; work with the UW Processing Center to improve the format of the annual sick leave report; and work with institutional human resource officers to educate faculty and academic staff to the value of the sick leave program and the importance of accurate leave accounting.

Regents questioned the reason System Administration and Extension use more sick leave days, and staff explained that faculty on nine-month appointments have the flexibility to schedule elective surgery during their summer vacations and have the advantage of colleague coverage for their classes.

The Business and Finance Committee adjourned and the Audit Subcommittee convened at 3:10 p.m. Present were Regents Hempel, De Simone and Marcovich.

I.2.h. Audit Subcommittee**(1) Periodic Internal Audit Update**

- **Sick Leave Audit Report**

Internal Audit Director Yates reported that a review of teaching faculty and teaching academic staff's sick leave reporting practices examined the history of sick leave reporting, campus sick leave reporting policies and sick leave accounting records at selected institutions. After the Legislative Audit Bureau report, the Legislature imposed limits on the amount of sick leave that faculty and academic staff could carry over to convert to cover post-retirement health insurance costs, limiting it to 6.4 days per year for 39-week appointments and 8.5 days per year for 52-week appointments. At the same time, the Legislature imposed several conditions which, if met, would allow a waiver of this limitation. The limits on sick leave were waived when the UW institutions met the conditions and faculty and academic staff could earn 12 days of sick leave each year.

The Internal Audit Report recommends several actions for helping to ensure continued compliance with the statutory conditions. One recommendation is that UW System Administration staff and the UW Chancellors work with the UW System Advisory Committee on Fringe Benefits to develop guidelines for institutions to use in interpreting Unclassified Personnel's Guideline #10's 40-hour work week and colleague coverage provisions. Also, it is recommended that institution Personnel Officers, Deans and Vice Chancellors for Academic Affairs make a renewed effort to educate teaching faculty and academic staff about the role accurate sick leave reporting plays in the institutions being exempt from the statutory limit on the amount of sick leave faculty and academic staff can accumulate.

- **Extended Degree Audit Report**

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). The letters recommended several administrative improvements: UW System Administration and the Extended Degree Program institutions formulate uniform fee and administrative policies; admission policies for the Extended Degree Programs be reviewed; and policies related to administrative course drops, transcript record requirements and the calculation of grade point averages be reevaluated to attain academic standards comparable with traditional on-campus students.

- **Audits in Progress**

Internal Audit Director Yates reported that the Library Acquisitions audit fieldwork has been completed and the report should be part of the next Audit Status Report to the Subcommittee.

Work is progressing on the Faculty Recruitment and Retention audit, and a report should be completed before the end of the year.

Review work has also begun on the following audits: Americans with Disabilities Act; Competition with the Private Sector; Child Care Centers; and Textbook Rental Management.

(2) Y2K Audit Update

Review work is continuing on Year 2000 issues. In partnership with the Office of Learning and Information Technology, Internal Audit has reviewed institutional plans to address the Year 2000 issue, and will be conducting follow-up reviews of institutional efforts to implement their Year 2000 plans.

Concerns and the steps being taken to address the problem include: mission-critical applications; personal computers, networks and other hardware and software; test environments;

disaster recovery plans; corporate verification of Year 2000 compliance; and non-IT, mission-critical applications.

(3) A-133 Audit Report Presentation

In order to receive Federal funds, the State and University System are required to meet the annual audit requirements of the Federal Single Audit Act. In previous years, the UW System was audited and reported on separately; however, beginning with this fiscal year, the Legislative Audit Bureau (LAB) consolidated audits of the UW System and all State agencies in one report.

Overall, the report showed the UW System and all State agencies have complied with Federal grant requirements and have taken steps to address concerns included in the prior year's reports.

The report demonstrated a high degree of compliance with the difficult and complex laws and regulations related to the administration of Federal grant programs.

The Audit Subcommittee adjourned at 3:53 p.m.

Donita R. Zintz, Recording Secretary