

**Minutes**  
**Business and Finance Committee**  
**Board of Regents of the University of Wisconsin System**  
**February 10, 2000**

The Business and Finance Committee met in Room 1511 Van Hise, Madison, at 10:15 a.m. Present were Regents Marcovich and Gottschalk. Regents Axtell and De Simone joined the meeting at 11:00 a.m.

**I.2.a. Closed Session to Consider Trust Fund Matters, as Permitted by s. 19.85(1)(e), *Wis. Stats.***

Upon the motion of Regent Gottschalk and the second of Regent Marcovich, the Business and Finance Committee adjourned to Closed Session at 10:20 a.m., to consider Trust Fund matters as permitted by s. 19.85(1)(e), *Wis. Stats.* The Committee adjourned at 11:55 a.m. and immediately reconvened in Closed Session pursuant to s.19.85(1)(f), *Wis. Stats.*, to consider personnel matters.

The Committee recessed at 12:00 p.m. and, following an all-Regent presentation on 2001-07 Campus Enrollment Plans, reconvened in Open Session at 1:48 p.m. in Room 1920 Van Hise Hall in a Joint Session with the Physical Planning and Funding Committee for a Y2K debriefing (see Physical Planning and Funding Committee Minutes). The joint meeting concluded at 1:55 p.m., and the Business and Finance Committee reconvened immediately. Present were Regents Marcovich, Axtell, De Simone, Gottschalk and Olivieri. The Physical Planning and Funding Committee remained to hear the UW-Madison Budget Discussion.

**I.2.b. Approval of Minutes of the December 9, 1999, Meeting of the Business and Finance Committee**

Upon the motion of Regent Gottschalk and the second of Regent De Simone, the Minutes of the December 9, 1999, meeting of the Business and Finance Committee were approved as presented.

**I.2.c. UW-Madison Budget Discussion**

Provost Wiley updated the Committee on the second half of UW-Madison's four-year plan, The Madison Initiative. He reported success in closing the funding gap from \$57 million to \$28 million in the first half of the plan. He reviewed that, if the total base support from tuition and State taxes is added, UW-Madison falls about \$1900 per student short of the Big Ten media per capita per student. That aggregates to \$57 million.

In the 1999-2001 biennium, the State and students provided \$29 million, and that was matched by \$10 million each by WARF and the UW Foundation. Those organizations are willing to make the same match during the next biennium under essentially the same terms.

The highest priority during the previous biennium has been in strategic hiring and retention of faculty and staff. The cluster hiring program has been extremely successful in meeting this priority. Additional resources have gone for various academic improvements, including libraries and instructional technology. Resources have also gone into facilities renovation because of the aging of the buildings—the average age of UW-Madison facilities is 50 years and many improvements are needed. To maintain access and affordability for students, primarily private donations were used to assure that students receiving financial aid are not paying more out-of-pocket than they were the year before.

For the second half of the initiative, UW-Madison will continue focusing on strategic hiring. The goal is to hire 34 new faculty members funded from a combination of State and tuition money. The

positions will be filled using the cluster method used in the previous biennium. In an effort to broaden the student learning programs, the University hopes to develop a freshman student learning experience. Additional resources need to be put into developing the life sciences area, into innovative improvements in the language programs and into expanding distance education programs. Maintaining affordability will remain a high priority in the next biennium. A number of programs are being piloted to provide undergraduates with “real” research experiences in projects which provide stipends for the students. The applied research funded on the campus has a tremendous payback in terms of patents, licenses, royalties and increased Federal funding in basic research areas. A greater focus is being given to world affairs and global economy. Capstone degrees and certificate programs will be continued.

The result of achieving the goals for the second year of the initiative will guarantee keeping the best and brightest high school graduates in the State, attracting and retaining top faculty, supplying a top-rate education for Wisconsin’s future leaders, continuing to transfer cutting-edge technology to Wisconsin’s businesses and maintaining Wisconsin’s competitiveness in the global economy.

In response to a question from Regent Barry, Provost Wiley indicated that positions funded by the State are authorized for the second half of the biennium, and the positions for the first half of the biennium were funded by private money. Thus far, there have been a little over 50 positions authorized and about half of those have been filled.

Regent Axtell inquired how the needs of industry in the State are being addressed. Provost Wiley responded that all of the University Administration, including the Deans and Directors regularly go to service organizations around the State to obtain feedback on needs of businesses. Also the University Relations staff serve as a conduit between the University and the rest of the State. The colleges and departments most directly involved in State economic activity have advisory boards and committees to keep them apprised of needs.

Regent Marcovich asked about the impact of the team approach to hiring rather than hiring individual professors and researchers. Provost Wiley responded that all of the search and screen committees have reported getting larger and better pools of applicants, and the hires have been spectacular. Regent Mohs inquired that, since this hiring is being done through gift money, if it was expected that the gifts would be ongoing if the funding stopped. Provost Wiley replied that the University cannot afford to discontinue this method of hiring. Although some of the new hires have come in at salaries higher than has been past practice, the overall benefits have been far greater. As an example, the most expensive hire was about \$2 million, but he brought with him \$4 million of ongoing research and an additional \$4 million of equipment for those projects.

The Committee recessed at 2:15 p.m. and reconvened at 2:20 p.m.

#### **I.2.d. UW-Madison Annual Research Report**

UW-Madison Graduate School Dean Hinshaw reported that, in 1998-99, 75% of total UW-Madison extramural awards were for research. UW-Madison received \$417 million in total research awards, an increase of \$55 million (15%) compared with 1997-98 awards. Federal awards increased by \$51 million and non-Federal awards increased by \$4 million. The \$51 million increase was the largest annual increase on record for UW-Madison. The growth was well-distributed across Federal agencies: Department of Health and Human Services awards increased by \$32 million, National Science Foundation awards by \$6 million, both the Agency for International Development and Department of Education by \$5 million, the Department of Energy by \$2 million and NASA by \$1 million.

The growth was also well-distributed across UW-Madison schools and colleges. Medical School awards increased by \$15 million, Graduate School awards by \$13 million, College of Agricultural and Life Sciences awards by \$10 million, College of Engineering awards by \$6 million, School of Education awards by \$5 million and School of Veterinary Medicine awards by \$3 million.

Approximately 50% of UW-Madison faculty members obtained Federal or non-Federal research awards in 1998-99. It is important to note that this annual percentage does not fully reflect the portion of UW-Madison faculty members who are successful at obtaining extramural research funding. Because many Federal research awards are made in a single year for a multi-year period, the number of faculty members receiving new awards in a given year can be substantially less than the number receiving sponsored research support in that year. In any given year, an estimated two-thirds of UW-Madison faculty members are principal investigators on projects for which extramural funds are expended.

The most recent national data on Federal research support indicate that, in 1997-98, UW-Madison ranked fourth nationally for total research and development expenditures and ninth for Federal expenditures among all institutions. Among public institutions, UW-Madison ranked third in total research and development expenditures. This illustrates UW-Madison's competitive ability to obtain external research funding from non-Federal sources. Other public institutions, however, may be accounting for their level of support differently, and UW-Madison is analyzing the variance.

The cluster hiring mentioned by Provost Wiley in the previous agenda item makes the future look bright with the hiring of senior faculty bringing in multi-million dollar programs, as well as junior faculty to work with them. Biostar is also important to future research growth since many campus buildings are in need of replacement.

In addition to interdisciplinary and cluster hiring, the Federal government has identified several areas for increased funding, including nanotechnology, genomics, computer technology and biomedical engineering, all of which are involved in the Madison Initiative. The cluster hiring approach has brought a tremendously exciting vitality to the campus. UW-Madison also owes a great deal of gratitude to WARF and the UW Foundation for funding support.

Last year's report noted that WARF, UW Foundation, the Graduate School and the campus were working together to generate a \$200 million endowment for graduate student fellowships. As a result, there are now 100 new fellowships in only one and one-half years.

The most notable research advance the past year was on the isolation and maintenance of the embryonic human stem cells. The National Institutes of Health (NIH) has now put forth guidelines which would allow for Federal Funding for this research.

UW-Madison has a very strong history in technology transfer, beginning with Harry Steenbock. This is the 75<sup>th</sup> anniversary for WARF, the oldest such organization in the United States. It is a social responsibility of a University to transfer their technology so that it can be used for human health and wellbeing, and WARF is UW-Madison's agent for helping do this. Research is protected through patents, licensing and copyrights. WARF also provides money to reinvest in research technology.

Dean Hinshaw provided the Regents with a book entitled *Creating High Tech Business Growth in Wisconsin*, by Phil Sobocinski of University-Industry Relations. The book is a compilation of information on 178 Wisconsin businesses with strong ties to UW-Madison. Regent Marcovich noted the value of the book in explaining the importance of the economic benefits of research to the University.

Regent Axtell questioned the estimated figure of two-thirds of the UW-Madison faculty being involved in some type of extramurally-funded research at any given time. Dean Hinshaw clarified that the number of faculty involved in research is actually higher because the two-thirds figure includes only those listed as principal investigators on an extramurally-funded project and doesn't include those faculty members assisting in the projects or those involved in intramural research. Regent Axtell noted that it is extremely important to make that information clear to the Legislature since there is no guarantee the research funding will continue unless UW-Madison retains high quality faculty.

### **I.2.e. Annual Financial Report**

Acting Associate Vice President Hendrix reported that there has been a dramatic shift in funding sources in the past ten years. State support made up 40.2% of current operating funds ten years ago, and is now 5.6% less, at 34.6%. Student Fees, Remissions and Compacts increased from 19.7% of the total

to 22.7%. Auxiliaries made up 1.6% less of the total, declining from 9.0% to 7.4%. Educational and Other sources increased 2.8%, representing 7.9% of the total ten years ago to 10.7% this past year. Gifts, Donations and Endowment Income represented 5.8% of the total operating funds ten years ago, and now are up to 9.1% of the total. Federal Grants, Contracts and Appropriations have declined slightly from 17.4% ten years ago to 15.5% in 1998-99.

State appropriations have grown from \$660 million to over \$904 million over the ten-year period. When adjusted for inflation, however, that revenue today is worth only \$6.3 million more than ten years ago, or a 0.9% increase. Tuition has increased from \$329 million in 1988-89 to \$596 million in 1998-99. When adjusted for inflation, this represents real dollar growth of \$110.5 million, or a 33.6% increase. All other revenue sources have increased from \$671 million to \$1.2 billion, representing the largest growth in terms of inflation-adjusted dollars—\$181.8 million, or 27.1%.

Seventy-eight percent of Current Funds Expenditures and Mandatory Transfers was spent on the primary missions of instruction, research and public service and related academic support, student services and financial aid—in direct benefit to the University's customers. Only 5.3% was spent on administration or institutional support.

The total endowment has more than tripled over the ten year-period to a fair market value of \$297 million. The increase represents a growth of 209% in nominal dollars and 128% in inflation-adjusted dollars. Growth in the True Endowment has increased from \$52.7 million in 1988-89 to \$111.9 million in 1998-99, a 112% increase. Growth in the quasi-endowment has increased from \$43.3 million to \$185.1 million over the same ten-year period, a 327% increase. Total return on the portfolio in 1998-99, including capital appreciation, was 10.2%.

Three financial statements are prescribed for public institutions of higher education. (1) A balance sheet, giving a point-in-time view of the financial standing of the organization and showing assets, liabilities and fund balances by fund group. (2) A statement of changes in funds balances. (3) A statement of current funds revenues, expenditures and other changes, providing additional revenue and expenditure detail for current funds only.

The Notes to the Financial Statements are an integral part of the financial statements. The notes contain both required information prescribed by the Governmental Accounting Standards Board as well as information designed to help the reader understand the information presented.

GASB Statement No. 35 provides a new financial reporting model for public universities effective for the 2001-02 financial statements. Public universities will no longer be covered under a separate reporting model and will use the reporting model for business-type activities conducted by governmental entities. Changes will include new statement titles and formats.

In response to questions from Regent Olivieri on fundraising monies, Acting Associate Vice President Hendrix explained that the UW Foundation is a major fundraising entity for the University and it is separate from the University and, therefore, not included in the Financial Report. When the University incurs certain expenditures, the Foundation transfers money and it is then reported as gift money. Gifts made directly to the institution are managed separately.

Regent Marcovich was not present for the remainder of the meeting, and Regent De Simone chaired the meeting from this point forward.

Regent Olivieri expressed an interest in seeing how each of the campuses are doing individually and how the University is doing as a system in terms of gifts and fundraising in comparison with peer institutions. Senior Vice President Olien cautioned against benchmarking because of the differences in handling and reporting at other institutions. He noted that the Foundation boards do watch and benchmark. Regent De Simone, who serves on the UW Foundation Board, noted that, in 1997-98, UW ranked number one.

Vice Chancellor Torphy also urged caution in benchmarking. The UW Foundation has the highest level of public university fundraising in the nation. However, the alumni ratio is among the lowest in the nation because it is calculated by how many dollars were given by alumni divided by

number of living alumni. It would be better to benchmark by how much was given by alumni, how much comes in per alumni and it should also be measured by endowment numbers. Alumni giving would rank UW-Madison very low, but annual giving would rank it very high and endowments would rank it in the middle.

### **I.2.f. 1999-00 Pay Plan Update**

Associate Vice President Brooks updated the Committee on the pay plan that was approved by the Joint Committee on Employment Relations on January 25. The recommended 5.2% pay plan for each year of the biennium, for faculty and academic staff, was approved, but will not be able to be implemented until the campuses have entered the data and System Administration has reviewed it for compliance with Board of Regents and UW System policies. The salary increases paid on April 1 will be retroactive to July 1, 1999. Salaries above the Executive Salary Group 6 maximum will have to be approved at the March Board meeting. Senior Executives who remain covered by the State Executive Salary Group Plan received only a 2% increase the first year and 2.5% increase the second year. There is a possibility of legislation being proposed to remerge the senior executive groups. Collective bargaining agreements affecting the approximately 8,000 represented employees have not yet been settled.

### **I.2.g. 2000-01 Annual Budget Decision Rules**

Associate Vice President Sell reviewed that, in developing annual budgets, the UW System uses decision rules to allocate new GPR/Fee funding approved by the Legislature and Governor. These allocation rules are based on the 1999-01 Biennial Budget Request. The total GPR/Fee allocation increase for new initiatives for the 1999-01 biennium was \$82.7 million. Of that total, the GPR/Fee funding allocated in 2000-01 represents a \$53.6 million increase over last year.

The decision rules for 2000-01, the second year of the biennium, incorporate one decision rule that is new since last year. The biennial budget passed by the Legislature and signed by the Governor last fall added funding for 1,000 additional students to be enrolled in 2000-01. In December, the Joint Committee on Finance approved the release of the funds, in addition to authorizing 67 FTE positions to serve the additional students. Of the \$3.8 million in funding, \$1 million will be allocated to UW System Learning Innovations to expand access through distance education. The remaining funding will be allocated based on the number of additional students each institution is required to enroll in 2000-01.

Since the remaining decision rules are similar to those approved by the Board in May 1999, Associate Vice President Sell highlighted only a few. Receiving first-time funding in 2000-01 are:

- FTE and funding for advising will be allocated based on undergraduate headcount.
- Plan 2008 precollege funding will be allocated to institutions based on their share of total systemwide students of color and fall 2000 enrollment management target FTE. A number of other components will be allocated based on the original Plan 2000 request.

Receiving additional funding in 2000-01 are:

- Funding for the second year of instructional technology grants will be based on student headcount.
- Library funding will be expended centrally for electronic reference materials and document delivery. Funding allocations to the institutions will be based on weighted student credit hours.
- Funding for need-based international study grants will be based on a combination of undergraduate headcount (1/3) and students with financial need (2/3).

Each year the decision rules outline the auxiliary rate reporting threshold. This year, that threshold is 3.7%. Institutions with increases below this threshold may submit an abbreviated rate summary and narrative. Institutions with increases above the threshold are required to submit more detailed worksheets.

New institution-specific items include: the second year of the Madison initiative; the BA in global studies at UW-Milwaukee as well as a pilot project to determine feasibility of overseas programs; and increases in funding for Allied Health at UW-La Crosse, Graphic Communication Arts at UW-Stout, Student Services and Advising at UW Colleges, and local planning at UW-Extension.

Upon the motion of Regent Axtell and the second of Regent Olivieri, the Committee approved Resolution I.2.g.

### **Resolution**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2000-01 annual budget allocation decision rules.

### **I.2.h. Technology Infrastructure Update**

Acting Vice President Durcan reported that the RFP for the Appointment, Payroll and Benefits System (APBS) was released in early January, and proposals are due February 11. A well-attended vendor conference was held on January 21, and the project manager began on February 1. There will be a systemwide evaluation of proposals by the teams on February 22-23, and the highest scorers will be invited for vendor demonstrations in late March. The contract should be negotiated and awarded in April.

On July 1, 1999, Phase I of the Shared Financial System began when UW-Whitewater and UW-Platteville went live with General Ledger, Purchasing and Accounts Payable, UW-Milwaukee went live with Purchasing and Accounts Payable, and UW Colleges went live with Purchasing. On February 1, 2000, UW-Extension went live with Accounts Receivable and Billing. Initially, Extension will use these modules for billing and receivable processing for sales of publications, TV and radio studio time, room rentals and teleconferencing services. In the future, they will expand the application to grants and sponsored programs.

On July 1, 2000, Phase II of the Shared Financial System will commence with UW-Whitewater and UW-Platteville adding Asset Management, UW-Milwaukee adding General Ledger and Asset Management, UW Colleges adding General Ledger and Accounts Payable, UW-Green Bay, UW-La Crosse and UW-Extension going live with General Ledger, Purchasing and Accounts Payable. UW-Parkside will go live with General Ledger, Purchasing, Accounts Payable and Asset Management.

July 1 will also see a new interface of accounting transactions to the State's accounting system, WiSMART, replacing the legacy interface and ensuring that the new Shared Financial System general ledger is synchronized with official State records.

Also, on July 1, a new check-writing system, providing for local institution processing of all facets of the payment process, including vouchering of invoices, scheduling payments, writing and signing checks and distribution of checks to payees, will be available. This will maximize use of the Accounts Payable module, replace the contingent fund reimbursement process and enhance the cash management function.

In the fall of 2000, there will be a major upgrade from the PeopleSoft Financials 7.0 to 7.5. Testing and training for that upgrade will begin this month.

UW-Madison, UW-Platteville and UW-Oshkosh are already live on the PeopleSoft Student Administration System. On February 1, 2000, UW-Superior went live on Admissions, UW-Milwaukee, UW-Whitewater and UW-Green Bay began the implementation process and UW-River Falls, UW-La Crosse and UW Colleges have begun planning for implementation. UW-Superior plans to be live with Registration, Financial Aid and Student Financials in the fall of 2000.

FASTAR (Facility for Shared Technology and Resources) offers a hardware and software platform complete with staffing to support all PeopleSoft institutions in upgrades to the Student Administration System. Problem cases can be submitted to PeopleSoft and resolution tracked for all UW campuses. Possible future extensions are anticipated to upgrades to other systems such as Shared Financials and Human Resources.

The pilot for admission data into the Student Services Data Warehouse is complete at UW-Oshkosh and a pilot is underway there for student services data, with full production status for UW-Oshkosh data expected by June 1, 2000. This pilot will be used by other institutions and UW System to examine, test and evaluate the concept of data warehousing across the System.

Representatives of all institutions are working on identifying opportunities for collaboration. This will further the concept of common systems and build on the information technology infrastructure. In February 1999, a systemwide review group recommended developing a systemwide directory to be used for sharing information needed for authorizing access to information and resources throughout the System. Further analysis of costs, technical requirements and policy issues is in process. A recommendation for a pilot is expected. This pilot will help to evaluate the need for sharing information among various administrative systems.

### **I.2.i.(1) Report of the Vice President**

#### **(1) Quarterly Gifts, Grants and Contracts**

Acting Vice President Durcan reported that total gifts, grants and contracts for the six-month period ended December 31, 1999, were \$438.7 million, an increase of \$36.5 million from the comparable period of the previous fiscal year. Federal awards increased \$18.1 million, while non-Federal awards increased \$18.4 million.

### **I.2.j. Trust Funds**

#### **(1) University of Wisconsin System Trust Funds Request for Principal Expenditure— Elizabeth Metz Bequest**

Treasury Manager Mills reviewed that, in the event a donor gives no direction as to the use of principal, current Regent policy requires that all quasi-endowments greater than \$50,000 be identified as designated endowments. As a designated endowment, only the income from the trust is made available for expenditure. If an exception to this restriction is desired, a request must be submitted to the Vice President for Finance for consideration at the next meeting of the Business and Finance Committee. Only those requests that are consistent with the spirit of the Regent policy and the intent of the donor will be approved.

UW-Madison received a bequest totaling nearly \$500,000 from the estate of Elizabeth Metz. The terms of the bequest state: “All the rest, residue and remainder of my estate, real, personal or mixed, and wheresoever situated, I give, devise and bequeath to the UNIVERSITY OF WISCONSIN, at Madison, Wisconsin.”

Ms. Metz was a student in Home Economics at UW-Madison, graduating in 1935. As it is consistent with her field of study, the Chancellor has designated the bequest for the School of Human Ecology. The institution has requested use of \$200,000 of the principal funds to support the feasibility study for the facilities master planning project for the School of Human Ecology. The remaining funds would be placed in an endowment fund with the use determined by the end of the year.

Upon the motion of Regent Gottschalk and the second of Regent Olivieri, the Committee approved Resolution I.2.j.(1)

Resolution

That, upon recommendation of the President of the University of Wisconsin System, and the Chancellor of the University of Wisconsin-Madison, the principal and income balance of the Elizabeth Metz bequest become available for spending.

**(2) Closed Session to Consider Trust Fund Matters as Permitted by s.19.85(1)(e), *Wis. Stats.***

Upon the motion of Regent Gottschalk and the second of Regent Axtell, the Business and Finance Committee adjourned to Closed Session at 3:32 p.m. to consider Trust Fund matters, as permitted by s.19.85(1)(e), *Wis. Stats.* Present were Regents De Simone, Axtell, Gottschalk and Olivieri.

The Business and Finance Committee adjourned at 3:40 p.m.

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Donita R. Zintz, Recording Secretary