

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
May 4, 2000

The Business and Finance Committee met in the Ullsvik Center, Touche Room , UW-Platteville, at 2:15 p.m., in a joint session with the Physical Planning and Funding Committee. Present were Regents Alexander, Axtell, Barry, De Simone, Gottschalk, Gracz, James, Marcovich, Mohs and Olivieri.

At the request of the presenters, Committee members agreed to reverse the order of the agenda items.

I.2.b. Ashland Aquaculture

UW-Superior Provost Schelin updated Committee members on the Ashland Area Aquaculture Demonstration Facility. The world supply of “wild stock” fish is decreasing while human consumption of fish is increasing. As these trends continue, the commercial production and sale of fish will become a more profitable enterprise. To promote and advance the aquaculture industry, the Governor and Legislature have committed funds for the construction of an Aquaculture Demonstration Facility in the Ashland area. This Demonstration Facility, operated by the University of Wisconsin System Board of Regents, in consultation with members of the Wisconsin aquaculture industry, will be a site where production scale demonstrations will be used for hands-on training and applied research projects, thereby promoting and advancing the best practices within the aquaculture industry. Although the location of the facility makes UW-Superior the logical choice to coordinate this initiative, it will be a collaborative effort involving staff from a number of UW institutions. To carry out the mission envisioned for the Northern Wisconsin Aquaculture Demonstration Facility, an operating budget of \$2,023,996 is requested for the 2001-2003 biennium.

A 13-member Steering Committee, consisting of representatives from UW-Superior, UW-Milwaukee, UW-Extension, Wisconsin Sea Grant Institute, Wisconsin Department of Natural Resources, Wisconsin Department of Agriculture, Trade and Consumer Protection, City of Ashland, Lac du Flambeau Tribal Natural Resources, Bureau of Indian Affairs and the Wisconsin aquaculture industry, began meeting in February to coordinate planning and development of the facility and its programming. The Steering Committee has identified three potential sites for the facility, considered general physical features of the facility and reviewed a general staffing structure.

Committee members expressed concern for the necessity of knowing who will have ultimate responsibility for the operation.

I.2.a. Stewardship of Facilities

Assistant Vice President Ives noted this item is an update on the presentation made at the November 1999 Board meeting. She reviewed that former Vice President Bromberg had characterized this as part of a three-prong approach to the overall quality of facilities on the campuses. For the past ten years, the capital budget has been generally focused toward renovation, renewal and repair of existing facilities. At the request of the Physical Planning and Funding Committee, staff were asked to take a look at the backlog of deferred maintenance. In response to that request, new facilities management software (FACMAN) was obtained which allows staff to quantify the current status of deferred maintenance. The critical point of the deferred maintenance issue is that, when there aren't adequate preventative maintenance funds in the operating budget, the costs are rolled into the capital budget and it is necessary to bond or borrow money for 20 years to pay for those items.

Assistant Vice President Harris provided a video giving background of the UW System's deferred and preventative maintenance needs. System institutions are not sufficiently funded and staffed to maintain the buildings that have been provided through State resources, and there has been no new funding to staff the additional space built by the State since 1984. Since 1980, the UW System has increased space by six million gross square feet, 3.3 million on GPR funds, an increase of 11%. Since 1988, the gross square footage per maintenance employe has increased by 37%, and it is difficult to hire and retain staff with workloads this high at the current salaries. The maintenance of facilities visible to the public is a priority; therefore, maintenance results in more costly breakdown of equipment and facilities.

Three methods of computing funding per gross square foot (GSF) for peer institutions indicated a gap of between \$1.38 and \$1.41 per GSF for Madison, \$.93 per GSF for Milwaukee, \$.80-\$.83 per GSF for the comprehensives and \$.63-\$.66 per GSF for the Colleges, using the comprehensive peers' data. The UW System would need approximately \$34 million in order to reach the peer median. At the Board's request in February, the UW System's budget for Physical Plant services was compared to national benchmarking data. The amount of funding needed to reach industry standards would be \$110 million, or over 3.5 times this request level.

Physical Plant Directors John Harrod of UW-Madison and Waldo Hagen of UW-River Falls noted that facilities may appear to be in good condition, but a closer look reveals a decaying infrastructure. They showed examples of deteriorated and inadequately maintained wiring and equipment. If repairs to key building and infrastructure components are constantly deferred, facilities will eventually require more expensive investments such as emergency repairs, capital improvements or replacement. Preventative maintenance attempts to forestall the breakdown of equipment or systems and the deterioration of materials. For the past ten years, the focus has been on deferred maintenance, and the request before the Board is now for preventative maintenance.

Deferred maintenance reduces the useful life of heating and ventilation systems, rooftops and mechanical equipment. The UW System has hundreds of millions of dollars of deferred maintenance including: clogged air ducts resulting in higher fuel bills and shortened life of furnace systems; unpainted buildings which allow the weather to quickly destroy the exterior siding; and leaky roofs resulting in rotted framing, requiring the entire roof to be replaced.

A major priority in the capital budget for the past several years has been reducing the deferred maintenance backlog. The costs are being documented through FACMAN. There is a need for a \$7.5 million per year increase for four years. This represents a \$15 million base increase in 2001-03 and a similar request in 2003-05—an important investment in the future of the UW System.

Regent Axtell asked if the maintenance problems are unique to the University System or if this is a problem with all State buildings. Mr. Hagen responded that, because the volume of people using University buildings is substantially larger than those using State buildings, the wear and tear factor is much greater on University facilities. Assistant Vice President Ives added that, although the Department of Administration identifies the need for maintenance, funding has not been provided.

Committee members agreed that it is important to convey their concern to the Legislature. They suggested refusing funding for any future buildings because there is inadequate support to maintain them.

The joint session of the Business and Finance and the Physical Planning and Funding Committees adjourned at 3:23 p.m., and the Business and Finance Committee reconvened in the M Rooms of the Ullsvik Center at 3:30 p.m. Present were Regents Marcovich, Axtell, De Simone, Gottschalk and Olivieri.

I.2.c. Approval of Minutes of the April 6, 2000, Meeting of the Business and Finance Committee

Upon the motion of Regent De Simone and the second of Regent Axtell, the Minutes of the April 6, 2000, meeting of the Business and Finance Committee were approved as presented.

I.2.d. UW-Platteville Presentation: Maintaining Technology with the Effective Use of Limited Campus Funds

Paul Moriarity, Assistant Vice Chancellor for Information Services, noted that, with no new funding, it has been necessary to reallocate existing resources and form partnerships with outside groups to meet new challenges and maintain and expand technology. This is especially important for a campus like UW-Platteville that has a number of technology intensive courses and programs.

The PeopleSoft Student Administration System required a reallocation of a significant amount of funds for project staffing, hardware and software and consultants.

Given the technology intensive nature of many of the campus programs, it has been necessary to not only reallocate funds, but to seek partnerships with others off campus in order to maintain current facilities and expand educational opportunities for students.

Under a collaboration between the School of Education and Milwaukee Public Schools, UW-Platteville students can visit Milwaukee's Audubon Middle School classrooms online, interact with the students and later participate in follow-up discussions with classroom teachers.

A generous donation from the John Deere Foundation provides students in both Electrical and Mechanical Engineering with a state-of-the-art control lab offering an interdisciplinary approach to teaching in these two areas.

The Platteville Energy Education and Research Program (PEER) in Electrical Engineering was established with close cooperation of the power industry. The major purpose of the program is to serve the power industry by introducing students interested in power engineering to the new and exciting techniques being developed in the industry. The program includes summer internships, field trips and the unique opportunity for students to conduct research projects designed for and funded by area utility companies.

Earlier this year, with the use of both local and curricular redesign funds, the campus established a Learning Technology Center that will assist faculty incorporating appropriate technologies into their classroom teaching. The Center is using a number of Web-based tools that UW System has centrally funded to assist faculty in using technology to enhance on-campus courses. Focusing on teaching and education, the Center seeks to foster a peer model of faculty consultation where staff will support and facilitate faculty who help other faculty enhance their teaching with appropriate technologies.

The Southwest Rural Telecommunications Network Consortium (SRTNC) is an area full-motion video network serving 18 local school districts, Southwest Wisconsin Technical College, CESA #3 and UW-Platteville. The membership in SRTNC allows UW-Platteville to connect to the fiber optic network (BadgerNet) to serve the needs of numerous off-campus audiences. Currently, the system is being used to offer dual credit courses to high school students, serve human resource professionals and teachers in the Milwaukee and Madison area at the graduate level and bring in foreign language, agriculture, women's studies and other classes to the campus.

The GIS-Cartography Lab was recently renovated using Lab Modernization funds. Besides including standard lab computers, the facility features specialized equipment including digitizers, scanners with transparency adapter, CD writers and color printers. Students use state-of-the-art software in the lab and the campus is able to take advantage of expensive, specialized software now available under UW Systemwide licensing. Classes taught in the lab include GIS, Cartography, Remote Sensing and Aerial Photography.

The Experimental Psychology Lab was just updated with the use of Lab Modernization funds. This unique lab provides an interactive learning environment for a number of disciplines. It is designed

to provide for both traditional lecture presentations and for small groups of students working in a team environment. The lab provides access to statistical software tools and is used heavily for data collection and statistical analysis. It serves not only the Psychology Department, but is also being used by other academic programs including Criminal Justice.

Several years ago, the UW-Platteville Foundation established an Opportunity Fund to provide funding for projects to do things that were a priority but that departmental budgets could not cover. Examples are: Computer Science/Communication Technology Management upgraded to state-of-the-art digital cameras to eliminate darkrooms and enhance the campus newspaper; Civil and Environmental Engineering matched funding for purchase of a Global Positioning System; Education matched funding for teaching science-technology software; and Engineering obtained a microwave signal generator for the radio frequency laboratory. To date, almost \$300,000 has been awarded from the Foundation to fund a variety of campus proposals. In addition to funding technology, the grants have helped to address new academic initiatives, increase student recruitment and improve the quality of life of the UW-Platteville educational community.

Although UW-Platteville has been very successful in leveraging existing dollars to expand appropriate technologies throughout the curriculum, they continue to look for additional opportunities to continue the effort. Specific areas where there should be additional opportunities are: new bookstore contract; master food supplies contract; Wisconsin Environmental Farm Initiative; horticulture gardens; and international students/Study Abroad.

Regent Olivieri encouraged the continued focus on reallocation of funds with the focus on use in technology in the academic context. He noted other areas such as history and language which could be enhanced by the use of technology.

I.2.e. UW-Green Bay Initiative (Continued)

At the May meeting, UW-Green Bay Chancellor Perkins reported on the UW-Green Bay Initiative but, due to time constraints at that meeting, the Committee invited him to return to the May meeting to allow for further discussion of the proposal.

In response to questions from Regent Axtell, Chancellor Perkins clarified that their initiative is characterized as amplifying on where they are with a real focus on personal attention to the student, and not as being a liberal arts college. A recently completed market analysis shows that students believe they receive more personal attention at UW-Green Bay.

Provost Cohen added that the survey, conducted by UW System's Market Research staff, was given out to high school juniors who had taken the ACT. Results showed that UW-Green Bay was viewed as having a certain amount of prestige, but that didn't really differentiate it from other schools the students were using for comparison. What did differentiate UW-Green Bay was that students believed they would receive more personal attention. With this plan, UW-Green Bay will be able to deliver that personal attention at a scale they have previously not been able to do.

Regent Axtell challenged that UW-Green Bay would not be different than other institutions such as Ripon or Lawrence. Chancellor Perkins responded that Green Bay is different because it is providing quality and a commitment to high impact first contact at a public rather than a private tuition rate which is 4-10 times higher than UW-Green Bay's tuition. UW-Green Bay is going after a market that is currently not available in Wisconsin but is available in a number of other states.

Provost Cohen interjected that, in the Task Force Report which had been provided to the Board, there were three concepts relating to high impact first contact: (1) reorganization of the orientation program, specifically setting expectations for the students; (2) a first year credit-bearing seminar connected with the orientation; and (3) a peer system linking students in the first year seminar with current students who would help guide them in the ways of the university.

Michelle Cullen, a student who served on the task force, stated that four students had served on the task force, and came up with these ideas. They identified areas that were unique to UW-Green Bay but which were not broad across all minors, and they would like to see all UW-Green Bay students have

the same experience. She indicated she had chosen UW-Green Bay because of the closeness of the faculty and staff with the students—they care about the students as individuals and work with them.

In response to questions from Regent Gottschalk, Chancellor Perkins stated that there will be indicators set which will be benchmarked to assure that each element is working. Some of the assessment factors are: retention of students, how contacts are made, graduation rate, GPA and reduction in class sizes overall. There have been four sets of national consultants come to UW-Green Bay to look at what they are doing because no one else in the public sector is doing it.

In response to questions from Regent Olivieri, Chancellor Perkins noted that UW-Green Bay is over 30 years old and has had a 43% increase in students in the last decade. It is an appropriate time to look at where the institution is going. Provost Cohen added that the question now is whether the UW System should offer a third option and if so, if this is the option. UW-Green Bay has been classified as a comprehensive, but it is really more like a baccalaureate institution.

Regent Marcovich noted that UW-Green Bay is asking to be unique, and not be classified as a comprehensive like other UW institutions. The Committee will have the opportunity to observe the success or failure of the UW-Green Bay initiative and not permit any other institution to implement a similar initiative until benchmarks have proven this one successful.

Regent De Simone commented that UW-Parkside and UW-Green Bay were started at the same time, and he has noted tremendous growth at UW-Green Bay over UW-Parkside. UW-Green Bay also has higher retention and graduation rates.

I.2.f. Blue Cross & Blue Shield: Terms and Conditions of Transfer to Medical School

UW-Madison Vice Chancellor John Torphy updated the Committee on the status of the Blue Cross & Blue Shield transfer. On March 28, Insurance Commissioner Connie O’Connell approved the conversion proposal with several modifications. She expressed concerns that the schools’ plans for use of the funds did not provide for “sufficiently credible instrumentalities for public participation in, or accountability for, management of the conversion funds.”

A coalition consisting of ABC for Health, Wisconsin AARP and Wisconsin Coalition for Advocacy has contested the proposal and asked that a separate, public foundation be set up, independent of the University and independent of the Commissioner, which would handle this on a grant basis.

If the lawsuit loses, the Board of Regents will have a set of responsibilities, and the Board should begin to consider how they would proceed. There would be a \$125 million endowment over a 3-4 year period, and the Board would need to appoint a eight out of nine people to serve on an oversight board, a committee to receive and analyze reports to assure the money is being spent adequately. The Board could delegate some of the oversight responsibility. Vice Chancellor Torphy advised the Board to begin considering all possibilities in order to be prepared to make informed decisions.

In response to questions from Regent Marcovich, Vice Chancellor Torphy explained that the original proposal submitted by the Medical School and the Medical College of Wisconsin suggested that, if there was going to be an independent public foundation, they should have some representation. The Commissioner asked for suggested names and proceeded to make the appointments.

I.2.g. Report of the Vice President

Ray Spoto, UW-Platteville, President of TAUWP, who raised concerns regarding the reduction in the number of tenured faculty and the increase in teaching academic staff. He asked that the Board, through the budget process, request necessary funding required to change the pattern and to monitor the hiring of teaching positions to ensure hiring of well-qualified faculty instead of teaching academic staff.

Edward Muzik, also of TAUWP, provided the Committee with a memo, supplementing Mr. Spoto’s comments and additionally addressing the need for increased funding for libraries, catch-up

pay increases for the Comprehensives, and for the Board to address the need to provide faculty and academic staff with equivalent sick leave benefits to those of other State employees.

(1) Quarterly Gifts, Grants and Contracts Report

Acting Vice President Durcan reported that total gifts, grants and contracts for the nine-month period ended March 31, 2000, were \$586.5 million, an increase of \$26.5 million from the comparable period of the previous fiscal year. Federal awards increased \$13.0 million, while non-Federal awards increased \$13.5 million.

Acting Vice President Durcan reported that a letter had been sent to the Co-Chairs of the Joint Finance Committee and the Secretary of the Department of Administration, requesting supplemental funding to cover a projected shortfall in the UW System's GPR appropriation for utilities, estimated to be approximately \$1.9 million in 1999-2000.

New GPR square footage has been added without a corresponding increase in utility funding and utility rates have increased throughout the System. Had the System's initial budget request of \$2.5 million for this biennium been approved, the resulting budget would have been sufficient to cover costs.

Acting Vice President Durcan reported that the Weidner Center on the UW-Green Bay campus is the largest university arts presenter in the nation. Access to first class Broadway shows by independent presenters has become increasingly difficult. There appears to be a need to participate in investment syndicates to help secure these productions.

UW-Green Bay is prepared to invest in two to three shows per year, at a maximum total annual investment of \$200,000 on a budget base of \$16-18 million. A national expert will be consulted to ensure this investment is the current state-of-art.

I.2.h. Additional Items Which May Be Presented to the Business and Finance Committee with Its Approval

No additional items were presented at this time.

The Business and Finance Committee recessed and the Audit Committee convened at 4:41 p.m. Present were Regents Marcovich, De Simone and Gottschalk. Regents Axtell and De Simone also were present.

I.2.i. Audit Subcommittee

(1) Status Report

Internal Audit Director Yates reported that all internal audit projects are proceeding as planned. In the area of outside audit activities, the Legislative Audit Bureau (LAB) has completed fieldwork on the federally-mandated A-133 financial compliance audit and expects to issue the report in May. LAB has begun a review of UW-Madison's Division of Information and Technology and is planning a review of the lease and affiliation agreements between the Board and the University of Wisconsin Hospitals and Clinics. State Statutes require these agreements be reviewed every five years.

As part of the Study Abroad Review, Committee members requested more information on the impact of international experiences on time to degree.

(2) Patents

Director Yates reported that the Patent Policies and Activities Review noted that UW-Madison, through the Wisconsin Alumni Research Foundation (WARF), is one of the leading universities in patent activities, consistently ranking in the top ten. Between FY 1993 and FY 1998, WARF filed over 600 patent applications, generated more than \$83 million in royalties, and distributed over \$138 million to UW-Madison. However, the review found the Patent Policy (GAPP 34) needs to be revised to reflect changes in federal requirements, clarify reporting requirements and revise other administrative areas. Because WARF's extensive network for developing patents was available only to UW-Madison, other System institutions were left to use their own resources to develop and market their patents. Because of the difficulty of starting a patent process at any institution, UW-Madison and WARF have agreed to establish a subsidiary to develop patents from other UW System institutions and are working with System Administration to finalize the agreement. At the June meeting, UW-Milwaukee will provide the Committee with a presentation on the patent being developed with the assistance of the new agreement.

(3) Distance Education

The Distance Education Review noted the number of distance education courses are increasing significantly, UW System institutions are setting goals and are setting up collaborative distance education programs, and System Administration is developing policies that provide guidance to all of the institutions. The report identified several areas that will need continued development, such as faculty development training, coordination within institutions and increasing the institutions' collaborative efforts. There are many issues with on-line distance education courses that will need to be addressed, including competition, ownership of course materials, quality of programs, faculty compensation, student retention and advising, organization structure and technical issues. It is a dynamic environment and new issues continue to evolve that challenge existing policies and practices. At this time, there is no perfect model for distance education. The Board and System Administration will need to develop a model that will encourage educational growth and allow flexibility. Mr. Yates also highlighted recent articles in the *Chronicle of Higher Education* on distance education.

The Audit Subcommittee adjourned and the Business and Finance Committee reconvened at 5:03 p.m. Present were Regents Marcovich, Axtell, De Simone, Gottschalk and Olivieri.

I.2.e. Trust Funds

Upon the motion of Regent Axtell and the second of Regent De Simone, the Business and Finance Committee adjourned to Closed Session at 5:05 p.m. to consider Trust Fund matters, as permitted by s.19.85(1)(e), *Wis. Stats.* Present were Regents Marcovich, Axtell, De Simone, Gottschalk and Olivieri.

The Business and Finance Committee adjourned at 5:10 p.m.

Donita R. Zintz, Recording Secretary