

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
October 5, 2000

The Business and Finance Committee meet in Room 259, Cartwright Center, UW-La Crosse, at 2:37 p.m. Present were Regents Marcovich, Barry, De Simone and Krutsch.

I.2.a. Approval of Minutes of the September 7, 2000, Meeting of the Business and Finance Committee

Upon the motion of Regent De Simone and the second of Regent Krutsch, the Minutes of the September 7, 2000, meeting of the Business and Finance Committee were approved as presented.

I.2.b. UW-La Crosse, Serving the Coulee Region

Assistant Chancellor Lostetter and Dorothy Zeisler-Vralsted, Assistant to the Provost, presented an informative look at the ways UW-La Crosse is influencing the surrounding area. UW-La Crosse is prepared to serve the changing needs of the region by giving high priority to special programs matched to the needs of citizens in the area.

UW-La Crosse is a primary employer in the La Crosse area. Health services has shown the greatest growth rate in the region since 1995, while growth in manufacturing has remained flat throughout the decade.

UW-La Crosse has instituted programs designed to address special needs in the region. One of those programs is the Dosimetry Certification Program in the College of Science and Allied Health. This is an allied health program for radiation oncology therapists, targeting radiation therapists in the Midwest as well as graduates of related health fields. There is a high demand for dosimetrists, and graduates can anticipate a 50% pay increase potential. The program offers both distance education venues as well as on-campus intensive courses with clinicals near the students' homes as well as collaborations with area medical facilities.

Another new program is the Bachelor of Liberal Studies which appeals to nontraditional students by providing evening and weekend courses, some at off-campus locations and offered in collaboration with UW Colleges and area Technical Colleges.

UW-La Crosse also offers a Complementary Alternative Health Practices Certificate Program (CAHPCP) focusing on health, physical education and recreation. The College of Business Administration offers a Masters in Business Administration (MBA) degree.

UW-La Crosse contributes to the Wisconsin economy effort by forming regional partnership collaborations. UW-La Crosse has provided a start-up fund of \$105,000 which new programs compete for, and approximately half of it is currently committed. As the programs are implemented, there are revenue incentives, so when revenues exceed the costs, the excess is returned to fund other new programs.

UW-La Crosse expressed their appreciation for support from the Board of Regents in working together in removing the position control restraint, in focusing on technology and other innovations, in providing support for collaborative programs and partnerships, in improving support services for nontraditional students and in faculty development.

Regent Krutsch inquired if all programs were fee recovery. Assistant Chancellor Lostetter responded that the intent is to not only be fee recovery, but fee recovery plus.

Regent De Simone inquired how UW-La Crosse raised the \$105,000 creative capital. Assistant Chancellor Lostetter replied that it was raised through reallocation. The University felt it was important for their future and that it is beneficial also in getting faculty excited about the programs.

Regent Barry suggested that UW-La Crosse put position control high on their list in their conversations with local legislators. Regent Marcovich added that he hoped it would also be high on the Committee's list of goals as well.

I.2.c. Catastrophic Leave for Faculty and Academic Staff

Associate Vice President Brooks reviewed that, in 1997, a catastrophic leave program was created for State and University classified employees. The program allows classified employees to donate accrued vacation, personal holidays and floating holidays to fellow employees who, due to a serious illness, face a financial crisis because all available leave benefits have been exhausted. Sick leave credits may not be donated because such use of sick leave would jeopardize the tax-exempt status of that benefit.

The UW System Fringe Benefits Advisory Committee has studied this issue and recommends that the benefit be extended to faculty and academic staff. Upon approval of the recommendation, the Staff Benefits Office will establish a catastrophic leave plan for faculty and academic staff under Unclassified Personnel Guideline (UPG) 9, which governs the use of faculty and academic staff annual paid leave time. The plan for faculty and academic staff would mirror the program available to State and University classified employees. That is, to qualify for the receipt of donated leave, a member of the faculty or academic staff must be on an approved, unpaid leave of absence due to a catastrophic illness or condition and, the Chancellor or his or her designee must approve solicitation of leave credits from faculty and staff.

It is anticipated that this benefit would rarely be needed. To date, only two incidences have been reported from University classified employees in the three years the benefit has been available. Because this benefit is funded through an exchange of earned leave credits, no fiscal impact is anticipated.

Regent Krutsch expressed concern that this could place undue pressure on fellow employees who might feel guilty if they didn't donate leave for a coworker. Associate Vice President Brooks explained that this could be used to assist a coworker who is not able to use income continuation insurance because the employee is not the one with the illness but they must be off work caring for a seriously ill family member for an extended period of time. This benefit actually started with union members rallying around a fellow member who was experiencing not only mental anguish, but financial hardship incurred while caring for a family member. He indicated there is no pressure to donate.

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

Resolution 1.2.c.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents directs the President to establish a catastrophic leave plan for faculty and academic staff that allows faculty and academic staff to donate earned vacation, personal holiday, and floating holiday leave to colleagues with a "catastrophic" need.

I.2.d. Bone Marrow and Human Organ Donations Leave for Faculty and Academic Staff

Associate Vice President Brooks reported that, with the enactment of 1999 Wisconsin Act 125 last May, State and University classified employees are given up to five days without loss of pay to

recuperate from donating bone marrow, and they are given up to 30 days without loss of pay to recuperate from an organ donation. This time is not charged against any leave balances the employe may have although, if additional time is needed to recuperate from the donation, accrued leave time will be charged.

Because 1999 Wisconsin Act 125 applies to State and University classified employes, the creation of a similar benefit for faculty and academic staff requires Board of Regents action. The intent of extending this leave plan to faculty and academic staff, is to encourage University employes to consider becoming potential donors. Upon approval of the recommendation, the Staff Benefits Office will establish bone marrow and human organ donations leave for faculty and academic staff under Unclassified Personnel Guideline (UPG) 9, which governs the use of faculty and academic staff annual paid leave time.

In the five months that this program has been available to University classified employes, there has been only one reported case—an organ donation.

The fiscal impact depends on the type of donation. Based on an overall average salary rate for faculty and academic staff, each bone marrow donation leave might be expected to cost \$1,200, and each human organ donation leave might be expected to cost \$7,200.

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

Resolution I.2.d.

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves a Bone Marrow and Human Organ Donations plan for faculty and academic staff, consistent with s.230.35(2d), *Wis. Stats.*

I.2.e. Annual Sick Leave Report

Associate Vice President Brooks noted that sick leave is an essential piece of the faculty and academic staff fringe benefit package. In addition to providing paid leave for short-term absences due to medical conditions, sick leave benefits have great value in that unused sick leave can accumulate from year to year and at the time of retirement can be converted to a credit value to help pay post-retirement health insurance premiums.

Faculty and academic staff earn 12 days of sick leave each year. For many years, faculty and teaching academic staff have saved 10½ to 11 days of sick leave each year, while nonteaching academic staff have saved between 7½ and 8½ sick leave days each year.

In 1987, a statutory change limited the amount of annual sick leave that could be saved by faculty and academic staff to help pay health insurance premiums upon retirement. That "cap" was set at 8.5 days for those on annual contracts and 6.4 days for those on academic year contracts. However, the statute did allow the Secretary of the Department of Administration to grant institution waivers from those "caps" if certain conditions were met. One of those conditions was that the Regents receive an annual report of faculty and academic staff sick leave usage. This report fulfills that requirement.

During fiscal year 1999-2000, faculty and teaching academic staff used an average of 1.2 sick leave days and nonteaching academic staff used an average of 3.6 days. These amounts are within the normal range over the past ten years.

All UW institutions operate under a waiver of the statutory cap granted by the DOA Secretary. Faculty and staff understand and appreciate the value of this benefit and the importance of accurate time reporting to maintain the waivers.

Regent Krutsch inquired how this sick leave policy compares with that of other universities or the private sector, adding that she thought it was highly unlikely that anyone uses an average of only 1.2 sick leave days. Associate Vice President Brooks responded that the public sector and private sector sick leave policies are drastically different. The private sector has more of an inclination toward short-term disability plans which involve premiums rather than a paid leave plan which is more common in the public sector. Surveys of peer institutions show the range of sick leave plans available in higher education faculty range from 9-15 days, so our 12 is in the ballpark. Our conversion of sick leave credits is a generous benefit; however, there are other institutions which have similar plans. The sick leave conversion plan has a tremendous impact on recruitment and retention of faculty. Classified employees receive 16½ days, compared with 12 by faculty and academic staff, but tend to use it at a much greater rate. Professional classified staff have usage rates similar to faculty and academic staff.

Regent Barry noted that classified staff generally report to someone and it is much more difficult for them to take a day without it being reported as opposed to faculty. Associate Vice President Brooks indicated that used to be true, but since legislation in 1987, the University has had a very clear, accurate reporting system.

Regent Krutsch inquired about the ultimate cost to taxpayers when the benefit is collected. Associate Vice President Brooks explained that the plan is actuarially funded. The University pays 2.7% of its gross payroll to the Department of Employee Trust Funds to cover the cost.

Regent De Simone inquired if, statistically, the extra costs as a result of turnover due to the graying of the faculty would be a problem. Associate Vice President Brooks responded that there should be no problem.

I.2.f. Business and Finance Committee Goals and Priorities for 2000-01

Vice President Durcan distributed a template for the Committee to use to determine priorities and agenda items for 2000-01.

The Committee agreed that flexibility should be their first priority for the coming year. Regent Krutsch suggested that it should be flexibility/accountability because accountability is necessary for credibility. She agreed with Regent Barry that the best way to put forth a persuasive argument to the Legislature for flexibility is to talk about specific examples where not having that flexibility doesn't allow campuses to be as responsive or efficient. Regent Marcovich agreed and suggested having the Chancellors bring specific examples to the Committee. Vice President Durcan suggested that staff also present some of the flexibilities that have been achieved over the past few biennium and what that flexibility has done for the System, and also provide information on flexibilities of peer public institutions, and focus also on position decontrol. Regent Krutsch noted she had heard the President of the Oregon University System Board of Regents speak on what they had done and suggested having him address the Board. Regent Barry suggested that the Committee might want to schedule the Chancellors, over a period of time, to address the Committee and identify issues in position control that are thwarting some of their goals and encourage them to be specific. Regent Krutsch added that it would also be beneficial to also identify flexibilities the System does have but is not taking full advantage of.

Regent Krutsch suggested that another priority issue would be increasing the retention and graduation rates and the possibility of an incentive system for institutions to increase graduation rates in areas which might increase economic development in the State. Regent Marcovich responded that that would be an item for the Education Committee rather than the Business and Finance Committee.

Regent Marcovich noted that the people from WARF and the UW Foundation are coming to the next two meetings to discuss investments. Regent Barry suggested the comprehensive institutions could benefit from the expertise of WARF in handling their funds.

Regent Krutsch expressed concern that the Committee might be focusing too narrowly and that one of the main themes at the Economy for Minnesota Summit was to encourage and nurture entrepreneurship. She asked if there was anything the Committee can do to encourage that.

General Counsel Rindskopf-Parker inserted that she was supportive of the Committee's discussion of expanding their mission, but cautioned that they need to keep in mind their fiduciary responsibilities. She indicated that, although the Committee can ask the Trust Fund portfolio managers to focus first on Wisconsin to include more of an emphasis on venture investments, but the Board has a statutory mandate to ask them to perform to a certain standard. There may be other areas where the Committee can lend its expertise.

Regent De Simone indicated there are other avenues of venture capital which the Committee could explore.

Regent Barry expressed concern that some faculty and students believe the Board is focusing more on investments and increasing funding than on the primary mission of education. He suggested creating a forum which, over time, would help the Committee reach a better understanding about its goals. Regent Krutsch agreed that the mission is to provide students with a well-rounded education, but perhaps because of discussion of venture capital and the focus on the upcoming economic summit, it appears the Board has lost its focus, but she does not believe that is true. The Committee needs to be careful how things are worded so people don't get the wrong impression.

Chancellor Markee added that over the past 10 or 20 years the role of the chancellor has changed, particularly at the comprehensive campuses, where one-third to one-half of their time is spent on fundraising and friend-raising to address special issues of each campus. Maintaining the commitment to liberal arts and other areas important to the institution is important, but it is also important to have someone involved in the fundraising or the institution will not be successful.

Regent Marcovich noted that much of the public revenue has been lost over the past 15 or 20 years so it has become necessary to raise private funding. Tuition is being kept lower because of the private funding. He noted that perhaps the priority placed on forums on socially responsible investing have become outdated and that this would be a more relevant topic for a public forum.

Following the discussion, the Committee agreed on the following goals for the upcoming year:

- Flexibility/Accountability, including position control; and
- Exploring ways to encourage economic development, including possible use of investments for venture capital as consistent with the fiduciary responsibility to maximize returns.

I.2.g. Role of the Business and Finance Committee in the Economic Summit

Regent Marcovich indicated that Regent President Smith had asked that this item be deferred to the full Board meeting.

I.2.h. Report of the Vice President

Vice President Durcan reported that UW-Madison has finished negotiating their federal indirect cost rate, and UW System recently negotiated on behalf of all the comprehensive institutions.

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

No additional items were presented at this time.

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

Upon the motion of Regent Barry and the second of Regent Krutsch, 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(3), *Wis. Stats.* Present were Regents Marcovich, Barry, De Simone and Krutsch.

The Business and Finance Committee adjourned at 4:10 p.m.

Donita R. Zintz, Recording Secretary