

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
June 5, 2003

The Business and Finance Committee met at 1:35 p.m. in room E280 of the Union, UW-Milwaukee. Present were Regents Olivieri, Walsh and Bradley. Regent President Gottschalk and Regent Vice President Marcovich were also present.

a. Approval of minutes of May 8, 2003 meeting of the Business and Finance Committee

Upon the motion of Regent Walsh, and the second of Regent Bradley, the minutes of the May 8, 2003, meeting of the Business and Finance Committee were approved as presented.

b. 2003-05 Unclassified Pay Plan Recommendation

President Katharine C. Lyall noted that this resolution is meant as a place holder to inform the Department of Employee Relations (DER) that the Board of Regents will present its recommendations for the 2003-05 pay plan in the fall. Until the compensation reserve is established and the health insurance premium contribution structure is prepared to be implemented for 2004, it is premature to make specific unclassified pay plan recommendations to the DER Secretary. There are significant changes being proposed to the state's health insurance program, including changing the premium contribution structure to a "tiered" approach, establishing criteria for formulating a risk adjustment model to ensure the efficiency of plan providers and changing existing prescription drug and dental benefits. Providing an adequate pay plan will be a major challenge for the Board.

Regent Bradley noted that he has received numerous letters requesting the Board to be more vocal in representing the UW System, and asked what form of representation the UW System has in these negotiations. President Lyall stated that UW System staff and campus representatives meet with DER staff. George Brooks, Associate Vice President, UW System, commented that there is little room for faculty and staff to formally get involved in the discussion, and it is important for the Board to speak on this issue. He noted that there are still many unknowns concerning benefits. Health insurance providers will not submit their bids until July, and very little is known about what will be contained in those plans.

Regent Olivieri noted that the resolution is intended to show that the Board is very concerned about this issue. It is important for the Board to be engaged in this discussion, especially concerning benefits, because of the magnitude of the forthcoming challenge concerning the pay plan. The Committee amended the resolution to insert the words "but not limited to" to emphasize their concern.

Upon the motion of Regent Walsh, and the second of Regent Bradley, the Committee approved Resolution I.2.b. (amended).

Resolution I.2.b. (amended)

That upon the recommendation of the UW System President, the Board of Regents directs the UW System President to notify the Department of Employment Relations Secretary that:

A formal recommendation of the Board of Regents pursuant to s. 230.12(3)(e) Wis. Stats., will be transmitted on or before October 10, 2003;

The Board of Regents asks that the UW System faculty and academic staff be represented in any discussions pertaining to employee health insurance including, but not limited to: changes to the premium contribution structure to a “tiered” approach; establishing criteria for formulating a risk adjustment model to ensure the efficiency of plan providers; changing existing prescription drug benefits and evaluating the prospect of engaging a pharmacy benefits manager; excluding dental benefits from participating plans and creation of a stand alone dental plan; and, converting the standard plans to a preferred provider option.

c. Discussion: All Regent Sessions

The Committee discussed the Board’s morning session on The Scholarship of Teaching and Learning, noting that an important consideration is to evaluate the effectiveness of new teaching strategies. Regent Walsh asked how the UW System measures success. President Lyall noted that post-graduation tracking is expensive, but the UW System surveys alumni three years after graduation. She noted various measures of success including graduation, receiving a job offer related to the student’s major, whether the student is satisfied with their career and what the educational experience has allowed the student to accomplish.

d. UWM Presentation on School of Nursing On-Line Ph.D. Program

Sally Peck Lundeen, PhD, RN, FAAN, Dean and Professor, UW-Milwaukee, noted that there is a critical shortage of nurses in both Wisconsin and the nation at a time when the demographics predict a rapidly increasing demand. There is insufficient doctorally prepared faculty to meet the growing number of students seeking a career in nursing. Technology and teaching models exist to increase the access of qualified candidates who desire a PhD in nursing.

Dr. Lundeen stated that according to projections from the Bureau of Labor Statistics, there will be more than one million vacant positions for registered nurses (RNs) by 2010 due to growth in demand for nursing care and replacements due to retirement. In 2002, an insufficient number of faculty was cited by 41.7 percent of responding schools as a reason for not accepting all qualified applicants. Although there are multiple factors contributing to the shortage of faculty, the impact of faculty age and retirement timelines coupled with an inadequate pool of younger faculty for replacement are the primary influences on future faculty availability. The mean age of nurses in doctoral programs in the United States is 46 years, while the mean age of all doctoral students in US is 33.7 years. Diversity (gender and racial) in nursing graduate programs is very low at 5%.

Dr. Lundeen commented on the criteria used to launch the On-Line Nursing PhD program. The overall goal was to improve access, however, the program had to offer the same quality curriculum as UW-Milwaukee’s highly ranked on-campus doctoral program (UW-Milwaukee’s College of Nursing is currently ranked 29th out of more than 300 nationally in the US News and World Report ratings of best graduate programs). Secondly, the On-line option had to be taught by the same faculty as the On-campus option. Lastly, the caliber of the students accepted in the On-Line option had to be as high as those accepted in the On-Campus option.

Dr. Lundeen reviewed the revenue assumptions associated with starting up the program. Tuition was set at \$750 per credit hour. There was a large first cohort (27), however this was reduced to 20 students after attrition. The second cohort will be smaller at 15 students. The break even point will not be realized until after the first cohort due to development and operating costs. The first cohort will bear the burden of development costs and 100% tuition revenue will accrue to the College of Nursing (Summer 2003 - Spring 2005) with a cumulative net loss of \$15,014. The second cohort will have minimal development costs, and 80% tuition will accrue to

the College of Nursing (20% to campus) with a net gain to the College of Nursing of \$263,794 by the completion of the second cohort's course work in the Spring of 2007 (assuming no tuition increase).

Dr. Lundeen noted that UW-Milwaukee College of Nursing On-Line students are more diverse in comparison to the average. The mean age of the cohort (41) is younger than the national average (46), 25% of the cohort are from under represented groups (2 African Americans, 1 Native American and 1 Male) and 30% from Wisconsin.

Dr. Lundeen noted other valued added aspects of the program to the UW System. The program enhances the UW System's reputation for innovation since this is the first nursing program in the nation to put a PhD program totally on-line. There is expanded visibility for the UW System in that students from other states will be ambassadors for UW-Milwaukee and the City of Milwaukee. Lastly, the program will help recruitment, and is expected to attract additional high quality students at all levels.

Regent Bradley asked how the faculty is reacting as far as the added workload involved in implementing and teaching the program. Dr. Lundeen noted that the development of the program was intensive and different from regular courses. It was an interactive process of pedagogy, and it gave the faculty a chance to think about how to become better teachers.

e. Review of Building Our Resource Base Recommendations

Associate Vice President Freda Harris reviewed the Building our Resource Base report, noting that at its July, 2001 annual retreat, the Board selected this as one of three over-arching themes for its 2001-02 deliberations. Regents expressed concern about the shift in state priorities that has resulted in erosion in the share of the state GPR budget allocated to the UW System, from 14.4 percent in 1973-74 (after merger) to a projected 9.41 percent in 2001-02. Consequently, the UW System budget has moved from being nearly 52 percent GPR funded to a bit more than 33 percent by 2000-01.

Associate Vice President Harris noted that by the middle of the 2001-02 fiscal year, most states were facing revenue shortfalls that resulted in cuts to higher education. A challenge for the UW System is to find ways of enhancing revenue from federal sources, alumni, and corporate fund-raising, and to continue to enhance tuition revenue from sources like employer reimbursement, while maintaining a strong and clear focus on retaining its public identity and service to the state through enhanced GPR funding.

Associate Vice President Harris stated that the Board decided that Wisconsin needed to develop a long term economic growth and brain gain strategy. This compelled the UW System and the Board to seek a multi-pronged strategy for:

- reasonable stability in base budgets that do not leave higher education as the residual of other budget commitments;
- fair and acceptable balance among revenue sources;
- basic support per student that provides educational quality for students and value to their degrees;
- responsiveness to state needs; and,
- accountability to multiple stakeholders.

Associate Vice President Harris commented that toward this end, the Board adopted a set of principles to guide the year's consideration of UW System funding strategies:

1. The UW System is committed to affordability.
2. State-funded financial aid should be linked to tuition increases.
3. The UW System will provide accountability to its stakeholders.

4. UW System educational quality requires a predictable and fair share investment by the state.
5. UW System institutions commit to continuous reallocation of base resources to meet a portion of system and institutional priorities.
6. UW System will continue to manage and measure its success against specific targets and benchmarks such as enrollment targets, graduation rates, and other benchmarks, in order to continue its mission as a public university.
7. At the same time, the University System requires operational flexibility commensurate with its responsibilities to its multiple stakeholders.

The Committee discussed the politics of these strategies, and difficulty in shaping this discussion with Legislators who tend to look at increases in the nominal dollars provided to the UW System rather than measures such as support per student. Regent Walsh noted that this will be a good subject for the Board's discussion on long range planning, and asked that more data be provided regarding the support per student comparison.

Regent Bradley asked what type of revenue can be generated by UW System campuses going into businesses to offer on-site instructional programming. Associate Vice President Harris noted that most of the benefit to the UW System is realized in goodwill and public relations. For the majority of these programs, they have little cost associated with infrastructure since the campus uses the company's facility, they are not set up in a service based pricing model, and do not generate a great amount of revenue. Examples of corporate campus programs were listed including UW Colleges at Fond Du Lac with Mercury Marine, UW-Parkside with Harley Davidson and UW-Whitewater with American Family.

f. Differential Tuition

Acting Assistant Vice President Andrew Richards stated that, as part of its 21st Century Study, the Board of Regents encouraged institutions to pursue differential tuition rates for unique programs with strong demand or special operating costs. Since that time the board has approved differential tuition rates for a number of programs and five institutions, most recently for UW-Oshkosh this past December.

Mr. Richards noted that the tuition landscape this year, including the tuition setting authority of the Board, has changed due to the biennial budget process. The Governor has proposed tuition caps for resident undergraduate students for the next two years, however the Joint Finance Committee has since altered the Governor's budget bill to allow the Board to set tuition above the tuition caps for differential tuitions that have been approved by students and the Board. The Board's authority to approve differential tuition has not been altered by either the Governor or Joint Finance Committee. The budget bill only limits the ability of the Board to set tuition. There is a clear distinction between approving a differential tuition and setting tuition at a higher rate. The procedures the Board will use to implement differential tuition is built on this distinction. The Board still retains its full authority to approve differential tuition proposals, and need not be concerned that taking action today on the proposals will be problematic.

(1) UW-La Crosse Academic Initiatives

Regent Bradley asked whether the UW-La Crosse proposal will affect enrollment. Chancellor Doug Hastad noted that this proposal is completely independent and outside of UW-La Crosse's Enrollment Management 21 Plan (EM21).

Chancellor Doug Hastad noted that this proposal is a good example of UW-La Crosse students making a commitment to do what is best for the university. Chancellor Hastad introduced a group of UW-La Crosse students. The students thanked the Chancellor, faculty, and

students involved for bringing this proposal to fruition, and noted that it will help improve the quality of education provided by UW-La Crosse.

Upon the motion of Regent Walsh, and the second of Regent President Gottschalk, the Committee approved Resolution I.2.f.(1).

Resolution I.2.f.(1)

That, upon the recommendation of the President of the University of Wisconsin System and the students and Chancellor of the University of Wisconsin-La Crosse, the Board of Regents approves the differential tuition rates for all UW-La Crosse students beginning in the Fall Semester of 2003-04.

(2) UW-Superior Library Fee

Upon the motion of Regent Walsh, and the second of Regent Vice President Marcovich, the Committee approved Resolution I.2.f.(2).

Resolution I.2.f.(2)

That, upon the recommendation of the President of the University of Wisconsin System and the students and Chancellor of the University of Wisconsin-Superior, the Board of Regents approves the differential tuition rates for undergraduate students at UW-Superior beginning in the Fall Semester of 2003-04.

g. Committee Business

No Committee business was discussed.

h. Report of the Vice President

Vice President Durcan provided guidelines that the campuses use in determining how to price non-traditional credit courses and programs. She noted that this was a follow-up to last month's discussion on pricing for distance education, service based pricing and contract coursework.

Vice President Durcan noted that UW System staff met with the Legislative Audit Bureau (LAB) in response to their recommendations on security access rights. LAB was satisfied with the steps that UW System has taken. She suggested that the Committee may want to invite Legislative Auditors to assist in the financial statement presentation next year.

Vice President Durcan commented that as part of its review of administrative expenditures and staffing, LAB is scheduling meetings with the campus business officers. LAB is asking about administration staffing levels, administrative expenses, the role of System Administration, collaborations with other campuses, outsourcing and campus plans to deal with the budget reductions.

i. Additional items which may be presented to the Committee with its approval

No additional items were presented to the Committee.

j. Closed session to consider trust fund matters as permitted by s.19.85(1)(e), Wis. Stats.

Upon the motion of Regent Bradley, and the second of Regent Walsh, the Business and Finance Committee adjourned to Closed Session at 3:11 p.m. Present were Regents Walsh and Bradley.

The Business and Finance Committee adjourned at 3:27 p.m.


Eric Engbloom, Recording Secretary