

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
March 6, 2003

The Business and Finance Committee met at 3:13 p.m. in room 1920 Van Hise Hall. Present were Regents Olivieri, Walsh and Davis. Regent Smith was also present.

a. Approval of Minutes of February 6, 2003 Meeting

Upon the motion of Regent Walsh, and the second of Regent Davis, the minutes of the February 6, 2003, meeting of the Business and Finance Committee were approved as presented.

b. Discussion of All Regents

(1) Governor's Budget

Regent Smith noted that a portion of the Board's agenda last year incorporated structure and funding, especially as it pertains to long term strategic planning and economic development. Last year's discussion also focused on benchmarking, compacts, and a series of different funding methods to ensure the stability of the UW System, with the understanding that it is a multi-year project. The Board now needs to tie those discussions together with a long term strategy. The Board needs to decide the structure of the dialogue, and decide which Board Committee, most likely the Business and Finance Committee, should drive the discussion. Also, the Board should decide what participants, such as students, faculty, staff and Legislature, should be involved. Goals need to be determined so that the Board can better address this issue. The budget is still being discussed in the Legislature, and the Board should be involved in the discussion.

Regent Smith noted the trend of decreased State funding has been going on for 30 years. If the trend continues, State funding is going to completely disappear within the next 20 years. The Legislature feels that they are funding the UW System quite well. However, the UW System and Board of Regents have a very different view.

Regent Olivieri commented that the Legislature believes that a \$300 million cut out of an overall \$3 billion budget is insignificant, and the UW System will survive. The Board retreat may be a good time for this discussion. It may be advantageous for the Board to involve the Legislature and personnel from the new administration's budget office. This is a very difficult budget cut, and if the UW System were left with no increase in tuition support to offset the budget cut, it would have dire consequences.

Regent Davis stressed that there is a role for the Board in the budget discussion, and the Board should be proactively involved. The Board needs to fully understand where the UW System is regarding the current budget. Also, Chancellors should contact their local Legislative leaders.

Acting Associate Vice President Freda Harris noted that the governor's budget is put together very tightly. There is very little room between the proposed dollar amounts and a budget deficit in the 2005-06 year.

Vice President Debbie Durcan stated that a top priority is to ensure that sufficient financial aid is available to students in order to offset increased tuition and ensure access. Regent Walsh asked about the link between the increase in tuition and increase in financial aid. Acting Associate Vice President Harris noted that it is not a dollar for dollar increase, and that the link is on a percentage basis.

Regent Olivieri commented that the Committee should receive a copy of last year's Board of Regent's report on Building our Resource Base.

Regent Olivieri asked about the Governor's budget recommendations concerning cost to continue, and noted that the funding for utilities appears to have decreased for the 2003-05 biennium. Acting

Associate Vice President Harris noted that the UW System received everything that was asked for in the base cost to continue concerning the pay plan and fringe benefits. The UW System had asked for supplies and expenses, library, physical plant and on-line programs, which were not included. The UW System also did not receive requested funding concerning disabled student services. The decrease in utilities funding for the 2003-05 biennium is a result of the assumption that rates will decrease and efficiencies will increase. The UW System has not experienced lower rates or sufficient increased efficiencies to offset the reduction, which could lead to future funding problems.

(2) Instructional Technology

Regent Olivieri asked whether hybrid courses are reported as distance education, and noted that it appears as though some distance learning and some traditional classroom courses are being called hybrid courses. Hybrid courses should be encouraged if they improve quality and efficiency in education. Ed Meachen, Associate Vice President, UW System, stated that hybrid courses are not reported as distance education. Although technologically driven, hybrid courses are another form of traditional classroom learning. He noted that distance learning is rapidly losing its original meaning. It may be worthwhile to discuss the definition of hybrid courses and distance education, and whether aspects of technology or correspondence drive the definition.

Chancellor Wiley noted that instructional technology can be used to improve efficiency. For example, for most UW-Madison students, there is little need for remedial courses. Therefore, UW-Madison is discussing the idea of putting remedial courses on the web. These courses would not be required, and would be available for students to take on their own time for no credit. True distance education degree programs provided to students around the world are more expensive than traditional classroom courses. This is due in part to the need to have help available around the clock for these programs. Achieving efficiencies and economies of scale will still probably not make true distance education degree programs less expensive than traditional classroom programs.

Regent Walsh asked why UW-Extension does not have more distance education courses. Associate Vice President Meachen stated that UW-Extension itself is not responsible for offering the degree courses. UW-Extension partners and collaborates with UW campuses, however, the courses are reported under the campuses numbers.

c. Committee Business

(1) Authorization to Recruit and Appoint: Coach, Women's Basketball, UW-Madison

Regent Olivieri noted that Board policy states that the Board must authorize the recruitment and appointment of the UW-Madison Women's Basketball Coach since the salary range exceeds 75% of the salary of the President of the UW System.

Upon the motion of Regent Walsh, and the second of Regent Davis, the Committee approved Resolution I.2.c.(1).

Resolution I.2.c.(1)

That, upon recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Chancellor be authorized to recruit and appoint the Coach, Women's Basketball within a salary range that exceeds 75% of the President's current salary.

d. Report of the Vice President

Vice President Durcan noted a recent survey of several universities which had mid-year budget cuts. She stated that, according to a peer, Ohio State University underwent a 2.5% mid-year reduction.

Ms. Durcan commented on a recent state by state comparison for fiscal years 2002 and 2003 of tuition and fees, income, State Appropriations, and financial aid published by the National Center for Public Policy and Higher Education.

Vice President Durcan stated that, although early in the process, many institutions approve or estimate tuition and fees in April and May for the following fall. Examples of increases include the University of Akron (9.6%), Southern Illinois University (16%, approximately \$600 per year) and the University of Iowa (17.6%, \$650 per year). Estimates of increases currently available include the University of Indiana (14%), University of Kentucky (12-24%) and the University of Idaho (10%).

Ms. Durcan commented on a Colorado tuition model which proposes to shift funding from public institutions to students similar to a voucher system. Each student would receive \$4,000, however, \$2,400, the average tuition, would still be paid by the student. The state would fund up to 140 credit hours at the undergraduate level, and 60 credit hours at the graduate level. Funding could only for be used for public institutions.

Vice President Durcan stated that the Legislative Audit Bureau review of administrative expenditures and staffing has so far revolved around collecting data from UW System reports and peer data. This includes information on filled positions by funding source, salary data and information on management and staff.

Ms. Durcan noted that the recent Sarbanes/Oxley Act, which currently pertains only to the corporate world, could eventually apply to Higher Education. The Act stresses the increased importance of the audit committee and the need for a financial expert to be on the audit committee. It also calls for enhanced oversight and responsibility of boards and management, and for a strengthening of the internal controls and code of ethics. She noted that the UW System Board of Regents Executive Committee currently assumes the role of the Audit Committee.

Vice President Durcan introduced Darrell Bazzell, the new Vice Chancellor for Administration at UW-Madison.

Chancellor John Wiley, UW-Madison, noted that the UW System is being forced into a high tuition, high financial aid tuition model. State budget cuts and institutions, notably in the Ivy League, are driving this trend, due in part to the fact that students at these institutions can afford this type of model. The effect of this model is that it pushes up tuition, rather than encouraging the drive to contain costs.

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

No additional items were presented to the Committee.

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

Upon the motion of Regent Olivieri, and the second of Regent Walsh, the Business and Finance Committee adjourned to Closed Session at 4:15 p.m. Present were Regents Olivieri, Walsh, Jones and Davis.

The Business and Finance Committee adjourned at 4:35 p.m.

Eric Engbloom, Recording Secretary