

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
April 1, 2004

The Business and Finance Committee met in Joint Session with the Physical Planning and Funding Committee at 2:45 p.m. in room 325/326 of the Pyle Center to discuss the UW-Madison east campus plan. The minutes of this discussion are detailed in the minutes of the Physical Planning and Funding Committee.

The Business and Finance Committee reconvened at 3:34 p.m. in room 225 of the Pyle Center, UW-Madison. Present were Regents Bradley, Connolly-Keesler, Gottschalk and Rosenzweig. Regent President Marcovich was also present.

Upon the motion of Regent Gottschalk, and the second of Regent Connolly-Keesler, the Committee agreed to revise the order of the agenda items.

g. Implication of the Taxpayer Bill of Rights (TABOR) on the UW System

Regent Bradley stated that the Business and Finance Committee was charged by the Board of Regents to analyze various proposals for a Taxpayer Bill of Rights (TABOR), and the impact that such a policy would have on the UW System. The Committee had two prior presentations from Representative Frank Lasee and Assembly Speaker John Gard.

Representative Gregg Underheim, 54th Assembly District, addressed the Committee on a version of the Taxpayers Bill of Rights that he is working with Legislative Fiscal Bureau staff to develop. The policy rationale and politics are currently moving towards passage of the bill, and he recommended that the UW System not take a position of complete opposition to the bill. Recent public opinion polls show widespread public support for a measure that would cap state tax increases at a rate equal to that of overall economic growth in the state. This public support remains strong even when people are confronted with the possibility of sweeping cuts to basic state services.

Representative Underheim stated that the Regents have seen a proposal for TABOR legislation which limits spending to Wisconsin's population growth and changes to the Consumer Price Index (CPI), and he commented that this version of the bill is far too severe. In times of high economic growth and low inflation, capping state taxes based on the CPI would be unnecessarily restrictive.

Representative Underheim indicated that his proposal is based on three principles: 1) the spending limits would be based on Wisconsin resident's increase in personal income; 2) any tax rate increases would need to be approved by public referendum; and, 3) the State would be required to budget using Generally Accepted Accounting Principles (GAAP). The first two principles would amend the State's Constitution, while the requirement for using GAAP accounting principles would not. This proposal would have a much less drastic impact on the UW System than TABOR legislation based on the rate of inflation.

Regent President Marcovich asked whether the bill would have any provisions to deal with cost increases that are beyond the UW System's control. For example, utility costs have recently been rising faster than the rate of inflation. Several Regents expressed concern that limiting the Board's flexibility to set tuition rates would hamper the university's ability to address other funding shortfalls. Representative Underheim stated that federal funds, gifts, grants and contracts would be excluded from the spending caps. In its current form, tuition would be included under the spending caps; however, tuition is an item that would be open to discussion.

Regent Gottschalk stated that he has serious reservations about the TABOR proposals, and that calling these proposals a Taxpayer Bill of Rights is deceptive. These proposals act as a constitutional amendment to avoid legislative responsibility for the spending decisions that has helped put the State in its current situation. Representative Underheim referred to broad public support for such a measure, and

stated that the TABOR legislation is moving forward in one form or another. Representative Underheim commented that the university should take a realistic approach to TABOR.

Regent Bradley remarked that demand for the UW System moves countercyclical to the rate of personal income. The UW System is an economic engine for the State that would be put in a difficult position if capped during a time of high demand. Representative Underheim commented that under this proposal due to its less restrictive caps, the UW System would compete for a larger amount of State resources than TABOR legislation based on the rate of inflation.

e. Parity Pay Plan Request

Janice Czynscon, a Senior Editor with the College of Engineering at UW-Madison, addressed the Board about domestic partner benefits. She recently marked her 20th year of employment with UW-Madison. She estimated that married co-workers received or were eligible to receive approximately \$100,000 more than she received in compensation in the form of health insurance benefits for their spouses and children during her time of employment. This benefit has been denied to her domestic partner of 24 years and their children, and this inequity will continue into her retirement. Prominent faculty have left UW-Madison in recent years, specifically because the UW does not provide domestic partner health insurance. There are many faculty and academic staff who have reported that they are considering leaving the UW to accept offers from employers offering this benefit.

Ms. Czynscon asked the Board to redress this longstanding matter of workplace discrimination. The UW-Madison faculty, academic staff and students have consistently supported domestic partner health insurance benefits through their governance organizations. Ms. Czynscon remarked that she is currently a member of a systemwide inclusivity initiative, which supports an immediate provision of domestic partner health insurance to UW System employees.

Ms. Czynscon noted that UW-Madison has indicated that it would gladly fund this benefit for UW-Madison employees. More than 5,700 employers nationwide provide domestic partner health benefits. As of 2003, 182 of Fortune 500 companies offered this benefit. More than 150 schools and universities, including more than half of the Big Ten and Committee on Institutional Cooperation (CIC) Universities (Michigan State University, Indiana University, Northwestern University, Purdue University, the University of Chicago, the University of Illinois System, the University of Iowa, the University of Michigan, and the University of Minnesota System) offer domestic partner health insurance.

Ms. Czynscon remarked that the Board has a tradition of supporting benefit enhancement proposals, and asked that the Board work with State officials, beginning with Governor Doyle, to provide this benefit to UW System faculty and academic staff. She asked that the Board explain to each member of the Joint Committee on Employment Relations that the State of Wisconsin engages in unfair labor practices, which tarnish the UW System's reputation and affects the State's ability to recruit and retain talented faculty and staff.

Regent Bradley stated that the resolution should be revised to explicitly state that group health insurance premiums for domestic partners of UW System employees should be funded from the compensation reserve in the same way as for all other state employees. Details of the revised resolution are in the minutes of the Board of Regents meeting, April 2, 2004.

Upon the motion of Regent Gottschalk, and the second of Regent Connolly-Keesler, the Committee approved Resolution I.2.e.

Resolution I.2.e.

Whereas, in accordance with s. 230.12(3)(e) *Wis. Stats.*, a 2003-05 plan for university unclassified faculty and staff compensation and benefits adjustments has been approved by the Legislature's Joint Committee on Employment Relations; and,

Whereas, any modification to that approved pay plan must be adopted through the process outlined in s. 230.12(3)(e) *Wis. Stats.*; and,

Whereas, the Board of Regents adopted by resolution a 2003-05 pay plan request for faculty, academic staff, and university senior executives that despite identifying a need for a 4% pay increase each year of the biennium, recognized the financial difficulties of the State and UW System and requested compensation adjustments “up to” the needed amounts “to the full extent of funds available in the compensation reserve”; and,

Whereas, the 1% pay plan approved for faculty and academic staff in 2004-05 is now known to be less than the full extent of funds available; and,

Whereas, the Board of Regents adopted by resolution a 2003-05 request that “UW System faculty, academic staff, and university senior executives be asked to contribute to state group health insurance at the same levels that will be applied to all other state employees”; and,

Whereas, it is now known that health insurance premium contributions made by university unclassified staff are higher than the contribution rates applied to other state employees; and,

Whereas, the Board of Regents endorses state group health insurance for domestic partners of all state employees, funded from the compensation reserve in the same way as for all other state employees; and,

Whereas, the Board of Regents endorses the State of Wisconsin’s recognition of Veteran’s Day by adding a personal holiday to the paid leave credits granted to other state employees.

Now, therefore;

Upon the recommendation of the UW System President, and pursuant to s. 230.12(3)(e) *Wis. Stats.*, the Board of Regents directs the UW System President to notify the Governor and the Legislature that the UW System seeks to obtain a 2003-05 compensation and benefits adjustments plan for faculty, academic staff, non-represented graduate assistants, and university senior executives that is in substantial parity with other state employee groups. The Board directs the UW System President to transmit to the Director of the Office of State Employment Relations, a request that the Director recommend to the Joint Committee on Employment Relations a university unclassified pay plan modification to obtain a general salary increase (1.35%) for faculty, academic staff, and university senior executives that is equivalent to the 1% plus \$0.10 per hour general wage adjustment approved for other state employees in 2004-05, that allows full-time faculty and academic staff to receive a lump sum payment of \$250 and non-represented graduate assistants to receive a \$125 lump sum payment, that allows academic staff salary ranges to be increased by up to 1.35% and that increases university senior executive salary group ranges 1 and 2 to competitive levels, and that allows faculty, academic staff, non-represented graduate assistants and university senior executives to contribute to state group health insurance at the same premium levels charged to other state employees.

Further, the Board of Regents requests the State of Wisconsin provide funding for state group health insurance for UW System faculty and academic staff domestic partners on the same basis as all other state employees.

Further, the Board of Regents amends Regent Policy 96-2 to provide full-time faculty, academic staff, and limited appointees with 3 and ½ days of paid leave each fiscal year and one additional day of paid leave each fiscal year in recognition of Veteran’s Day as non cumulative personal

holidays to be scheduled and taken as determined by the institution and to provide less than full-time unclassified staff a prorated share of all personal holidays based on the percent of appointment.

c. Trust Funds

(1) Acceptance of Bequests

Regent Vice President Walsh joined the meeting at this time.

Assistant Trust Officer Doug Hoerr stated that the gift from the Theodore Herfurth and Genevieve G. Herfurth Trusts totaled \$5.1 million. Several members of the UW-Madison College of Letters and Science indicated that the gift is deeply appreciated, and detailed how the gift will be utilized. Mary Anne Fitzpatrick, Deputy Dean, College of Letters and Science, UW-Madison, thanked Beth Kubly and the Herfurth family. One-half of the gift will be dedicated to scholarships to undergraduate students in the College of Letters and Science, and the other half will be shared by two of the College's most distinguished departments. Steve Stern, Chair, History Department, UW-Madison, stated how important financial aid gifts are to students in the Humanities. David Lindberg, Hilldale Professor Emeritus and former Chair, History of Science Department, UW-Madison, noted that this gift will make a tremendous difference to the department.

Beth Kubly, the granddaughter of donors Theodore and Genevieve Herfurth spoke to the Committee on behalf of her family about her grandparent's strong belief in education, hard work and civic responsibility. These beliefs have been passed down through the Herfurth family, and the family is very pleased that the university is receiving this gift for the liberal arts because liberal arts are the underpinnings of a successful profession.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Gottschalk, the Committee approved Resolution I.2.c.(1).

Resolution I.2.c.(1)

That, upon the recommendation of the President of the University of Wisconsin System and the Chancellors of the benefiting University of Wisconsin institutions, the bequests detailed on the attached list be accepted for the purposes designated by the donors, or where unrestricted by the donors, by the benefiting institution, and that the Trust Officer or Assistant Trust Officers be authorized to sign receipts and do all things necessary to effect the transfers for the benefit of the University of Wisconsin.

Let it be herewith further resolved, that the President and Board of Regents of the University of Wisconsin System, the Chancellors of the benefiting University of Wisconsin institutions, and the Deans and Chairs of the benefiting Colleges and Departments, express their sincere thanks and appreciation to the donors and their families for their generosity and their devotion to the values and ideals represented by the University of Wisconsin System. These gifts will be used to sustain and further the quality and scholarship of the University and its students.

d. Tuition Policy Revision

Due to time constraints, this agenda item and resolution were tabled to a future meeting of the Business and Finance Committee.

f. Operations Review and Audit Update

(1) Children's Centers

Due to time constraints, this agenda item was tabled to a future meeting of the Business and Finance Committee.

(2) Federal Student Right to Know

Due to time constraints, this agenda item was tabled to a future meeting of the Business and Finance Committee.

b. UW-Madison Extramural Research Support

Martin Cadwallader, Dean, Graduate School and Vice Chancellor for Research, UW-Madison, stated that UW-Madison ranks third nationally for total research and development expenditures behind Johns Hopkins University and the University of California, Los Angeles (UCLA). UW-Madison ranks second in the country for graduate enrollment and PhD degree production.

Dean Cadwallader affirmed that UW-Madison received \$583 million in total research awards in 2002-03. Total federal research awards were \$422 million. This is reflective of the doubling of the National Institute of Health (NIH) budget. Support from Health and Human Services (HHS) accounts for 54%. Non-federal research awards total \$161 million and includes gifts from the Wisconsin Alumni Research Foundation (WARF), UW Foundation, and Business and Industry.

Dean Cadwallader noted an alarming trend regarding the recent drop in applications to the UW-Madison Graduate School from international students. This past year marked a 27 percent drop in international applications, and this trend has been witnessed by universities around the country. Applications from international students to Graduate Schools in other parts of the world, Europe and Australia in particular, are increasing.

The Committee commended Dean Cadwallader for working to increase research grants in a very competitive environment.

a. Approval of Minutes of March 4, 2004 meeting of the Business and Finance Committee

Upon the motion of Regent President Marcovich, and the second of Regent Connolly-Keesler, the minutes of the March 4, 2004, meeting of the Business and Finance Committee were approved as presented.

h. Report of the Vice President

Vice President Debbie Durcan stated that the Legislative Audit Bureau (LAB) has indicated that the UW System will receive a draft of their administrative audit report by the end of April.

Vice President Durcan indicated that LAB is sending a letter to the Joint Audit Committee on a number of compliance issues at various agencies. LAB criticized the UW System and the Department of Administration's (DOA) handling of excess utility expenditures in fiscal year 2003. Last year the UW System had a \$10.9 million shortfall in utility funding. \$4.6 million of the shortfall was paid from fees and a 13.10 request was sent to the Joint Finance Committee for the \$6.3 million General Purpose Revenue (GPR) share. There was no funding available, and DOA recommended that the UW System withdraw the request and roll the expenditures to the current fiscal year. The end of March estimate for fiscal year 2004 is a shortfall of as much as \$13 million which includes the \$6.3 million from last year. The UW System will be submitting a 13.10 request to the Joint Finance Committee for this year's shortfall.

Ms. Durcan commented that in fiscal year 2001, the UW System experienced an \$11.2 million shortfall. The Joint Finance Committee approved a \$6 million increase from other state funds, and the UW System covered \$2.7 million from tuition. The remaining \$2.5 million rolled to fiscal year 2002. Last year was the fourth consecutive year where the UW System experienced a utility shortfall. These shortfalls have been caused by optimistic estimates built into the State budget, significant increases in utility prices, as well as new construction.

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

No additional items were presented to the Committee.

Upon the motion of Regent Connolly-Keesler, and the second of Regent President Marcovich, the Business and Finance Committee adjourned at 4:36 p.m.


Eric Engbloom, Recording Secretary