Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
May 6, 2004

The Business and Finance Committee met in Joint Session with the Physical Planning and Funding Committee at 1:40 p.m. in room 1820 Van Hise Hall, UW-Madison, to discuss the UW-Madison Camp Randall Stadium Expansion/Renovation project budget increase. The minutes of this discussion are detailed in the minutes of the Physical Planning and Funding Committee.

a. Alternatives for Addressing the Utility Budget Shortfall

The Business and Finance Committee continued to meet in Joint Session with the Physical Planning and Funding Committee at 2:25 p.m. in room 1820 Van Hise Hall, UW-Madison, to discuss alternatives for addressing the utility budget shortfall. Present were Regents Connolly-Keesler, Gottschalk, Rosenzweig, Gracz, Salas, Amato, and Randall.

Vice President Durcan stated that the current estimated utility budget shortfall is $11-13 million, which includes $6.3 million in fiscal year 2002-03 expenditures brought forward to 2003-04. The UW System has experienced a shortfall in its utility budget for each of the past four fiscal years. Prior to the 1998-99 biennium, utility funding was sufficient to cover costs. For the 1999-01 biennium, the budget for each year was established at the same level as the budget for 1998-99. The UW System experienced a shortfall of $1.1 million in the first year of the 2000-01 biennium and a shortfall of $11.2 million in the second year. The Joint Committee on Finance (JFC) approved covering the first year shortfall through the UW System unspent General Purpose Revenue (GPR) fringe benefit budget of $843,000, and UW academic student fees of $269,000. The JFC approved covering the second year shortfall through a transfer of other state funds of $6 million, UW academic student fees of $2.7 million and a transfer of expenses to the next fiscal year of $2.5 million.

Ms. Durcan commented that in 2001-02 the UW System experienced a shortfall of $3.1 million. By prior agreement with the Department of Administration (DOA), the UW System did not seek supplemental funding from the Joint Committee on Finance to cover any portion of this shortfall, which was covered entirely with academic student fees. In 2002-03 the UW System experienced a shortfall of $8.3 million. A 13.10 request was submitted to the Joint Finance Committee, but later withdrawn in recognition of the non-availability of funds. The fee share of the shortfall of $2 million was covered with academic student fees in 2002-03, and the GPR share of the shortfall of $6.3 million was, with the approval of DOA, transferred to this fiscal year. The Legislative Audit Bureau has since criticized this transfer of expenditures in a letter to the Joint Audit Committee.

Ms. Durcan noted that institutions have been participating in the State’s Wisconsin Energy Initiative 3 (WEI-3) program with Johnson Controls and Honeywell, Inc. According to a DOA status report, annual lease payments to Honeywell by UW institutions total $1.2 million while estimated annual savings are $1.1 million. Payments to Johnson Controls are $4.7 million each year with expected annual savings of $4.9 million. UW-Oshkosh is one of the few institutions where the annual savings exceed the annual lease payment. The true savings will not occur until the leases are repaid. In addition, institutions have initiated many programs to improve energy efficiency, and the UW System is committed to continuing energy saving initiatives.

Rob Cramer, Secretary of the State of Wisconsin Building Commission and Administrator of the Division of State Facilities Management, reported that campuses have taken many steps to increase energy use efficiency. Since 1973, energy use has gone down 3.4 percent per square foot. This efficiency has been brought about in the last decade by campus participation in the WEI-3 program with Johnson Controls and Honeywell. The WEI-3 program is well respected both within and outside of the State of Wisconsin.
Mr. Cramer noted that the WEI-3 in its current form is ending due to the expiring contracts with Johnson Controls and Honeywell, and the State is analyzing proposals to replace the agreement. The State is considering a pilot to start next fiscal year focused on energy use per gross square foot with DOA and at UW Colleges, UW-Eau Claire, UW-Oshkosh and UW-Madison. Pilot campuses will be asked to set specific goals, and DOA will establish strategies with campuses to accomplish those goals.

Regent Amato remarked that the current utility budget shortfall is not simply a short term problem due to continual increasing space and rising utility rates. Utilities will continue to be a significant cost driver with long term effects on the UW System. Assistant Vice President Nancy Ives noted that electricity is more than one-half of the UW System’s utility cost at roughly $35 million.

Regent Gracz asked about the initiatives in place to save energy for current as opposed to new space. Mr. Cramer noted that walls are being built between classroom and laboratory space, and buildings are being analyzed to see whether they can be retrofitted to realize energy use advantages. Broad brush approaches to save energy have been used in the past; however, the focus now is to take a campus by campus approach.

The Committees noted that energy conservation will continue to be a high priority for the university, but steps must be taken to correct the current structural deficit. This will take a long term commitment on the part of the State and the University.

Regent Connolly-Keesler introduced a resolution that directs UW System Administration to request funding from the JFC to cover the 2003-04 shortfall. The resolution would not require any additional charges to students.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Amato, with Regent Gottschalk voting in opposition, the Business and Finance Committee and Physical Planning and Funding Committee approved Resolution I.2.a.

**Resolution I.2.a.**

That, the Board of Regents directs System Administration to prepare and submit to the Joint Committee on Finance a request for an increase to the GPR appropriation for utilities in an amount sufficient to cover 2003-04 expenditures (both current and prior year) in accordance with Section 13.10 Wisconsin Statutes.

The Joint Session with the Physical Planning and Funding Committee adjourned at 2:58 p.m.

The Business and Finance Committee reconvened at 3:02 p.m. in room 1511 Van Hise Hall, UW-Madison. Present were Regents Connolly-Keesler, Gottschalk and Rosenzweig.

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

**d. Operations Review and Audit Update**

**(1) Children’s Centers**

Ron Yates, Director, Office of Operations Review and Audit, stated that the UW System child care policy recognizes the importance of access to child care for UW students, faculty and staff. The Office reviewed implementation of Regent Policy Document 83-5 which sets the goal of “seeing that top quality low cost child care and extended child care services, preferably campus based, are available to the children of students, faculty and staff.” It is important to note that the Board policy does not mandate that
child care programs be established, but that each institution should set a goal of providing child care services when community care does not meet the need.

Mr. Yates noted that twenty-two children’s centers and preschool laboratories now operate within the UW System. Except for UW-Green Bay, all doctoral and comprehensive institutions offer care, two UW Colleges provide care and other UW Colleges allocate some segregated fees to subsidize students’ child care costs. All four-year institutions operate children’s centers on campus except for one UW-Madison center.

Mr. Yates remarked that UW Children’s Centers serve a mix of functions such as education and research, and offer activities for students to gain practical experience. For example, in fiscal year 2002, UW-La Crosse reported over 3,900 hours of use for observation, student teacher placement and other curricular efforts. The review found that nearly all of the centers address instructional and academic roles but do not document their use for purposes other than child care; therefore, the Office recommended appropriate documentation be maintained.

Director Yates noted that capacity at UW Children’s Centers has increased by approximately 18 percent over the past ten years, with more than 1,400 in the fall of 2002, compared to about 1,200 in the fall of 1992. Capacity at individual centers ranged from 8 to 285 at UW-Milwaukee. Other types of important services such as part-time care, sick child care, evening and weekend care, and drop in care are expensive and provided on a limited basis.

Director Yates noted that all UW System institutions are or will be accredited except for UW-Parkside. In comparison, only approximately 10 percent of Wisconsin’s licensed centers were accredited as of February, 2002. The enrollment mix of the centers varies greatly between institutions, but averages 30 percent faculty/staff, 25 percent community and 45 percent students. The centers are open year round due to demand.

Director Yates noted the review’s conclusions. The recommendations include: 1) taking greater advantage of available federal grants, parent subsidies, or fundraising opportunities; 2) increasing efforts to collaborate with other departments or agencies; 3) documenting the children’s center’s role in functions such as instruction/academic support, research, public service, and other activities, and verifying the appropriate funding mix and assigning costs proportionately; 4) improving the assessment of parent survey results to determine whether corrective actions are necessary; and, 5) maintaining documentation to support student parent subsidies. In addition, the Office recommended that UW institution administrators ensure that all UW children's centers or private campus vendors attain accreditation. Finally, UW System Administration should explore ways to be represented in various legislative initiatives concerning child care, and provide information to children’s center directors in order to expand funding support from federal, state and other sources.

Marcie Parkhurst, Director of Women’s Issues, United Council, noted some concerns that students of the UW System have with child care centers. She stated the importance of in-home care, work study at child care centers and a sliding scale fee system for students with different income levels. Ms. Parkhurst also stated the need for attaining more federal funding. Child care centers should be given structured guidance to help them through the federal grants process.

(2) Federal Student Right to Know

Director Yates stated that the Office of Operations Review and Audit, UW System, reviewed compliance with the Federal Student Right-to-Know and Campus Security Act of 1990, which requires higher educational institutions to provide students and, in some cases, university employees with financial, institutional and security information. The law is divided into two separate components: Title I and Title II.

Mr. Yates noted that Title I of the Act, called the Student Right-to-Know Act, requires institutions of higher education to disclose: 1) financial assistance information; 2) institutional information; 3) information about completion and graduation rates; 4) athletic program participation rates;
and, 5) financial support data for athletics. The intent of the act was to provide students and their families with information about the educational benefits and financial obligations of attending various institutions of higher education so that they could make an informed choice about which institution to attend.

Mr. Yates commented that Title II of the Act, called the Crime Awareness and Campus Security Act became effective July 1, 1994, and requires institutions to prepare, publish and distribute an annual report with information about campus security policies and campus crime statistics. Institutions are required to distribute the report to all current students and employees, and to provide the information upon request to any applicant for enrollment or employment. Congress passed the Crime Awareness and Campus Security Act in response to the brutal rape and murder of a 19-year-old student at Lehigh University 1986. After discovering that students and employees had not been informed of 38 other violent crimes that occurred at Lehigh during the three years before their daughter’s death, the student’s parents began an effort to require that institutions of higher education routinely collect and provide crime information to students and employees. In 1998 an amendment to the Act changed the title to the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act). Failure to comply with the Clery Act requirements may result in a $27,500 fine and severe violations could result in limitation, suspension or termination from participation in Title IV programs.

Mr. Yates remarked that educational institutions in other states have encountered problems complying with Clery Act requirements. The Office analyzed 11 reviews conducted by the Department of Education since 1996 and found that the most common compliance issues included failing to accurately compile or to report crime statistics and failing to provide the annual security report.

Mr. Yates indicated that UW System staff described several concerns with the accuracy and usefulness of the data included in the report. These concerns include possible duplication of information, the timeliness of receiving information from law enforcement agencies and difficulty in translating that information into Clery Act categories, and the difficulty in making statistical comparisons between campuses since the data does not account for differences in the total number of students on each campus. Some staff also believed that the data may not accurately reflect the actual occurrence of crime on campus. UW-Oshkosh, for example, frequently reports one of the highest numbers of alcohol violations among UW institutions. This data does not necessarily mean that UW-Oshkosh students use alcohol more frequently than other students; rather, staff noted, the data could reflect a more aggressive approach to enforcing alcohol laws.

Director Yates mentioned that sexual assault data has been the most controversial of all crime information that institutions are required to include in the annual security report. Newspapers nationwide have questioned the accuracy of sexual assault data for some higher education institutions. For example, a December 12, 2001 Wisconsin State Journal article noted that UW-Madison reported six sexual assaults under the Clery Act in 2000, while at the same time the Dean of Students reported 58 sexual assaults under a separate state reporting requirement.

Mr. Yates remarked that the University of California (UC) System recently became a target of a Clery Act investigation after a newspaper raised concerns about reporting practices at UC-Davis. The Office of the President of the UC System initiated a systemwide taskforce to review compliance issues in response to the concerns. The UC review concluded that, while UC institutions had not deliberately under-reported crime statistics, there were some problems with the approaches used to comply with the Clery Act. It found inconsistencies among the campuses. In response to the review, the UC System developed a handbook to help its institutions comply with Clery Act regulations.

Mr. Yates highlighted the review’s conclusions, and pointed out that UW-Stout has developed one of the most comprehensive descriptions of institutional programs. Each program is listed on a web page, along with a description of the curriculum, faculty, costs, and, in a few cases, the facilities associated with the program. Although not required by law, the institution also provides information describing how each program compares to peer programs on such measures as costs, graduation rates and job placement. Many other UW institutions’ information is not as well organized on their campus web pages. Campuses are currently attempting to resolve inconsistencies in reporting.
b. Approval of Minutes of April 1, 2004 meeting of the Business and Finance Committee

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the minutes of the April 1, 2004, meeting of the Business and Finance Committee were approved as presented.

c. Tuition Policy Revision

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the Committee approved Resolution I.2.c.

Resolution I.2.c.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves a change to the current Board of Regents Tuition Policy Principles to specifically state that “nonresident tuition rates should be competitive with those charged at peer institutions and sensitive to institutional nonresident enrollment changes and objectives.”

e. Committee Business

(1) Quarterly Gifts, Grants, and Contracts

Vice President Durcan stated that total gifts, grants and contracts for the nine-month period ending March 31, 2004 were $886 million, an increase of $122.2 million from the comparable period of the previous fiscal year. Federal awards increased $111.5 million and Nonfederal awards increased $10.7 million, although the increase over the prior comparable period may be overstated due to timing issues.

(2) Contract for Exclusive Merchandising Rights and Facilities Rental for UW-Madison Division of Intercollegiate Athletics

Regent Connolly-Keesler asked about the duration of the UW System contract with Gold Country, Inc. Vince Sweeney, Senior Associate Athletic Director, Intercollegiate Athletics, UW-Madison, stated that the agreement is for seven years and is effective on July 1, 2004. The contract will expire June 30, 2011. Upon mutual agreement by both parties, the contract may be extended for an additional three years.

Upon the motion of Regent Rosenzweig, and the second of Regent Gottschalk, the Committee approved Resolution I.2.e.(2).

Resolution I.2.e.(2)

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents accepts the agreement with Gold Country, Inc.

f. Report of the Vice President

Vice President Durcan stated that UW-Madison will be implementing a laptop program for their School of Business students who are in the Masters of Business Administration (MBA) Finance program. This is similar to UW-Milwaukee’s laptop program for students in the School of Architecture.
Mark Ready, Associate Professor, School of Business, UW-Madison, stated that this program is for Finance MBA students only. There will be 30 students in the program next semester. Standardizing the laptop and the software for every student will improve the quality of education of the students. The laptops including software will cost about $2,500 for the two year program.

Ms. Durcan commented that the UW System received a letter from the State Auditor regarding the Legislative Audit Bureau (LAB) Administrative Audit, which indicated that they are planning to update their analyses with data from 2004 to provide the best possible analysis and to improve the relevance of the report. The UW System should receive a confidential draft in June.

Vice President Durcan remarked that on April 28 the UW System staff held an entrance conference with LAB regarding their audit of the State’s economic development programs. The audit will be comprehensive and is expected to aid the Legislature in its 2005-07 budget deliberations. The review will include: 1) developing an inventory of the various programs and how much is being spent; 2) analyzing duplication and overlap; 3) performing gap analysis; and, 4) assessing outcomes for a smaller number of programs.

Ms. Durcan stated that the Joint Audit Committee approved a statewide fleet audit this week. She noted that UW System chancellors reimburse the state for personal mileage where required.

Vice President Durcan pointed out that in the federally mandated A-133 audit for fiscal year 2003, there were only $374 of questioned costs for the UW System. UW System and campus administrators are working on some procedural issues to resolve some prior audit findings from the 2002 audit.

Ms. Durcan noted that UW System staff participated in a course on the basics of bonding offered by the Central Association of College and University Business Officers (CACUBO). UW System staff were joined by the State’s Capital Finance Officer, Frank Hoadley, the Department of Administration (DOA) budget analyst, R.J. Binau, and the capital budget analyst from the Department of Facilities Management, Peter Maternowski. Ms. Durcan indicated that it was very helpful to have Mr. Hoadley present to help the staff understand how the state operates its bonding program. The UW System and DOA will continue to explore whether it makes sense for the UW to have its own bonding authority. The UW System emphasized the desire to move projects more quickly through the pipeline, as well as the need to protect student dollars earmarked for capital projects. The UW staff concluded that the first step is to request statutory language changes to exempt all program revenue funded projects from enumeration.

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

No additional items were presented to the Committee.

h. Closed session to consider trust fund investments as permitted by s.19.85(1)(e) Wis. Stats.

Upon the motion of Regent Gottschalk, and the second of Regent Rosenzweig, the Business and Finance Committee adjourned to Closed Session at 3:59 p.m. Present were Regents Connolly-Keesler, Gottschalk and Rosenzweig.

The Business and Finance Committee adjourned at 4:19 p.m.