

Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
May 5, 2005

The Business and Finance Committee met in Joint Session with the Education Committee at 1:00 p.m. in the Memorial Student Center, Ballroom B/C, UW-Stout, to discuss the 2004 Annual Report of The Wisconsin Partnership Fund for a Healthy Future. Present were Regents Connolly-Keesler, Pruitt, Randall, Axtell, Burmaster, and Gracz. Regent President Marcovich and Regent Vice President Walsh were also present.

a. University of Wisconsin Medical School, The Wisconsin Partnership Fund for a Healthy Future: First Annual Report

Regent Emeritus Boyle asked for approval of the 2004 annual report of the Wisconsin Partnership Fund for a Healthy Future. He stated that the report reflects the tremendous progress that has been made over the past two years. Regent Boyle thanked Dean Philip Farrell, Medical School, UW-Madison, for his outstanding leadership with the Oversight and Advisory Committee (OAC), which provides public participation and monitoring of the fund, as well as the Medical Education and Research Committee (MERC).

Dean Farrell thanked Regent Emeritus Boyle for his work as the Board's liaison with the Wisconsin Partnership Fund. He commented that the fund has provided unprecedented opportunities to work with Wisconsin communities on health research and education programs.

Dean Farrell reported that the first component of the Wisconsin Partnership Fund is community academic partnerships, which account for 35 percent of the expenditures from the fund. These partnerships have been a tremendous success. There have been numerous collaborations between more than 100 faculty members and community organizations.

Dean Farrell stated that the reaction to the request for proposal (RFP) was amazing. There were 225 responses from all but 3 of Wisconsin's 72 counties. There were 33 grants totaling \$5.9 million awarded. Seventy-nine percent of the funds target programs addressing health disparities. Twenty-seven percent of the funds target state-wide initiatives linked to the state health plan. Forty percent of the funds target rural areas, and forty-nine percent target the state's urban population, particularly Southeastern Wisconsin in partnership with UW-Milwaukee and the Medical College of Wisconsin.

Dean Farrell indicated that the second component of the Wisconsin Partnership Fund is overseen by the Medical Education Research Committee (MERC). This component committed \$7.1 million for strategic initiatives, special projects in five priority areas, planning grants, and funding for new educational research programs such as the Masters in Public Health program. Funding was directed to new areas of research devoted to identifying risks early to prevent diseases. The funds will build a bigger and better public health work force in the state.

Doug Mormon, Public Health Officer for La Crosse County and member of the OAC, stated that the goal of the Wisconsin Partnership Fund has been to engage communities from all around the state to help develop and improve the state health plan. For example, funds have been allocated for helping small communities achieve the goals set by health care practitioners and allocated for the benefit of Hmong and Native American populations. This is an important step in transforming the UW Medical School into a school of public health.

Regent Randall asked for an explanation of the disparity between the administrative expenses for public health initiatives and medical education and research initiatives. Ken Mount, Associate Dean for Fiscal Affairs, UW Medical School, indicated that part of the funds for public health initiatives are encumbered but not yet spent, and it is expected that the amount will increase over the next year.

Regent Randall noted his approval of a large portion of the funds targeting health disparities in Wisconsin. He asked how the UW Medical School and grants from this fund will recruit Wisconsin residents, especially people of color, into the public health workforce. Dean Farrell responded that diversity is one of the criteria that the medical school uses while recruiting. The medical school student body is quite diverse at roughly 15% minorities; however, Wisconsin residents make up a small proportion of those students. There are pre-existing scholarship and grant programs from outside of the Wisconsin Partnership Fund that target minority students. The medical school expects these programs to continue to increase the percentage of minority students.

Regent Connolly-Keesler asked what percentage of the requesting projects was actually approved. Dean Farrell indicated that the dollar amount requested from the 225 applicants was roughly ten times more than the amount that was actually committed. It is unfortunate that many project requests were not funded; however, it is encouraging that there will be excellent project requests in the future. In the future, the Wisconsin Partnership Fund will monitor the projects, and possibly award smaller grants for shorter term projects.

Upon the motion of Regent Axtell, and the second of Regent Pruitt, the Committee approved Resolution I.2.a.

Resolution I.2.a.

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 approves the 2004 Annual Report of The Wisconsin Partnership Fund for a Healthy Future, which was collaboratively developed by the UW Medical School and the Oversight and Advisory Committee, in accordance with the Order of the Insurance Commissioner and the Agreement.

Upon the motion of Regent Pruitt, and the second of Regent Randall, the Joint Session with the Education Committee adjourned at 1:29 p.m.

The Business and Finance Committee reconvened at 1:36 p.m. in the Memorial Student Center, Ballroom A, UW-Stout. Present were Regents Connolly-Keesler, Pruitt, and Randall. Regent Bradley attended the meeting via telephone.

b. Approval of Minutes of the April 7, 2005 meeting of the Business and Finance Committee

Upon the motion of Regent Pruitt, and the second of Regent Randall, the minutes of the April 7, 2005, meeting of the Business and Finance Committee were approved as presented.

**c. Student-Centered Business Services: e-commerce; e-business; and e-communication
Presentation by UW-Stout, Office of Administrative and Student Life Services**

Diane Moen, Vice Chancellor of Administrative and Student Life Services, UW-Stout, stated that UW-Stout places a high value on innovation, continuous improvement, and excellent services by using e-commerce, e-business, and e-communication. The use of information and communication technologies has reduced administrative costs and provided higher levels of student services. These improvements allow for more face to face interaction with students that need additional services. Ms. Moen introduced staff members Lucy Nicolai, Associate Director of University Centers, Student Life Services, Joe Krier, Director of Technical Resources, Budget and Operations, Student Life Services, and Jane Griffiths, Bursar.

Associate Director Nicolai noted that student-centered business services cover all aspects of service delivery and support students by keeping their needs at the center of attention. The goal is to offer convenient, seamless, high quality, and one-stop service.

Director Krier noted that UW-Stout analyzed the possible uses of the student identification card with the goal of providing new services to students while increasing administrative efficiencies. A number of recommendations led to the Stout One Card in January, 2003. It is currently being used by roughly 8,000 students and staff on campus. Mr. Krier explained that the card functions as a physical key for exterior door access to university buildings. The card also functions as a MasterCard debit card. Currently 4,000 students use this function.

Regent Connolly-Keesler asked for more details on the MasterCard function, and whether it can be used after graduation. Mr. Krier reiterated that the card is a debit card, not a credit card, and it has no minimum balance or monthly fee. Due to the fact that it functions as a bank card, it can be used for student payroll direct deposit. Currently 825 of 1,300 student employees use this function. The card can be used after graduation.

Director Krier stated that the card allows financial aid refund checks to be automatically deposited into students' accounts. Of the 9,400 financial aid refunds processed last year, 71 percent were processed electronically on the card. This streamlined administrative process allowed the business office to outsource check writing.

Mr. Krier noted that UW-Stout was the first campus in the country to implement this type of service and 22 campuses around the country have followed. Within the UW System, UW-La Crosse and UW-Parkside currently provide this solution.

Director Krier commented that the Stout One Card provided one-time savings of \$40,000 for the campus. There are annual revenues of \$10,000 in commissions and annual savings of \$15,000 on new student carding. Finally, the business office has seen \$7,500 in labor and operating savings.

Ms. Griffiths discussed how students at UW-Stout use Educational Computer Systems, Inc. (ECSI) e-Business technologies to pay tuition on-line. ECSI provides many benefits including convenient, around the clock access for students. It is efficient since all required financial aid forms are on-line. It is simple to process Perkins loan payments on-line with e-signatures. On-line billing has decreased late payments. Also, administrative savings allow staff to provide more one-on-one assistance.

Ms. Griffiths stated that TouchNet Information Systems, Inc. develops and supports innovative commerce solutions that help UW-Stout meet the challenge of running campus business. The e-business technology allows multiple methods of tuition payment. There are no service charges for automated web-check payments. Also, payments are immediately reflected on students' accounts.

Ms. Griffiths commented on efficiencies resulting from these e-Business solutions. The technology has improved the Bursar's administrative procedures so that there are no lines at the Bursar's window. It has resulted in \$4,025 annual savings in reduced paper, printing and postage, and \$3,000 annual savings in reduced limited term employee (LTE) assistance.

Ms. Nicolai discussed how e-communication benefits UW-Stout's facility maintenance system. Resident hall students have the ability to communicate electrical, plumbing and custodial problems using an automated response and scheduling system. The system is accessible on-line 24 hours a day, and has provided faster response times to requests.

Regent Pruitt asked about the bidding process and length of the Stout One Card contract. Mr. Krier noted that the RFP was sent to both local and national banks. Local banks had difficulty satisfying all requirements of the program. The contract is for five years.

Regent Randall praised the Stout One Card program; however, he asked about transaction fees and the students' rights to opt out of marketing lists that are sold to vendors. Mr. Krier stated that transaction fees are not charged if the card is used on campus; however, standard bank fees are charged if the card is used off campus. The Stout One Card vendor cannot sell the list of card holders to a marketer, and the vendor knows that this is of utmost importance to UW-Stout.

Addison Vang, Engineering Technology Student, UW-Stout, noted that he uses the Stout One Card on a daily basis. He stated that, instead of carrying many cards, he uses the Stout One Card as an identification card, at vending machines, and as a debit card for purchases.

d. Trust Funds

(1) Investment Strategies Report: Global Tactical Asset Allocation

Forrest Berkley, Head of Global Product Management, Grantham, Mayo, Van Otterloo & Co. LLC (GMO), led the Committee in a discussion of asset allocation. He pointed out that GMO's client list includes a wide variety of institutions such as the State of Wisconsin Investment Board and the County of Milwaukee.

Mr. Berkley indicated that when looking at the prior 75 years, today's investment market is at the most expensive level in terms of price to earnings attributes over a ten-year investment horizon. This is a very difficult environment in which to invest.

Mr. Berkley stated that long-term corporate economic growth is stable and predictable; however, investors repeatedly drive prices far above and far below fair value. GMO delivers value through asset allocation by overweighting in asset classes with lower prices and higher valuations in terms of their underlying fundamentals, and underweighting in overpriced asset classes.

Mr. Berkley indicated that GMO's clients gain from an emphasis on inexpensive asset classes with high return and controlled volatility. To achieve this balance, investors need to diverge from the benchmark asset allocation strategy of 65% stocks and 35% bonds. An improved allocation would include multiple asset classes, including the GMO multi-strategy fund of funds. There is increased power in diversification and decreased volatility with the GMO multi-strategy fund. Since the inception of the fund in June, 2004, the global balanced asset allocation strategy real return of 11.8% has outperformed the blended benchmark real return of 6.8%.

(2) Strategic Asset Allocation and Spending Plan Review

Assistant Trust Officer Hoerr briefly reviewed the asset allocation and spending plan. The current spending rate is 4.5%; however, the current implied spending rate, or achievable return less expected inflation and investment and administrative expenses, is 3.5%. The Committee could see requests at the June meeting to approve new asset classes, revise the strategic asset allocation, and revise the spending rate.

e. Tuition Related Issues

(1) Review of Tuition Options discussed in Charting a New Course for the University of Wisconsin System and Building Our Resource Base Studies

Assistant Vice President Lynn Paulson led a discussion about tuition funding possibilities in response to the Committee's request for a review of the "Building Our Resource Base" study, which was conducted during last year's "Charting a New Course for the UW System" exercise.

Mr. Paulson noted that the "per credit" tuition model charges students for each credit taken. The "cohort tuition" model sets rates based on the year a student enrolled. The rates are typically higher for an entering cohort than for students who enrolled earlier. The "progressive tuition, progressive aid" model increases tuition rates for all students and provides increased financial aid to hold down the net cost for lower income students. Therefore, the net costs would be increasingly based on ability to pay, effectively shifting costs to higher income families. The "self-supporting tuition for professional programs" model

would require certain professional programs to cover all their direct and indirect costs from tuition revenues. The “tuition based on ability to pay” model would assess higher tuition rates to student from families above a certain income level in order to reduce rates for low income students. The “single tuition rate” model would assess the same tuition for both resident and non-resident students with scholarships offered to resident students.

Regent Connolly-Keesler commented that the Committee will not make any tuition decisions at the current meeting. She stated that there are several differential tuition programs available and campuses should be encouraged to pursue them. Mr. Paulson mentioned that UW-Stout is in the third year of its six year pilot “per credit” tuition program. The UW System will have a better idea of the program’s effect after the completion of the pilot.

Regent Axtell, who joined the Committee meeting at this time, noted that the tuition discussion was particularly timely because of discussion in the Legislature on capping tuition. Regent Axtell described the misinformation that suggested Wisconsin resident students are unfairly experiencing tuition increases at greater rates than non-resident students. The Board of Regents previously substantially increased non-resident tuition at the urging of the Legislature. Associate Vice President Freda Harris affirmed that in recent years non-resident students have experienced increases in tuition of 12% and 15%. Regent Axtell stated that the Board conveyed to the Legislature that the UW System would price itself out of the non-resident student market. The result has been the loss of over 400 students and more than \$4 million in revenue.

Regent Pruitt agreed that a discussion should regularly occur on the level of tuition. It is a touchstone of access to the UW System.

(2) Midwest Higher Education Compact: Student Exchange Program

Assistant Vice President Paulson stated that the Midwest Student Exchange Program (MSEP) is an interstate initiative established by the Midwestern Higher Education Compact (MHEC). It was created to increase interstate educational opportunities for students in its member states. At present, this tuition discount program includes the six participating states of Kansas, Michigan, Minnesota, Missouri, Nebraska, and North Dakota. There are more than 130 participating institutions, collectively enrolling more than 2,600 students. Students in participating states pay 150 percent of the resident tuition rate.

Regent Randall asked for further information on the program. He expressed concern that although this program deals with recruiting out-of-state students it does not address the problem of Wisconsin resident minority students attending institutions outside the state. This is occurring in increasing numbers. Programs such as these perpetuate the “brain drain” in Wisconsin, and send the message that the UW System does not attempt to “grow our own”.

Regent Connolly-Keesler commented that the Committee would need to be assured that the program would not displace Wisconsin resident students. Mr. Paulson indicated that these agreements are typically arranged for programs in which the institution has excess capacity. Therefore, enrolling a small number of students through the MSEP does not displace resident undergraduate students and the additional instructional costs of serving these students are minimal.

Vice President Durcan remarked that several UW System institutions have expressed interest in the MSEP. In order for UW System institutions to participate, the Board of Regents must endorse the program by signing the participation agreement and appointing a representative to the MSEP Council. The agreement would allow any UW System institution to voluntarily join MSEP.

President Reilly stated that if this program was approved, individual institutions could choose whether or not to participate, and each campus would have the ability to tailor the program to its needs. The admission requirements are set by each campus along with the available programs of study. It could be available at the institution or department level, making it a very flexible program.

f. Quarterly Audit Update

Ron Yates, Director, Office of Operations Review and Audit, updated the Committee on the major projects of the Office. These included two recently completed reviews: Special Course Fees at University of Wisconsin Institutions and Occupational Health and Safety Training for UW Employees.

Mr. Yates noted that the review of special course fees examined how institutions have implemented UW System policy. Describing the variation in UW institutions' use of special course fees, Director Yates noted that optional special course fees for products retained by students vary widely. In art courses, for example, UW-Superior assesses special fees only for sculpture, ceramics, and photography; whereas other UW institutions assess fees in as many as 30 art courses. The policy also addresses private music lessons. Applied music courses, for example, require a one-to-one faculty-to-student ratio, which increases instructional costs. Several UW institutions assess a special course fee to non-music majors for applied music courses. Some UW institutions, such as UW-Platteville, do not assess a special course fee to non-music majors.

Director Yates noted that many UW institutions do not have a written policy to address reserves in special course fee accounts. Several other UW institutions have addressed special course fee reserves through written policies. UW-Milwaukee, for example, has established a procedure governing special course fee account balances that requires a questionnaire to be completed when an account has a projected ending cash balance that exceeds 15% of annual expenditures and is greater than \$10,000, or when the projected ending cash balance is negative.

David Glisch-Sánchez, Academic Affairs Director, United Council of University of Wisconsin Students, commented on special course fees. Board policy states that students should be advised as to whether a special course fee will be assessed. Students want to have a discussion on how they should be notified because there is inconsistency in the disclosure of special course fees.

Mr. Glisch-Sánchez stated that some campuses have made a better effort to control costs so that special course fees are not charged. A special course fee should only be assessed when it is absolutely clear that it is needed. He indicated that the goal of special course fees should be to recoup instructional costs. The spirit behind institution-wide differential tuition is that it benefits all students, whereas the spirit behind special course fees is that it benefits students taking those specific courses. Specifically, students complain that student technology fees, which are linked to overall tuition increases, have increased dramatically.

Mr. Glisch-Sánchez remarked that the California State University System does not charge tuition, but rather charges academic segregated fees. The spirit behind the segregated fee model is that students should have some authority over the use of the fees. He asked whether students would be given more authority in the setting of special course fees similar to the control given for academic segregated fees.

Director Yates stated that UW System guidelines give the institutions flexibility, and UW institutions have interpreted various fee provisions differently. As a result, the assessment of fees throughout the UW System is not consistent. The UW System should strive for more consistency between campuses. Also, the UW System could set a minimum special course fee, and review special course fees on a case by case basis. For example, if a particular special course fee is only \$5, that small amount could more appropriately come from other funds.

Mr. Yates next discussed a program review report on the extent to which UW institutions provide occupational health and safety training to their employees. This training includes, for example, training about blood borne pathogens for employees who could be exposed to blood as part of their work. He commented on the system that Michigan State University (MSU) has established. MSU has an interactive computer program consisting of a series of databases and a master record for each employee. The master record is created when a new employee is hired and is updated when an employee takes a health and safety class. One of the most effective aspects of the system is that the computer automatically notifies workers by e-mail when their annual refresher date is approaching.

Director Yates noted that there are non-compliance issues at UW System institutions. However, the review suggested that non-compliance is prevalent at institutions nationwide because it is difficult to provide the full range of training topics frequently enough to meet regulatory requirements.

Mr. Yates updated the Committee on the Office's follow-up activities regarding its report on student health and safety in UW international education programs, issued in February, 2001, which reviewed the implementation of policies and procedures intended to protect the health and safety of UW students studying abroad. Mr. Yates stated that former Regent Gottschalk pressed for mandatory health and evacuation insurance for all students studying abroad. Some campuses did not support the concept; however, the insurance cost only \$30 and has turned out to be a great thing for both students and the campuses. Since the mandatory insurance went into effect in 2001, there have been 209 claims for a total of \$100,000 and 6 medical evacuations. The premium has risen by only \$1 to \$31, and there are now around 4,700 students studying abroad with the insurance.

Director Yates followed up on the Office's report on student credit card debt and policies on credit card solicitation on UW property, issued in May 2004, which examined studies of student credit card ownership and debt, UW policies on credit card companies' soliciting on campus, and UW institutions' efforts to provide education about credit card ownership. Nationally, student credit card debt has continued to rise. Gifts to students are the most troubling aspect of credit card solicitation on campus, and there have been some major policy changes at the campuses. Two campuses, UW-La Crosse and UW-Madison intercollegiate athletic facilities now allow credit card companies to give gifts to students. UW-La Crosse amended its policy so that gifts must be given to students whether or not the students obtain the credit card. Campuses are continuing to make changes to restrict access to credit card companies while complying with the law.

g. Business of the Committee

(1) Quarterly Gift, Grant and Contract Report

Vice President Durcan stated that total gifts, grants and contracts for the nine-month period ending March 31, 2005 were \$873 million, a decrease of nearly \$13 million from the comparable period of the previous fiscal year. Federal awards increased by more than \$10 million and nonfederal awards decreased by roughly \$23 million.

(2) Biennial Budget Update

Vice President Durcan indicated that UW System President Reilly sent a letter to the Joint Committee on Finance, responding to questions that the Committee asked UW representatives at the university's budget hearing.

h. Report of the Vice President

Vice President Durcan commented on the work that the Chief Business Officers (CBOs) and Provosts have done to increase UW System efficiencies. Senior Vice President Cora Marrett and Ms. Durcan were charged by President Reilly to form two working groups. The first is the Academic Planning Group, which will work to improve the program review process, grants, and faculty and staff development. The second is the System Administration Consolidation and Regional Consolidation of Administrative Functions Group, which will analyze possible efficiencies for the Operations Review and Audit, Procurement, Federal Relations, Risk Management, Administration of International Programs, Hiring Process and Procedures, and Payroll and Related Functions.

Ms. Durcan reported that President Reilly asked each group to analyze the following areas:

- Functions that are performed by System Administration or the institutions that do not add value and can be eliminated;
- Functions that are useful, but need improvement;
- Functions currently performed by System Administration that might be better delegated to the institutions; and,
- Functions that are performed by the institutions that could be done on a centralized basis to better serve the institutions and the state.

Vice President Durcan commented on Department of Administration (DOA) procurement initiatives. Eight categories have been identified as the first wave for potential state-wide savings, including information technology services, software, food service, printers, peripherals, janitorial supplies, maintenance and repair items, and office supplies. The plan is to achieve greater savings without compromising quality and service.

Ms. Durcan stated that the UW System believes it can achieve this objective in some of the areas identified, including printers and office supplies. However, some areas are of much greater concern, such as food service, because of the need to provide a certain quality and service level to the students as paying customers.

Upon the motion of Regent Randall, and the second of Regent Connolly-Keesler, the Committee adopted Resolution I.2.h., directing the Vice President of Finance to draft a letter to the DOA Secretary on behalf of the Committee expressing concern that consolidated statewide contracts will hurt local businesses with which the UW contracts, especially affecting Minority Business Enterprises, small businesses, and those owned by women.

Vice President Durcan commented on the DOA Travel Contract, reporting that the state recently awarded four travel agency contracts for statewide travel services. Regent Randall and the Committee again expressed concern about its impact on local businesses.

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 Pruitt, and the second of Regent Randall, the Business and Finance Committee adjourned to Closed Session at 4:15 p.m. Present were Regent Connolly-Keesler, Pruitt, and Randall.

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



Eric Engbloom, Recording Secretary