

Minutes  
Business and Finance Committee  
Board of Regents of the University of Wisconsin System  
November 10, 2005

The Business and Finance Committee met at 1:12 p.m. in room 1920 Van Hise Hall, UW-Madison. Present were Regents Pruitt, Connolly-Keesler, Loftus, Randall, Rosenzweig, and Smith. Regent President Walsh was also present.

**a. Approval of Minutes of the October 6, 2005 meeting of the Business and Finance Committee**

Upon the motion of Regent Smith, and the second of Regent Rosenzweig, the minutes of the October 6, 2005 meeting of the Business and Finance Committee were approved as presented.

**b. Continued Review of University Personnel Policies and Practices**

Regent Pruitt stated that the Business and Finance Committee has worked to maintain a delicate balance in reforming the university's personnel procedures and practices. The Committee's aim is to fix what is broken and respond to the legitimate concerns that UW System stakeholders have in ensuring that no one will be paid for not working, and no one will be paid more than for the job they are doing. However, in fixing the problems, the Committee should not handcuff UW System leadership in attracting the best and the brightest academic talent to Wisconsin. The Committee's actions follow a two-month phase of gathering information with governance groups at all UW System campuses.

President Kevin Reilly highlighted the actions the Board has taken since September to reform employment policies within the UW System. He noted that these actions represent some of the most significant changes in employment policy and practice since the merger of the UW System more than 30 years ago.

President Reilly summarized the proposed resolution, indicating that it would not eliminate tenure for faculty, but that it would eliminate so called "back up" appointments for outside hires, restrict limited appointments to those prescribed by statute unless specifically approved, and provide a six month termination clause for those hired from the outside who do not qualify for tenure. There are potentially three options for new limited appointments: 1) a six-month notice period; 2) "at will" appointments that include fixed-term contracts; and, 3) a hybrid of the two options.

Regent President Walsh stated that the term "back-up" does not appear in Wisconsin State Statutes. The term itself should be eliminated.

Regent Smith supported the six-month notice period so long as it enabled the UW System to attract preferred candidates for key leadership positions.

Regent President Walsh commented that at-will employees give much-needed flexibility to leadership who may need to make changes. It is common in the private sector and, if the UW System is going to act more like a business, it needs to use this type of employment practice effectively. The Committee asked for additional information on fixed term contracts at the December meeting.

The Committee indicated that they hope to address competitive compensation for faculty, staff, and academic leaders in the coming months. In addition, the Committee asked staff to prepare information on competitive executive compensation as the Committee's work on this topic has been delayed due to the need to address personnel policies and procedures. UW Chancellor's salaries are currently 17 percent behind their peers.

Regent Loftus made a motion, and Regent Rosenzweig seconded, to amend the resolution so that it states that the effect of the resolution is to eliminate so called "back up" appointments.

Regent Pruitt agreed that it should be perfectly clear that the Committee is recommending the elimination of so-called "back-up" positions.

Upon the motion of Regent Smith, and the second of Regent Randall, the Committee approved Resolution I.2.b. revised.

**Resolution I.2.b. revised**

Whereas, at its September, 2005 meeting, the Board of Regents approved an eight-point resolution addressing University of Wisconsin System personnel policies and practices; and

Whereas, among other items included in that resolution, the Board of Regents directed that "with input from appropriate governance groups, position titles designated as limited appointments shall be reviewed, and the practice of negotiating fixed-term contracts for administrators in lieu of limited term appointments shall be considered. A report on that assessment will be presented to the Board of Regents no later than its November, 2005 meeting;" and

Whereas, the advice of the governance groups has now been received, and it is the general consensus that fixed-term contracts for administrators should not be substituted for the current limited term appointments because of the likely additional costs associated with such a system, and the related loss of flexibility in dealing with administrators who no longer fulfill the requirements of the position; and

Whereas the governance groups have further suggested that, going forward, limited appointments should be restricted only to those identified in s. 36.17, Wis. Stats., unless otherwise authorized by the UW System President; and

Whereas, the position titles designated as limited appointments and the practice of using fixed-term contracts for administrators in lieu of limited term appointments, have also been reviewed by appropriate UW System staff;

Now therefore be it resolved:

That, upon the recommendation of the President of the UW System, the Board of Regents adopts the following principles:

- (1) As required by s. 36.17, Wis. Stats., limited appointees holding concurrent UW System faculty or academic staff appointments under ss. 36.13 and 36.15, Wis. Stats., shall not lose those faculty or academic staff appointments upon accepting a limited appointment.
- (2) Limited appointees entering UW System employment from other institutions and either: (a) holding a tenured faculty position elsewhere or (b) having been recruited to a position with a requirement or expectation of tenurability, and who have been recommended for tenure by the appropriate UW department may be granted a concurrent tenure appointment as part of the employment contract process.
- (3) The status or the length of the term of a concurrent appointment held by a limited appointee may not be altered while the individual is serving in the limited appointment.
- (4) Limited appointees entering UW System from other institutions who do not hold tenure elsewhere and were not recruited with a tenurability requirement shall not be granted concurrent appointments; however, at the discretion of the appointing authority, such employees may be granted not more than six months notice of termination as

permitted under s. UWS 15.01, Wisconsin Administrative Code, at the same salary, and with possible reassignment to other duties during this period.

(5) From and after the date of this resolution, notwithstanding any institutional policies to the contrary, limited appointments shall be permitted only for those positions enumerated in s. 36.17, Wis. Stats., unless an institution demonstrates unique circumstances justifying the creation of additional limited appointments and the UW System President authorizes, in writing, the addition of such a limited appointment.

The effect of this resolution is to eliminate “back-up” appointments.

### **c. Update on University of Wisconsin System Institutional Budget Reductions for FY 2006**

Associate Vice President Freda Harris provided an update on how UW System institutions are planning to manage the base budget reductions included in 2005 Wisconsin Act 25. This reduction totals \$30 million, including \$15 million from the Governor’s Executive Budget and an additional \$15 million initiated by the Joint Finance Committee (JFC) for the current year. The reduction was targeted at administration and required a 100 FTE staff reduction this year and a further 100 FTE staff reduction next year. The UW System is required to submit a report to the Secretary of the Department of Administration (DOA) by May 2006 of the titles of positions that will be eliminated as part of the 200 position reduction.

Associate Vice President Harris stated that the \$30 million reduction is a small portion of the UW’s total \$4.1 billion budget. However, the reductions are not being taken against the total UW System budget, they are being taken against the \$991 million General Purpose Revenue (GPR), or state funded budget, which when combined with \$860 million of academic fees, comprises the core funding for educating students. Also, the \$30 million is only a portion of the total reductions required this year. In addition, there is a lapse of \$20 million for asset management or sale of property, and \$5 million for savings related to efficiencies and cost reduction in the procurement of supplies and services. This brings the total to \$55 million less in operating funds this year, which is 5.5 percent of the GPR base and 3 percent of the GPR/Fee base combined. This might be manageable if it were a stand alone decrease but it builds upon GPR reductions in 2002-03, 2003-04, and 2004-05.

Ms. Harris noted that in their preliminary plans, institutions disproportionately protected instruction. While administration represents only 8.4 percent of the budget, 26 percent of the reductions were taken on administration, which is more than 3 times its proportional share. The largest share of the reductions was taken in academic support, which represents 15 percent of the budget, but took 27 percent of the cuts.

Associate Vice President Harris remarked that several campuses have not yet distributed the JFC reductions to schools, colleges, and departments because the final budget reductions were not distributed until the academic school year was over. Most of the students had pre-registered for classes and most faculty members had left the campus. The campus budget process, in many cases had to wait until faculty returned this fall to begin. A more complete report on the base reductions will be provided in the 2006-07 operating budget report, along with information on the position reductions. However, campuses are relying on one time cash balances to help manage the \$15 million JFC reduction and taking advantage of vacancies that occur to allow them time to determine where permanent reductions can be made.

Associate Vice President Harris stated that campuses have avoided reductions to faculty and instructional academic staff; however, reductions to the infrastructure will result in more work for faculty. Some examples are reductions in information technology staff, program assistants, deans, and directors. More faculty will need to make their own copies, schedule their own flights and meetings, purchase their own supplies, and edit their papers, for example, which could diminish their time and ability to meet with students, plan conferences, work with businesses, and the community.

Ms. Harris commented that campuses have shifted some positions to alternative funding sources such as federal overhead. This leaves fewer dollars available to support the operations of campus

departments. In many cases, there are very few supply and expense dollars available on GPR funds. UW-Milwaukee is reducing positions including Assistant and Associate Deans, Directors and Assistant Directors, a Librarian, other administrative and student support positions, information technology positions, human resource positions, a financial management specialist and several program assistants. UW-Green Bay has eliminated a Budget Analyst, an Associate Dean for Graduate Studies, and an Internal Auditor. UW-La Crosse has eliminated an Assistant Vice Chancellor for Enrollment Management and the Director of Financial Aid. Where possible, students will be hired to answer phones but the ability to answer substantive questions about the operation will be diminished.

Regent Loftus asked whether campuses have considered reducing student enrollments as part of cutting campus budgets. Ms. Harris responded that some campuses considered the idea, but many campuses did not have enough notice to intervene in the admissions process, given the timing of the state budget approval. Andrew Soll, Vice Chancellor, UW-Eau Claire, added that if student enrollments were reduced, tuition revenues would also be reduced, which might mean even more cuts to the campus budget.

Vice Chancellor Soll reported that UW-Eau Claire planned to make its share of the budget cuts, \$2.2 million, through reorganizations, consolidations, eliminating some services, and finding alternative sources of funding. Students would be affected by having fewer course sections, more students in each class, and fewer options for elective courses, which could affect time-to-graduation. Also, the campus eliminated several administrative positions.

Tom Sonnleitner, Vice Chancellor, UW-Oshkosh, stated that administrative areas have taken roughly three times their fair share of the \$3.6 million cuts, while administrative areas account for just 5 percent of the UW-Oshkosh's total budget. The campus canceled several searches to fill key positions and reduced 22 other positions. UW-Oshkosh was also forced to zero out a small fund it had planned to use for reinvestment in future years.

Regent Loftus and Regent Rosenzweig asked for a written report on each institution's share of the budget reduction, and what actions have been taken to absorb the reductions. Ms. Harris assured that this would be provided at a later date. Also, campuses would have more details about the required budget cuts in February, and again in May.

#### **d. Business and Finance Committee Goals and Plans for 2005-2006**

The Committee delayed discussing the Committee's goals to a later date.

#### **e. Audit Update**

Regent Connolly-Keesler stated that a procedure needs to be established for the Committee to follow when audits are requested by Committee members. She and Director Yates presented a process that will be reviewed in greater depth at the December Business and Finance Committee meeting.

##### **(1) Consideration of Audit on Student Segregated Fees**

Regent Connolly-Keesler stated that, subsequent to the October Board meeting, a request for an audit of student segregated fees was made through the Audit Liaison.

Regent Loftus stated that he is requesting the audit to study whether student fees are being directed toward appropriate projects and programming. He noted a trend of increasing rates in student fees, especially for capital projects. Also, bonds are issued for building projects based on the guaranteed stream of student fees, which may continue to be assessed for several years.

Two representatives from United Council of UW Students, David Glisch-Sanchez and Taylor Johnson, and Nick Cluppert, Student Body President at UW-River Falls, shared their perspective on the proposed audit of student segregated fees, noting that students should have control over these funds.

Ms. Johnson, Shared Governance Director for the United Council of UW Students, reported that student fees are an integral part of student free speech, and allow for student-directed programming on campus.

Mr. Cluppert told the committee that it is essential for students to be involved in every step of the process of deciding how and when student fees are collected. Students must also be given absolute authority over how student fees can be used.

Mr. Glisch-Sanchez, United Council Academic Affairs Director, noted that, due to their brief time on campus, students have a lack of institutional memory about how such fees are supposed to be used. Also, referenda related to student fees are used inconsistently.

The Committee noted that student segregated fees are not the same as differential tuition, which is assessed for specific academic programs, sometimes at student request.

Associate Vice President Harris stressed the need for the Committee to consider the views of others who play a role in the institutional processes used to determine the use of student fees.

Regent Connolly-Keesler requested Director Yates to submit a letter to the Committee at the December meeting outlining the scope of work proposed for the segregated fee audit.

Regent Pruitt noted that while there will be areas of agreement and disagreement, the Committee will review and consider the audit scope in December.

## **(2) Legislative Audit Bureau Audit of University Personnel Policies and Practices**

Regent Connolly-Keesler updated the Committee on the entrance conference held with the Legislative Audit Bureau (LAB) regarding their audit of university personnel policies and practices. LAB hopes to move quickly on reviewing the topic of felons on the university payroll, and expects to release a separate letter report on their findings in this area. The UW System has already provided information to LAB to assist in their review.

### **f. Business of the Committee**

#### **(1) Annual Sick Leave Report**

This report was presented to the Business and Finance Committee as required by agreement with the DOA secretary. Due to the extended discussion on personnel policies and practices and audit, the annual report on sick leave usage was not discussed in full.

Regent Loftus pointed out that non-teaching academic staff used more sick leave than faculty and teaching academic staff. This will likely be a topic of comment in the LAB report.

#### **(2) Annual Gifts-In-Kind Report**

Due to the extended discussion on personnel policies and practices and audit, this agenda item was not discussed. This is an informational report that is submitted annually to the JFC and the DOA Secretary.

#### **(3) Annual Broadcast Report**

Due to the extended discussion on personnel policies and practices and audit, the annual broadcast report was received without discussion.

#### **(4) Utility Conservation and Possible Budget Shortfall**

Vice President Durcan briefed the Committee on the status of any potential shortfall in the utilities appropriation. At present, it appears that the appropriation may be sufficient to handle anticipated expenditures, although higher than anticipated rates and uncertain demand are genuine causes for concern.

**(5) Quarterly Gifts, Grants, and Contracts Report**

Due to the extended discussion on personnel policies and practices and audit, this agenda item was received without discussion.

**g. Report of the Vice President**

Due to the extended discussion on personnel policies and practices and audit, no report was given.

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

The Committee did not express a need to discuss any items in closed session for trust fund matters, and recessed at 3:16 p.m.

**i. Annual Trust Funds Public Forum - Room 4151 Grainger Hall**

The Business and Finance Committee reconvened at 3:36 p.m. for the annual Trust Funds Public Forum in Room 4151 Grainger Hall. Present were Regents Pruitt, Connolly-Keesler, Loftus, Rosenzweig, and Smith. Regents Crain, Semenas, Axtell, and President Walsh were also present.

The Committee heard from 26 speakers out of a group of about 65 people present who asked the Board to be more active in following its guidelines on social responsibility and to consider proactive screening of companies. The speakers hoped the Board would take a more active role in divestiture in the future, especially in firms such as Caterpillar, Lockheed Martin, or Boeing. In particular, several speakers urged the Board to consider divesting of companies that do business in or with Israel; others spoke in opposition to such divestment. Other speakers addressed concerns about companies that exploit labor or manufacture weapons.

The Business and Finance Committee adjourned at 5:10 p.m.



Eric Engbloom, Recording Secretary