

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
May 4, 2006

The Business, Finance, and Audit Committee met in Joint Session with the Education Committee at 1:57 p.m. in room 1820 Van Hise Hall, UW-Madison, to hear a presentation on the second annual report of the University of Wisconsin School of Medicine and Public Health: The Wisconsin Partnership Fund for a Healthy Future. Present were Regents Pruitt, Axtell, Burmaster, Loftus, Mc Pike, Randall, Semenas, and Smith.

The joint session began on a lighthearted note with a musical tribute to Regent Axtell, who completed his service to the Board of Regents at the May meeting. Students from “Seventh Heaven,” a vocal jazz group from Janesville Parker High School performed several selections, including a rendition of The Sound of Music’s “So Long, Farewell.”

a. The University of Wisconsin School of Medicine and Public Health: The Wisconsin Partnership Fund for a Healthy Future - Second Annual Report

Dean Philip Farrell, Medical School, UW-Madison, reported on the second annual report on the use of funds received from the conversion of Blue Cross & Blue Shield United of Wisconsin to a for-profit stock corporation. He described the activities leading to the award of grants by the Oversight and Advisory Committee (OAC) and by the Medical Education and Research Committee (MERC) for health improvement projects, along with brief descriptions of some of the projects awarded funding. Guiding principles of the grant making approach included advancing the health of the people of Wisconsin, and transformation of the UW-Madison Medical School into an integrated school of medicine and public health. Total funding of \$18.8 million was awarded in 2005.

Dean Farrell stated that the OAC, which was allocated 35 percent of the funding for public health initiatives, awarded a total of \$5.5 million in 2005. The funded projects represent initiatives that address many issues identified in the State Health Plan, Healthiest Wisconsin 2010, and show success in meeting various age and minority population health needs.

Dean Farrell noted that the MERC, which was allocated 65 percent of the funding, made awards totaling \$13.3 million in 2005. Two thirds of this funding emphasized five focus areas identified for great long term achievement potential in health education and research, including innovations in medical education, disease genomics, and regenerative medicine. The remaining one-third went to strategic initiatives, including Expansion of the Master’s of Public Health, Wisconsin Academy for Rural Medicine, Reducing Cancer Disparity, Transformation of Health Care Conference, Health Innovations Program, and a New Investigator Program.

Regent Loftus, noting that the plan targets age and minority populations, asked for Dean Farrell to comment on the diseases targeted, such as diabetes, mental health, and heart disease. Dean Farrell responded that eleven priorities, including obesity, diabetes, and tobacco use were identified by the State Health Plan, and the priorities would be provided to the Committee.

Regent Burmaster recognized Regent Emeritus Boyle for serving as the Regent Liaison to the Wisconsin Partnership Fund for a Healthy Future.

Upon the motion of Regent Smith, and the second of Regent Axtell, the Committee unanimously 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 2005 Annual Report of The Wisconsin Partnership Fund for a Healthy Future, which was collaboratively developed by the UW School of Medicine and Public Health and the Oversight and Advisory Committee, in accordance with the Order of the Insurance Commissioner and the Agreement.

The Joint Session with the Education Committee adjourned at 2:37 p.m.

The Business, Finance, and Audit Committee reconvened at 2:42 p.m. in room 1920 Van Hise Hall, UW-Madison. Present were Regents Pruitt, Loftus, Randall, and Smith. Regent President Walsh and Regent Bartell were also present.

b. Approval of Minutes of the April 6, 2006 Meeting of the Business, Finance and Audit Committee

Upon the motion of Regent Loftus, and the second of Regent Smith, the minutes of the April 6, 2006 meeting of the Business, Finance, and Audit Committee were approved as presented.

c. UW Growth Agenda: A Plan for UW-Oshkosh

Chancellor Richard Wells, UW-Oshkosh, told the Committee that the campus would contribute to the systemwide growth agenda by focusing on “brain development solutions” that would increase enrollment at the campus by the equivalent of 1,200 full-time students, and would increase the number of degrees conferred by 10 percent. The plan would also increase student retention by 10 percent, increase the number of students of color by 75 percent, and increase the number of adult students by 50 percent.

Chancellor Wells commented that, although the state has a low percentage of baccalaureate degree holders compared to the national average, brain drain is not the real problem. He reviewed figures that show most Wisconsin college graduates stay in Wisconsin, and that many students who come to Wisconsin for college stay in the state upon graduation. However, Wisconsin has a brain gain problem in that it ranks 43rd in the nation in percentage of people with college degrees migrating into the state, and can still improve on the number of citizens who have four-year college degrees.

Chancellor Wells discussed core programming targeted to address educational quality and student success in the 2007-09 biennium, including the Oshkosh Student Compact, First Year Experience, Equity Scorecard/Plan 2008, Faculty Compact, and the Center for Teaching and Learning. This would also include expansion of UW-Oshkosh’s Graduation Project, which has demonstrated success in attracting adult students back to campus to finish bachelor’s degrees after being away from college.

Chancellor Wells noted that UW-Oshkosh partners with other colleges and universities, as well as businesses, industry leaders, and economic development groups, through regional alliances. UW-Oshkosh is attempting to align its academic degree programs with the expected economic needs of the region. New programs might include a bachelor of applied studies degree, as well as programs in fire science, and emergency response management.

Regent Randall asked about the increase in students of color at UW-Oshkosh, noting that only a small number of the increase was due to African American students. Chancellor Wells responded that the growth agenda plan calls for the campus to reach out to students of color and other underrepresented students, and noted the importance of retention programs. The single most

important factor in retaining students of color is the experience that current students have on campus. The Equity Scorecard program will help UW-Oshkosh better understand that experience.

Regent Bartell asked if the campus would need more administrators as it adds the 50 faculty members that it seeks through its plan. Chancellor Wells noted that prior budget cuts have disproportionately affected administration due to the priority given to protecting student instruction. Administrative staff would be needed to support the additional activities.

Regent Pruitt stated the UW-Oshkosh's Growth Agenda is bold and visionary, and wondered if Oshkosh has support for its goals from the community. Chancellor Wells remarked that it is important to the people of the community.

d. Follow-up Discussion of 2007-09 Biennial Budget Initiatives

Regent Loftus asked what new research initiatives UW-Milwaukee is requesting through General Purpose Revenue (GPR) funding. Andrew Richards, Director, Business and Financial Services, UW-Milwaukee, stated that UW-Milwaukee is requesting \$14 million in GPR research funding. UW-Milwaukee Chancellor Carlos Santiago added that next month's meeting of the Board will feature a presentation on research initiatives.

Regent Smith asked what criteria the Board should use to judge budget initiatives. Associate Vice President Freda Harris stated that all budget initiatives brought before the Board are worthy, including programs to increase baccalaureate degrees in the state, student success, and retention of students of color, for example. The Board should take into consideration President Reilly's priorities for the UW System, and analyze those alongside the priorities of the Governor and Legislature.

e. Audit Update

(1) Quarterly Status Update: Operations Review and Audit

Ron Yates, Director, Office of Operations Review and Audit, gave an update on the Office's major projects. Projects underway include reviews of Tuition Waivers and Academic Fees. Initial information has been received from the Legislative Audit Bureau (LAB) on the economic development review. He also noted that the LAB is conducting several audits of state programs, notably a report on information technology projects, one of which is a UW System project to implement an Appointment, Payroll and Benefit System.

Regents Salas, Crain, and Cuene from the Physical Planning and Funding Committee joined the meeting at this time.

(2) Review of Program Review Report - Student Segregated Fees

Mr. Yates presented findings and recommendations from the review of student segregated fees. Fee setting and collection processes were found to be appropriate and in compliance with UW System and Board of Regents' policies and students are informed and participate in the process. The review found that segregated fees within the UW System are both similar to and different from fees at university systems in other states. Some inconsistencies among UW institutions were noted, and recommendations for enhancements to the fee-setting and oversight processes were offered, including involving students in the early stages of budget development, customizing and standardizing budget materials, and including additional details when submitting proposed segregated fee rates and fee funded capital projects.

Director Yates noted that some students are concerned that they do not have adequate opportunity for input. Some projects, especially capital projects, are presented for input as the

project is already under way. Also when the debt service on a construction project ends, there are often maintenance requirements which need to be communicated more adequately to students.

The Committee was in general agreement that student involvement and transparency in the segregated fee process is essential. Regent Loftus noted that this review sets a good precedent as a Board requested review. He asked whether the segregated fee process could be improved if students had even more involvement.

Regent Loftus commented that student fees are the one area that the Board controls. He noted his reluctance to recommend any artificial limits on fees given the current fiscal environment. He also asked why major capital projects included in the UW institutions' six-year plans are not presented to the Board. Mr. Yates responded that the Board could be provided improved information on the amounts and lengths of time for fees assessed for capital projects and debt service.

Regent Pruitt said he believed that electronic voting or some other modern means of seeking student opinion would be a common sense step toward openness and transparency. Mr. Yates said the review found that student voting levels increase dramatically when online voting is an option, and UW-La Crosse serves as a model of student voter turnout due to the use of on-line voting.

David Markee, Chancellor, UW-Platteville, noted that the amount of segregated fees is often driven by the size of the campus. Bruce Shepard, Chancellor, UW-Green Bay, added that the student senators go through a thoughtful and effective process in determining budgets, and that the representative democracy style of decision making has served UW-Green Bay well.

Regent Pruitt added that the Board might also consider giving campuses latitude to establish different ways of assessing fees and gathering student opinion to accommodate each institution's needs. Regent Loftus suggested that the extent of student input required, such as allowing all students to participate in a referendum, might be determined by a cost threshold of a proposed project or program.

Regent Salas noted that the Physical Planning and Funding Committee considers capital budgets that often include segregated fees. The Board should further analyze the possible effects of a plebiscite style of decision making for segregated fees before mandating it for certain projects. Students at all campuses must be active and engaged through their elected student government. This should include involvement in the budget-setting process, and the Board should review student input on non-allocable fees. He added that it benefits students when fees are assessed early in the development of a capital project. At the same time, the Board must seek a balance in how much and for how long students should contribute for the maintenance of completed capital facilities. Finally, there needs to be transparency so that students are kept informed throughout the segregated fee process.

Regent Crain noted that segregated fees, as well as tuition rates, need to be published so that they are very transparent. Associate Vice President Harris noted that the UW System is very careful to publish both fee and tuition data.

Regent Loftus inquired about the next steps for implementing recommendations from the report. Vice President Durcan suggested that a systemwide committee could study the recommendations and bring back options to the Board.

David Glisch-Sanchez, Academic Affairs Director, United Council of UW Students, stated that the responsibility of the student population in dealing with segregated fees is an important question. Students should also have input on important issues such as personnel and periodic reviews of whether to continue non-allocable fee funding for functions such as health services, student unions, or recreation centers. Also, students should have significant representation on any committee formed by the UW System regarding segregated fees.

The Committee agreed to return to the issue at the June meeting with a scope statement for a systemwide Committee to develop options for the Board to consider with respect to each of the recommendations included in the report.

(3) Review of Scope for Possible Program Review of Academic Performance Standards in Division I and II Coaches' Contracts

Director Yates stated that, in response to a request from Regent Randall during the March 9, 2006 Committee meeting, the Office of Operations Review and Audit has gathered background information and developed a proposal for topics that could be included in a review of academic-performance standards in UW coaches' contracts. He noted that the review would last about three months. Regent Randall noted that he was pleased with the scope of the review. He encouraged the Committee to be more proactive on this issue.

f. Review of Chancellors' and President's Car Allowance

Vice President Debbie Durcan stated that, prior to July, 2004, Chancellors of the UW System institutions and the UW System President were assigned a fleet vehicle as part of their employment contract. In the spring of 2004, the State of Wisconsin was in the process of reducing the size of its vehicle fleet and targeted cars with fewer than 16,000 miles for elimination. Then President Katharine Lyall reviewed equity among Chancellors when some cars were targeted for elimination. In order to meet the intent of the employment contract and to remain competitive in the executive compensation package offered to Chancellors and the President, the university eliminated their personally assigned fleet vehicles and provided a taxable \$700 per month vehicle allowance.

Ms. Durcan noted that several options were recently considered in lieu of the existing car allowance. They included reducing the mileage reimbursement rate, reducing the amount of the allowance, eliminating the mileage reimbursement, returning to personally assigned fleet cars, and using state contracts to lease vehicles. The advantages and disadvantages of each were also considered. Most problematic is the fact that the Chancellors and System President have entered into personal liability contracts either through lease or purchase based upon good faith and what they understood to be a contractual arrangement with the university. A change in the midst of their contracts with the car companies would result in financial penalties. It is therefore recommended that the \$700 per month allowance be eliminated as soon as existing contractual obligations are concluded, and that the President and Chancellors be provided cars through the Department of Administration's (DOA) State leasing contract.

Regent Pruitt acknowledged that the change would mean a reduction in benefits for academic leaders, but that the solution was an important and necessary step.

Upon the motion of Regent Loftus, and the second of Regent Smith, the Committee unanimously approved Resolution I.2.f.

Resolution I.2.f.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents eliminates the \$700 per month car allowance as soon as existing contractual obligations are concluded, and that the President and the Chancellors be provided cars through the Department of Administration's State leasing contract.

g. Committee Business

(1) 2005-07 Administrative Position Reduction Report

Associate Vice President Harris presented information regarding state mandated report on the reductions in the number of administrative positions by institution, staff type, and title. The report is required to be submitted to the DOA as part of the 2005-07 biennial budget.

Ms. Harris stated that the 2005-07 State of Wisconsin Biennial Budget, 2005 Wisconsin Act 25, included a requirement that the Board of Regents reduce expenditure and position authority in the UW System's state operations appropriations to create additional operational efficiencies and balance the budget. The efficiencies included \$35 million biennially, \$15 million this year, \$20 million next year, associated with administrative savings and required a reduction of 200 administrative full-time equivalent (FTE) positions.

Associate Vice President Harris commented that the UW System received a target to reduce procurement staff positions by 14.8 Full Time Employee (FTE) as part of the 200 FTE administrative staffing reduction. A reduction of 13.0 FTE procurement positions is reflected in the report.

Regent Randall stated that six custodial positions were reduced at UW-Madison, and hoped that these types of reductions in support positions will not cause problems in the future which might cost the state more money in the long run than it saves in the short run. Ms. Harris agreed, noting the deep budget cuts and reduction of 1,000 positions over the prior three biennia.

Upon the motion of Regent Smith, and the second of Regent Loftus, the Committee unanimously approved Resolution I.2.g.(1).

Resolution I.2.g.(1)

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2005-07 Administrative Position Reduction Report for submission to the Secretary of the Department of Administration.

(2) Quarterly Gifts, Grants, and Contract Report

Vice President Durcan reported that total gifts, grants and contracts for the nine-month period ended March 31, 2006 were \$819 million, a decrease of \$54 million from the comparable period of the previous fiscal year. The decrease is primarily due to a drop of \$73.7 million in federal research awards. As discussed at the prior month's meeting, the decrease is further explained by the timing of several large, multi-year awards at UW-Madison.

(3) Authorization to Distribute Delayed 2005-06 Pay Plan to University Academic Leadership Contingent Upon Release of Funds by Joint Committee on Employment Relations

Associate Vice President Al Crist reported that the 2005-07 biennial budget provided for a 2% pay plan effective July 1, 2005 for the 2005-06 fiscal year. Approval of the resolution would authorize the UW System President to distribute the pay plan funds in accordance with the originally agreed upon plan effective July 1, 2005, as they have now been released by the Joint Committee on Employment Relations.

Upon the motion of Regent Smith, and the second of Regent Loftus, the Committee unanimously approved Resolution I.2.g.(3).

Resolution I.2.g.(3)

That, contingent upon release by the Joint Committee on Employment Relations of the previously delayed 2005-06 pay plan for University Academic Leaders, the Board of Regents authorizes the UW System President to distribute the pay plan funds in accordance with the attached Schedule A, effective July 1, 2005.

h. Report of the Vice President

Vice President Durcan reported that the Joint Committee on Employment Relations (JCOER) approved the additional 1.25% pay plan effective April 1, 2007 for all university employees.

Vice President Durcan noted that Senior Executive Vice President Mash, General Counsel Brady, and Audit Director Yates represented the university at the May 2, 2006 Assembly Colleges and Universities Committee hearing, where they discussed the status of the UW's payroll software system among other issues. Senior Executive Vice President Mash provided additional information to the Committee on the university's Appointment, Payroll, Benefit System implementation. The UW System underestimated the complexity of the implementation from the beginning, and the project has been put on hold.

Vice President Durcan reported that the UW System is currently projecting a slight surplus in the utility appropriation. Ultimately, the UW System hopes to receive Joint Finance approval to apply any savings that might accrue toward the veterans' remissions shortfall.

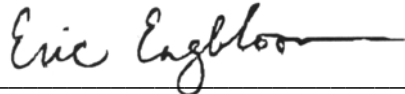
i. Additional items, which may be presented to the Committee with its approval

Regent Pruitt commented on the alarming price of textbooks. Textbook prices have increased by twice the rate of inflation over the prior ten years, and the national average cost is \$900 per semester. He noted that he would discuss this issue with the Committee's Audit Liaison and possibly request that the Office of Operations Review and Audit analyze textbook rental programs as well as other possible solutions.

Regent Randall asked that a final report be completed and published concerning Minority Business Enterprise and Disadvantaged Business Enterprise (MBE/DBE) participation in the completion of the Camp Randall renovation project.

Regent Loftus expressed concern over the potential negative impact on UW-Madison of any constitutional amendment to limit either revenues or expenses. He asked General Counsel Brady to prepare a preliminary briefing memo on giving UW-Madison more autonomy in setting tuition, determining faculty salaries, and other things the Board might be able to do within its statutory authority.

Upon the motion of Regent Smith, and the second of Regent Loftus, the Business, Finance, and Audit Committee adjourned at 5:04 p.m.



Eric Engbloom, Recording Secretary