

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
November 9, 2006

The Business, Finance, and Audit Committee met in Joint Session with the Physical Planning and Funding Committee at 1:00 p.m. in room 1820 Van Hise Hall, UW-Madison, to hear a discussion of renewable energy alternatives for UW institutions. The minutes of this discussion are detailed in the minutes of the Physical Planning and Funding Committee.

The Joint Session with the Physical Planning and Funding Committee adjourned at 1:15 p.m.

The Business, Finance, and Audit Committee reconvened at 1:19 p.m. in room 1820 Van Hise Hall, UW-Madison. Present were Regents Pruitt, Connolly-Keesler, Burmaster, Rosenzweig, and Smith. Regent President Walsh, Regent Vice President Bradley, and Regent Shields (nominated) were also present.

a. Approval of Minutes of the October 5, 2006 Meeting of the Business, Finance, and Audit Committee

Upon the motion of Regent Smith, and the second of Regent Connolly-Keesler, the minutes of the October 5, 2006 meeting of the Business, Finance, and Audit Committee were approved as presented.

b. Faculty, Academic Staff, and Senior Academic Leaders' Recruitment and Retention Challenges

(1) Faculty and Academic Staff Recruitment and Retention Challenges

Regent Pruitt stated that the Committee is aware of the importance of remaining competitive in a national market, and the quality of UW System institutions depends on the quality of their employees and leaders. During his three and one-half years on the Board, the UW System has lost six chancellors to other universities that provided substantially higher compensation. These departures considerably disrupt campus operations, and it costs \$80,000 to \$100,000 to conduct a search for replacements. During this same time period the UW System has also lost a considerable number of faculty and staff. Given the current financial limitations, the salary gap will not be completely closed in the short term, however, it must remain an ongoing focus of the Board of Regents.

President Reilly remarked that he met with the Compensation Advisory Committee in April and again last month to engage members of UW System faculty and academic staff in a review of compensation relative to peers. More importantly, the meetings provided the opportunity to listen and learn of the recruitment and retention challenges that the institutions face.

President Reilly stated that, by the end of the current biennium, UW System average faculty salaries will be 8.5 percent behind the peer median. He continued by reporting that academic staff will be 12 percent behind peers, and academic leaders will be more than 16 percent behind their peer medians.

President Reilly noted that it is important to delay bringing the Committee a recommendation for the unclassified compensation plan until the December meeting so that the Committee could review data presented and hear from a panel of faculty and administrators in person. He asked the Committee to advise him regarding the compensation plan recommendation.

Associate Vice President for Human Resources Al Crist stated that the UW System's goal is to attract, hire, and retain the best and brightest faculty, academic and administrative leaders, and academic staff. He noted where the institutions stand compared to their respective peer groups. He also commented on how recent pay plans for UW employees compared to those of other state employees.

Mr. Crist reported that UW employees would require a 7.35 percent pay plan in each year of the next biennium to reach the median of the peers by 2008-09. The need to catch up is partly due to the disparity between the pay plans that the UW System requested versus the plans that were approved by the Legislature over the prior several years. He noted fiscal year 2003-04 as particularly harmful due to the zero percent rate adjustment approved that year.

Associate Vice President Crist commented that the UW System's objectives for recruiting and retaining employees require attention to both competitive compensation and other factors that impact individual decisions to accept an offer such as a positive work environment. Everyone on campus has a responsibility to ensure positive campus communities.

A panel of campus representatives presented information to the Committee on specific challenges they have encountered in the recruitment and retention of faculty, academic staff, and administrative leaders.

Darrell Bazzell, Vice Chancellor for Administration, UW-Madison, stated that full professors at UW-Madison rank last among 12 peer institutions in terms of compensation. Of UW-Madison's 2,200 faculty members, 116 received outside offers last year, which is twice as many as five years ago. The campus was able to retain just more than half of those in part by drawing upon some of the state funding set aside to recruit and retain high-demand faculty. However, the campus has had to hold several faculty positions open due to budget restrictions.

Mr. Bazzell commented that the pressure for competitive salaries is especially demanding in science fields. Departing faculty members in this field are being replaced by new professors who can require, in some cases, an investment of up to \$1 million in start-up costs.

Vice Chancellor Bazzell listed specific examples of faculty members who left UW-Madison due to salary issues. One high profile researcher left due to the unavailability of domestic partner benefits. Millions of research dollars followed them away from the university. Typically it takes the university 7-10 years to break even after the loss of a productive researcher.

Mr. Bazzell stated that the university has to find ways to bring in new faculty and compete in the national and international marketplace. The salary problem cannot be fixed overnight, but steps must be taken to make meaningful progress.

Regent Smith stated that the inability to offer domestic partner benefits hurts the UW System competitively, and asked how other benefits compare to UW System peers. Vice Chancellor Bazzell stated that, in general, the benefits that UW-Madison offer compare well with peers, however, the lack of domestic partner benefits stands out as a large negative.

Rita Cheng, Provost and Vice Chancellor, UW-Milwaukee, stated that the campus makes every effort to pay market salaries, but salaries still lag behind. Salary offers often are \$5,000 to \$10,000 behind market value. In the past biennium, about 20 percent of recruitment offers were turned down with salary being an issue.

Ms. Cheng noted challenges to retention including low salaries compared to market levels and salary compression internally due to market rates for new hires. Of the 43 salary retention issues in the 2005-07 biennium, 13 faculty members were lost due to unsuccessful counteroffers and 12 were lost without them even seeking counteroffers. She listed three specific examples of faculty members lost due to salary issues.

Provost Cheng pointed out UW-Milwaukee's current proactive strategies to alleviate salary issues. These include a retention fund, an opportunity fund to support the hire of star faculty from underrepresented groups, and a reallocation from base budgets to cover the costs of counteroffers.

Tisa Mason, Dean of Student Life, UW-Whitewater, remarked that UW-Whitewater lost a director of a center that serves students with disabilities to a more competitive offer at a Wisconsin technical college. It took three searches to replace the position, and now the campus must invest additional time in training the new employee.

Padmanabham Sudevan, Chair, Department of Psychology, UW-Stevens Point, reported that he has lost four or five faculty in recent years to offers at other universities that included lesser teaching loads and

increased salaries. Applications for positions have dropped, and some candidates have declined interviews after learning about the campus' relatively low salaries.

Mark Evenson, President of The Association of University of Wisconsin Professionals (TAUWP), remarked that UW System's faculty and academic staff compensation is gloomy. The category of peer institutions is increasingly outdated since UW faculty and academic staff are part of national labor markets. He stated that salaries could be improved if UW faculty and staff had collective bargaining rights. The UW System loses faculty members to many universities and technical colleges that enjoy the benefits of collective bargaining.

Gloria Toivola, past President of TAUWP agreed, adding that so-called star funds, which increase pay to high achieving faculty members, make it less possible to increase compensation for all employees.

Regent Connolly-Keesler asked about the overall process of the compensation plan. Freda Harris, Associate Vice President for Budget and Planning, stated that the Board will consider a pay plan recommendation for faculty and staff at its December meeting. When approved, the Board's recommendation will be forwarded to the Office on State Employment Relations, and later considered by the Legislature's Joint Committee on Employee Relations.

(2) Consideration of Salary Adjustments for Chancellors at UW-Platteville, UW-Stout, and UW-Superior and for a Provost at UW-Platteville

Regent Pruitt stated that the Business, Finance, and Audit Committee recommended at their February 2006 meeting that the President of the UW System periodically conduct a review and assessment of individual chancellor's salaries. This review should take into consideration whether there is a need for an adjustment in salary due to competitive market factors and equity reasons.

President Reilly told the Committee that he has heard from business and community leaders in the Platteville, Menomonie, and Superior communities who cite their strong support for their respective senior academic leaders. These and other community members who have participated in searches for chancellors have encouraged the university to offer compensation to ensure that these leaders remain a part of their campus communities.

President Reilly commented that competitive salaries are a goal for all Wisconsin workers. The "Growth Agenda for Wisconsin" would help leverage the university resources to raise per capita income across the state. He stated that leadership matters and UW System leaders need to be competitively compensated. The UW System cannot afford to be a training ground for academic leaders. Since becoming President of the UW System, he has filled five chancellor positions. That kind of churning in leadership comes at a high price. In the end, keeping our quality academic leaders makes for stability and continuity on the campuses.

Regent Smith echoed President Reilly's comments, and gave his approval of the salary adjustments for these four academic leaders. He brought up the current search to replace the chancellor at UW-La Crosse, and stated his hope that this position would offer competitive compensation.

Regent Vice President Bradley gave his approval of the process to look at these specific academic leaders as opposed to looking at the group of chancellors as a whole. He noted that every one of these chancellors meets tremendous responsibilities and has considerable support from the community. The increases are a way to show these leaders that they are valued.

Regent President Walsh agreed, noting that it is much more appropriate to look at chancellors individually rather than as a group. Wisconsin statutes require that the Board review chancellors' salaries and this process is the correct way to do it.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, the Committee unanimously approved Resolution I.2.b.(2).

Resolution I.2.b.(2)

Whereas, pursuant to ss. 20.923(4g) and 36.09(1)(j), Wisconsin Statutes, the salaries of UW System academic leaders must be set within the salary ranges established by the Board of Regents, and based upon a formula derived from the salaries paid by peer institutions to their academic leaders, and

Whereas in addition, section 36.09(1)(j), Wisconsin Statutes, authorizes the Board of Regents to increase chancellors' and other university senior academic leaders' salaries to address salary inequities or to recognize competitive factors in the periods between pay plan adjustments, and

Whereas at the February 2006 Board of Regents meeting the Business, Finance and Audit Committee endorsed the recommendation that the President of the UW System periodically perform a review and assessment of individual Chancellors' salaries to determine whether there is a need for an adjustment to recognize competitive factors or correct salary inequities among senior academic leadership, as allowed by law, and

Whereas the Board of Regents affirms that leadership is critically important to the performance of our institutions and the students and citizens they serve and therefore places a high value on recruiting and retaining our outstanding senior academic leaders.

Now, therefore be it resolved;

That, upon recommendation of the President of the University of Wisconsin System, the annual salary for Chancellor Markee, Chancellor Sorensen, Chancellor Erlenbach and Provost Butts be adjusted due to competitive market factors and equity reasons per the attached recommendations, effective November 10, 2006.

c. Audit Update**(1) LAB Audit of Personnel Policies and Practices**

Vice President Debbie Durcan remarked that since the prior Committee meeting, the Legislative Audit Bureau (LAB) issued its evaluation of personnel policies and practices of the UW System. The audit focused on six key areas: sick leave reporting, sick leave conversion upon retirement, vacation reporting, limited and concurrent appointments, use of the consultant title, and faculty sabbaticals. There were six recommendations in the report, three for the Board of Regents and three for UW System Administration.

Vice President Durcan reported on the recommendations for the Board. The audit suggested modifications to policies for reporting sick leave use by unclassified staff and that a report be issued to the Joint Legislative Audit Committee by June 1, 2007 on an improved method. A similar recommendation was made regarding the reporting of vacation time use by unclassified staff. The Report to the Joint Legislative Audit Committee should also include the number of position titles that have been or are being considered for designation as limited appointments and the job protections available to those who hold them.

Ms. Durcan listed the recommendations for UW System Administration. A report should be issued to the Joint Legislative Audit Committee by June 1, 2007, on efforts to ensure UW institutions provide and track concurrent and back-up positions uniformly. The UW System should annually report to the Board of Regents on the employment of consultants by UW System, and develop both a standard agreement that lists all requirements related to faculty sabbaticals and a standard form to use in determining total compensation

received by faculty on sabbatical. There was also a recommendation for the Legislature to consider a review of the sick leave conversion program.

Vice President Durcan commented that a hearing has been scheduled of the Joint Legislative Audit Committee for November 29, 2006. President Reilly has formed a Special Regent Committee on Regent Response to the Audit consisting of Regents Loftus, Bartell, Crain, and Connelly-Keesler, a Chancellor, a Faculty Representative, and an Academic Staff Representative. The Special Regent Committee will provide advice to Associate Vice President Crist regarding the planned UW System response to the audit recommendations.

Regent President Walsh pointed out the statutory right to offer concurrent appointments and challenged the LAB's statement that there was no substantive difference between concurrent and back-up appointments.

(2) Academic Performance Standards in UW System Athletic Directors' and Coaches' Job Performance Evaluations

Regent Connolly-Keesler discussed recommendations to strengthen the extent to which student athlete academic standards are included in athletic directors' and coaches' contracts and performance evaluations. These include requiring athletic directors and head coaches at all UW institutions to promote the academic success of student-athletes, and requiring UW institutions with Division I athletic programs to submit an annual report to the Committee describing the performance of each Division I team on the NCAA's Academic Progress Rate (APR).

Upon the motion of Regent President Walsh, the Committee unanimously voted to table the resolution regarding this item since Regent Randall, who requested the review, was not present.

(3) Discussion Regarding Scope of Potential Analysis of Policy Options for Board of Regents Oversight of Information Technology Projects

Regent Connolly-Keesler discussed the potential scope and goals of a review that would include recommendations on policy options for the Board to consider in carrying out its oversight responsibilities for major information technology (IT) projects. The review would provide information on major IT projects in the UW System for the past several years, oversight and management structures for IT project implementations, and a review of other public university systems' oversight and management structures for IT project implementations.

Regent Pruitt commented that this will be a proactive and forward-looking review. He noted that the scope and goals of the review were endorsed by the Committee.

d. Committee Business

(1) Quarterly Gifts, Grants and Contracts Report

Vice President Durcan reported that total awards were almost \$400 million for the quarter ending September 30, 2006. This represents a decrease of \$14 million from the prior year. Federal awards were down \$3.5 million while non-federal awards decreased by \$10.5 million.

Regent Vice President Bradley left the meeting at this time.

(2) Role of the Finance Committee/Committee Goals for 2006-07

The Committee deferred this agenda item and concluded that it would look at its role and goals from a fiscal years 2007-09 perspective.

e. Report of the Vice President

Vice President Durcan commented that in order to make the Board meetings more efficient, UW System staff, including legal counsel, reviewed the statutorily required reports that are brought before the Committee. In some cases it is more efficient to send copies of statutorily required reports to Committee members.

Ms. Durcan noted that Committee members received two such reports: the Annual Broadcast Report and the Annual Sick Leave Report. She also noted that the Auxiliary Reserve Report was approved by the Joint Finance Committee.

Vice President Durcan stated that this is likely Audit Director Ron Yates' last Board of Regents meeting as he is moving to Oregon with his family. This will be a huge loss for the University and the Business, Finance, and Audit Committee. The UW System is conducting a search and hopes to have Mr. Yates' replacement on board early in the calendar year. After the Search Committee has narrowed the pool, she and Regent Connelly-Keesler will interview the finalists.

Regent Connolly-Keesler and Regent Pruitt commended Mr. Yates, noting that he will be missed by the Committee.

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

No additional items were presented to the Committee.

g. Closed Session to consider trust fund matters as permitted by s.19.85(1)(e) Wis. Stats.

Upon the motion of Regent Rosenzweig, and the second of Regent Smith, the Business, Finance, and Audit Committee adjourned to closed session at 3:05 p.m. Present were Regents Pruitt, Connolly-Keesler, Burmaster, Rosenzweig, and Smith. Regent President Walsh and Regent Shields (nominated) were also present.

h. Annual Trust Funds Investment Forum (Room 4151 Grainger Hall)

The Business, Finance, and Audit Committee reconvened at 3:34 p.m. for the annual Trust Funds Public Forum in Room 4151 Grainger Hall. Present were Regents Pruitt, Connolly-Keesler, and Smith. Regents Shields (nominated), Semenas, and Crain were also present.

The Regents heard from seven speakers on social responsibility, all but one concerning the Israeli-Palestinian conflict. Several speakers asked the Regents to divest of companies conducting business with Israel, while others urged the Regents not to consider such a policy.

An additional speaker praised the Board for its recent divestiture from companies operating in Sudan and asked them to support a statewide bill on the issue.

Regent Pruitt thanked all speakers and encouraged written and verbal follow-up on the issues discussed.

The Business, Finance, and Audit Committee adjourned at 4:28 p.m.


Eric Engblom, Recording Secretary