

Minutes
Business, Finance, and Audit Committee
Board of Regents of the University of Wisconsin System
March 8, 2007

The Business, Finance, and Audit Committee met in Joint Session with the Physical Planning and Funding Committee at 2:38 p.m. in the Library Overlook Lounge 272, UW-Parkside, to hear recommendations of the Segregated Fee Review Follow-up Committee. Present were Regents Pruitt, Connolly-Keesler, Bartell, Falbo, Mc Pike, Rosenzweig, Salas, and Smith.

a. Recommendations from Segregated Fee Review Follow-up Committee

Stephen Summers, Deputy Assistant Chancellor for Student Affairs, UW-Whitewater, and Chair of Segregated Fee Review Follow-up Committee, stated that, in response to last year's review of student segregated fees, a committee was formed to offer implementation options for each of the review's recommendations. The Segregated Fee Review Follow-up Committee consisted of five students, including Regent Shields, and four campus administrators. In addition to reviewing the recommendations, the committee discussed the desirability of enhancing student participation in decisions involving the use of segregated fees for capital building projects.

Mr. Summers reported that the requirement for student consultation on major remodeling or new construction projects is not specifically established by a Regent Policy document, but rather in UW System's Financial and Administrative Policy F37, "Segregated Fee Determination and Distribution." Regent Policy 88-6 directs campus administration to consult with student governance for a timely review of the segregated fee budget by the campus fee allocation committee. The Segregated Fee Review Follow-up Committee recommended strengthening Regent Policy 88-6, which appears to be implemented across the UW System in an inconsistent manner. Strengthening the consultation process is particularly important regarding fees for capital projects.

Deputy Assistant Chancellor Summers indicated the need to provide better working documents for the Board during the decision-making process regarding Segregated Fee increases in relation to the operating budget. Also, the Board should be provided a statement that would show the impact of fees at particular campuses for particular projects.

Mr. Summers reported on the committee's recommendation regarding the expiration of debt service payments. This recommendation states that any proposed redirection of fees assessed for debt service payments that are ending be specifically highlighted when non-allocable segregated fee budgets are presented to SUFAC for review.

Deputy Assistant Chancellor Summers noted the committee's discussion regarding student participation in decisions regarding major capital projects. The committee concluded that no single set of procedures can serve as a best practice for all institutions to follow in gauging student support for all major new capital initiatives.

Regent Connolly-Keesler asked whether the new policy will increase the level of student input into the segregated fee process. Mr. Summers responded that the committee's recommendations are geared towards increasing student input. Strengthening Regent Policy 88-6 would accomplish that goal.

Regent Connolly-Keesler asked whether the Board will be provided a list of every campus's procedures regarding segregated fees. Vice President Durcan noted that the Board could be provided with a list of every campus's procedures regarding segregated fees.

Regent Salas noted that, when the review of segregated fees was requested, the Physical Planning and Funding Committee developed a form that highlighted capital projects which included the use of segregated fees. This was done in order to keep the Board informed of these projects.

Regent Salas noted that students, especially new members of SUFAC, need to be trained in the segregated fee process. Mr. Summers agreed, stating that most campuses have an orientation or training process.

Regent Salas commented on the debate regarding requiring referenda for capital projects. It may not be preferable to use a single format for all campuses, but campuses that have already decided to use referenda should be encouraged to continue their use and encourage other campuses to adopt that format. Students should be encouraged to get informed and involved in the decisions regarding segregated fees.

Regent Salas noted that the proposed resolution does not contain language concerning students being given sufficient time to formulate allocable and review non-allocable segregated fee budgets. Deputy Assistant Chancellor Summers stated that this language could be added to the resolution. He noted that the proposed resolution includes language that each campus administration shall, in consultation with its student governance groups, develop procedures ensuring that SUFAC have an opportunity to review the non-allocable fee budget.

Regent Salas indicated that the proposed resolution contains language stating that any proposed redirection of segregated fees assessed for debt service payments that are ending should be highlighted when non-allocable segregated fee budgets are presented to SUFAC for review. He stated that SUFAC should be allowed to review and approve any redirection of debt service payments that are ending. Deputy Assistant Chancellor Summers stated that the committee's clear intent was to offer students the opportunity to comment on the redirection of fees.

Regent Connolly-Keesler added that students must be given the opportunity to voice their opinions about the redirection of fees. She asked whether segregated fees have ever expired. UW-Parkside Chancellor Keating commented that segregated fees end when the purpose for the fee is fulfilled. As an example, he cited the UW-Parkside fee to expand its Sports and Activity Center.

Regent Falbo stated that redirection of fees may result in questions about when a fee actually ends. It may be preferable to end the practice altogether rather than requiring an approval process for redirection.

Freda Harris, Associate Vice President for Budget and Planning, clarified that the proposed redirection of segregated fees pertains specifically to debt service payments that are ending. Debt service payments are the non-allocable portion of segregated fees.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Rosenzweig, the Committee unanimously voted to revise Resolution I.2.a. The Committee inserted, "Every effort should be made to provide sufficient time for students to formulate allocable segregated fee budgets and to review non-allocable segregated fee budgets as provided in institutional policies," and, "When debt service is no longer required, the related segregated fee shall cease." The Committee deleted, "Any proposed redirection of segregated fees assessed for debt service payments that are ending shall be specifically highlighted when non-allocable segregated fee budgets are presented to SUFAC for review."

Upon the motion of Regent Smith, and the second of Regent Rosenzweig, the Committee unanimously approved Resolution I.2.a. revised.

Resolution I.2.a. revised

That, upon the recommendation of the President of the University of Wisconsin System, Regent Policy 88-6, "Policy and Procedures for Segregated University Fees," be amended to read as follows:

1. The Board reaffirms that the institutions are responsible for defining the allocable and non-allocable portions of the student fee and that only allocable fee disputes may be brought before the Board for resolution, in accordance with the Student Governance Guidelines and FPPP 37;

2. The Board affirms that:
 - Students shall be given an opportunity to review and offer advice concerning the budget of each activity and program that is funded primarily with non-allocable segregated fees.
 - Every effort should be made to provide sufficient time for students to formulate allocable segregated fee budgets and to review non-allocable segregated fee budgets as provided in institutional policies.
 - Each campus administration shall, in consultation with its student governance groups, develop specific procedures to ensure that there is an opportunity for the Segregated University Fee Advisory Committee (SUFAC) to conduct a timely and meaningful review of the non-allocable segregated fee budget. A copy of these procedures, signed by appropriate campus administrators and student representatives, shall be filed with the UW System President's designee. The agreed upon procedures shall be consistently followed from one year to the next and any changes to those procedures will be documented and filed with the UW System President's designee. Consistent with section B.1 of Regent Policy 86-4, "Guidelines for Student Governance," the President's designee shall mediate if a campus administration and its student representatives cannot reach agreement upon the procedures to be followed.
 - Each campus administration shall also develop, in consultation with its student governance groups, a format for presenting non-allocable segregated fee funded budgets to SUFAC that is standardized within an institution to the greatest extent possible.
 - Any proposed major remodeling or major new construction project as defined by section 20.924(1)(a), *Wis. Stats.*, that will increase the non-allocable portion of the segregated university fee on any campus shall be reviewed by the Chancellor with appropriate student representation. There will be specific action by the SUFAC on the project in question, which will be presented as part of the required information for the Regents at the time the project is advanced for approval.
 - When debt service is no longer required, the related segregated fee shall cease.
 - The status of all major capital projects for which fee collection has begun, but construction has not, shall be explicitly discussed by campus administrators with SUFAC when non-allocable fee budgets are presented for review.
 - All ad hoc system-wide committees and task forces formed to deal with issues of segregated fee support shall have student membership.
3. Any appeals to the Board for resolution of irreconcilable differences between the students and the chancellor on the recommended disposition of allocable segregated fees should be filed in the Office of the System President by April 1; and
4. The Board adopts the following criteria for appeals for inclusion in the "Student Governance Guidelines":

In considering an appeal, the Board will ask the following questions:

- Has the item been defined by the institution, in consultation with the students, as an allocable fee?
- Has the chancellor discussed the difference(s) with the students and provided an opportunity for the students to reconsider their recommendation?
- Does the student-proposed budget item require the university to violate any statute, administrative code, policy, or contract?
- Is the basis for the chancellor's decision substantial (i.e., are there significant policy or management reasons for differing from the students' recommendation)?
- Is the expenditure related to a legitimate education purpose within the meaning of section 36.27(1), *Wis. Stats.*?

The Joint Session with the Physical Planning and Funding Committee adjourned at 3:27 p.m.

The Business, Finance, and Audit Committee reconvened at 3:31 p.m. in the Library Overlook Lounge 272, UW-Parkside. Present were Regents Pruitt, Connolly-Keesler, Rosenzweig, and Smith.

b. Approval of Minutes of the February 8, 2007 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 February 8, 2007 meeting of the Business, Finance, and Audit Committee were approved as presented.

c. UW-Parkside Presentation: Administrative Efficiencies and Economic Development

UW-Parkside Chancellor Keating discussed administrative efficiencies that the campus has recently achieved. Administrative functions were restructured in response to meeting the campus's share of budget cuts. The administrative structure was streamlined; however, the administrative functions still need to be performed. As a result, people have been asked to take on heavier workloads.

Chancellor Keating reported on how the institution contributes to the economic and workforce development of the corridor between Milwaukee and Chicago. He cited UW-Parkside's membership in a bio-medical technology alliance with Milwaukee area universities as evidence of a commitment to the region's business growth. The Center for Advanced Technology and Innovation (CATI), created jointly by UW-Parkside and Gateway Technical College and other educational and business partners in southeast Wisconsin, promotes business development, workforce development, and technology innovation in the region. Also cited were the \$5 million in service-learning grants brought in by the UW-Parkside based Wisconsin Campus Compact, and the hands-on business training provided by the Ralph L. Jaeschke Solutions for Economic Growth Center.

Chancellor Keating discussed UW-Parkside's environmental stewardship activities. He cited several conservancy properties owned by UW-Parkside. Among the uses of this land are sites for water quality research and catch basins for rain that can be used to water campus plants. Other properties owned by the university are used for environmental education and coastal management research grants. Finally, a bicycle trail, which is included in the campus master plan, will connect Racine with Kenosha. The trail will link UW-Parkside with Carthage College and Gateway Technical College.

d. Evaluation of Targeted Tuition Programs and Extension of Return to Wisconsin Program

Due to the late starting time of the meeting, the Committee tabled this topic to the next meeting of the Business, Finance, and Audit Committee.

e. 2007-08 Annual Distribution Adjustments

Freda Harris, Associate Vice President for Budget and Planning, discussed the fiscal year 2007-08 budget distribution adjustments. Regarding recruitment and retention, the 2007-09 biennial budget bill provides an increase to support competitive compensation for faculty and research academic staff in high-demand or mission-critical academic disciplines. The use of funds is not limited to salary dollars and may include non-salary recruitment needs. All recruitment and retention dollars should be used in the year allocated due to the critical need for funding to address competitive salary concerns. Funding is not limited to matching outside offers but can be used to support proactive market based salary increases.

Associate Vice President Harris remarked on other items included in the budget bill. The budget bill increases funding for the Lawton Undergraduate Minority Retention Grant and the Advanced Opportunity Program (AOP). The bill provides an increase for utilities. The bill provides one-time funding to support the Biomedical Technology Alliance, which will be allocated to UW-Milwaukee. The bill provides funding to the Islet Transplantation program, which will be allocated to UW-Madison. The bill includes distribution adjustments for the unclassified and classified pay plans, although the pay plans have not yet been approved by the Joint Committee on Employment Relations.

Upon the motion of Regent Connolly-Keesler, and the second of Regent Smith, the Committee unanimously approved Resolution I.2.e.

Resolution I.2.e.

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the 2007-08 annual distribution adjustments. If subsequent legislative action modifies the first year funding noted, the UW System would distribute the changes according to the guidelines set forth in Sections I and II of the Annual Distribution Adjustments document.

f. Consideration of Salary Adjustments for Senior Academic Leaders to address Recruitment and Retention Challenges for Chancellors at UW-Whitewater and UW-River Falls, and a Provost at UW-Green Bay

President Kevin Reilly stated that at the February, 2006 meeting, the Board endorsed a new process to periodically conduct a review and assessment of individual chancellor's salaries to determine whether there is a need for an adjustment in the salary due to competitive market factors and equity reasons. When academic leaders leave the UW System it is very costly to conduct executive searches. He asked the Committee to consider salary adjustments for Chancellors at UW-Whitewater and UW-River Falls, and a Provost at UW-Green Bay.

President Reilly noted that UW-River Falls Chancellor Betz has been a galvanizing force for the economic development of the St. Croix valley. He led the campus in creating a new strategic plan and is preparing to launch the institutions first comprehensive fund raising campaign. President Reilly noted the numerous letters that he has received from River Falls business leaders in support of Chancellor Betz.

President Reilly remarked that UW-Whitewater Chancellor Saunders assumed her current position and immediately went to great effort to gather input to revise UW-Whitewater's strategic plan. Chancellor Saunders implemented improved oversight over the institutional procurement process. Under her leadership the campus is moving forward with \$110 million in capital projects, including projects for the

well regarded College of Business and Economics, and a residence hall that will meet green environmental standards. President Reilly commented on the numerous letters he has received from Whitewater business leaders in support of Chancellor Saunders.

President Reilly stated that an adjustment for Provost Hammersmith is recommended, in part, due to her leadership in increasing both access and academic quality at UW-Green Bay. She was the leader responsible for the groundbreaking “one plus three” program, which serves students from the technical colleges of the region. She was instrumental in establishing UW-Green Bay’s interdisciplinary studies degree programs for adult learners. As Provost, she has established the campus’s first academic strategic plan and has been a strong advocate for diversity on campus.

Regent Pruitt stated that one of the most important duties of the Board is to help in the selection process of Chancellors. With the selection of these academic leaders the Board did a very good job.

Regent Smith commented that he served on the search and screen committees for Chancellors Betz and Saunders. Both academic leaders have done an excellent job. He noted his support for the resolution.

Regent Rosenzweig added that it was impressive and important that the Chancellors received campus and community input into developing their strategic plans. The legislative feedback has been very positive for both Chancellors.

Regent Connolly-Keesler noted that Chancellor Saunders’ adjusted salary will still be almost 20 percent below those at comparable sized institutions. President Reilly noted that, although the UW System does not use the College and University Professional Association (CUPA) data to calculate peer median salaries, it is another indicator of what is needed to catch up to the market.

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

Resolution I.2.f.

Whereas, pursuant to ss. 20.923(4g) and 36.09(1)(j), Wisconsin Statutes, the salaries of UW System senior 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 Betz, Chancellor Saunders, and Provost Hammersmith be adjusted due to

competitive market factors and equity reasons per the attached recommendation, effective March 9, 2007.

g. Audit Related Issues

(1) Program Review: Options for Board Oversight of Major Information Technology Projects

Julie Gordon, Director, Office of Operations Review and Audit, noted that the Committee requested a review of major Information Technology (IT) projects. The review was prompted by the Appointment, Payroll, and Benefits System (APBS) project, which began in 2001 and was halted in 2006, without being implemented as planned. The review was intended to be a forward-looking analysis, with its primary purpose being the identification and analysis of alternatives for Board oversight.

Director Gordon reported that U.S. colleges and universities were expected to spend \$7 billion on IT projects in 2006. Individual project costs vary considerably, but among the more expensive projects are enterprise systems, which automate core business processes and share common data across the organization. Since 1998, UW System has implemented five enterprise systems, including APBS and the student administration, library, course management, and shared financial systems.

Ms. Gordon commented that having similar IT project management structures does not necessarily result in similar project outcomes. For the five UW enterprise systems, the management structures shared many similarities with other universities and with each other. For example, project managers and steering committees are common across all universities. All five UW systems, including APBS, had a project manager, a sponsor or co-sponsors who assisted the manager in overcoming organizational obstacles, a steering committee, and an implementation team.

Director Gordon noted that IT projects have been approved through two mechanisms: (1) the Common System Review Group; and, (2) the Office of Learning and Information Technology (OLIT), which approves IT systems and acquisitions in excess of \$250,000. While these mechanisms remain in place, UW System has made a number of enhancements to the management structure and communication. For example:

- Project executive committees have been established;
- A project management office was created within OLIT;
- A more thorough planning process will be required at the start of projects; and,
- Audits by individuals external to project management are due to be conducted on projects that require a year or more to implement.

Ms. Gordon stated that the Office reviewed the Board of Regents' current IT oversight practices and those at other universities. While IT information has previously been provided to the Board of Regents, there has been no systematic pattern in the type or timing of that information. In nine of the sixteen university systems reviewed, no regular IT updates are required and no board approvals are needed. Of the remaining universities, three required board approvals of major IT projects above an established threshold and four required board approvals of overall IT strategies. However, as with the project management structures, board approvals of IT projects or strategies do not necessarily equate to project success. For example, although the California State University System Board approves overall IT strategies, its management system intended to track personnel, financial, and student records exceeded projected costs of \$440 million, by at least \$200 million in 2004.

Ms. Gordon reported that the review recommended that UW System management provide the Board with an inventory of major projects scheduled for implementation. Also, UW System management should provide regular status reports on project implementation, including project costs, timelines, and progress toward meeting established benchmarks.

Regent Rosenzweig noted that the review was helpful in revealing the lessons learned from past projects and suggesting changes to improve future projects. It was informative to learn of the difficulties

that other universities have experienced with major IT projects. She asked whether a process could be implemented to alert the Committee of problem areas before a breakdown occurs. Regent Pruitt reiterated the need for a mechanism to notify the Committee of areas of concern on a more regular basis. Director Gordon remarked that the UW System now more closely examines major IT projects, which is evident by the proposed changes to project management structure and communication. The Committee should be updated at least annually or upon request if the Committee is concerned about a project.

Ed Meachen, Associate Vice President, Office of Learning and Information Technology, assured the Committee that the UW System has improved its management practices related to IT projects. The UW System has instituted an oversight group with representatives from every campus, and project managers will be brought before the group to report on delays or cost overruns. Also, a project director will be responsible to coordinate with each project manager, ensure implementation standards are followed, and communicate any troubling issues to UW System management. Finally, projects will be led by professional project managers that will be responsible for writing and adhering to project plan timelines, deliverables, and spend rates.

Vice President Debbie Durcan noted that the state's Legislative Audit Bureau (LAB) is expected to release its audit findings on statewide IT projects later this spring. Committee members agreed to revisit the recommendations and options for Board oversight of major IT projects after the LAB report is completed.

(2) Quarterly Status Update

Due to the late starting time of the meeting, the Committee tabled this topic to a future meeting of the Business, Finance, and Audit Committee.

h. Committee Business

No items of official Committee business were discussed.

i. Report of the Vice President

Vice President Durcan reported that negotiations continue between the States of Wisconsin and Minnesota regarding any changes to the tuition reciprocity agreement. The State of Minnesota published an announcement on their website indicating that current and new students enrolling in the fall of 2007 would have at least four years to complete their undergraduate education under the current terms of the reciprocity agreement.

Vice President Durcan commented that the current utilities estimate through January anticipates a surplus. Ms. Durcan noted that EdVest, Wisconsin's Section 529 College Savings Plan, has reached the \$2 billion mark in total assets. It has been only 6 years since the current plan was launched, but there are now over 220,000 accounts. Wisconsin currently has the 13th largest Section 529 plan in the country.

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

No additional items were presented to the Committee.

Upon the motion of Regent Rosenzweig, and the second of Regent Connolly-Keesler, the Business, Finance, and Audit Committee adjourned at 4:26 p.m.


Eric Engbloom, Recording Secretary